THE STRUCTURAL CONFIGURATIONS OF SOCIAL CAPITAL:
AN ANALYSIS OF PROFESSIONAL-CLIENT NETWORKS

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ABSTRACT

Professionals employed in knowledge-intensive firms rely on their social capital to deliver value in their professional services to clients. There have been limited comprehensive studies on social capital for professionals, and so this paper proposes a framework for examining the network structural configurations of professionals’ social capital derived from relationships with their clients. Our aim is to develop a more robust framework for theoretical and practical advancement of our understanding of how structural variations in social capital facilitate the development and maintenance of professional-client relationships. By analysing the different network structures of social capital in the context of professional-client networks, this study endeavours to identify and compare the ways that professionals initiate and maintain business with client organisations. Several propositions are made for conducting empirical research on social capital within professional and client networks.

Keywords: social capital, networks, professionals, professional-client relationships
INTRODUCTION

In the last few years, a growing body of literature has developed on the concept of social capital. The burgeoning research on social capital has made significant advances to the field, with the relevance of the social capital concept being well-documented in the business, sociology, economic and political science arenas (e.g., Adler and Kwon, 1999; Belliveau et al., 1996; Coleman, 1988; Leana and Van Buren, 1999; Nahapiet and Ghoshal, 1998; Pennings et al., 1998; Portes, 1998; Sandefur and Laumann, 1998; Tsai and Ghoshal, 1998; Yli-Renko et al., 2001).

Social capital has been described as a resource that exists within actors’ social relationships in which they are embedded (Bourdieu, 1986; Loury, 1977, 1987). These resources facilitate the actors’ actions to achieve instrumental outcomes. Social capital has also been defined by its function, according to Coleman (1988: S98), in that “[i]t is not a single entity but a variety of different entities, with two elements in common: they all consist of some aspect of social structures, and they facilitate certain actions by actors, whether persons or corporate actors within the structure. Like other forms of capital, social capital is productive, making possible the achievement of certain ends that in its absence would not be possible”.

This study is motivated to examine social capital in the context of professional service providers, which have not been explored in the current literature on social capital. The individual professional’s dependence on clients prompts this research focus. To our knowledge, there has been no prior empirical study on social capital examining the inter-reliant network of relationships between professionals and their clients.

Notwithstanding the substantial theoretical arguments on social capital, there have been limited attempts to integrate the varied conceptualisations of social capital. While much of the existing studies on social capital conceptualise this concept as based on the structural nature of social connections (e.g., Boxman et al., 1991; Burt, 1992; Burt, 1997; Lin, 1999; Powell et al., 1996; Walker et al., 1997), research studies differ in their measures of social capital, which limits the generalisability creating a fragmented set of social capital theories within the academic community and the wider society.
In this study, we analyse the critical, yet relatively unexplored question, of professional-client relationships: What network structures of a professional’s social capital with the clients, enable the initiation and maintenance of professional-client relationships? Much of the previous studies on social capital that have concentrated on analysing the network structure of relationships have fallen short of fully examining how structural variations influence the development and maintenance of social capital (Sandefur and Laumann, 1998). By analysing the different network structures of social capital in the context of professional-client networks, this study endeavours to identify and compare how professional service firms and professionals initiate and maintain business with client organisations. Many of these initial contacts are critical to the viability of professional service firms, yet are often not recognised as such. Also, different opportunities exist within these relationship structures enabling some individuals to capture opportunities better than others (Tsai, 2000). The ability to recognise these opportunities and to initiate and maintain professional-client working relationships, can serve as a competitive tool for professionals and their firms. More and more, these professionals have to compete for clients’ business as there is a tendency for client organisations to competitively tender work selecting and reviewing professional service providers more frequently, i.e., adopting a transactional strategy (Baker and Faulkner, 1991).

We focus on the dyad level of professional-client relationships and consider the different network structures of social capital that influence the extent to which a professional’s social capital is created and maintained through his or her networks with clients. We describe how consideration of these different network structures of social capital yields a framework for research in understanding the dynamics in the formation and maintenance of professional-client networks.

