Managing organizational social capital through value configurations

Georg von Schnurbein

Abstract

Nonprofits are said to serve as places for the reproduction of social capital. However, little is known about how to manage social capital in a nonprofit. This article presents a theory-based perspective on how to plan, execute, and measure social capital production in a nonprofit organization. By using the concept of value configurations as a method to analyze and describe the creation of organizational social capital, bonding and bridging social capital can be managed in alternative ways. In a value shop framework, the participants are more homogeneous, and growth is heavily based on referrals and reputation as well as the quality of the members. Organizations managed as value shops will foster bonding social capital. In contrast, a value network framework incorporates more likely heterogeneous, multi-level participants that add legitimacy to the network. Organizations in this framework will strengthen the evolution of bridging social capital.

Keywords: bridging social capital, bonding social capital, competitive advantage, strategic analysis, value configuration

Author information:

Centre for Philanthropy Studies (CEPS), University of Basel, Steinengraben 22, 4051 Basel, Switzerland, Phone: +41 61 207 34 63, Mail: georg.vonschnurbein@unibas.ch, www.ceps.unibas.ch

1. Introduction

Social capital has gained a great amount of attention as a concept for explaining nonprofit organizations' added value to society (Bryce 2006). Understood as "networks, norms, and trust that enable participants to act together more effectively to pursue shared objectives" (Putnam, 1995, pp. 664–665), social capital can be an individual or a collective asset that is stored in the relationships between individuals, groups or organizations. From an economic perspective, social capital reduces the transaction costs associated with formal coordination mechanisms such as contracts, hierarchies, and bureaucracies (Fukuyama, 2001).

The linkages between nonprofits and social capital are described at several levels in existing literature. For the analysis of social capital at the macro-level of communities, regions, or states, the prevalence of nonprofits serves as a measure of social capital (Putnam, 1993; Huntoon, 2001; Coffé and Geys, 2007). Putnam (2000) states that social capital is a more powerful predictor of philanthropy than financial capital. Accordingly, social capital is described at the level of the individual person as an asset that fosters giving and volunteering as major contributions to nonprofit organizations (Brown and Ferris, 2007; Isham et al., 2006). At the level of the organization itself, prior studies claim the usefulness of social capital in creating organizational effectiveness (Prusak and Cohen, 2001; Passey and Lyons 2006; Schneider, 2009). Nonprofit organizations – especially associations – are reputed to reproduce social capital (Wollebaek and Selle, 2002; Leonard and Onyx 2003). Especially, recent literature focuses on different types of social capital, differentiating the bonding and bridging functions of social capital as resulting from different forms of nonprofits (Passey and Lyons, 2006; Leonard and Bellamy, 2010).

Although there is a growing literature on the forms and the measurement of social capital in nonprofits, little attention is paid to the question of how to manage and improve social capital in nonprofits. Several reasons exist for this neglected perspective. First, it is unclear whether social capital should be managed as an individual asset of nonprofit leaders or as an organizational resource (King, 2004). Second, as social capital is inherent in social relations, it is always the by-product of other activities or purposes (Coleman, 1990). Thus, it is difficult to separate the reproduction of social capital from the primary activities that it is associated with. Finally and as a consequence, social capital cannot be measured directly. So far, the analysis of social capital has relied on indicators at the organizational and individual level, which impedes any clear description of what is to be managed and how social capital develops over time. Consequently, Prusak and Cohen (2001) observe a lack of research on how managers can invest in their organization's stock of social capital.

The present paper aims at developing a conceptual understanding on how to analyze social capital production in a nonprofit organization. I will use the concept of value configurations developed by Porter (1985) and Stabell and Fjeldstad (1998) as a method to analyze and describe the creation of organizational social capital. The underlying idea is that social capital increases the use or creation of other capital forms, e.g. financial, intellectual, or cultural capital.

