

SOCIAL CAPITAL MANAGEMENT IN MUNICIPALITY ENTERPRISES

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Abstract

Municipal enterprises are one of the most significant organizational structures, whose activities require constant efforts for higher employee engagement and creating an appropriate organizational structure to increase the efficiency of services offered and actions performed. The management staff of municipal enterprises should focus their efforts on the relations between employees and their behavior through selected behavior and behavioral models that will allow building mutual trust and achieving efficiency of social capital due to its high impact on employee engagement work processes and their motivation.

Nowadays, municipal enterprises and their management are one of the most important social activities, and the improvement of their efficiency cannot be achieved without considering their role in society, the factors determining social engagement, as well as the involved participation of citizens as participants in the country's economy, affecting economic growth. This type of enterprise is also considered one of the main central bodies, as their organizational structure and goals set to achieve require specific motivation of workers to increase their commitment to the organization, build mutual trust and achieve organizational behavior that develops social capital and the transfer of knowledge.

The purpose of the report is to analyze the importance of social capital for municipal enterprises by assessing the usefulness of social relationships between people, which benefits the establishment of different ways to develop local government, territories and their resources.

Keywords: social capital, social impact, society, social enter partnership, commitment to organization

THEORETICAL BACKGROUND

Municipal enterprises carry out a wide range of activities in various sectors – health care, environmental protection, education, reintegration of minority groups and unemployed people, etc. In their action, this type of enterprise differs from traditional enterprises because their primary mission is related to implementing of social activities, unlike the others, which are for economic purposes [Nascimento & Salazar, 2020]. Successful implementation of activities in this type of enterprise does not require only the possession of money capital and physically necessary equipment and technology, because that physical, human and financial capital cannot operate effectively without the availability of social capital needed for the organization as a whole, and for its staff [Shouxian, 2012].

By the theory determining the importance of social capital [Nahapiet & Ghoshal, 1998], it is established that social relations are the primary source of resources and development, both for staff and the company as a whole. Through explanations of knowledge transfer and organizational learning, social capital theory specifies the strategic importance of relationship-based assets rather than technical assets, which determines that social interactions influence corporate innovation and performance, especially in terms of high-tech solutions. Social capital is perceived as the accumulation of actual and potential resources that are received and available in the networks of social relationships and are owned by an individual and a social unit, differentiated into three dimensions [Shouxian, 2012]:

- Structural – shows the established relationships between individuals, allowing them to transfer knowledge.
- Cognitive – determining the ability to transfer knowledge based on upholding common goals and sharing the same vision of individual development.

- Relational – analyzes the built trust, which is crucial for the social exchange knowledge in social networks.

The place of social capital in building relationships in municipal enterprises is presented in the following figure 1.