Having explained our points of departure and motivation, this paper will be structured as follows. We begin by providing a summary of social capital and its theoretical foundations. Next, we present the different network structures of social capital in the context of professional-client networks. We finally conclude by discussing the contributions and implications, as well as acknowledging the limitations of our research approach.
SOCIAL CAPITAL

The term ‘social capital’ has been used by social theorists as early as the 1900s, but the emergence of discussion among writers and academics only occurred in the middle of the century, e.g., Jacobs (1961) in discussing the importance of relationships and cooperation in the survival and functioning of communities.

The concept of social capital has recently received an overwhelming abundance of interest, and consequently, there exist a multitude of definitions. For instance, social capital has been viewed on a macro level as a determinant of economic development of particular communities (Putnam, 1993, 1995). On a micro level, Coleman (1988) defines social capital as a system of relationships among and between individuals. Social capital has also been defined as the resources of a firm that exist from having a network of relationships (Bourdieu and Wacquant, 1992) or the relationships that facilitate action and create value (Hitt and Ireland, 2002). In essence, social capital is defined as any aspect of social structure that creates value and facilitates the actions of the individuals within that social structure” (Seibert et al., 2001: 220) or “a resource that is derived from the relationships among individuals, organisations, communities, or societies. … [that] is considered a valuable asset” (Bolino et al., 2002: 506).

Research findings on social capital suggest that the creation and maintenance of social capital requires the existence of networks with other parties (Burt, 1992; Hitt et al., 2001; Kogut and Zander, 1992; Nahapiet and Ghoshal, 1998; Podolny and Baron, 1997; Tsai and Ghoshal, 1998; Yli-Renko et al., 2001). The distinctive characteristic of social capital is the importance of these networks of relations in generating value for the actor. The concept of social capital assumes that the costs of transactions between at least two actors (or nodes) in the network will be reduced when social mechanisms are available and structured in lessening information asymmetry and opportunism between economic actors. Following this argument, social networks of ties are formed for value creation: to enhance performance by reducing transaction costs (e.g., Nahapiet and Ghoshal, 1998; Tsai and Ghoshal, 1998). When economic actors invest in these ongoing relationships, their networks of exchange provide social capital to those involved. The central premise of the arguments from these authors is that the actor’s advantage is fundamentally socially created.
Social Capital in Professional-Client Networks

As the professionals’ outputs or services are intangible, clients often become the co-producers of the services provided by these professionals. Clients rely upon measures such as quality as well as the interpersonal nature of the relationship with the service provider (Iacobucci, 1991). This intense involvement of clients makes social capital a central feature of operations in these types of firms (Pennings and Lee, 1999).

Many relationships in organisations are mediated by individuals (Gabbay and Leenders, 1999). A law firm draws social capital from the relationships that each of the professionals in the law firm has (Gabbay and Leenders, 1999; Lazega, 1999). The professional possesses his or her own clientele base and may be more loyal to these clients than to the firm. The firm, on the other hand, exploits the relationships that the professional has with the clients in order to draw more billable hours and bottom-line profits. The presence of social capital thus enables the firm to leverage their human capital productively and maintain a competitive edge (Pennings and Lee, 1999). Thus, social capital is viewed as being extremely valuable in producing rent from the firm’s human capital, and Pennings and Lee (1999) argue that the firm’s social capital is in fact the social capital of the individual professionals.

Professionals who possess strong social capital with their clients should benefit from this capital in two major ways (Sandefur et al., 1999). First, professionals with higher social connections and links with clients will be more advantageously positioned in attracting new clients because they have more timely access to information and are more likely to be referred to other new clients by their existing clients. Social capital thus grows much faster than human capital, and is generally seen by the clients as a substitute for more objective measures of performance such as reliability and consistency (Arnold and Kay, 1995; Pennings and Lee, 1999).

Second, professionals with higher social connections provide better services and solutions to their clients as they are more knowledgeable about other matters such as having knowledge about the competitors’ strategies (Sandefur et al., 1999). Indeed, professionals who possess strong social capital
are much more “valuable to their clients than equally competent professionals without access to such useful contacts” (Sandefur et al., 1999: 218).

