RESEARCH OF CONTENTS AND CONVERSION OF SOCIAL CAPITAL AS A PART OF CORPORATE CAPITAL

1. Introduction

Updating of social orientation of the economy is due, on the one hand, business globalization, and on the other, the growing importance of intangible factors of economic growth.

Development of corporate ownership in Ukraine requires a special approach in the formation of social capital and its management, because its efficient management creates pre-conditions of process development to ensure competitive advantage for enterprises. This provides a basis for further studies of the structure of social capital as a valuable development resource of the corporation. In addition, investigation of the concept of social capital and its structure is interdisciplinary and is a platform for discussion.

2. The object of research and its technological audit

The object of research is the scientific category of «social capital» and social interaction in a society that is the determining factor of economic prosperity and sustainable development. Hypothesis of differentiation of human and intellectual capital is discussed, which are reflected structural, consumer, market, organizational, customer, innovation, process capitals and intellectual property, and formation of the structure of social capital on this basis, which is need for intangible components that are formed competitive advantages of the enterprise and participat- ing in the formation of surplus product. It is difficult to structure social capital and it is difficult to measure it. If the basis of social capital is social relations between the contracting enterprise, then their division is advisable underlie of its structuring.

3. The aim and objectives of research

The aim of research is review of the contribution of different theories in the interpretation of the category of «social capital» and highlight of the most important characteristics that enable understanding of its essence and its reference to the part of corporate capital, which is able to yield added value, meet the interests of stakeholders and generate competitive advantages of the corporation.

To achieve this aim there are following tasks:
1. Prove that the concept of «social capital» is the capital and show how the implementation of the social capital is available through its conversion into other forms of the capital.
2. Structuring social capital, as part of the corporate capital.

4. Literature review

Social capital and a definition of its role in the economic development of the society are used in the scientific literature recently. For some positions, it studied in detail in [1–4] and the works of other foreign and domestic scientists.

For the first time the concept of social capital as a scientific category was introduced in work [1]. The author notes that social capital is one of the capitals, appears as a set of real or potential resources accumulated in an individual or group thanks to a stable network of more or less institutionalized relationships or recognition relationship. Trust is understood as the «recognition». The social world is depicted in the form of multidimensional space, built on the principles of differentiation and distribution. Social relations are unevenly distributed in time,
agents also unevenly distributed between social relations, capitals are unevenly distributed between agents. This leads to struggle of the agents for certain social positions in space. The decisive role in [1] assigns four kinds of capital, depending on the area in which it operates, and at a price of more or less serious transformations:

- Economic (possession of material goods).
- Cultural (educational and cultural levels).
- Symbolic (prestige, recognition, reputation).
- Social.

Analysis of social capital allowed the author to highlight such important structural components through which agents have access to other agents in communication: the volume and quality of achieved resources by agents in communication; reciprocal relations of exchange. Analysis of works [1, 2] leads to the conclusion that social capital is most closely associated with other forms of capital, and its existence implies the obligatory presence of other capital.

From the above it follows that the implementation of the social capital is available through its conversion into other forms of capital. In other words, social capital serves all other forms of capital, it is one of the most important wealth components of countries and regions [2]. This work from the 80’s of the last century has provoked interest in studying various forms of capital and in particular to social capital.

Social capital as a form of human capital is also considered in the works [3, 4]. The author of these articles defines social capital as a resource that moves from donor to recipients. He determined that «social capital is any expression of informal social organization that serves as a productive resource for one or more actors» [4]. And this part of human capital is essential not only for economic life, but also literally, for every aspect of social life in general. In addition, in [4] social capital defines internal and external relations in organization. This approach means that horizontal relations provide an identity and common goals of the communities; and at the same time does not exclude that in the absence of relations that connect different social groups (religious, ethnic, social and economic), internal relations can act in favor of narrow interests and to prevent access to information and material resources that could provide significant support to community (e.g., summary data on jobs, access to credit, etc.).

According to other researchers, the main contribution of the social capital is intellectual effectiveness of the enterprise is due to strengthening of the network effect.

The largest contribution to the development of social capital theory was introduced by the author of [3]. He is highlighted three types of capital: physical, human and social. Social capital, unlike the above two forms of capital, almost imperceptible, because, as noted above, it focuses on the structure of relationships between people, but not on the means of production or individuals. According to the interpretation of the author, social capital appears as a tool that allows to use economic principles of rational behavior in the analysis of social systems. Social capital is not just an element of the environment, regardless of entity activities, it is its particular resource, in which it is willing to invest. The author writes: «Agents consciously establish relations and support them as long as they are profitable» [3].

Economically it is important that social capital, as a special resource, complements and can replace other economic resources and, thus, reduces production and transaction costs. Analyzing formulation [3], it should pay attention to the following: social capital is not just improves operations, but is decisive and fundamental. It has much more potential than physical and human capital. Social capital reflects the relationship rather than individual ownership, but it is a public good that is shared by the group and created through public investment of time, effort, but not in such a direct manner as human capital. Thus, social capital is a norm of relations between agents that increase productivity by reducing transaction costs.

