Social Capital and Knowledge Management in an Organisation

Sławomir Winch

Systems Research Institute, Polish Academy of Sciences

ul. Newelska 6, 01-447 Warsaw, Poland

e-mail: Slawoir.Winch@ibspan.waw.pl

1. Introduction

Both theoreticians and practitioners of management are on the lookout for answers to perennial questions of how to determine factors which affect effectiveness of business organisations. In that quest so called 'soft aspects of management,' such as organisational culture, knowledge management and social capital, are increasingly credited for their role in the way business is done.

Organisations are immersed in a social context that imposes its standards and values. Such standards and values are reflected in *e.g.* procedures that companies choose to adopt or their performance standards. Meanwhile, organisations search for their own systems, which make them different from one another. As a result they and – eventually – social capital related to them undergo constant changes and modifications that lie at heart of economy. Such processes are induced by learning, or the process of knowledge acquisition, characterised by rejecting the routine, inventing new performance concepts, testing new tools and streamlining procedures.

It was assumed in this project that knowledge is highly relevant to the creation of social capital and the development of competitive advantage in organisations. Exploring aspects of knowledge management and social capital, we were equally ready to perform quantitative and qualitative research, the former represented chiefly by 18 interviews done under the guidelines of IKINET project (International Knowledge and Innovation Networks for European Integration, Cohesion and Enlargement, EU FP6 No CIT2-CT-2004-506242). Qualitative part was a questionnaire performed within the scope of Systems Research Institute PAS effort. In this study non-random samples were used – such method prescribes to select subjects in a systematic manner, taking only those having qualities relevant for the probe. Our idea was to invite postgraduate students doing a programme at Warsaw School of Economics as we had assumed they would have some opinion of social capital issue and - most importantly – we were interested to find out about the pertinent views of the 'middle level management.' 375 people responded to the questionnaire, each representing a different company. With non-random sampling it is inaccurate to extrapolate from a sample to the entire population, however it is justified to make credible observations on trends found within a community (population).

This paper aims to:

a) analyse knowledge and social capital,
b) describe mechanisms of knowledge transfer,
c) indicate a connection between business ownership type, social capital, and knowledge management.

Parts 2 and 3 lay out theoretical assumptions of social capital and knowledge management concepts. Part 4 analyses mechanisms of knowledge transfer designated by managers of companies involved in IKINET project. Part 5 presents results of quantitative analysis of knowledge management in Polish businesses. Part 6 – last – presents research conclusions.

2. Social capital

The term ‘social capital’ is used to explain a number of socio-economic phenomena. For some researchers it is but a new label to old concepts such as interest group, social bond, network, etc. (Portes 1992, p.2). For others it is an opportune tool to explain social mechanisms at the level of state, locality, or economic organisations. (Fukuyana 1995, Cappelin 1998). Leaving aside the dispute on how new the idea of ‘social capital’ is in economic or social sciences, it is – one may say – a legitimate variable with which to elucidate cause and effect relationships between humans and businesses.

Great variety of approaches to the matter in hand makes it hard to prefer one definition of ‘social capital’ to others. Still - on the authority of T. Skocpol and M. Fiorina (1999, pp. 13-14) – there are three theoretical dimensions distinguished by researchers. First is cultural and explores the normative agenda, studying standards and values typical of a community which facilitate collaboration between its members. This is represented by R. Putnam’s concept (1993; 2000).

Second - based on rational action theory – is linked to J. Coleman (1987, 1988, 1990). Here, social capital grows as a result of human actions undertaken under individual strategies and performed as individual rational acts. The ability to work with each other within a group or organisation is in the first place. It facilitates pursuing particular common ends. Coleman would flag such group qualities as power relations, trust, and standards and values conducive to such ends.

The third perspective is historical-institutional. Social capital originates in a historical process which is determined by a number of factors. Meanwhile, it is formed as a result of institutional changes and other changes caused by shiftling accessibility of resources which are required for collective actions. This trend is represented by P. Burdieu (1985).