The network structural configurations of social capital and the professional’s strategies to exploit relationships with clients, are presented in Table 1. The Table also shows competitive advantages potentially available to professionals who have these structural configurations within their client networks, which we will now discuss.
<table>
<thead>
<tr>
<th>Structural Configurations of Social Capital in Professional-Client Networks</th>
<th>Professional’s Strategies</th>
<th>Competitive Advantages</th>
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</table>
| **Centrality** | To be located in a central position in the work networks of clients. | - Creates new business  
- Enhances client relationships  
- Promotes repeat business  
- More billable hours  
- Enhances reputation |
| **Strength of ties** | To create and maintain strong collaboration ties with clients. | - Enhances client relationships  
- Promotes repeat business  
- Generates business referrals (creates new business or contacts) |
| **Non-redundancy of ties** | To span networks of clients who are not connected to each other to obtain non-redundant information, knowledge, and other benefits. | - Creates new business  
- Gains information, knowledge, and other benefits  
- Exploits client relationships |
| **Network diversity** | To create and maintain networks that span diverse client assignments or tasks. | - Creates new business  
- Enhances skills  
- Promotes repeat business  
- Improves reputation |

*Table 1. The Network Structural Configurations of Social Capital in Professional-Client Networks, Professional’s Strategies, and Competitive Advantages*
THE NETWORK STRUCTURAL CONFIGURATIONS OF SOCIAL CAPITAL

One’s stock of social capital consists of the pattern and collection of one’s relationships with other actors in the network, and the location of one’s associations in a larger social structure (Sandefur and Laumann, 1998). In other words, one’s social capital can be derived from the contacts one has as well as from the way these contacts connect one to other relations in the network. The network structural configurations of social capital illustrate ways that the different types of networks and ties of relationships can provide different types of instrumental outcomes for the actor.

The network structural configurations of social capital which reflect the social structure and ties within the professional-client networks are: the centrality of the individual professional (Tsai and Ghoshal, 1998); the strength of the collaboration ties between the professional and the client (Lin, 2001); the extent of the non-redundancy of ties between the professional’s clients (McEvily and Zaheer, 1999); and the network diversity in the professional’s areas of practice (Papa and Papa, 1999).

These network structural configurations illustrate: 1) the extent to which an actor is connected within the network based on the actor’s hierarchical position in the network of relations and interactions, i.e., the actor’s centrality, 2) the patterns of connections within the network based on the strength of ties and the non-redundancy of ties to illustrate the effects of the different types of social capital – bonding and bridging social capital, in the creation and maintenance of professional-client relationships (Putnam, 1995; Woolcock, 2000) and 3) the types of resources from a diverse network that can be exploited to gain instrumental outcomes.

Centrality

In a structurally embedded relationship, the actor’s location in a network of relations and interactions provides benefits to that actor (Tsai and Ghoshal, 1998). Nohria (1992) asserts that the actors’ actions are dependent on their network positions. The structural position of an actor in an organisation defines
the extent to which the actor is central in the network of other actors. An actor who is central is one who is prominent in the network and is involved in many ties (Wasserman and Faust, 1994).

Incumbents in the central position gain numerous benefits that may not be available to the peripheral actors: he or she can obtain timely and useful information and knowledge, can be in control of the flow of resources, be a broker or a boundary spanner in linking the disconnected networks, and be influential. Ibarra (1993) notes that the centrality of an actor’s position provides power to this individual to be able to get things done in the network. Burt (1992) mention that the individuals at the central location can gain access, timing and referral benefits. Indeed, individuals in the central location have great control over resources and can obtain information, knowledge, power (influence and control), social solidarity, and even influence perception (Brass, 1984; Burt, 1992; Coleman, 1988; Ibarra and Andrews, 1993; Knoke, 1990; Koka and Prescott, 2002; Nahapiet and Ghoshal, 1998; Pfeffer, 1981; Roberts and O’Reilly, 1979; Sandefur and Laumann, 1998; Tsai and Ghoshal, 1998). Being in a central position in the network thus implies a higher degree of benefits that are not easily available to the other actors (Burt, 1992; Knoke, 1990; Tsai and Ghoshal, 1998).

