A MODEL FOR INCREASING INNOVATION THROUGH SOCIAL CAPITAL AND ORGANIZATIONAL LEARNING <u>CAPABILITY</u>

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Abstract

This study examined the relationship between social capital and organizational learning capability with innovation of employees at Isfahan youth intellectual training center. The method of the study was causal correlation and structural equation modeling. The study population was 195 staffof Isfahan youth intellectual training center. In order to achieve the research objectives, by using the krejcie and Morgan table sampling (1970), 130 employees were selected by cluster random sampling. The Measurement tool used for the study comprised inventories for social capital byNahapit&Ghoshal (1998), organization learning capability by Chiva et al (2007) and innovation by Dorabjee (1998). The results showed positive relation among social capital and components of organization learning capability with innovation. Results of structural equation modeling showed that the social capital had direct impact on organizational learning capability was the mediator related to social capital and innovation.

Key words: socialcapital, organizational learning capability, innovation, employees, model

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Introduction

Nowadays the importance of social communications and the issue of social capital in the organization is a new argument which has flourished recently and it has extensively been applied in sociology and economy and more lately in management and the organization as well. The social capital was first suggested before 1916 in a study by Hanifan from West Virginia University (Wallis &Killerby, 2004). After that Patnam (1993) entered this term from social and economic theories into general literature, therefore he played a significant role in introducing it to the general population (Field, 2003; Widmer, 2006).

According to Nahapit&Ghoshal (1998) and Schif (1992), the capital asset had various forms of social links which can affect the communication between the people and help reaching to the network purposes .The organizations having higher levels of social capital are more probable to be more successful compared to their rivals of lower social capital (Sobhy& Mohamed, 2011, p.26). Lina and Bern (1999) have constructed a structure and called them "the organizational social capitals" and in defining this structure considered it a source which reflects the features of social relations in the organization. According these two researchers, the organizational social capital is recognized through the degree of members' tendency to collective aims and also common trust among them which it makes by collective activities. Nahapit and Gooshal (1998) worked on the idea of social capital from the organizational view. They put different aspects of social capital in three categories: structural, communicative and cognitive.

The structural aspect: the structural aspect of social capital includes the degree of individuals' communication in an organization. The general pattern of communications observable in all organizations indicates the structural aspect of social capital; that is, we make access to whom and how. This concept is able to be assessed in three indices: network ties, network configuration or morphology and appropriate organization.

Communicative aspect: the communicative aspect relates to the essence of correlation between individuals in an organization. Working group who like each other may be more flexible, are better able to adapt to changing context and better adapt to higher performance. The most important aspect includes trust, norms, obligations and expectation and identification. **Cognitive aspect**: relates to the degree to which the employees have common understanding or view in a social network. Understanding and comprehending these two aspects are available

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among employees through the existence of a common language and exchanging common stories (pp. 242-250).

The social capital provides social links, and the appropriate position and mechanism for exchanging a meticulous and profitable knowledge in the organization and improve the organizational knowledge (Li &Luo, 2011, p.1765) and it can cause facilitation of technology function in an organization in combination with organizational learning (Fang et al, 2003) and cause the understanding improvement and gaining, coding and transferring knowledge (Haffman, 2005). The organizational learning is defined as a process whereby the organizations learn and the organizational learning ability is assumed as the organizational and management feature which leads to facilitation of the organizational learning processes or provides the possibility for the organizational learning (Chiva et al., 2007; Alegre & Chiva, 2009). It seems that the organizational learning is considered an important capability for all organizations to reach to success. In fact some researchers have mentioned the organizational learning as the only factor of competition advantages to get to ever changing and shocking commercial environment (Weldy, 2010). Creating the capacity for the organizational learning is among the key indices of effectiveness of the organization which results in the acceptance of new ideas and innovation in making a product, offering services with new technology and new management strategies (Fang et al, 2011).

One of the major difficulties the organizations face is that different activities of knowledge management entails the steady improvement of innovation through which the more effective application of knowledge can be done and better, faster and more reasonable innovation are made and finally a competitive organization is remained. Utterly, in a knowledge-oriented organization there is nothing more than recognition and independent solving of issues related to knowledge management and innovation management. This important fact entails knowledge management procedures application to implement innovation processes so that higher level of innovation can be achieved (Safarzade et.al, 2012).

Jerz-Gomez et al (2005) offered four components managerial commitment, system perspective, openness and experimentation and knowledge transfer and integration for organizational learning capability. Chiva et al. (2007)ChivaandAlgera(2008) identified five essential facilitating factors of organizationallearning: experimentation, risk taking, interaction with the external environment, dialogue and participative decision making. Chiva et al. (2007) presenteda

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conceptual modeloforganizational learningcapabilities that is include the following five dimensions:

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Experimentation: the degree of new ideas and suggestions along with the attendanceand sympathetic dealt. Experimentation searching for creative solution stoproblems based on the use of different technique sand curiosity in everything that is done.

