

The Impact of External Social Capital on Human Resource Management Practices

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Abstract

The studies focusing on social capital concerning Turkey are all at the societal level. Data corresponding to individual level social capital is not taken into consideration in the available research. Researches in social capital literature are mostly focusing on internal social capital and discounting the importance of external social capital. Nonetheless recent studies disclose the fact that although Turkey has relatively low internal social capital level, it has a relatively high external social capital capacity. The main purpose of this study is to analyze the favorable and unfavorable influences of the strong external social capital argued to exist in Turkish context. Also creation of external social capital and its possible effect on human resource applications such as employment, performance evaluations, promotions, rewarding systems and deployment is depicted. More clearly, in this study, the influence of high external social capital on organizational practices is discussed analyzed and propositions for further empirical research is presented.

Keywords: External social capital, human resource management practices, nepotism, Turkey

1. Introduction

The limited number of social capital research conducted in Turkey indicates that the level of social capital in Turkey is relatively low (Altay, 2007; Buğra, 2001; Sargut, 2003;

Gökalp, 2003; Karagül ve Masca, 2005). Despite the fact that there are some problems in the measurement of social capital in the sense that the indicators are not clearly defined and they are interrelated, there have been some attempts to quantifying and measuring it. Closely examined, these attempts are majorly in the course of measuring and assessing social capital at societal level and the research is dominantly at macro face.

Adler and Kwon's (2002) research, on the other hand, brings forth the distinction of external versus internal social capital. Accordingly, with this categorization of the concept, Turkey is evaluated as low with an internal perspective of social capital but high with the external view (Özen and Aslan, 2006). Internal social capital approach appraises the concept of social capital with a macro view and defines it as the social characteristics of a society enabling them to cooperatively reach the collective goals. Internal perspective identifies the notion of social capital with the concept of "system trust" which is institution-based and at a societal level. However, external social capital approach defines the purview as the aggregate of resources constituted through an actor's social relations supplying him with advantages. This kind of social capital stems from the social networks of the actor and explains the differential success of the individuals in their competitive rivalry (Adler and Kwon, 2002: 19, Özen and Aslan, 2002). External perspective has a rather micro view and is identified with "relational trust" among the actors (Özen and Aslan, 2006).

The purpose of this study is to investigate the favorable and unfavorable influences of the strong external social capital argued to exist in Turkish context. The human resource applications such as employment, performance evaluations, promotions, rewarding systems and deployment has a significant effect on the organizational commitment and loyalty of the employees. Social networks such as citizenry and kinship which are important in the Turkish culture supply *both* the individuals with rich and advantageous sources to find jobs and to survive in the organizations and the organizations to attain faithful and dependable employers and associates. Such formations of organizations developed through the citizenry and kinship networks help accumulate a high level of external social capital in favor of both the individual actors and the organizations to find the "trustworthy" employers to obey, commit and to owe allegiance to the organization. Nonetheless, these strong social ties, once gathered in an organization might have both positive and negative influences on further human resource applications. Working with people you know and trust may ease and accelerate some processes and can lead to successful teamwork. It can also decrease the transaction costs of the human resource management practices. Whereas, legitimized favouritism, nepotism, in-group and out-group conflicts are the possible negative outcomes of such a social network structure. An organizational culture built upon the mentioned implementations will help grow a nepotic culture bringing with it many new difficulties and problems to solve. In this study, the influence of high external social capital on organizational practices will be analyzed and propositions for further empirical research will be presented.

2. Social Capital Research

Social capital is researched by different disciplines of social sciences at differing levels. Accordingly, definitions vary and emphasis given to related concepts bring about diverse understandings and perspectives. Field (2003) summarizes the central theme of social capital in two words: “relationships matter”. The pattern, structure, intensity and depth of relationships shapes the social capital formation among the individuals, organizations and at most the societies. People share their ideas, experiences, knowledge and values through their social networks and these networks play a significant role in reaching critical resources and the formation of social capital.

Pierre Bourdieu, James Coleman and Robert Putnam’s work in 1980’s presented the prominent ideas that elaborated the concept of social capital and turned it into a social theory (Field, 2003). Bourdieu’s concept of social capital emphasizes conflicts and the power function (social relations that increase the ability of an actor to advance his/her interests). In Bourdieu’s view, social capital becomes a resource in the social struggles that are carried out in different arenas and fields (Siisiainen, 2000). Social capital is derived from lasting investing in social relations (Bourdieu, 1986). He defines social capital as “the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition” (Bourdieu 1986, p. 248). This kind of capital is “made up of social obligations (connections), which is convertible, in certain conditions, into economic capital and may be institutionalized in the form of a title of nobility” (Bourdieu 1986, p. 243).