Considering the theory summarised above, it is clearly difficult to defend one particular definition of social capital against others, though its fundamental components such as trust, social networks, norms and obligations, or power relations are easily visible. Newton says "Social capital may be defined and understood in terms of a) norms and values, b) social networks, c) social consequences - captured in the form of collective facilities and resources (benefits) voluntarily produced by individuals (...) According to (a) approach - dealing with norms - social capital is composed of subjective values and attitudes of citizens which mould and determine their mutual relations. Particularly important are attitudes and values which relate to trust and reciprocity as they are crucial for political and social stability and sustainable cooperation." (Newton 2001, pp.225 – 226; Trutkowski, Mandes, p.65).

Our study focused on social capital viewed from the perspective of economic organisations for which collaboration is a sinequa-non of survival in the market. Duly accounting for the theoretical dimensions laid out above, we assumed that social capital is an ability of citizens to collaborate with each other within groups and organisations to pursue common interests. Such joint effort is aimed at producing benefits and is underpinned by trust between group members. By the standards of classical model of economy, this proposition transcends the concept of achieving equity by means of market mechanisms. The emphasis shifts to social relations and norms and rules regulating them. As N. Lin observes " From this perspective, capital is a social property (...) as it is made up of resources that individuals accrue as a result of their respective relationships and access to the network and groups they belong to." (Lin 2001, p. 19).

Effects of social capital, that is the benefit of investment in relationships, can be observed on two levels: as benefit for a particular individual and group and for organisation. If in an organisation the emphasis is placed on groups, teamwork, high morale among the staff, etc., then it satisfies the definition of organisational culture (Cameron, Quinn 1998). If efficiency and effectiveness are viewed in the context of financial performance, market share, goodwill, etc., then it is market success agenda (market culture) (Porter 2003, pp. 59 – 85).

3. Knowledge management under a social capital perspective

The role of brainpower in economy can be viewed from two angles. One - macro view – focuses on analysing parameters reflecting links between knowledge and economic growth on which economies (regions) can be compared. It is presupposed that the level of knowledge intensity in a given economy is crucial for technological progress of the society, though the causality between growing knowledge levels and the economic progress has not been fully proven. The macro perspective is used to make comparisons between countries and serves as a tool to measure ’development gap.’

The other perspective – micro – focuses on organisational culture and, consequently, social capital. It points to relationship between norms and values and business effectiveness. As above, causality between the two latter variables has not been clearly proven. Since only a certain level of interaction and reciprocity between them is verified, it would be risky to propose that social capital either increases or decreases effectiveness of entire economic systems. One may only say that it confers a specific identity on a given organisation that arises through developing methods to reconcile conflicts between the organisation and its environment. (Hampden – Turner, Trompenaars 1993)

It was agreed to regard knowledge as a full range of intelligence and skills that are employed by individuals to solve problems. So construed, the notion of knowledge encompasses both theory and practice, general principles and detailed practical guidance. Knowledge is linked to a particular individual (Probst, Raub, Romhard, 2000). Considering interests and objectives of an organisation, individual knowledge is no use unless applied to ongoing business activity. Therefore, organisations that seek to improve effectiveness and achieve a competitive advantage should strive to put it to good use.

As knowledge is ”an intangible asset of individuals” (*i.e.* private knowledge – personalised), organisations would be interested in how to convert it into manageable resources as other company resources are. So - in the eyes of business – knowledge becomes an object of a variety of procedures such as training policy, knowledge acquisition and transfer (knowledge is formal – codified). Codified knowledge is manageable in a sense that must be acquired, processed and transferred using a range of tools (*e.g.* knowledge base, seminars). It is much easier to introduce elements of codified knowledge if social capital is meant to produce effects for organisations.

It cannot be ruled out that members of an organisation are unenthusiastic to share knowledge with others for the fundamental reason of secrets of power or interests of particular groups. This position is represented by M. Crozier who argues that every organisation is an arena for games aimed to wield control over the zones of uncertainty. Individuals (groups) who control such zones are the ones who control respective organisations. It might be argued at that point that it is impossible to seize absolute control over the knowledge of individuals as they do not reveal the full extent of their competence. Knowledge is not bestowed on anybody but learned and is - among other things - about the ability to generate innovation. Following M. Crozier's theory, such innovation may be used to the company's advantage, but equally it may be used to advance particular interests of its employees (Crozier, Friedberg, 1977). In this instance social capital is meant to produce effects for groups rather than organisations.