Risk taking:tolerateambiguityand uncertaintyoftheerrors. Stressful environment design and consideringtheriskof errors and acceptmistakes inorganization.

Interaction with the external environment: the degree of relationship with the external environment of the organization. The external environment of organization is as factors beyond the direct control of the organization and impact on employees.

Dialogue: The continuous to inquirycollectiveprocesses, and certain assumptions that make upeveryday experience. Dialogue basic process to obvious and create a common understanding of the hidden meanings of words incommunication.

Participative decision making:Refersto thelevel of influence employees in the decision-making process. Participatory decision making in order to increase profitor ganization sine ffect of motivating and engaging employees, job satisfaction and commitment to their job to apply.

Today the organizations face problems such as financial pressure, fast environmental change, competition with other organizations to get higher scientific and research ranks, absorbing more apt employees, giving more independence to the employees and to overcome these problems they can get the help of innovation in programs, offering support services and the process of teaching-learning, since innovation with creating flexibility in the organization, make them more adjusted toward fast environmental changes (Wynne, 2006)innovation comes from successful application new ideas (Algera&Chiva, 2009, p.8) and the organizations' high attention to the innovation roots in its role as a key factor in achieving the advantages of seeking for competition (Toloie&Maatofi, 2011, p.111) the importance of innovation for the organizations' survival in the current ever changing environment is agreed by all (Tohidi&Mandegari, 2010) and make organization capable of responding to the environmental changes and so it is necessary to guarantee the long lasting life of the organization (Toloie and Maatofi, 2011, p.114). According to Drucker (Drucker, 1985) innovation is an essential factor in creating worldwide competition which leads to the organizational growth, it includes future success and it allows the organization to have a continuous applicability in global economy as an engine (Damanpour, 2006).

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Social capital is also a key factor in enabling an enterprise to enhance the interflow of relations. And promote the acquisition of technology, information, knowledge, resources, and so on. Therefore, since enterprises exist in open systems with external environments, external relations are important and this also indicates that characteristic of organizational culture should include openness and innovation, and that these are helpful to enterprises in promoting organizational learning, and can even enhance product and innovation(Wu et al, 2009,p.181). Coleman (1998) the social capital causes appearing creativity, making ideas, facilitating suggested that innovative behaviors and the ability to take risk which are considered as the indices of entrepreneurship (Rabiee&Sadeghzade, 2011). In 21st century the social capital is considered as an instrument which causes facilitating sources exchange, making mental capital and increasing learning power and innovation in manufacturing productions (Chang, 2006, p. 67)Social capital dealing with knowledge creation can cause facilitating in the development of "group mental capital" through being effective on the conditions which are necessary for exchange and combination to take place. Therefore creating mental capital is largely facilitated through the existence of social capital. Social capital can cause understanding improvement and achieving knowledge, coding knowledge and transferring knowledge, social capital is able to develop knowledge management processes and pave the way for innovation (Haffmanet.a, 2005, p.93). Some variables of social capital combining with organizational learning can lead to performance facilitation of every organization's technology transfer. The experimental results showed the complementing effects of social capital and organizational learning on technology transfer (Fang Liu, 2003, p.2). The organizational learning includes acquiring, distributing and applying knowledge and it increases innovation (Fernandez et al, 2012, p. 4527). In the major parts of researches (Tushman& Nadler, 1986; Coleman et.al, 2002; Chivaet.a, 2007; Aragon & Correa, 2007; Chiva&Algera, 2008) in organizational learning a positive relationship has been mentioned between organizational learning and organization's innovation (Tohidi&Mandegari, 2012).

If the organizations have higher organizational learning capability, then they can improve knowledge absorption capability within cooperation process and as a result they increase their internal knowledge. Therefore organizational learning capability can generally affect innovation in the organization (Fung et.al, 2003, p.10).

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While organizations can effectively integrate outer and inner knowledge or resources, this integration will become the key driver of innovation performance. Simultaneously, based on the application of internal and external organizational relationships, effective use of social capital can achieve good levels of cooperation. Which can not only promote organizational learning, but can also enable organizations to produce better innovation performance by agglomerating learning consensus within an organization and changing the learning attitudes held by individuals (Wu et al , 2009,pp,177)Chang et al (Chang et al, 2006) carried out a study under the name of "the study of social capital, organizational learning, innovation, mental capital and function". It results in followings through an experimental study: 1. Social capital did not significantly affect organizational learning; however, it increased organizational learning. 2. Organizational learning significantly affects innovation and creativity level. 3. Group dynamics significantly lead to developing organizational learning and innovation and 4. With the increase of organizational innovation, the organizational function would be modified and it indicates that the organizations should insist on innovation.