James Coleman is known for his influential work on sociology of education. According to Coleman, social capital represents a resource because it also implicates mutual expectations. “Social capital is defined by its function. It is not a single entity, but a variety of different entities having two characteristics in common: They all consist of some aspect of social structure, and they facilitate certain actions of individuals who are within the structure” (Coleman 1990, p. 302). Coleman distinguishes social capital from other forms of capital in the sense that it is special with the feature of being both a private and a public good at the same time. The public nature of social capital is important in the development of individuals with the sense that it is embedded in the education systems, governmental policies, societal relations. Coleman argues that “the set of resources [social capital] that inhere in family relations and in community social organization are useful for the cognitive or social development of a child or young person” (1990, p. 300). According to Coleman, the obligations owed to an individual, trustworthiness of individuals, the potential for information through social relations, and norms that dictate that individuals will act to benefit the collectivity are all considered part of the social capital of a society (Stevenson and Radin, 2008)

In his famous book *Bowling Alone: The Collapse and Revival of American Community*, Robert Putnam states that “social capital refers to connections among individuals –social

networks and the norms of reciprocity and trustworthiness that arise from them” (Putnam, 2000: 19). According to Putnam, “a society of many virtues but isolated individuals is not necessarily rich in social capital (2000:19). In the report Putnam prepared for OECD he states that “the central idea of social capital is that networks and the associated norms of reciprocity value. They have value for the people who are in them, and they have, at least in some instances, demonstrable externalities, so that there are both public and private faces of social capital. I am focusing largely on the external returns, the public returns to social capital, but I think that is not at all inconsistent with the idea that there are also private returns” (Putnam, 2001)

Subsequent to Bourdieu, Coleman and Putnam’s premier research on social capital, the term has been defined in a number of ways. Baker (1990: 619) argues that social capital is “a resource that actors derive from specific social structures and then use to pursue their interests; it is created by changes in the relationship among actors”. Lin’s (2001:6) definition emphasizes an “investment in social relations with expected returns” similar to that of Burt’s (2005:5) “the advantage created by a person’s location in a structure of relationships is known as social capital”. According to Burt (1992: 9), “friends, colleagues, and more general contacts through whom you receive opportunities to use your financial and human capital” develops social capital. Fukuyama (1995: 10) relates the level of social capital to the development of trust in a society and defines the term as “the ability of people to work together for common purposes in groups and organizations”. He states that “social capital is an instantiated informal norm that promotes cooperation between two or more individuals. The norms that constitute social capital can range from norm of reciprocity between two friends, all the way up to complex and elaborately articulated doctrines like Christianity or Confucianism” (Fukuyama, 1999). Fukuyama argues that not just any set of instantiated norms constitutes social capital; they must lead to cooperation in groups and therefore are related to traditional virtues like honesty, the keeping of commitments, reliable performance duties, reciprocity, and the like (Fukuyama, 1999).

The international organizations’ interest in social capital grows as they take into consideration the impact of the notion on national policies. The World Bank, for example, defines social capital as “Social Capital refers to the norms and networks that enable collective action. It encompasses institutions, relationships, and customs that shape the quality and quantity of a society’s social interactions. Increasing evidence shows that social capital is critical for societies to prosper economically and for development to be sustainable. Social capital, when enhanced in a positive manner, can improve project effectiveness and sustainability by building the community’s capacity to work together to address their common needs, fostering greater inclusion and cohesion, and increasing transparency and accountability... Social capital is not just the sum of the institutions which underpin a society – it is the glue that holds them together” (The World Bank 1999).