In the following section, I present a literature review on social capital at an organizational level, focusing especially on the description of the different types of social capital, and I will explain the concept of value configurations. Based on this theoretical foundation, the appropriateness of value configurations for explaining social capital creation in nonprofits will be discussed in the third section. Additionally, arguments and propositions will be developed on the connection between the value configurations and the subsequent social capital creation. Finally, I will conclude with some implications for further research and for practice.

2. Literature review

The existence of organizations in general is explained by the reduction of transaction costs entailed by economies of scale, and thereby the creation of value (Williamson, 1985). While the value-creation of for-profit firms can be clearly evidenced by financial statements that provide information on input costs and output earnings, nonprofit organizations have greater difficulty in defining their value creation (Moore, 2000). Stated differently, while financial value is the ultimate aim of the for-profit firm, for the nonprofit organization it is only a means by which it can achieve its goals as defined in the mission statement of the organization (Bryce, 1992). Thus, revenues other than financial capital are more important to nonprofit than to for-profit firms. As the following literature review will show, the description of different types of social capital and the concept of value configurations show interesting similarities that are useful for the strategic planning of nonprofits.

Social capital as an organizational resource and outcome

The concept of social capital is a term that is commonly used in the research on nonprofit organizations (King, 2004). The concept is mostly used to measure the degree of civil engagement within a defined social entity; e.g., nation, region, or community (Isham et al. 2006; Schneider, 2009). Although the discussion about the definition, content, and utility of social capital is not yet conclusive, there is a general consensus that social capital consists at least of networks and norms that foster collective action (Woolcock, 1998). Additionally, trust is often incorporated within the definition of social capital, following Putnam's understanding. However, other researchers see trust as an extraneous precondition for the development of social capital (Coleman, 1990; Crudeli, 2006; Adler and Kwon, 2002).

Although social capital was originally designated as a resource for individuals (Bourdieu, 1986; Coleman, 1990), it can easily be adapted to apply to organizations as well. Following Kong and Prior (2008), social capital is understood as an intangible resource. Based on social relations theory (Ostrander and Schervish, 1990), the mutual exchanges enacted by donors, recipients, and intermediaries – be these individuals or organizations – is a set of reciprocal, iterative, and durable connections that evolve as a network. Therefore, an organization can have social capital assets that are independent of the individuals within the organization. Leana and van Buren (1999, p. 540) define organizational social capital "as a resource reflecting the character of social relations within the organization, realized through members' levels of collective goal orientation and shared trust."

Schneider (2009, p. 644) defines organizational social capital as "established, trust-based networks among organizations or communities supporting a particular nonprofit, that an organization can use to further its goals." Passey and Lyons (2006, p. 482) describe collective bonding capital as a "type of club good".

The connection between social capital and the organization is strongly bound in terms of norms and culture. The mission and tradition of the organization set the framework for its specific character. The norms of an environmental organization, for example, cannot be changed significantly by any one individual without losing its legitimacy. Additionally, the capacity of nonprofit organizations to develop a distinct form of social capital becomes more evident when foundations are integrated in the analysis. As a recent study shows, foundations can also generate social capital through their convening role, although they have no "incorporated" network (von Schnurbein, 2010).

Nevertheless, the number of research articles focusing on organizational social capital is small. Schneider (2009) criticizes the fact that the research focuses mostly on how nonprofits develop social capital for their constituents, but not on how social capital is used for the organization itself. However, if nonprofits play an important role in the *re*production of social capital, then social capital is not only a resource but also an outcome of nonprofit activity (Leonard and Bellamy 2010).

As an example of non-profit institutions creating resources that are social capital outputs, Schneider (2009) identifies the names of prestigious colleges which serve their students as trademarks guaranteeing the quality of their education.

Galaskiewicz et al. (2006) analyze the effects of nonprofit organizations' network ties over time. Looking at the revenue source as an indicator, they show that inter-organizational relations and strong ties to urban elites are more beneficial to organizations financed by donations than to those that are based on earned income.

Analyzing the case study of a grant-making foundation, von Schnurbein (2010) looks at the social capital creation of a different type of nonprofit organization. Although the foundation has no membership and, therefore, no immediate mission to build on social capital, the study shows that foundations may close structural holes in serving as intermediaries and brokers because of their unique independent status and the high degree of credibility that they enjoy among all societal actors.