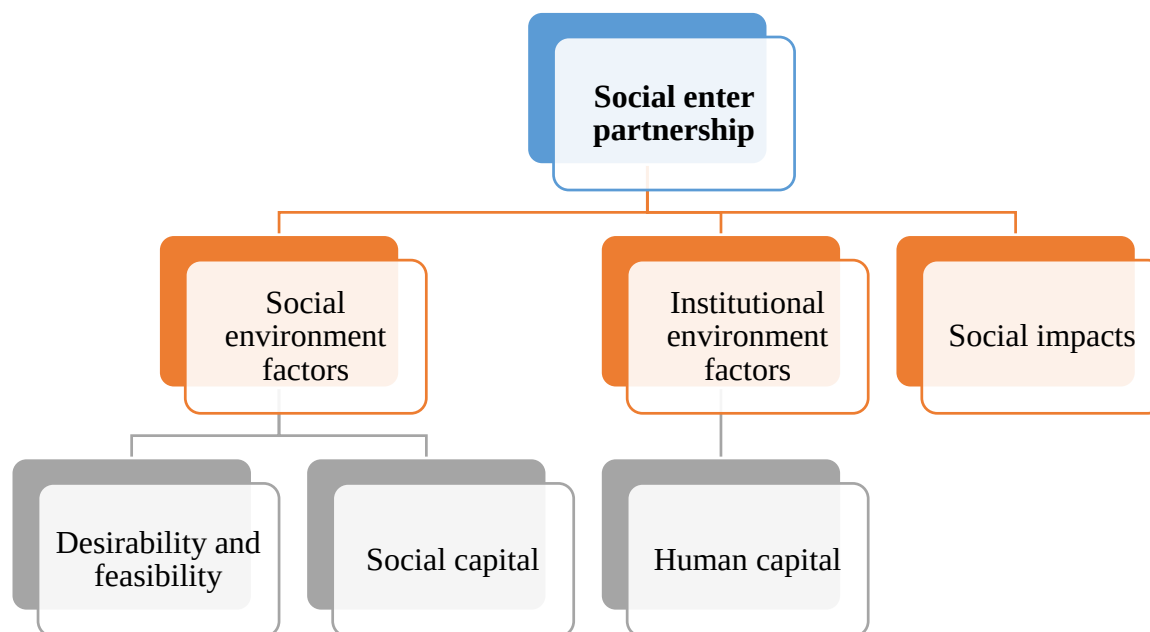


Figure 1. Place of social capital in the established relations in the municipal enterprises
[Nascimento & Salazar, 2020]

As can be seen from Figure 1, desire and feasibility, as well as social capital, lead to the emergence of social factors, which together with internal factors for municipal enterprises, as well as the social impact of the environment, contribute to building social relationships [Cagarman et al., 2020].

Unlike many other assets and resources, social capital is an asset that is destroyed if misused, which determines the need for any municipal enterprise that seeks development opportunities to create, maintain and strengthen this valuable resource. The increase of social capital in municipal enterprises is associated with the implementation of interaction, which in social, cultural, economic and political areas, which interaction encourages the development of civic social networks to participate in the activities of this type of enterprises and organize more accessible services [Choi et al. 2010]. The created social capital is an advantage of the municipal enterprises for increasing the efficiency of the activities in the municipal enterprises and encouragement of the innovations, and the formed social networks promote social connections, providing support and building trust, which in turn contributes to effective interpersonal communication information and collaboration [Ali et al., 2013]. The following table 1 presents the relationship between the different dimensions of social capital and the efficiency of municipal enterprises.

Table 1. Relationship between social capital and efficiency of municipal enterprises [Carr et al., 2011; Lee, 2015; Sacconi & Antoni, 2008; Arregle et al., 2007]

Dimension of social capital	Influence on the efficiency of municipal enterprises
Structural dimension	The main focus of the structural dimension is the free movement of information and its sharing, which improves the activities carried out in municipal enterprises. Through the improved efficiency of the data transmitted on social networks, it is allowed to expand and supplement it with new members, which allows a competitive advantage in today's world, which needs constant information.
Cognitive dimension	It includes the commitment of individuals to achieve the goals of the municipal enterprise, measured by the collective identity of the formed social group, facilitating the implementation of interactions. The cognitive dimension includes a shared vision, faith and aspiration, promoting the free exchange of information (cognitive dimension) based on trust (relational dimension). This connection is expressed with the aim to achieve a common goal shared between the members of the social network, having the same social identity and aspirations.
Relational dimension	

The role of social capital in municipal enterprises depends on the level at which it is used. Social capital through the formed social relations can provide [Tundui & Tundui, 2013]:

- Useful information regarding the necessary services to be provided.
- Psychological, moral and emotional support of human resources and their management.
- Physical support for the development of certain activities.
- Accumulation of different types of resources.
- Accelerate the exchange of resources between the different units and promote efficiency within the municipal enterprise.
- Strengthening relationships with outsiders and partners.
- Promoting innovation.
- Improving the dissemination of knowledge.
- Reducing the costs incurred in providing access to information.

Providing the listed benefits through social capital allows the achievement of both individual and organizational goals, and the strength of the established social ties allows building institutional relationships that facilitate the implementation of various activities in municipal enterprises [Coleman, 1986]. From this, it can be concluded that social capital contributes to the development of municipal enterprises with three main types of benefits, presented in the following figure 2.