Social capital in [5] is considered as institutions, relationships and norms that formed (qualitatively and quantitatively) social interaction in society. Recently there is more and more evidence that social interaction is the determinant of economic prosperity and sustainable development. Social capital is not just the sum of the institutions that support society, but rather the «glue» that holds together the different parts of it. Social capital consists primarily of horizontal relations between people and includes social networks (a set of social and informal associations, interpersonal relations — personal, family, business) and related provisions that affect the performance and welfare of various communities.

In a market environment, along with competition, an equally important role has cooperation, which is a kind of mutual assistance in economic activity. Already in 1916 in the book «The social basis of cooperation» [6], the author laid the foundations for future theory of social capital. At the same time, he first substantiated that competition and cooperation are the two main complementary processes in the development of market economy (two sides of one coin) that make complete the market environment.

In [7] the authors define social capital as a form of capital that, being flexible, promotes the interests of the individual and at the same time serving the public and sectional interests [7].

By OECD definition, social capital is a set of relations supported on the basis of informal values, norms and concepts that are accepted by members of social groups and communities, creating critical trust mass and social support, effective cooperation and interaction between them [8].

In the publications of the World Bank, social capital is defined as «the set of institutions, relationships and norms that shape the quality and quantity of social interactions in the community» [9]. New data, including World Bank studies, confirm that social capital is an important factor for sustainable economic development.

In [10] social capital is considered as an institution, common values, norms, rules, relationships of trust, which is a set of relations that support the functioning of society. However, these elements are the social capital only if they are specifically used for a particular purpose.

In [11] key in determining the category of «social capital» is the concept of relations based on trust. This refers to the trust both vertically — between the subject of civil society and the state, and horizontally — between the different social and corporate structures that form the basis of modern society and between citizens. The degree of mutual trust depends on many factors: historical roots, cultural traditions (including business culture), morals and ethical values.
5. Materials and methods of research

To achieve the objectives we used the following methods:
- Theoretical generalizations — to substantiate the basic theoretical propositions of the content of social capital.
- Comparison method — to determine the structure of the individual components of social capital.

6. Research results

Formation and evolution of the concept of «social capital» is a logical development of the category of human capital. However, despite the similarity of human and social capital, there are different categories. Unlike human capital, social capital is not a sign of the individual, and is characterized by the same system of relations, which included people [12]. Thus, human capital can accumulate by individual, while the concept of social capital loses all meaning, when it is about one person. This is a capital of relations, values and interpersonal relationships.

To determine the essential characteristics of social capital it is necessary to establish its relationship to the accepted interpretation of capital in economic theory. The capital is considered as a resource that has a limited number, has the ability to accumulate, bring the surplus product, turn into cash, has tends to liquidity, require investment to reproduction (Table 1).

Social capital has the common characteristics with intellectual and human capital:
- Firstly, it always appears as the product of organized interaction, so it has the collective, but not the individual nature.
- Secondly, social capital as an organized social system is a collective good and owned by all members of civil society together. Social capital is not in favor of separate organization, but included in the assets of the organization and used as its capabilities.

However, there are differences, namely: it can’t be sold, it increases with use, the degree of formalization is low, the imposibility of alienation, it is difficult to create with the help of foreign investment, it has the properties of a public good.

The essential characteristic of social capital is revealed through the concept of its structure, functions and basic elements. It is produced in the relations of people at work, in education, within the family and so on.

Research of the category of «social capital» can reveal its function [12]:
- Social capital can reduce transaction costs due to the growth of trust.

| Characteristics of the kinds of capital for their main features that determine their affiliation to capital |
|---------------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------|
| Properties of capital | Human capital | Intellectual capital | Social capital |
| A limited resource | Based on the limited number of working-age population and the limited number of suitably qualified staff and specialization in certain periods of time | There is a due to limited human resources, and because of limitations in the accumulation and use of information for the further development of intellectual abilities | The limitation of this capital arises because of the limited human resources, which are the basis for its formation |
| Has a property to the self-expansion | Manifested in need of human for self-learning that released in accumulation and updating of knowledge | Manifested in continuous formation of knowledge and skills of staff in accordance with the requirements of the enterprise, constantly carrying of highly intellectual labor | Provides continuous work to establish social relations based on a high level of trust, in which recognition is constantly approved and confirmed |
| Has a liquidity | The combination of knowledge, skills, experience and competence of the staff has a cost | Embodied in the intangible assets, which objectively increase the market value of the enterprise | Is able to enhance the market value of the enterprise and participate in the capitalization, involves spending time and effort, and therefore associated with a cost of economic capital |
| Included in the value cycle, reproductive process | Manifested in continuous training and close connection of education and production activity | Has a property to the accumulation and development and therefore it is included in the ongoing process in the cycle of value creation | The features of national cultural traditions are affect accumulation and reproduction. They, on the one hand, historically accumulated by society, and on the other, are the basis for the further development of social capital |
| An ability to generate surplus value or profit | Promotes to increase productivity and thus affects the growth of income (earnings) of the owner | Affects the increase in the market value of the enterprise, efficient use of all resources of the enterprise; growth productivity of the enterprise; strengthening and improving competitive advantage | Trust reduces the need for excessive regulation, makes unnecessary (or reduces) the need for administrative support |
| An absence of consumption in the production process excluding depreciation | Hasn’t a material form because not consumed in the production process | Hasn’t a material form because not consumed in the production process | Is not consumed in the production process because has intangible or uneconomic form |
| Product created by human labor | The person is the bearer of the accumulated knowledge and skills and not the capital, because the results of its work are sold | Institutionalized tool to protect various corporate assets and includes know-how, patents, copyrights, trade and production secrets resulting from mental labor of the person | Institutional unofficial rate resulting from the cooperation and serves both public and sectional interests. The result of communicative and professional human activities |
| The basis of socio-economic relations between the owners and employees | The person with all competencies is the subject of socio-economic relations on the division of the cost in the enterprise | Gives right of product ownership that created by human intellect | Social capital occurs between people, but can’t belong to a particular person because belong to the team |