Fodes et.al. (2008) in a study named "an integrated model of organizational learning and social capital on effective knowledge transfer and perceptive organizational performance" which concentrates on the present gap in empirical literature regarding organizational learning, social capital variables and the effectiveness of knowledge transfer, found that the constituents of absorption capability, learning intention and capability of integration in organizational learning have the highest positive relationship with the constituent of innovation.

Algera and Chiva.(2008) in a study named "the effect of capability of organizational learning on innovation function" in ceramic industry has investigated the organization learning ability in five aspects of testability, taking risk, interaction with outer environment, conversation and making participatory decision. They understood there is a significant relationship between organizational learning and innovation function through the application of structural equation model for testing theories.

Min Wu et al (2009) carried out a study under the name of "the role of social capital and organizational learning in promoting innovation performance". It results in followings through an experimental study: 1.Internal Social capital and external Social capital significantly and positively affect organizational learning 2.Organizational learning significantly and positively affects innovation performance. 3. Organizational learning is an important full mediator of

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internal/external social capital and innovation performance. Li and Luo.(2011) in their study the title whereof was "examining the relationship between social capital, organizational learning and the function of knowledge transfer" perceived that considering the fact that previous research has more attended to the positive and direct effect of social capital on transferring knowledge and positive effect of social capital on organizational learning, but they have ignored the intervening role of organizational learning between social capital and the function of knowledge transfer. The present survey has assumed the financial function and innovation behavior as the indices of the function of knowledge transfer part according to the theory of knowledge transfer, and has suggested a consistent framework to describe the effective relationship and mechanism between social capital, organizational learning and the function of knowledge transfer. In fact the social capital through organizational learning can ameliorate the function of knowledge transfer.

Tohidi and Mandegari.(2012) in a study named "the effect of organizational learning ability on the organizational innovation" understood that the ability of organizational learning has a positive significant effect on the organizational innovation. In this study the ability of organizational learning has been investigated through five constituents of testability, the ability to take risk, interaction with the environment, open space and transferring knowledge. Considering the results of the above study the constituents of testability and interaction with outer environment had a significant relationship with innovation.

Fernandez et.al (2012) in their study titled "the capability of designing management and its adjusting role between the organizational learning capability and innovation in tile and ceramic industry of Italy and Spain" perceived that the organizational learning capability causes innovation improvement of the product and designing management capability has a major role in determining the effects of organizational learning capability on the products innovation

In the third millennium and the age of competition, pedagogy is considered as a development engine and a factor for stable competition.Research shows any countries development is dependent on its human resources .pedagogy is an organization that facilitate knowledge capitals and knowledge oriented human resources as a developmental tool. Children and adolescents mind training Center is one of the subsets of pedagogy. This organization need people who can perform in a complex, smart and developed world. On the other social capital as one of the key concepts is an important factor in enabling and creating necessary atmosphere for capital formation can improve organization performance. Learning organization can also play a role in

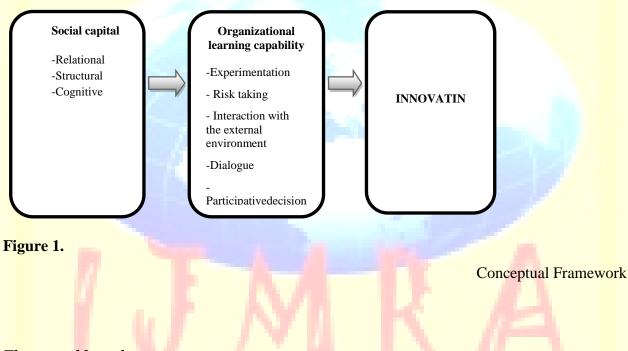
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organization learning change. Thus children and adolescents mind trainingCenter personnel's development can't be possible without social capital and knowledge sharing which is the aim of learning organization. Organizational and individual characteristics combination along with social capital and learning organization can lead to personnel's innovation. This innovation then raises performance. The aim of this research is to examination of the relationship between social capital and learning organization capability with innovation of Esfahan province children and adolescents mind trainingCenter. Given to relevant literature, a conceptual model of relationships between social capital and organizational learningcapability with innovation is developed as follows:



Theory and hypotheses

In old times social capital wasn't considered as a necessary qualification in the organizations; however, today developing need for information and education, the need for innovation and creativity, steady development, and close link between organizations entails the organizational authorities to assume social capital as a specific organizational qualification (Hodson, 2005). In a network of strong social relations the members are frequently interacting with each other and have enough opportunity to offer their ideas and thinking; it causes the information transfer at high levels and making up suitable conditions for learning (Li & Luo, 2011, p. 1765). According to Jones (2005) combining the organizational features and the employees' individual features,

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would pave the way for strategic opportunities entrepreneurship activities which results in innovation; and it causes the employees' performance improvement and competition advantage (Alvani & Abdollahpoor, 2007, p.22).