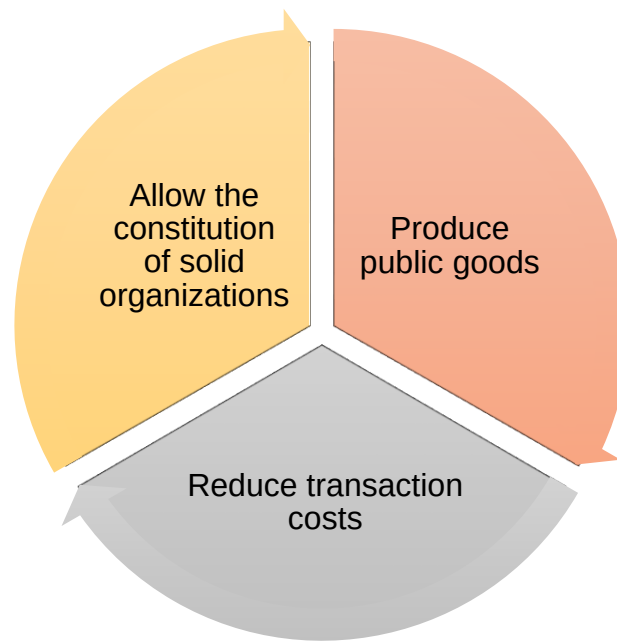


Figure 2. Benefits of social capital for municipal enterprises [Narayan & Cassidy, 2001]

The three main types of benefits are formed based on the established social relations in the structure of the municipal enterprise, allowing building trust and the behaviors of mutual implementation of the activities (teamwork), and cooperation. Thus, the formed collective social capital allows assessment of the formal and informal institutional aspects of the relations between the individual members, regarding established rules, regulations, required behavior and envisaged sanctions in the municipal enterprises. Based on the assessment of the established relations, the municipal enterprises can change their structure, which will allow to avoid the uncertainty in the relations and introduce regulations for exchange of information and transfer of knowledge between the members [Bravo, 2020].

The developed social capital allows the municipal enterprises to avoid various external threats that may hinder the implementation of the activity, and through the established social communities the resources of the local community, to be managed more efficiently. The formed social relations allow the implementation of negotiations by its members with external institutions such as citizens, non-governmental organizations, etc., which will allow the establishment of long-term relationships with the community and the development of the local economy [Narayan & Cassidy, 2001]. The development of social capital by municipal enterprises allows their connection with other economic agents, which cooperation can have a positive impact on enterprises in three main areas:

- Information;
- Influence;
- Solidarity.

Social capital can significantly facilitate finding the necessary information, which is a significant factor influencing the implementation of activities and obtaining the resources required. The established social networks provide an opportunity for the municipal enterprises to provide information (directly or indirectly) to various partners and third parties, which provides greater confidence and building trust on the part of the citizens for the activities carried out by them. On the other hand, the impact of social capital is related to the ability of municipal enterprises to transfer rights and obligations to individual members of the social network, and solidarity strengthens the cohesion of members and creates confidence to achieve goals and follow the mission [Zhang, 2010]. These influences allow municipal enterprises to reduce their costs in exchanging and searching for information and resolving conflicts.

In developing economies, social capital provides an opportunity for municipal enterprises to find the most appropriate behavior for a given situation, and receive support from various external organizations in the absence of effective market instruments. Facilitated exchange of information, sharing of resources between municipal enterprises, external organizations and citizens allows the introduction of various innovations, reducing costs and having an overall positive impact on the activities of municipal enterprises [Liao & Welsch, 2005].

RESEARCH

Research model

The research model is based on the understanding that social capital in municipal enterprises is based on two types of created networks – internal social networks and belonging to external developed networks. The essence of both types of networks is presented in the following table 2.

Table 2. Types of networks, part of social capital in municipal enterprises [Westlund & Bolton, 2003]

Social network	Specifics
Small internal network	• Created a social network in the enterprise itself, which connects with an external social network. • It is created based on of the accepted beliefs and values of the individual members. • It is characterized by a low frequency of change in perceived values and goals. • The social network is relatively dense and closed in terms of external influences and admission of new members.
Large external network	• They are created by different members based on belonging to certain beliefs and social entities. One network member can participate in different networks. • Many accessories strengthen existing relationships and allow new ones to be built. • A difficulty may arise due to maintaining effective social relationships in different networks.