2.1. Internal and External Social Capital

As seen from the wide range of definitions, scholars and even institutions bring forth

different aspects of social capital in their work. In this paper, we will draw upon Adler and Kwon's (2002) categorization of internal and external social capital to help identify our purposes. Their classification is mainly developed from the idea that the varying definitions of social capital emphasize different kinds of linkages. The authors argue that expectations vary depending on whether their focus is primarily on (1) the relations an actor maintains with other actors, (2) the structure of relations among actors within a collectivity, or (3) both types of linkages. The first types of linkages are dominantly observed in external approach of social capital, whereas the second type represents the internal social capital. The third group of definitions are broad and include a wide span of area, therefore are vague in the sense that they enclose both the individual and the societal level of understanding. Consequently, we will concentrate on the internal and external views of social capital. The main characteristics of the two types of social capital are summarized in Table 1¹.

Table 1: The Characteristics of Internal and External Social Capital

	Internal Social Capital	External Social Capital
Pioneers of the view	Coleman (1990), Putnam (1995), Fukuyama (1995), Thomas (1996), Inglehart (1997)	Baker (1990), Burt (1992), Bourdieu ve Wacquant (1992), Burt (1992), Portes (1998), Knoke (1999),
Types of Linkage	The structure of relations among actors within a collectivity (bonding linkages)	The relations an actor maintains with other actors (bridging linkages)
Focuses on	collective actors' internal characteristics	social capital as a resource that inheres in the social network tying a focal actor to other actors
Ownership of social capital	Public good	Private good
Social capital is constituted	in the collectivity	in the structural holes among one actor's relationships to the others
Conception of social network	Informal relationships with the other actors within the collectivity	Different quality and configuration of relationships and bonds of an actor to other actors within and outside of the collectivity
Source of social capital	Values, beliefs and norms shaping the social relationships in a collectivity	Structure of the social relationships (direct, indirect, frequency and intensity)
Formation of social capital	is a given asset	can be developed and acquired subsequently,
Trust is	the social capital itself or a type of	a factor providing the formation of

¹ Table 1 is adapted from Adler and Kwon (2002) and Özen and Aslan's (2006) articles.

	social capital	social capital
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The external perspective on social capital predicts that the actors within a community use their personal connections and social relationships in order to reach the resources that they do not own, while the other actors in their network do. This kind of access to resources creates fundamental advantages for the actor. Nonetheless, the access to someone else's resources through a network relationship reveals the notion of reciprocity by the nature of the relationship. Reciprocity of the relationship provides mutual benefits for both sides in the relationship and actually produces an exchange process.

The internal view of social capital emphasizes the internal bonding ties among the members of the collectivity. The strength of these internal ties give the collectivity cohesiveness and thereby facilitate the pursuit of collective goals (Adler and Kwon, 2002; 21). The commonality among the external social capital definitions is that they all bring forth the key words such as "social structure", "cooperation", "common interest and benefits" (Özen and Aslan, 2006: 133).

Although both approaches agree upon the fact that social capital emerges from the social networks, they both have different understanding of what a social network is. Studies focusing on internal social capital within a collectivity views the informal relationships among the actors of the community and having membership of civic associations and social clubs as social networks. External social capital studies on the other hand, focus on relatively concrete qualities and configurations of the network relationships (Adler and Kwon, 2002; Özen and Aslan, 2006).

Paxton (1999: 995) has an integrating prospect towards the internal and external approaches of social capital. She argues that the outcomes of social capital can appear at different levels of the social structure. Firstly, it can be at the individual level and the social capital produces outcomes only being used among the individuals who have the social network access to it. Second level outcomes are produced at the group level. In the case that a group collectively tries and maintains to develop a public good, the outcome of the social capital would be benefited by all the actors in the group. Social capital both at the individual and group level are interrelated and the personal obligations contributes to the group's social capital. Social capital at the third level is observed to produce outcomes among the groups at a societal level. According to Paxton, many of the authors consider social capital at this macro level due to its benefits for developing democracy industrialization and they concentrate on the social capital level of the nations. Although she never mentions the terms internal and external social capital, Paxton's classification of the term is consistent with Adler and Kwon's (2002) categorization. The individual level of social capital description supports the external view and the societal level supports the internal view of social capital. Paxton's group level social capital describes the organizational extent of the notion and because it is among a limited number of people who are members of the group, it can be realized within the external approach of social capital.

2.2. Social Capital in Turkey

Most of the research on social capital in Turkey focuses on the internal aspect of social capital. Several public opinion survey results disclose the fact that people in the Turkish community do not trust the ones whom they do not have any acquaintanceship with and those who are different (Akdoğan, 2006: 163).