Social capital of an organisation works within a broader social context, adopting its norms and values. It is reflected in business procedures and performance standards, to name but two. Meanwhile, solutions are developed which are unique to each respective organisation and distinguish their social capital. Thus organisations and their social capital take part in a continual process of transformation, which is inherent in economy. The process is induced by learning, or knowledge acquisition, driven by such motivations as fighting the routine, designing new modes of action, trying out new tools, or streamlining procedures (Newman, Chaharbaghi 1988).

From the perspective of social capital, knowledge is an element of interaction among individuals, assuming the form of 'collective wisdom' - a determining factor as to how strong and powerful a particular group is. Clearly, such 'wisdom' does not have to be linked solely to a product or technology but to aptitude in pursuing one's interest in organisation as well. The process of knowledge management is an attempt to translate this 'wisdom' into specific procedures and transparent forms of business function to maximise business effects.

4. Social capital and knowledge transfer

In companies under this research coverage, the knowledge factor was considered in three key dimensions of technological process, market tactics, and both technological process and market tactics.

The first approach was represented by five organisations whose philosophy can be encapsulated in the following release:

"In most cases such knowledge is configured in an operational manner, involving collaboration on specific projects with external specialists in different areas of technical expertise. Required craft is developed in a distinctive sphere of products and services characterised by the following features:

a) operational reliability in difficult working conditions,

b) optimisation of multicriterial control parameters,

c) user-friendliness and operative availability (efficiency) of machinery service,

d) servicing licence for machinery used in underground mining."

Second approach was represented by another five firms. Only one though – the smallest and with the shortest history – looks upon specialised knowledge as a factor influencing the market (dynamic approach):

"Another merit is that it helps create brand awareness through cooperation with reputed partners."

In other cases demand for specialised knowledge was attributed to having to keep abreast with the exigencies of changing market conditions (static approach), by way of example, *"Having specialised knowledge in hand is essential for the function and survival of a company. Such knowledge is a pool of procedures, technical descriptions of products and technologies, staff skills, and experience. Given that the market is increasingly demanding and needs more and more sophisticated(...)"*

Third approach - represented by four firms - combines the appreciation of technological process and response to variable market conditions., *e.g. "Machinery used in mining needs to comply with safety standards (...). With specialised know-how falling short, one can hardly design, manufacture and obtain necessary licences to run and service such equipment. Strict customer demands, actions of competition aimed to expand their customer base, and IT progress are but a few contributors to the growth and improvement of specialised knowledge. This must be translated into the final product."*

As seen here, knowledge is looked upon as an inventory of technological information on the one hand and a tool for influencing (reacting to) market-based processes on the other.

Organisations acquire know-how either via internal communication or through relations with institutions or persons deemed to be experts in a given speciality. Internal communication is carried mostly through information exchange (or training) alongside problem solving in production. In most cases such communication is effected in the following manner:

"People in authority brief staff on conditions and methods of working and achieving targets, then monitor their performance. If new machinery or components are being developed, managers have written instructions prepared, whereupon 'prototypes' are built or samples made in collaboration with personnel responsible for respective projects."

It is then an organised process, governed by established procedures. Notably unequal is here the distribution of know-how among company staff:

”It is clearly seen that there is a brainpower gap between engineers (division/section managers, supervisors) and production workers.”

Another platform for knowledge transfer is developed through contact with a variety of institutions: government organisations, research centres, associations, and experts. With government organisations, it is mostly restricted to wining subsidies to develop or streamline products. To a question ”Has your company received any assistance or subsidy from government over the past 5 years to help develop new products or introduce improved processes of production or distribution?” 50% respondents said NO and another 50% YES. The result seems to be irrespective of company size, numbers of years in business, etc. and apparently follows from individual contacts of companies with government institutions or cooperation of different companies in a group. The experience is totally different when it comes to research projects sponsored by the EU. Here only one company responded YES (a small firm, in business since 1988). One possible reason is that of Poland’s short history within the EU structures and relative inexperience in using research and development projects to the country’s advantage. Another is difference in attitudes toward international cooperation. Typical is a comment of one respondent:

”My company has had quite discouraging experience of cooperation with EU partners. As long as foreign partners are solely interested in pursuing short-term profits and ignore long-range cooperation, the creation of trust-based lasting relationships will be difficult.”