Because more and more social networks are appearing, there is increased participation of people in them, as the established connections are based on different personal and professional interests. It can also be outside the municipal enterprise [Westlund & Bolton, 2003]. The research approach includes the analysis of studies based on various keywords such as "social capital", "social capital and public companies", "social enterprise", "social activities in municipal enterprises", etc., thus all research articles, including these keywords, are considered relevant to the purpose of the study [Cagarman et al., 2020].

Instruments

The tools used in the present study include adapting measures used in various studies to measure the creation of shared knowledge and conduct content analysis. The review of the analyzed surveys is not exhaustive due to the wide range of social capital in municipal enterprises. Specificity is also observed in terms of the activities performed by municipal enterprises and their goals, which are very different from the activities of other economic agents.

The surveys' analysis considers the local dimension of enterprise development in terms of mobility as a factor susceptible to stimulation and the development of the respective geographical region. The tools used aim to analyze the formation and significance for municipal enterprises of:

- Individual social capital.
- Collective social capital formed both based on a municipal enterprise and based on individual participation in various social networks.

Findings, discussions, and implications

The conducted content analysis establishes that the social capital is much more than an established social network between the individual workers in the municipal enterprises and includes various aspects in the social context:

- Social interaction.
- Social connections.
- Building trust.
- Value systems that help to perform specific actions.

This shows the essential role of social capital for municipal enterprises and the ability to achieve the set goals and motivate staff for their better implementation, using the various dimensions of social capital and their interconnectedness. The following Table 3 presents how social capital influences municipal enterprises.

Table 3. Influence of social capital on municipal enterprises [Liao & Welsch, 2005]

Relationship of social capital	Influence
Social capital and risky investments	• The success of any investment is directly dependent on the established networks of social relationships. • Understanding and using the concept of social capital has a positive impact on starting and effectively implementing new activities that require an investment of financial, material and human resources. • By creating knowledge and their exchange in the social network, the activity and commitment to the activities of municipal enterprises increases, which also affects the reduction of staff turnover. • The use of the actual and potential advantages of the developed social capital allows directing the economic logic for making the correct decision regarding each investment.
Social capital and social interactions	• Built social networks provide easy access to resources and information. • Social interactions facilitate the development of new forms of partnership with other organizations and encourage innovation. • The size of the social network is directly related to the development of new activities and the provision of new services, and the achievement of higher efficiency.

Social capital and confidence building	• The measurement of the formed social capital is based on all created interactions between the members of an organization, focusing on respect, trust and friendly relations. • Municipal enterprises have managed to build a sense of trust between members of social networks. The institution can use this trust to their advantage to exchange information with their partners. • Trust also helps to more actively involve members in the activities of the organization.
Social capital and the use of new technologies	• Technological innovations, especially in sectors related to the need for specific knowledge, determine the great importance of social capital on access to new technologies and opportunities for their use. • The established social relations and the way of knowledge exchange determine the speed for processing new information and the inclusion of different technologies for carrying out the activities. • Social capital contributes to the process of access to external sources of knowledge and information for the municipal enterprise by increasing the number of partners wishing to join social networks. • The established social relations and the way of knowledge exchange determine the speed for processing new information and the inclusion of different technologies for carrying out the activities. • Social capital contributes access to external sources of knowledge and information for the municipal enterprise by increasing the number of partners wishing to join social networks.

Social capital also influences workers' commitment to the municipal enterprise, their behavior and the way of performing the work activities. According to analyzed various studies, it can be concluded that the course of performing activities in municipal enterprises is influenced by multiple factors such as social capital, personal commitment to the institution and civic organizational behavior (Figure 3).