Note: it was developed by the author
Social capital provides access of the subjects to the benefits and values, increase of available resources, reduce of the costs associated with obtaining such access.

Social capital gives access to information.

Social capital helps to ensure a trust to the state institutions, consolidation of society, increase of social stability and rapid economic development. Thus, social capital is a set of structured social and economic relations that are based on mutually recognized informal institutions (norms and values), following which brings benefits to subjects of these relations as a social rent.

These relations are formed between economic agents at different aggregation levels of social capital and ensured by rules of behavior, which increases the efficiency of their activities across the appropriate level: nano-, mini-, micro-, meso-, macro- and global.

Summarizing the existing views on the content of social capital, we can define a set of elements that form it, namely:

- Norms, rules of behavior that are generally accepted for all entities and affect the productivity and welfare of various communities.
- Institutions, common values, relationships and norms that form social interactions in society and in the enterprise.
- Social networks (set of social and informal associations).
- Information channels.
- The values of interpersonal relationships.
- The relationship of trust, which set is formed the links that support the functioning of society.
- The expected return on investment in social relations.
- Social rent as increase of work productivity under conditions of fair redistribution of created value.
- Responsibilities, expectations and reliability of the structure.
- Effective sanctions.
- Social responsibility.

Considering the corporate capital, it is necessary to pay attention to the fact that it represents a new direction of capital development, which embodies the joint venture to obtain benefits for all those involved in economic activity. It is any type of corporate efforts due to social, intellectual, personnel and business factors of development. Corporate management at the level of enterprise provides maximize profits while respecting the rights of shareholders and all stakeholders. Therefore, corporate capital must include and that features of capital.

The social capital should divide into two groups: consumer and organizational capital (Fig. 1). Consumer and organizational capitals form competitive advantages of the corporation and involved in creating added value.

Organizational capital is part of the intellectual capital. But it is the part that relates to the organization as a whole, not one person, and therefore can be relatively independent object of sale.

These include:

- Organizational structure and the type of management (this is a complex resource of structural relations and management system within the organization).
- Corporate relations and corporate culture (a resource that is created in the relationship between workers and owners and manifests itself in the fair distribution of the results of business activities).
- Consumer capital — is the capital that consists of relations and stable relationships with customers and consumers. Consumer capital of the corporation consists of the following elements:
  1) corporate social responsibility, public relations (indirect resource consumer resource commitment arising from obligations to the public corporations);
  2) market communications: consumers, suppliers, intermediaries (non-formalized resource associated with market transactions that create consumer commitment);
  3) trademarks, brands, trade names, corporate name (a part of intangible assets, which directly affects and appears in the result of special opinion of the consumers).

Identifying structural elements of intangible capital, it is concluded that human capital is personal, that’s what people are able and willing to establish itself, and social capital created by groups of people or between them and aims to increase production efficiency through the implementation of corporate social initiatives. Through the relationship, formed as a result of turnover of social capital, such behavior of the enterprise, which is based on the participation of all economic agents in economic activity (state, owners, staff) is created and functioned. Social capital is an important element of corporate capital because it covers intangible assets and enabling self-regulation in the corporation, reduces the costs associated with environmental, labor, product quality control.

Such structuring of capital allows to assess the contribution of each of its elements in the creation of added value.

7. SWOT-analysis of research results

Strength of this research is the structuring of social capital, which will assess the contribution of each of its elements in the creation of added value.

Weakness of this research is that structure of social capital changes throughout the life cycle of the corporation and at each stage its individual components become more important, determining the effectiveness of management decisions.
Opportunities for future research are to develop theoretical approaches to assessment of the effectiveness of social capital to further manage this component of corporate capital.

Threats to research results are the lack of integration method of partial indicators into one unit.

8. Conclusions

As a result of conducted research:
1. It is proved that social capital has the general characteristics of capital, and therefore it is a capital. It is analyzed how the implementation of social capital is converted into other forms of capital.
2. Social capital of the corporation consists of consumer and institutional capital, as they in their interactions form the competitive advantages of the corporations and participate in the creation of added value.

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