Another group of institutions involved in the process of knowledge transfer are regional business associations, professional associations, and local experts. Interestingly, cooperation with a local business association - to give one example - does not necessarily mean that relations with regional experts are there. Granted, it is very often the case but not automatic (among six firms liaised with local business association only three cooperate with experts at a local or regional level). As with foreign cooperation, there is no observable cause-and-effect between the size of company, its market tradition, etc. and a disposition to join hands with others. It may be argued that one should seek explanation of this in the nature of technological relationships (collaboration in the production of components) or personal experience of managers.

In the process of knowledge transfer one of commonly used distribution channels for information flow is training. All organisations under the survey emphasised the importance of training and half of them disclosed what percentage of company expenses the cost of training and conference attendance was. The figure ranges from 0.13 to 2.7 per cent. The amount of budget, training programmes, etc. reflect needs of companies in this respect, some organise them in house as they launch new solutions or solve existing technical problems, *e.g.*:

"In the company functions what may be called personalised knowledge. This will grow on the fundament of learning acquired in training courses, sessions, seminars, and academic courses, reinforced with learning from experience. Such knowledge is shared in collaboration and joint efforts in solving day-by-day problems."

However often organised and relevant, training courses provide in fact only sporadic contact with specialists. It seems that only firm and lasting relationships with knowledge centres (academic and research institutions, etc.) would make for ongoing upgrading of knowledge within a given specialty.

Some organisations link knowledge management to the process of acquiring pertinent information to solve technical problems on an ongoing basis. In few isolated cases there is awareness of how big a role brainpower plays in product positioning and creating brand image. Knowledge transfer is here accomplished in the form of interaction between company individual staff members. With other companies, knowledge creation coincides solely with a response to changing milieu. It means they assume a defensive position, which leaves them to adopt a 'market-follower' strategy. This strategy may also be preferred given the scale of expenses, which need to be outlaid to become a market leader. Hence, it seems that such a 'defensiveness' is a conscious and strategic choice).

Firms seek to establish contacts with other stakeholders (academic centres, business centres, experts, etc.), but it is not a widely-exercised practice. In numerous instances such contacts are not confined exclusively to the area of production-specific knowledge transfer Quite often they are about the formation of local interest groups (lobbying), aimed to conserve the economic status quo – this can be perceived as a constraint on competition in a given area of activity.

In respect of firms involved in the survey, it is overly justified to point to social capital as a mechanism of knowledge transfer. Connected with this are certain chances of making good use of social capital to build a network of relationships conducive to innovation. It builds on an assumption that such networks should be a platform to nurture trust, which will encourage risk taking as communication and business coordination standards are improved.

However, it is not always that a network of relationships fosters innovation. It is definitely not when organisations (or groups of individuals) form closed circles, disallowing entry to and cooperation of others. They do that for fear that otherwise would not unrestrictedly pursue their particular interests. Such implications are clearly seen in one of the respondents' point of view:

"It seems that in the present-stage market of mining machinery/equipment in Poland, consolidation and concomitant benefits of synergy effect are possible only in equity-related companies (...) Given that two such groups have come into existence and since there is a risk that one group members may become dependent for services or supplies of semiproducts on members of the other, we can now observe closing rather than opening out of such groups."

5. Knowledge management in business organisations

There are two ownership sectors in Polish economy. One is represented by State Treasury Companies, governed by the state. The other is private sector, made up of Polish or foreign capital enterprises. One may expect that – depending on the form of ownership – interhuman relations (social capital) and knowledge management in the two respective sectors should be handled in a distinctive manner.

We described knowledge management according to the following categories: functioning of knowledge acquisition procedures, training policy, encouraging skills and initiative, sharing experience, participation in web forums, assistance in organising meetings with experts, etc. We found companies ranking high, medium, or low in terms of knowledge management and we based our assessment on the average of scores they achieved against a five-grade evaluation scale.

We distinguished twelve areas connected to the processes of knowledge management in an organisation. Percentage distributions are given in Table 1.