Although prior research has demonstrated the relationship between an actor’s centrality and outcomes such as power (Brass, 1984) or promotion (Burt, 1992), most research has focused on examining centrality within groups and organisations (Sparrowe et al., 2001). To date, there is a lack of research that has explicitly examined the link between one’s centrality within provider-client networks (Tsai and Ghoshal, 1998), in this case, within professional-client networks.

A professional who is central in the work network of clients is more likely to be approached by a large pool of clients who seek professional advice or expertise. From this large pool of clients, the professional can draw more billable hours and consequently, his or her reputation is enhanced through doing these client assignments. The centrality of a professional in the work networks of clients therefore enables the professional to create and maintain new client contacts or business. Existing clients are more likely to return to use the services of the professionals because of the relationships developed between them. New contacts or new business are also more likely to be generated through the clients’ referral networks and the professional’s reputation.
P1a: The centrality of an individual professional within the professional-client networks is positively related to the maintenance of existing professional-client relationships.

P1b: The centrality of an individual professional within the professional-client networks is positively related to the creation of new professional-client relationships.

Strength of Ties

In addition to the need to being centrally located in the network, networks also vary on the strength of ties among actors (Granovetter, 1973; Burt, 1992). The strength of tie reflects the extent to which a relationship is characterised by a high amount of time invested in the relationship, as well as a high amount of emotional investment, intimacy (mutual confiding), and reciprocity (Granovetter, 1973). Weak ties refer to relationships that do not involve much emotional investment and interaction frequency; these types of ties are normally associated with acquaintanceships (Burt, 1992), while strong ties are characterised by relationships that involve close bonds with high levels of investment in interactions, emotional intensity, intimacy, and reciprocal services (Granovetter, 1973).

Strong ties have important implications on social relationships. Coleman (1988) emphasises that networks of strong ties in which members are all connected with high levels of interaction frequency are more likely to induce members to cooperate as the networks provide a high level of mutual trust. A similar view was suggested by Krackhardt (1992) who argues for the importance of strong ties in the development of trust and reciprocity, what he referred to as philos. Philos enables the exchange of information and knowledge that otherwise would not be possible to be transferred over weak ties (Hansen, 1999). Social capital arises when ties are strong in enabling information to flow rapidly and easily (Coleman, 1988), what is commonly known as bonding social capital (Putnam, 1995). Strong ties have also been discussed as an antecedent to promotions and beneficial career outcomes (Dreher and Ash, 1990; Schneider, 1983; Tsui and O’Reilly, 1989; Useem and Karabel, 1989).

The intensity of the collaboration is used in this research to distinguish the difference between strong and weak ties. This differs from prior research that frequently asks respondents to indicate whether they consider their contacts to be friends or acquaintances, to reflect the strength of ties (Marsden and
Campbell, 1984). For instance, in previous research, respondents were asked questions on whether they consider their alters (or contacts) as friends or acquaintances (Meyerson, 1994). In the case of professional-client relationships, by friends, this means that the professionals frequently socialise with their clients and discuss private and personal matters with them. In contrast, acquaintances refer to client contacts with whom the professionals merely discuss work-related issues. If the respondents indicate that the relationship with their clients is of a close friendship tie, then it is a strong tie. If the relationship is as an acquaintance, then it is of a weak tie.

Asking respondents to consider their clients as friends or acquaintances can be misleading. In most cases, professionals who were asked this question stated their clients were friends instead of acquaintances to demonstrate that their relationships with their clients were strong. Similarly, questions such as “On average, how close is your relationship with these contacts” to denote the emotional intensity as in the study by Collins and Clark (2003), or asking the respondents how close they feel to the alter, as in Seibert et al.’s (2001) study, falls into the same problem of asking a question that is prone to self-report bias.