Altay (2007) has sufficiently summarized the extend of social capital research in Turkey. In “World Values Surveys” conducted in 1995-1996, one of the questions was designed to measure the trust level in different societies : “Generally speaking, most people can be trusted or that you can’t be too careful in dealing with people?” In this survey, trust, being one of the major determinants of social capital in a country is measured at the societal level. The level of social capital in a country is associated with the percentage of answers given to the question as “I trust people”. Only 6.5 percent of the Turkish participants declared that they would trust other people. This result was among the lowest few of the participating countries in the survey (Altay, 2007).

In a more recent project, interested only in social capital in Turkey, “Infakto Research” group conducted a survey with 1216 participants from 15 different areas (sampling both rural and urban population in 18-24 ages). Their public announcement denoted the fact that the social capital level of the Turkish society is low (Altay, 2007). Also in a study implemented by Norris (2002) social capital level of Turkey was compared to those other countries’ scores who are members or member candidates of the European Union . Turkey scored 45th among the 47 countries with a relatively low social capital level (Altay, 2007).

Karagül and Masca evaluates Turkey’s position compared to other countries with reference to the World Values Surveys. The authors iterate the fact that Turkey is far behind many countries in the social capital index and they highlight the reality that a country’s economic development is positively correlated to its social capital development. In their view, social problems the countries face are overlooked with a concentration to the economic adversities. This condition is worsened with the poor social circumstances leading to even more problematic economic situations. As a result Karagül and Masca (2005:49) are emphasizing the importance of investing in social capital.

The studies focusing on social capital concerning Turkey are all at the societal level. Data corresponding to individual level social capital is not taken into consideration in the available research. Considering Adler and Kwon’s (2002) categorization of internal and external social capital we can state that almost all research is focusing on internal social capital and discounting the importance of external social capital. Nonetheless, Özen and Aslan’s (2006) findings disclose the fact that although Turkey has relatively low internal social capital level, it would be correct to argue that it has a relatively high external social capital capacity.

Having a high level of external social capital and a low level of internal social capital in

the Turkish context is not an unexpected result when research on Turkish cultural elements and their reflections on organizational life is observed closely. According to Hofstede's (1980) prominent research on cultural dimensions and differences, Turkey stands on the collectivist side of the collectivism – individualism cultural dimension. Collectivism, being a substantial and determinant cultural characteristic, refers to the degree to which individuals are integrated into groups and these individuals have closely bonded ties among their group members. These groups are strong with cohesive in-groups, often extended families. In collectivist countries in-groups are the key units of analysis (Oyserman et al, 2002) and collectivism as a social way of being, is oriented toward in-groups and away from out-groups (Oyserman, 1993). Oyserman, Coon and Kemmeilmeier (2002:5), with reference to Hui (1988) and Triandis (1995) indicate that because in-groups can include family, clan, ethnic, religious, or other groups, collectivism is a diverse construct, joining together culturally disparate foci on different kinds and levels of referent groups. Such an argument reflects rich network connections of individuals (with their in-group members) with strong ties.

The notion of belonging to a group or clan is significant in the sense that the group members are protected in exchange for unquestioning loyalty to the group. Members feel safe and secure in their in-groups with trusting bonds (Hofstede, 1980; Sargut, 1994, 2003). Collectivist characteristic of a society evolves with another strong characteristic called the power distance. Power distance indicates the extend to which the less powerful members of organizations and institutions (family, clan, in-group) accept and expect that power is distributed unequally among the group (Hofstede, 1980). The justifiability of the managers, higher ranking individuals and superiors' behaviors and their decisions do not have to depend on their knowledge since it rather depends on their positional power (Sargut, 1994:121). Together with high level of power distance, the collectivist nature of the Turkish culture disclose the provenance of citizenry and favoritism practices common in Turkish culture in which the benefits of in-group relationships are used to create advantageous conditions for the individuals belonging to these groups. The power of an individual's personal network relationships provides him with personal gains as to favoritism in employment opportunities, promotions, bending the rules according to the person's conditions, and many other opportunities. Such usage of the personal network relationships and ties turns social capital into a private good employed for personal goals and advantages, creating a relational type of trust only to the members of the group.