Passey and Lyons (2006) built their research on an organizational survey connecting social capital types with organizational characteristics such as size, field of activities, or beneficiaries. In differentiating between the bonding, bridging, and linking functions of social capital, they revealed that structural characteristics have an impact on the generation of social capital within nonprofits – as Glaeser et al. (2002) demonstrated for individuals, as well.

In the following paragraphs, bonding and bridging social capital as distinct forms will be presented (Paxton, 2002; Coffé and Geys 2007; Weisinger and Salipante 2005 and 2007).

Bonding social capital. This type of social capital consists of closed networks with high entry barriers and a strong concordance of norms within the network based on expectations and obligations. These attributes facilitate the creation of trust, communication, and information exchange within the network (Coleman, 1990). As a result, the networks are described as homogeneous, exclusive, and particularistic in their interests (Van Oorschot et al., 2006). Trustworthiness within the network may reduce the need of other forms of capital; e.g., physical or financial capital. For example, the effort of highly active members reduces the need for other sources of labor such as paid staff or non-member volunteers (Isham et al., 2006). As a consequence, some researchers attribute a negative connotation to bonding social capital, highlighting its discriminatory nature (Coffé and Geys, 2007; Meyer and Hyde, 2004). Especially at the organization level, this negative perspective has to be questioned, as several case studies have shown that bonding social capital is often needed as an initial source for developing bridging social capital (Weisinger and Salipante, 2005; von Schnurbein, 2010). To conclude, bonding social capital is vital to an organization in order to distinguish its members from non-members and legitimize its purpose and mission.

Bridging social capital. In contrast to bonding social capital, the positive effects of bridging social are not questioned (Coffé and Geys, 2007). Burt (2001) sees the productive purpose of social capital in bridging structural gaps within society. He highlights its brokering function between different social groups. Bridging social capital consists of open, inclusive, and expanding networks that create opportunities for new connections. As a consequence, mutual norms are less important, and the network is contingent and temporal, reducing the degree of trustworthiness within the network to a kind of generalized trust, compared to bonded networks (Van Oorschot et al., 2006). Within bridging networks, reciprocal exchanges are more immediate and more explicit (Leonard and Bellamy, 2010). Thus, at an organizational level, nonprofits may both use and generate bridging social capital in order to create a greater impact and reach new constituents. However, maintaining a network needs increasing resources and the marginal benefit of another participant may decrease (Galaskiewicz et al., 2006).

This brief review of the literature has shown that social capital is both a resource and an outcome that is related directly to the organization itself. Consequently, social capital also has to be managed as other organizational factors are. Although literature highlights the distinctions of bridging and bonding social capital, it has to be stated that the two kinds of social capital are not a dichotomy that exclude from one another. On the contrary, one might find both types in nearly every organization. Leonard and Bellamy (2010) show that high levels of both concepts may be found within one organization. However, just as other resources are divided in several subtypes (e.g. in fundraising the distinction between individual donors and major donors) the two types of social capital have to be managed distinctively (Othman and Sheehan, 2011). Therefore, we will introduce the concept of value configurations as a means for analyzing the social capital creation of a nonprofit organization.

Value configurations as strategic planning instruments

The concept of value configurations evolves from competitive advantage theory (Porter, 1985). According to this theory, firms remain successful if they manage to generate a surplus through a competitive advantage in the market. As a consequence of professionalization and marketization, concepts such as the competitive advantage and value creation are used for the analysis of nonprofits as well (Kong and Prior, 2008; Warnaby and Finney, 2005; Weerawardena and Sullivan-Mort, 2011). Sirmon et al. (2008) constate that competitive advantage is the product of managerial action. The value chain is an analytical framework used for measuring and detecting competitive advantages in the firm-level value creation process. Besides the resource-based critiques of the concept in general (Barney, 1991), its construction of the firm as a linear input-output function has made it difficult to apply value chain analysis to less linear production processes, especially services production (Normann and Ramirez, 1993; Othman and Sheehan, 2006; Stabell and Fjeldstad, 1998). The value chain is oriented towards the end product and positions activities or inter-firm relationships in a linear structure to produce it. For services, the organization of activities or inter-firm relationships often follows co-operative behavior and the co-creation of value (Peppard and Rylander, 2006). The service perspective is familiar to nonprofits, as they usually provide services, such as counseling, advocacy, recreation, courses, or memberships (Gainer and Moyer, 2005). Moreover, nonprofits fulfill their mission not through following a process of specific primary activities, but by developing solutions to individual and social problems (charities or foundations) or through co-operation (membership-oriented associations), (Helmig et al., 2010).