We argue that the intensity of collaboration is a better indicator to reflect the professional-client relationship for several reasons. The intensity of collaboration illustrates the extent of the frequency of communication and denotes the strength of ties (Burt, 1997), in that the higher the intensity of collaboration, the more frequent the communication will be between a professional and the client. Furthermore, the intensity of collaboration does not overtly ask the respondent to view whether a particular client is a friend or an acquaintance, neither does it highlight the degree of emotional closeness with a client, which is prone to self-reporting bias. Yet, the intensity of collaboration is still able to capture that closeness intensity that the strength of tie measure endeavours to investigate.

Professionals who have developed strong collaboration ties with their clients are more likely to gain an advantage over their colleagues or their competitors in other professional service firms within the same practice group. The relationships with clients are enhanced through strong collaboration ties, and repeat business is more likely due to the professional-client bonds. Furthermore, with strong collaboration ties, it is more likely that the existing clients know the professionals well, understand the quality of the work delivered, and consequently, refer new clients to the professionals. When this eventuates, new business is often created.
**P2a:** The professional’s strength of ties within the professional-client networks is positively related to the maintenance of existing professional-client relationships.

**P2b:** The professional’s strength of ties within the professional-client networks is positively related to the creation of new professional-client relationships.

**Non-redundancy of Ties**

The non-redundancy of ties refers to the structural configuration of an actor’s contacts relative to one another (Burt, 1992; McEvily and Zaheer, 1999; Seibert et al., 2001). It indicates the extent to which one’s contacts in the network are linked to one another. If the actor’s contacts are all tightly linked to each other, then the actor’s network is redundant. On the other hand, if none of the actor’s contacts are linked to each other, then the actor’s network is highly non-redundant.

Rogers and Kincaid (1981) describe an individual in a network in which members are highly connected to each other, i.e., highly redundant, possess similar attributes such as beliefs, values, and education, and that “the ingrown communication patterns in interlocking personal networks discourage the exchange of new information” (1981: 136). Redundant ties are more likely to provide information that is not unique to the actor since information gained from one contact can be similarly obtained from the actor’s other contacts. Individuals who are connected to the same connections therefore receive similar information or resources, and hence, the information received is redundant (Burt, 1992). In other words, redundant ties are more likely to lead to information that is “largely superfluous and unoriginal” and that the “range, novelty, and diversity of information obtained from a nonredundant tie are predicted to be much greater than from a redundant tie” (McEvily and Zaheer, 1999: 1138).

The non-redundancy of ties implies that the value of one’s social capital is derived from bridging “structural holes” or gaps between nodes in a network that are otherwise not connected to each other (Burt, 1992). A range of non-redundant ties provides the actor with valuable access to resources, information, advice, status, and emotional support (Brass, 1985; Burt, 2000; Campbell et al., 1986; Reagans and Zuckerman, 2001). In essence, actors who are in control of non-redundant ties have
For professionals, information benefits can be gained by having clients in unrelated fields or who are not connected to each other. Providing services to these clients enables the firm to learn about the different types of industries or other information pertaining to specific clients. In exploiting the ‘structural holes’, control benefits can be gained because benefits to one client, such as a provision of discount given to this client, will not be communicated and made available to all of the other clients. The professionals will also be able to exploit the willingness and ability of certain client organisations to pay more by selectively passing information (Jones et al., 1998).

Professionals exploit the ‘structural holes’ of knowledge from client assignments by brokering their knowledge from one client assignment to the next one. In this way, they will be able to serve their clients better due to their knowledge acquired from different client assignments. They will also be able to further leverage this knowledge to attract new clients by informing prospective clients of their experience in doing specific assignments.

**P3a:** The professional’s non-redundancy of ties within the professional-client networks is positively related to the maintenance of existing professional-client relationships.

**P3b:** The professional’s non-redundancy of ties within the professional-client networks is positively related to the creation of new professional-client relationships.