3. Social Capital and Human Resource Management Practices

The concept of human resource management has received focused intention during the last decade in Turkey. The relationship between human resource management practices and positive employee work-related behavior has been frequently discussed in organizational literature. One of the primary objectives of organizations is to improve employees' work related attitudes. Hence human resource management practices have the greatest impact on employee attitudes. Recent research has empirically shown the positive relationship between human resource management practices and important organizational outcomes such as

productivity, employee commitment and performance. Studies have shown that a company's human resource practices trigger significant effects of firm performance and improve employee attitudes (Appelbaum et al., 2000). These results have also been proven to be valid in the case of companies in countries other than the USA (Bae and Lawler, 2000; Chang, 2001).

Behavioral patterns have many important implications, both theoretical and practical, for virtually all kind of human resources practices including job analysis, recruitment, selection, training and development, performance appraisal, compensation and even labor and employee relations (Werner, 2000). How an organization manages its human resources establishes the tone and the conditions of the employee-employer relationship. Studies show that when employees believe they are treated fairly in the workplace, they hold positive attitudes towards the organization (Moorman, 1991).

Human resources are usually perceived as the “glue” that holds the organizational elements together (Evans, 1993). Researchers indicate a link between high commitment in human resource practices and an increase in common bonds, trust and common codes of languages all which make up the fabric of an organization's social capital (Clark, 2003). Human resources plays a critical role through the creation of social capital, which facilitates the organizational learning that must take place for the successful adoption and implementation of practices (Gomez and Sanchez, 2005). The relationship between social capital and human resource management is a two-way association in the sense that one path of research interrogates how social capital is created in an organization through the use of human resource policies while another one examines how social capital shapes the human resource applications. These processes are worth exploring in detail and this paper aims to concentrate on the second path as to how the social capital already available effects the human resource management applications in organizations and how these applications reflect on the employee behaviors.

James indicates that social capital constitutes certain kinds of resources available to individuals (James, 2000: 496). She emphasizes the fact that social capital resources represent the qualities that characterize the network of relationships one has with organizational peers, subordinates and superiors. These relationships are important because they may be beneficial for receiving organizational rewards and they may result in the career advancement of the employee. In such a case, employees whose relationships are not characterized by the qualities are probably at a disadvantage (James, 2000: 495-496).

Being one of the main elements of social capital, social networks and possessing strong ties in these networks creates substantial advantages for those owning them. Ibarra, with reference to Kanter's work in 1977, states that the organizational literature emphasizes the close informal bonds of trust and loyalty that ensure reliability under conditions of uncertainty. The closeness of a relationship determines the propensity of the contact to transmit a benefit to a particular individual and not to another (Ibarra, 1995; Burt, 1992).

Strong ties, especially to superiors, not only provide career and psychological support (Kram, 1988; Thomas, 1990) for an employee but they also facilitate promotions and other positive career outcomes (Schneider, 1983; James, 2000).

Given the frequent use of social contacts to obtain information about potential job openings, structural social capital at individual level can be critical at both job seeking and career attainment (Raider and Burt, 1996). Calvo-Armengol and Jackson (2004) also denote the importance of social networks in labor markets. The authors point out the fact that research results show that 50 to 60 percent of jobs are obtained through social contacts (Rees, 1966; Granovetter, 1973, 1995; Montgomery, 1991, 1992, 1994).

Consequently, human resource practices are usually associated with the type of social capital that has been denominated as the external type of social capital, at the individual level, providing individuals with certain advantages explained in the previous sections of this paper. Human resource practices can create social capital in locally adaptive ways. Human resource applications are heavily influenced by the cognitive sets that are dominated in a given country. Thus countries differ in the degree to which certain knowledge sets have become institutionalized (Gomez and Sanchez, 2005). As the cultural characteristics have an important impact on the way the relations and processes are organized, human resource practices are also effected from the different cognitive knowledge sets of a certain country's cultural attributions. Gomez and Sanchez summarize the findings in literature about the differences between an individualistic and a collectivist country's approaches as that they act quite different when working in teams, and social loafing does not occur in groups with collective beliefs (Earley, 1989). Performance of collectivists are highest when working with their "in-group" (Earley, 1993). Collectivists and individualists have different reward allocation norms in work groups, collectivists appear to evaluate "in group" (rather than out-group) members far more generously than individualists (Gomez *et al.*, 2000). Besides these positive aspects of the collectivist cultures' work attitudes there are also some negative usages of these cultural characteristics as to deviating from the professional management and human resource practices. These unfavorable attributes of the collectivist cultures' are often grounded on the essence of favoritism.