Based on their observation that value chain analysis is not suited to services, Stabell and Fjeldstad (1998) develop two additional value configurations: value shop and value network (see Table 1). The following description of the two configurations is based on their work and supplemented by the rare example of an application of value configurations to nonprofits (Helmig et al., 2010). This piece of work, using two case studies, demonstrates how value configurations can be adopted in the nonprofit context and how they can serve the analysis of different kinds of nonprofits. Stabell and Fjeldstad (1998) present the value configurations by explaining the value creation logic, their visual representation of the value creation process, the diagnosis of competitive advantage, and the strategic positioning options.

Here Table 1

Value shop. The term value shop[1] refers to organizations that are contracted to create value through solving problems for their clients. Thus, the identified problem and the chosen solution determine the intensity of the value shop activities. Knowledge is the most important resource. Helmig et al. (2010) present the case of a drug addiction aid association whose competitive advantage is based on the knowledge and expertise of its collaborators and the reputation of the organization itself. One can think of other examples such as legal aid organizations, debt counseling organizations, or battered women's shelters. All these nonprofits are characterized by combining different knowledge and expertise in favor of their beneficiaries. As an example form the public sector, Gottschalk (2007) develops measurement criteria for police investigation performance by using the value shop approach. The *value creation logic* is developed along seven predefined primary activities: acquisition, problem analysis, problem solving, choice, execution, evaluation, and learning (Woratschek et al. 2007). These activities do take a linear path, but are cyclical, iterative and interruptible with significant sequential and reciprocal interdependences. Highly specialized knowledge is needed in multiple disciplines to solve such problems. In the case of the drug addiction aid association, its professional collaborators are likely to be social workers, physicians, psychologists, and educationists (Helmig et al. 2010). The *representation of value creation* will depend on the unique knowledge base, methodology, and language of the participating professions. Describing the case of hospitals that treat impoverished patients in developing countries,

[1] Stabell/ Fjeldstad (1998) explain the metaphor 'shop' in the way the shop of a mechanic repairs cars (p. 421).

Woiceshyn and Falkenberg (2008) state that minimized the costs associated with problem solving, for example by limiting the number of experts and technologies, creates added value. Instead, hospitals specialized on premium clients produce more accurate and customized solutions, due to their greater investment in problem-solving resources used. While efficiency at the least possible cost is the *competitive advantage* of the former example, the latter aims at effectiveness. Helmig et al. (2010) name reputation and learning as important value drivers of value shop organizations. Finally, *strategic positioning options* for organizations following a value shop logic are dependent on market size and the rate of change of valuable knowledge. Stabell and Fjeldstad (1998) assume that vertical integration of the organization will be less intensive in large, highly dynamic markets.