Table 1. Percentage distributions for Knowledge Management Success Factors

Category	I definitely agree or somewhat agree /%/	It's hard to say /%/	I definitely disagree or somewhat disagree /%/
Exchange of experience between staff members	61,0	19,7	18,8
Appreciation of high-competency staff members	54,3	18,7	27,0
Organisation of in-house meetings with experts in particular fields of speciality	50,1	9,5	39,9
Promoting staff initiative rather than obedience	50,0	22,1	27,9

Reimbursement of costs incurred due to participation in conferences	48,5	13,5	38,0
Performance-related remuneration policy	45,2	17,3	36,0
Providing opportunities for professional development	45,2	16,3	37,5
Functioning of knowledge acquisition procedures	41,8	36,5	21,2
Training policy	39,9	17,3	42,8
Need for acquiring new ideas	38,5	30,8	30,7
Company website with exchange forum to share experience with one another	36,1	7,6	55,8
Participation in web forums	11,5	16,3	72,2

Percentage figures in rows do not add up to 100 percent as 'no data available' category is included in the table." Source: author.

The above table indicates that - in respondents' opinion – procedures for the acquisition of knowledge are in place in 41.8% organisations surveyed, enabling verification and transfer of it over time. Other aspects are controlled too, but only in the form of more or less formalised actions (*e.g.* training schemes). There is a palpable sense that knowledge is still confined to individuals and - from the company perspective - has 'a volatile nature' and may easily be gone with an employee who has it in hand. It is still that in a majority of firms tapping the knowledge base depends on motivating staff (54.3%) and interpersonal relationships between them (61%) in the first place, not a conscious managerial policy. In other words, launching knowledge for the company cause relies on the good will of staff members (or their profit and loss calculations) rather than decisions made by managers. In this context it is hard to overestimate the importance of such issues as staff motivating, identity creation, and employee loyalty.

Standard of knowledge management was deemed high when the average of twelve success factors ranged between 1 and 2.34 on a 5-grade scale; for medium the range was between 2.35 and 3,67, whereas for low from 3.68 to 5.00. The results show that a high standard of knowledge management is more frequently achieved in medium-sized and large companies and less so in small ones. The percentage distribution is illustrated in Table 2 below.

Table 2. Company size vs. knowledge /%/

Knowledge management standard	Company size			
	Up to 10 staff	Up to 10 staff	Between 50 and 250 staff	Over 250 staff
High	8.3	8.3	33.3	28.3
Medium	58.3	58.3	51.1	55.0
Low	25.0	25.0	11.1	15.0
No data available	8.4	8.4	4.5	1.7
Total	100%	100%	100%	100%

Source: author

It may be true that large organisations have stronger motivation to devise knowledge-related procedures (*e.g.* ISO standards) or have large training budgets at their disposal. Pearson's Correlation Coefficient for association between variables 'company size' and 'creation of knowledge acquisition procedures' was 0.122 (coefficient varies between – 1.0 and +1.0, +/- sign indicates a direction of correlation, whilst the numeric value informs of its strength).

Here we can say: the larger firm, the more ready it is to create knowledge acquisition procedures.

It is also true that a larger proportion of firms with a knowledge management standard considered 'high' are among foreign capital organisations. Percentage distributions of Table 3 clearly point to the correlation between the two variables.

Table 3. Ownership vs. knowledge /%/

Knowledge management standard	Ownership		
	State Treasury	Polish capital	Foreign capital
High	17.6	22.9	32.9
Medium	55.9	47.9	48.8
Low	23.5	20.8	18.3
No data available	3.0	8.4	0.0
Total	100%	100%	100%

Source: author.

Presumably, the predominance of high standard knowledge management among foreign capital enterprises may be attributed to different organisational culture and larger capital investments.

Another task was to identify which of the knowledge areas selected in the survey were most open to the processes of knowledge management. Correlation values are displayed in Table 4 below.