4. Favoritism in the Organizations: Building an In-group Culture Through Human Resource Management Practices

Favoritism is a significant problem in the human resource practices of some of the cultures. Nepotism is a step forward in favoritism, using all sorts of benefits for an individual's family members. Webster Third New International Dictionary defines nepotism as "favoritism shown to nephews and other relatives, by giving them positions because of their relationship rather than their competencies". Nepotism refers to the hiring and advancement of unqualified or underqualified relatives simply by virtue of their relationship with an employee, officer, or shareholder in the firm. Favoritism, in this case, means the provision of special privilege to friends, colleagues and acquaintances, in the areas of

employment, career and personnel decisions. Incidentally, demonstration of favoritism in human resource practices provides the roots for discriminatory behavior in organizations.

Nepotism and favoritism can cause a company to lose valued executives and decrease the organization's ability to attract new ones. When a family member rises to the top, he can discourage the non-family managers and reduce their commitment and dedication to the firm (Wong and Kleiner 1994). Especially in less developed or developing countries, nepotism is alive in organizations (Westhead et al, 2002; Parker, 2004). Hayajenh, Maghrabi, and Al-Dabbagh (2006) note that nepotism has maintained a particularly strong footing in the Arabic world. They indicate that the major factors behind nepotism in Arabic countries include: socio-cultural structure (tribal and kinship relations), economic structure (a tight labor market making it difficult to find a job in other ways), educational structure (poor preparation of workers for economic development) and political structure (governments' assignment of educated tribal chiefs and their sons to key positions in return for loyalty).

In heavily nepotism-oriented businesses, the human resource management practices can not work independently. Whether the employees undertake managerial or non managerial work, it is very difficult to promote them if they compete with the one who has a family member, relative or friends in the higher levels positioning the organization (Araslı et al, 2006). This leads to demotivating the employees in the organization. Nepotism has a negative effect on human resource functions such as recruitment and selection practices, because candidates are chosen for their friendship and relative relationship (Araslı and Tumer, 2008). Other effects of nepotism practices are seen in the satisfaction level of the employees, quitting intentions and negative word of mouth (Araslı et al, 2006).

Advantages of nepotism are highlighted such that nepotism environments create eternal commitment and loyalty to the employer, dedicated personnel, foster family-oriented climate, and improve communication (Araslı et al, 2006; Dailey and Reuschling, 1980; Ford and McLaughlin, 1986). On the other hand research on the disadvantages of nepotism bring forth issues such as the difficulty in supervising the relatives, feelings and perceptions about the unjustifiable distribution of promotions and rewards, conflicts, inessential rivalry, decrease in employee morale and problems in decision-making processes (Ford and McLaughlin, 1986; Ichniowski, 1988).

In the Turkish context, both favoritism and nepotism-orientation is frequently met. Having a collectivist culture, trust in the Turkish context is a phenomenon often related with the people knowing each other from the past. Cost of constituting trust is so high, people depend on whom they already know and the strong in-group relations come into the scene. Citizentry and in-group relationships eliminate the problems of uncertainty about the context and the reciprocal expectations and resolve the trust issue ab initio (Sargut, 2003:105).

As indicated above, human resource management practices are crucial for the appropriate functioning of the organization. The equity perception of the employees about the

human resource management practices creates job commitment and satisfaction, ensuring a fulfilling level of organizational performance. On the other hand, having a high level of external social capital and a low level of internal social capital brings forth several questions about the human resource practices in mind. High external social capital is created through personal links and networks. In cultures having high external social capital, human resource applications such as employment, performance ratings and lay-offs can be effected through the use of these networks damaging the sense of equity and justice.

In Turkish context, dilemmas about the governance and organizational procedures about building Western type hierarchies and professionalism are often met. Favoritism, stretching or even disregarding the rules upon daily decisions, bringing forth the personal relationships in stead of professionalism are common practices in organizational life (Sargut, 2003: 103). Building of trust depends mainly on to which clan an individual belongs to and the citizenry and kinship relations play a key role in the development of business and organizational relations (Sargut, 2003: 105). These kinds of relationships solve the problem of uncertainty and the employer does not have to face the high transaction costs of getting to know the new employees and spending time to build the trusting relationships (Öğütveren, 2007). Consequently the in-group out-group dilemma rise in such contexts. People, namely the employers trust in their in-groups more to overcome the problem of uncertainty. In such an organizational environment where the external social capital is high and the internal one is low, it would not be suprising to expect the employers to employ people they know through their personal networks of kinship and citizenry.