Value network. Value network refers to the co-operation between partners. The respective organization serves as a mediator and broker within the network, but it is not itself the network (Woolfall, 2006). The *value creation logic* of a value network lies in the strength and scope of the network. The more clients there are that participate in the network, the higher is the service value of that network. Thus, the kind of services, the service capacity, and the service opportunity are of great importance (Stabell and Fjeldstad, 1998). In contrast to the value shop, a value network uses standardization to match and monitor the network participants. A *representation of value creation* can be best explained through its three primary activities: network promotion, service provisioning, and network infrastructure operations. An organization functioning as value network is responsible for the network, but the offered service is often only a support for other activities (Othman and Sheehan, 2011). Helmig et al. (2010) analyze the value network in their case study of a network established by a foundation to campaign against bowel cancer. They found that the network provides network promotion and service provisioning, but no infrastructure operation. Zerounian et al. (2011) provide an instrument how foundations can analyze the stage of development of nonprofit networks, highlighting the phases of sharing, learning, and action. Other examples of nonprofits as value networks are organizations that offer disaster relief, meals on wheels, transnational giving, or patient transport. They offer different forms of networks and infrastructure necessary for nonprofit action. The *competitive advantage* of the value network lies in its scale and composition. On the one hand, high capacity utilization reduces unit costs; on the other hand, too many participants may reduce the service levels (Galaskiewicz et al., 2006; Stabell and Fjeldstad, 1998). Another source of competitive advantage is learning, especially in membership selection and service monitoring. Analyzing the case of a merger of two nonprofits, Chen and Krauskopf (2012) highlight the bridging role of mentoring networks in order to stabilize the new organization. Finally, *the strategic positioning options* are determined by the nexus of interconnections within the value network and are, thus, affected by vertical and horizontal integration. From a vertical perspective, an organization can choose to produce all its mediation activities internally or it can resort to using the services of external providers. From a horizontal perspective, the organization aims to cover all its customer segments (Stabell and Fjeldstad, 1998).

3. Social capital creation and value configurations

In the previous section, I presented two types of social capital (bridging and bonding social capital) and two value configurations (value shop and value network). The aim of the following discussion is to show how these two pairs can be combined and what can be learned from this for the analysis of organizational social capital creation. I argue that the dominant form of social capital required should impact the organization's choice of value creation logic. Within the following paragraphs the subsequent issues following the structure adopted from Stabell and Fjeldstad (1998) will be discussed: social capital creation logic, representation of social capital creation, diagnosis of competitive advantage, and strategic positioning options (for an overview see Table 2). Additionally, I develop arguments and propositions on the consequences and outcomes of these value configurations.

Table 2: Creation of Social Capital through Value Configurations

	Generating Bonding Social Capital through Value Shop	Generating Bridging Social Capital through Value Network
Social capital creation logic		
Form of activities	Repetitive, cyclical, and reciprocal activities; problem-oriented	Mediating processes, multi-level activities, standardization of processes
Leverage effect	Leveraging expertise; substitution of other forms of capital	Capacity and opportunity as driving forces, scaling up; increased access to other forms of capital
Representation of social capital creation		
Primary activities	Acquisition of new members, introduction to the group, exchange of information, storage, evaluation, learning	Network promotion and contract management; service provisioning; capacity management
Support activities	Closely connected to the primary activities	Organization infrastructure development, network capacity development
Manifestations of social capital creation	Homogeneous participants: common language, strong ties persist beyond the association, trustworthiness among participants; partial substitution of other capital forms	Heterogeneous participants: trust in mediating organizations, written norms, leveraging other capital forms
Diagnosis of competitive advantage		

Social capital drivers	Reputation and referrals: internal and external linkages	Signaling effects (external perception and legitimacy), multi-level linkages
Strategic positioning options		
Focus	Quality of network participants	Quantity and quality of network participants
Influencing variables	Competitors, mobility of members	Scope of network issue

Social capital creation logic

As stated before, social capital creation is understood as a managerial activity that combines relevant resources – including existing social capital (Saxton and Benson, 2005) – in order to generate and invest in new social capital. The creation logic of bonding and bridging social capital differs according to their different configurations. The creation of bonding social capital relies on a closed network, trust, and a high consistency of norms (King, 2004). In a value shop framework, the organization is problem-oriented; e.g., it offers activities such as counseling, lobbying, or training to its members or participants. However, the activities are reciprocal, as participants are often both producers and customers of the services. It can be compared to a trade association where senior members mentor junior members or to a debt counseling organization where social workers co-operate with accountants. Thus, the value shop leverages expertise through the knowledge exchanged between its participants and substitutes the use of other capital forms of capital, e.g. a closer linkage of the members to a nonprofit organization leverages the willingness for volunteering and by this reduces costs for external and paid staff. Furthermore, bonding social capital is extremely important to nonprofits for establishing and developing a unique organization identity (Weisinger and Salipante, 2005).