Table 4. Knowledge areas vs. management

Category	Knowledge management – correlation coefficient value
Reimbursement of costs incurred due to participation in conferences	0.609
Organisation of in-house meetings with experts in particular fields of speciality	0.548
Training policy	0.507
Promoting staff initiative rather than obedience	0.496
Performance-related remuneration policy	0.464
Appreciation of high-competency staff members	0.450
Functioning of knowledge acquisition procedures	0.444
Providing opportunities for professional development	0.429
Need for acquiring new ideas	0.429
Participation in web forums	0.392
Company website with exchange forum to share experience with one another	O.370
Exchange of experience between staff members	0.287

Source: author

The highest correlation values are identified in the areas outside the company control (conferences, meetings with experts). The lowest correlation is in the area of 'exchange of experience,' the one most often referred to by respondents as the area of knowledge management (Tab.1). This may be explained in terms of 'system openness.' Wherever there are relations of the company with the external environment, there is also an exchange of information, which most likely adds to the organisation's growing brainpower resource. Conversely, when knowledge transfer is limited to 'the exchange of experience between staff members', then a likely consequence is routinisation of business practices.

From the company perspective, a crucial area of concern is correlation between knowledge management and economic performance. One may expect it to be the highest in foreign capital enterprises, and justifiably so. However, it is not so much due to particularly efficient management they present in the Polish market as to the fact that they have more capital clout and technological power behind them. Also, foreign enterprises have a longer tradition and are richer in experience of knowledge management and in how to harness it to achieve competitive advantage. Correlation between financial standing, ownership, and knowledge management is illustrated in Table 5 below.

Table 5. Financial standing vs. ownership and knowledge management

Financial standing	Ownership								
	State Treasury			Private – Polish capital			Private – foreign capital		
	Knowledge management standard								
	High	Medium	Low	High	Medium	Low	High	Medium	Low
Very good	50.0%	14.3%	0.0%	26.0%	25.0%	20.0%	58.3%	40%	20%

Source: author.

Whatever the organisational form, it is shown that a good financial standing is in proportion to high standard of knowledge management. It can also be noted that Polish private businesses have a bigger problem with turning knowledge capital to advantage (only 26.7% of those which represent a high standard are of very good financial standing. By contrast, such companies account for 50.0% in the State Treasury category, and 58.3% in foreign capital). Part of the reason may lie in their size (18.4% of them employ up to 10 staff, whereas the corresponding figure for State Treasury Companies is 2.2%, and for foreign capital 6.7%). This leaves them less likely to establish contacts with the external environment. As the results of IKINET project show, it is larger mining companies that maintain durable and multifarious relationships with research institutions. Besides, smaller firms have a shorter history in business, which means their relationships networks (social capital) are less developed and financial resources far scarcer than those of others.

Financial status is only one of a range of parameters used to describe a company and seems to be more susceptible to change than its position in the market. There are other things to the latter than only financial side, including company reputation and image among others. It may be argued that social capital plays here a massive role, as it is one of the pillars goodwill is based on. Correlation between company position in the market and knowledge management is illustrated in Table 6.

Table 6. Company market value vs. ownership and knowledge management

Position in the market	Ownership								
	State Treasury			Private – Polish capital			Private – foreign capital		
	Knowledge management standard								
	High	Medium	Low	High	Medium	Low	High	Medium	Low
very high	50.0%	28.6%	0.0%	33.3%	16.7%	0.0%	54.2%	35.0%	10.0%

Source: author

As with percentage distributions of Table 5, there is a correlation shown between the market position of the company and knowledge management standard - the higher the standard, the better its position. In foreign capital firms it is clearly discernible that low standard of knowledge management is not necessarily accompanied by weak position in the market (10%). It seems that in their case major role is played by other capitals they have at their disposal.

Assuming that the company position in the market is more closely related to social capital, its importance is particularly seen in Polish companies. It is so because foreign firms may still be progressing toward ultimate relationships based on trust. Social capital is operative when high or medium standard of knowledge management is in place.

Statistics in Tables 5 and 6 provide grounds for a hypothesis that social capital seen from the perspective of the knowledge management process has a positive effect both on company financial standing and its position in the market.