Proposition 1: When in a culture, the level of external social capital is high and the level of internal social capital is low, organizations often prefer to employ individuals with personal references through the networks of kinship and citizenry.

Building an organizational climate around the notion of a family environment is mostly benefited by the employers in the sense that a nepotic oriented organizational culture will bring them some advantages. Employing through their personal networks, in-group or even family members, in other words, using their external social capital resources for the employment processes will ensure the employer to have dedicated and committed employees (Araslı et al, 2006; Dailey and Reuschling, 1980; Ford and McLaughlin, 1986) who will obey the rules and commands without questioning them. The employer will not be spending any time for getting to know the new employees and hence he will reduce his transaction costs.

Proposition 2: Employing dominantly through personal networks of in-group members is beneficial on the employer's side as it decreases the employment costs and ensures the employment of trustworthy employees.

As mentioned above, when employees perceive their performance ratings, hence pay increase and promotion to be determined by the performance factors, they are likely to tend building positive work-related attitudes. Studies show that where employees believe they are treated fairly in the workplace then they hold positive attitudes towards organization

(Moorman, 1991). In organizational environments where in-group and out-group differences exist the opposite perceptions of inequality will occur.

Proposition 3: Employment through personal network referencing will result in a negative sense of equity and justice among the employees in terms of future pay raises and promotions.

The presence and use of the personal networks through the rich external social capital resources in the hiring process of an organization will build an environment dominated with the citizenry and kinship relations. Such an environment holds the dangers of having human resource management applications with negative effects mentioned in the inquiries in literature (Araslı et al, 2006, Araslı and Tumer, 2008) and building of a nepotistic culture. A nepotistic organizational culture in return develops advantaged and disadvantaged groups according to the in-group and outgroup relations. Employing, promoting or giving special benefits to a family member (or an in-group member) will also discourage the non-family managers and lessen their commitment and dedication to the firm (Wong and Kleiner 1994).

Proposition 4: Employment practices using personal citizenry and kinship networks will lead to create a nepotistic culture in the organization.

5. Discussion and Implications for Future Research

The purpose of this study is to discuss the favorable and unfavorable influences of the strong external social capital argued to exist in Turkish context, especially on human resource applications of the organizations. External social capital is a new research area, but there is little research on the mechanism that how external social capital is formed and developed in the organizations and their consequences. In this article, we discuss the impact of high external social capital on human resource management practices. It is proposed that not only the positive outcomes of high external social capital but also the negative aspects of it should be taken into consideration.

We indicate that the short term and long term effects of having different types of social capital in organizations may emerge as a diversified pattern. Internal social capital appears as a social characteristic of the societies reaching collective goals through an effective coordination. When internal social capital is low in a context, members of the society can endeavor to accommodate low amounts of internal social capital but still can acquire high levels of external social capital. Through the constitution of resources obtained from an actor's social relations, organizations resided in a low internal social capital environment could still embrace relational trust and develop networks through the members of the organization. Moreover, human resource applications such as employment, performance evaluations, promotions, rewarding systems and deployment will be significantly affected by the characteristics of the social networks in which citizenry and kinship becomes the fundamental elements of formation. Thus, social capital that deals with internal and external features simultaneously will be able to enhance the understanding of organizational behavior

in order for organizations to prosper and succeed over time.

Large number of employees in Turkish companies are employed through the citizenry and kinship relations and through the external social capital networks of the founder of the organization and his close colleagues. These close and primary relations result in in-group formations in the organization and the in-group members look after and watch out for each other. Furthermore, the non-members of the in-groups, namely the out-group members, feel excluded from the citizenry relations and also seem to be disadvantaged in the human resource applications such as promotions, pay raises and the possible lay-off practices. As the out-group members feel less satisfied with their relationships and the way they are treated in the organization, their organizational commitment levels may decrease.

Future research of comprehensive analysis of the propositions can be done using both qualitative and quantitative research methods. Further validation of the propositions developed may be examined by holding personal and focus group interviews with the employees of the same organization and with the employees of other similar organizations using concentrated semi-structured survey methods for cross examination of the findings and comparisons.

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