On the other hand, Stabell and Fjeldstad (1998) explain the function of the value network by describing a club – a distinctive kind of nonprofit. It seems that nonprofits are made for this kind of value configuration, because they are usually connected to numerous different and pluralistic stakeholders (Weisinger and Salipante, 2007). The aim of the nonprofit organization is to mediate and broker the different expectations of the constituents. Often, the connections between the nonprofit organization and its stakeholders are informal or based on promises (Speckbacher, 2008). However, if a network of organizations should be managed effectively and sustaining, a minimum of formality is necessary. In order to facilitate the multi-level activities, contracts offer one way of standardizing the integration in the network. The value of bridging social capital develops as the network grows, because the network's legitimacy is reinforced with increasing participation. However, the network must be capable of coping with a growing number of participants. Thus, scaling-up is the predominant strategy for establishing a value network configuration, but one which is subject to capacity restraints. The second leveraging effect is achieved by opportunities to create new network nodes, as opportunity is one of the major sources for social capital building in general (Adler and Kwon, 2002). Thus, I propose:

P1: A value shop configuration creates primarily bonding social capital.

P2: A value network configuration creates primarily bridging social capital.

Representation of social capital creation

The primary activities of a value shop are designed in accordance with the general problem-solving process of the specific industry (Stabell and Fjeldstad, 1998). However, in nonprofits this needs not always be the case (Helmig et al., 2010). One reason for this might be that nonprofit services have the primary obligation of fulfilling superordinate principles dictated by their overall mission statement, while for-profit services focus on satisfying practical content goals. Because bonding social capital is associated with high entry barriers, the task of acquiring, as well as introducing, new members is extremely important. Since closed networks often have somewhat informal social norms, new members need to become acquainted with the network culture (Louis, 1983). The exchange and storage of information within a network gives members an advantage over non-members and reduces their need for other resources, e.g search costs. In order to facilitate the exchange of information, the organization has to develop channels for this in the form of assemblies, conferences and blogs. By storing information, the organization becomes a valuable broker, making membership more appealing to both members and non-members. Evaluation and learning must be integral components of the process activities in order to keep the organization up-to-date and efficient. The support activities, such as procurement, human resource management, and organizational infrastructure, are closely connected to and co-performed with the primary activities (Stabell and Fjeldstad, 1998). The leverage of trust and the existence of common norms among the organization's members or participants facilitate exchange and co-operation. Thus, a leverage of bonding social capital substitutes other forms of capital.

The primary activities of value networks are network promotion and contract management, service provisioning, and capacity management. While network promotion and service provisioning work in nonprofits in a manner similar to profit firms, their network infrastructure is less important (Helmig et al., 2010). However, instead of physical infrastructure, the nonprofit organization as a value network has to make sure that the network has sufficient capacity for the number of its participants. Thus, the nonprofit organization functions not only as a mediator, but also as a convener and arbitrator (Gidron, 2011). Accordingly, the secondary processes have to focus on developing both the network's organizational infrastructure and the network's capacity. Two features of bridging social capital are the heterogeneity of the participants within the network and the high degree of trust placed in the mediating organization (von Schnurbein, 2010). In order to manage and facilitate cooperation among the participants, written norms are instituted, such as contracts or codes of conduct. Bridging social capital spans structural holes and, therefore, provides access to further sources of other resources (Passey and Lyons, 2006). Thus, I argue:

P3: The creation of social capital in a value shop configuration substitutes partly the need for other forms of capital.

P4: The creation of social capital in a value network configuration leverages the access to other forms of capital.

Diagnosis of competitive advantage

The competitive advantage of a value shop is predominantly based on reputation and relationships. Bonding social capital enhances the trustworthiness of referrals for the participants and augments the network's added value. Based on a sample of Australian congregations, Leonard and Bellamy (2010) show that bonding social capital is positively related to bridging social capital. Thus, not only do referrals work within the network, but possibly also outside the network.