**Network Diversity**

An individual professional’s network diversity in this context refers to the extent to which a professional is involved in various areas of practice, types of work, or task assignments. An individual’s network diversity has been argued as a better predictor of the accumulation of one’s social capital as compared to the size of one’s network (Burt, 1992). It has also been proposed that one’s network diversity significantly influences the extensity or diversity of social resources that one
can access and mobilise (e.g., Lin, 1999; Lin and Dumin, 1986; Burt, 1997), and increases productivity (Papa, 1990). Firms with more outside directors have a more diverse network and are expected to have greater autonomy in negotiating ‘golden parachute’ policies for their top executives (Wade et al., 1990). Similarly, people who have network ties that are diverse are therefore more likely to gain benefits in terms of the ability to control and mobilise these diverse resources. Thus, a professional located in a central position in the network with non-redundant contacts but is embedded in a network that is not diverse is more likely to gain minimal benefits as compared to someone who is centrally located in a network of non-redundant contacts and in a diverse network.

One may argue that network diversity is related to the non-redundancy of one’s contacts. While it is true that the non-redundancy of ties is likely to result in more diverse ties, the reverse does not hold true all the time. When a professional’s network is diverse, it implies that the professional is involved in many client task assignments, and that these clients may or may not be connected to each other. Two clients who are in contact with each other, suggesting existence of high redundancy of ties, may involve the same lawyer in similar or different types of work assignment. If the clients engage the professional in different types of client assignment, it implies that the professional’s network is diverse, although the professional’s ties are not redundant.

Similarly, a professional may be the first point-of-contact, i.e., having high centrality, by a large network of clients in terms of new business generation and advice, but may undertake similar types of work. The professional may also have strong collaboration ties with the clients, but again the types of work undertaken are similar. All these denote that although one occupies the most advantageous position, has the most collaborative tie, or has clients who are not connected to each other, one may not be able to gain the maximum benefit because one’s network is not diverse enough (Granovetter, 1973).

The professional’s network diversity is both likely to generate new client assignments and promote repeat business, because the professional is more likely to acquire knowledge and become skilled from doing these diverse client assignments. At the same time, the professional will accumulate reputation for having undertaken a variety of client assignments. Therefore, we propose that:
**P4a:** The diversity of a professional’s work assignment within the professional-client networks is positively related to the maintenance of existing professional-client relationships.

**P4b:** The diversity of a professional’s work assignment within the professional-client networks is positively related to the creation of new professional-client relationships.

**DISCUSSION AND IMPLICATIONS**

Previous attempts that have examined social capital within organisations concentrate largely on electronics manufacturing and technology-based firms (e.g., Tsai and Ghoshal, 1998; Yli-Renko et al., 2001), but studies on the importance of social capital have been sparsely investigated in professional service firms. This network research is based on the examination of professional service providers and their set of linkages to their clients. The nature of the professional-client networks has tended to remain unexplored. Using social capital as a theoretical perspective considerably enhances our knowledge on the role of social processes in professional-client relationships. Review of the existing literature reveals the need to understand the network structural configurations of social capital on the creation and maintenance of professional-client relationships. This research therefore aims to provide a more integrated and comprehensive understanding of the differing network structures of social capital in the context of professional service providers and their relationships with their clients.

From a practical perspective, the results of our analysis may motivate professional service organisations to build their social capital, not only through forming and maintaining relationships with other professionals (Lazega, 1999), but most importantly, with their clients. Executives of professional service firms and professionals can derive insights into the criticality of 1) their position in the client networks, i.e., centrality, 2) the patterns of connections within the network based on the strength of ties and the non-redundancy of ties, and 3) the diversity of one’s network that can be exploited to create and maintain professional-client relationships. This paper thus provides a starting point for investigating the optimal ways of organising networks between professional service providers and their clients.
A limitation of this study is it solely considers the positive view that social capital provides benefits to the actors. In retrospect, maintaining social capital involves costs (Adler and Kwon, 2002). This paper does not analyse the cost perspective, but it certainly encourages future research to examine the cost of maintaining social capital within the professional-client relationships. Another limitation of this study is it concentrates on examining the network structural configurations of social capital, therefore downplaying the role of the content or the quality of the relationships. While the network structures of social capital are important, future research can examine differing levels of the creation and maintenance of professional-client relationships based on their differing quality and content. Nevertheless, we hope that this paper will encourage future empirical research to address these network structural configurations, with the aim of improving our understanding of professional-client relationships.
REFERENCES