6. Final Conclusions

This paper aimed to identify correlations between social capital and knowledge management in organisations. We were also interested to pinpoint the influence of these factors on their financial and market position. Our findings lead us to the following conclusions:

1. Transfer of knowledge in most organisations under this survey is done by traditional methods: training courses and sessions, expert consultancy, collaboration with research institutes, knowledge base creation, etc. As shown by IKINET results, further knowledge transfer within an organisation is ensured via structures responsible for the completion of specific tasks and assignments. In that event knowledge assumes the form of procedures – is codified;
2. Social capital may be a platform for such transfer, facilitated through interactions between individual staff members. Qualitative research indicates that in a vast majority of cases knowledge exchange happens inside organisations rather than through their relations with external environment. As a result, organisations may tend to ‘shut off’ from one another for fear that their finance or position in the market would suffer;
3. As qualitative research indicates, keeping standards of knowledge management high would result in very good financial standing and a strong market position. There are

differences in that respect between organisations, resulting from their size and ownership pattern.

The standard of knowledge management is positively affected by staff interaction as viewed from the perspective of social capital. In this context negotiation becomes noted as a tool for not only regulating conflicts but also learning organisation. It is so because negotiation transcends the limits of individual experiences in that it requires *e.g.* familiarity with another point of view – acquiring knowledge other than yours. Envisaged compromise and achieving success in pursuing aims and interests boosts efficiency. It happens when such processes are accompanied by trust which helps reduce the cost of transactions.

Bibliography

1. Burdieu P. (1985), *The formes of capital*, in: J.G. Richardson (ed.), *Handbook of Theory and Resarch for the Sociology of Education*, Greenwood, New York.
2. Cameron K.S., Quinn R.E. (1998), *Diagnosing and Changing Organizational Culture,* Addison – Wesley Publisching Company, New York.
3. Cappelin R. (1998), *The transformation of local production systems: interregional networking and territotial competitives*, in: M. Steiner (ed.), *From Agglomeration economies to innovative clusters*, London.
4. Coleman J.S. (1987), *Norms and social capital*, in: G. Radnitzky, B. Bernholz (ed.), *Economic Imperialism: The economic method applied outside the field of economics*, Pergamon House Publishers, New York.
5. Coleman J.S. (1988), *Social capital in the creation of human capital*, „American Journal of Sociology", vol.86.
6. Coleman J.S. (1990), *Foundations of Social Theory*, The Belknap Press of Harvard University Press, Cambridge.
7. Crozier M., Friedberg E. (1977), *L'acteur et le systéme,* Edition du Seuil, Paris.
8. Fukuyama F. (1995), *Trust. The Social Virtues and the Creation of Prosperity*, Free Press, New York.
9. Hampden – Turner Ch., Trompenaars A. (1993), *The Seven Cultures of Capitalism*, Bantam Doubleday Dell Publishing Group, Inc., New York.
10. Lin N. (2001), *Social capital: a theory of social structure and action*, Cambridge University Press, Cambridge.
11. Newman V., Chaharbaghi K. (1988), *The Corporate Culture Myth*, „Long Range Planing", no. 4.

12. Newton K. (2001), *Social capital and democracy*, in: B. Edwards, M. Foley, M. Diani (ed.), *Beyond Tocqueville: Civil Society and social capital debate in comparative perspective*, Tufs University, University Press of New England, Hanower.
13. Porter M.E. (2003), *Postawy wartości i przekonania,* in: Harisson L.E., Huntington S.P., (ed.), *Kultura ma znaczenie,* Zysk i S-ka, Poznań 2003.
14. Portes A. (1992), *Social capital: Itsoriginsand applications in modern sociology*, „Annual Reviews of Sociology", no. 24.
15. Probst G., Raub S., Romhard K. (2000), *Managing Knowledge*, John Wiley & Sons Ltd., New York.
16. Putnam R. (1993), *Making Democracy Work: Civiv Traditions in Modrn Italy*, Princeton University Press.
17. Putnam R. (2000), *Bowling Alone: The collapse and revival of American community*, Simon & Schuster, New York.
18. Skocpol T., Fiorina M.P. (1999), *Civic Engagement in American Democracy*, Brookings Institutions Press, D.C. Russel Sage Foundation, New York.
19. Trutkowski C., Mandes S. (2005), *Kapitał społeczny w małych miastach*, Wydawnictwo naukowe Scholar, Warszawa.
20. Wnuk – Lipiński E. (1996), *Demokratyczna rekonstrukcja. Z socjologii radykalnej zmiany społecznej*, Państwowe Wydawnictwo Naukowe, Warszawa.