The growth of social capital in value networks is fostered by signaling effects that leverage the attractiveness of becoming a network participant. Signaling effects may be communicated by highly esteemed participants, the age of the network organization, or awards it has received. The network's external image and its perceived legitimacy are closely associated with these signaling effects. However, the network organization has to pay attention of negative influences, as well. Heller (2008) demonstrates that partner characteristics such as reputation and sector affiliation influence the success of brand alliances for the focal nonprofit organization. The ideal value network is structured by multi-level linkages (Houghton et al., 1999) that enable the network to develop and promote solutions for societal problems within the nodes of the network. I therefore posit:

P5: The competitive advantage of social capital in a value shop configuration is an increase of trust within the network.

P6: The competitive advantage of social capital in a value network configuration is an increase of attractiveness to become a network member.

Strategic positioning options

The focus of strategic positioning in a value shop configuration relies predominantly on the quality of the participants subject to the overall organization's perception. The influencing variables on an organization's ability to attract good members or participants are the number of competitors that the organization has and membership fluctuation, as high volatility in the latter signifies a fall in the reliability of organization members (Leana and Van Buren, 1999).

On the contrary, in order to develop a competitive advantage and to strengthen social capital creation, the value network organization has to focus on both qualitative and quantitative dimensions of the network (Arneil, 2006). Questions that address network efficiency seek to determine the scope of the network and prospective participants who might be able to add specific resources to the network in order to leverage its impact. I therefore argue that:

P7: To maintain bonding social capital an organization with a value shop configuration has to focus on the quality of its members or participants.

P8: To maintain bridging social capital an organization with a value network configuration has to focus on the quantity and quality of the network in total.

4. Conclusion

Existing literature identifies social capital as a valuable resource that can enhance an organization's effectiveness (Schneider, 2009). Moreover, social capital is a benefit that nonprofits contribute to society in general (Huntoon, 2001). As stated in the beginning, the process of social capital reproduction within nonprofits is still a black box. Although social capital is recognized to prosper both the organization and society, the value-added process of social capital has not been academically investigated so far (King, 2004).

This paper attempts to capture and structure the reproduction process of social capital at the organizational level. With the aim of integrating social capital within a strategic analysis of nonprofits, I introduced the theory of value configurations as an analysis tool. Refining Porter's (1985) value chain approach, Stabell and Fjeldstad (1998) develop two additional value configurations that suite the value-added process of service organizations. Value shop and value network are two distinct value configurations that can be combined individually with either of the two forms of bonding and bridging social capital. Each value configuration uses networks, trust and norms in a distinctly different manner and creates different advantages for the focal nonprofit organization (Othman and Sheehan, 2006). The problem-oriented, reciprocal and cyclical value shop may serve as an instrument to analyze bonding social capital production. Bridging social capital may be captured by the value network configuration, which is based on mediating processes (Chen and Krauskopf, 2012).

This differentiation opens up new opportunities for measuring different forms of organizational social capital. In a value shop framework, the participants are more homogeneous, and growth is heavily based on referrals and reputation as well as on the quality of the members. Mutual trust develops among the members, which, in turn, reduces the need for other forms of capital. In contrast, a value network framework more likely incorporates heterogeneous, multi-level participants who confer legitimacy on the network. Hence, growth is based on the quality and the number of the members. The integrative nature of value networks allows new forms of capital to be sourced or leveraged. The feature of trustworthiness applies principally to the mediation organization due to its core function at the heart of the network.

This paper aimed at enhancing a deeper understanding of how nonprofit organizations actively and effectively generate organizational social capital. Especially, I took the position that the choice of one value configuration has an impact on the kind of social capital created. Future research should build on these differentiations in order to develop better indicators for measuring organizational social capital. The propositions presented in this article offer a starting point for further development. Extended theoretical and empirical research might focus on how organizations employ social capital to fulfill their mission. Additionally, an analysis of the role of social capital in specific management tasks such as governance, fundraising, or service provision might offer a better understanding of social capital reproduction. In a recent study, Fredette and Bradshaw (2012) highlight the positive influence of social capital on nonprofit governance. They point out that building bonding social capital within the board is a salient aspect of effective governance. Finally, the discussion of how to manage social capital leads to the question of how an organization can store social capital, if possible (King, 2004).