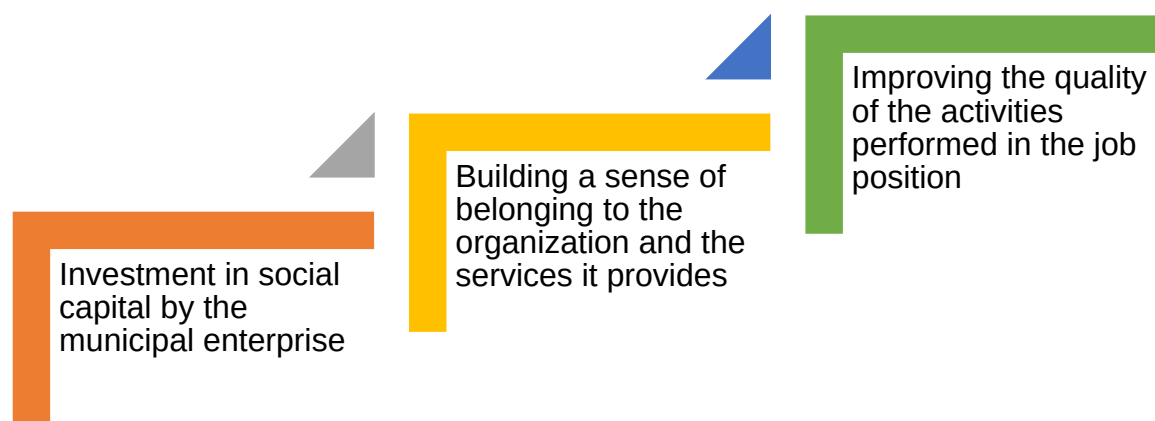


Figure 3. Influence of social capital on the activities performed and the overall commitment to the municipal enterprise [Nemati et al., 2016]

The sense of commitment to the municipal enterprise was associated with the relationship and dependence of staff on the enterprise itself, employer-employee relations and ensuring psychological stability, a sense of cooperation and investment in employee development. Creating a sense of commitment is associated with staff motivation, acceptance of organizational values as personal and the desire to stay and develop with the municipal enterprise. Therefore, the lack of commitment to the organization is one of the main problems of modern municipal enterprises [Bentein et al., 2005].

On the other hand, civic organizational behavior is behavior that includes such behavior that is not part of the mandatory official obligations of employees in the municipal enterprise. Still its implementation helps to improve interaction in the organization and develop social networks. This type of behavior includes various aspects such as [Pradhan et al., 2016]:

- Observance of established social norms and customs.
- Work ethic.
- Building interpersonal coordination in carrying out activities and creating effective teamwork.
- Protection of the interests and achievement of the goals of the municipal enterprise.
- Observance of politeness in workplace behavior.

The last influence of social capital is related to the performance of work, which can be defined as a variable factor due to the motivation and needs of workers. Effective management of social capital in municipal enterprises, meeting the needs of workers, influencing the work atmosphere, increasing job satisfaction, reducing staff turnover, has a positive impact on social capital in the enterprise [Eisenberg et al., 2018].

CONCLUSION

In municipal enterprises the organization of the activities follows the specifics of the fulfilled legal obligations in directing the efforts for achieving economic growth. To achieve effective implementation of the activities, it is necessary to encourage the work of the employees and to improve their commitment to the activities of the enterprise. Social capital has a crucial role in the promotion process, which has a decisive role in developing of both civil societies and municipal enterprises. When there is a lack of social capital, municipal enterprises lose their efficiency, and achieving the set goals becomes more and more difficult. On the other hand, social capital influences the commitment of workers to the goals of the enterprise, which necessitates managers to use the most appropriate methods for municipal enterprises to increase trust among members of social networks, apply appropriate training, and build effective relationships with professionals groups to improve their social capital, through which to achieve organizational improvement, a positive impact on the social commitment of workers and the effective implementation of goals.

Therefore, it can be concluded that social capital directly impacts the commitment of workers to municipal enterprises, reflecting on job satisfaction and the overall perception of working conditions and motivation.

LIMITATIONS AND FUTURE RESEARCH

The various aspects of social capital and their impact on municipal enterprises require future research to understand social capital and its consequences better. Future research may include analyzing the role of social capital by adding various regional and cultural factors to the study, such as the social capital of municipalities, educational institutions, hospitals, etc., to contribute new research findings.

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