Although this paper is focused on a theoretical discussion, a few implications for practitioners can be drawn, as well. First, directors of nonprofits might find the value configurations helpful for understanding social capital as a resource of their organization. Second, the value configurations described here may serve as tools for analyzing social capital reproduction in a nonprofit organization and consequently, help to develop strategies for social capital development. Finally, the value configurations facilitate differentiating between individual and organizational social capital. Bonding social capital is a means for reducing the free-riding problem internally within the organization, and bridging social capital serves to enforce an organization's image and legitimacy externally.

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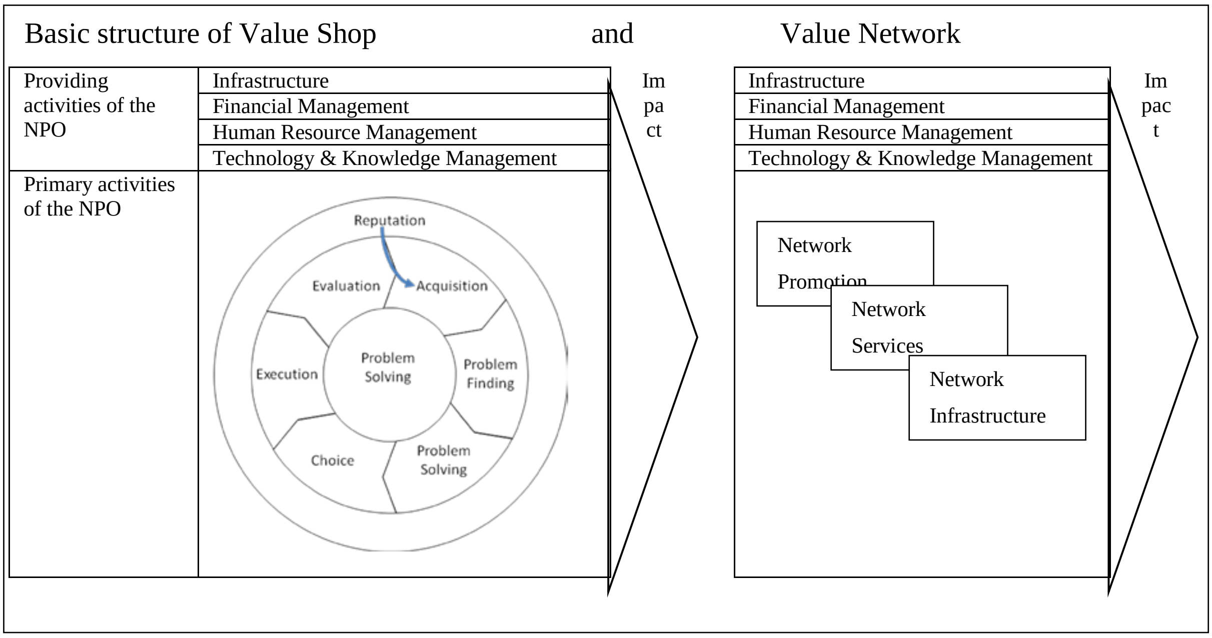
Tables

Table 1: Value-based Analysis in Value Shops and Value Networks (source: Woratschek et al., 2007)


Basic structure of Value Shop and Value Network
Providing activities of the NPO
Infrastructure
Financial Management
Human Resource Management
Technology & Knowledge Management
Primary activities of the NPO
Reputation
Evaluation
Acquisition
Problem Solving
Problem Finding
Execution
Choice
Problem Solving
Impact
Infrastructure
Financial Management
Human Resource Management
Technology & Knowledge Management
Network Promotion
Network Services
Network Infrastructure
Impact