H1-Is there a relationship between social capital (cognitive, structural and relational) and innovation of Esfahan province children and adolescents mind training Center?

Social capital is considered one of the fundamental concepts in making competition advantages in the organizations (Adler & krown, 2002). Walker et al (1997) have assumed the social capital as an empowering method of behavioral standards in the organization. Therefore the quantity and quality of social capital is a suitable organizer in the organizational innovation (Chang, 2006). Among the profits of social capital in the organization are the increase of reciprocal communications, sincerity and cooperation among people. So through increasing trust, communication and sincerity in the organization, the employees will tend to cooperate and participate in doing its affairs. Therefore the social interactions play a significant role in facilitating innovation (Nahapit & Gooshal, 1998).

Social capital is determinant to innovation for Taiwanese high-tech enterprises. Hsieh and Tsai (2007) argued that high percentages of projects were completed by utilizing outsourcing or partners technologies. This means that innovation also originates from the collaboration between firms (Wu et al, 2008, p.274). There for how toestablish, maintain or strengthen social capital by strengthening interactive relationships is of interest because of the effects that such actions can have on the degree of resource acquisition and innovation within a firm (Wu et al, 2009, p.172).

H2-Is there a relationship between organizational learning capability (experintation, risk taking, interaction with outer environment, dialogue, participative decision making) and innovation of Esfahan province children and adolescents mind training center?

Providing more opportunities for learning and sharing people in each other's knowledge through extending learning around organization and also increasing the ability to implement ideas, processes or new products is able to raise the organization's capability to innovate (Toloei & Ma'toofi, 2011, p.115). According toLemon & Sahota(2004) "the organizational learning processes include acquiring, distributing and applying knowledge; and as a result it has a strong relationship with innovation performance and the dynamic capabilities make the organizations able to adjust to the environmental changes. Therefore organizational learning capability play an

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important role in the organizations' survival and improvement and it raises the innovation in it. (Tohidi & Mandegari, 2012). From the organizational learning perspective the spread of knowledge capability can help increase enterprise innovation. Moreover, innovation frequently comes from R&D departments and from knowledge absorption by other departments. The learning ability of organizational members can not only increase the absorbability and assimilation of information within the enterprise, but also can improve enterprise efficiency, effectiveness and innovation ability(Wu et al, 2009, p.176). Garcia Morales et al (2009) in their study showed that the influence of chief executive officer perceptions of several strategic factors and capabilities (personal mastery, shared vision, environment and strategic proactivity)in singleand double-looplearningand the influence of this learning level on organizational innovation andperformance

H3-Is there causal correlation between social capital and organizational learning capability with innovation employees of Esfahan province children and adolescents mind training Center?

Material and Methods

The sample

The methods of research were causal correlation and structural equation modeling. The study population was 195 employees of Institute for the Intellectual Development of Children and Young Adults in Esfahan. The sample volume by using the krejcie and Morgan table sampling (1970), 130 employees were selected by cluster random sampling.

The questionnaires

Inthisresearch, based on the desired objectives, they used three questionnaires nahapit & ghoshal social capital (1998) with 17 questions and 7- point likert scale(strongly agreeuntilstrongly disagree) ,Chiva et al. organizational learning capability (2007) with 14 questions and 7-point Likert scale (strongly agreeuntilstrongly disagree), dorabjee et al innovation (1998) with 12 items and 5- point likert scale(strongly agreeuntilstrongly agreeuntilstrongly disagree. The validity of the questionnaires was approved by experts. The reliability of the questionnaires using Cronbach's alpha coefficient, was 0/79, 0/94 and 0/93 respectively.

The analysisMethods

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For findings analysis, Pearson correlation coefficient, analyses of variance and structural equation modeling were used. Data analysis was carried out by using the statistical program package SPSS 18 and LISREL 8.54.

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Results

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H1-Is there a relationship between social capital (cognitive, structural and relational) and innovation of Esfahan province children and adolescents mind training Center?

TableI.Correlation coefficient among components of social capital (SC)&innovation (INN)

SC	Cognitive		Structure	SC
compone		Relative		
nts				
INN		diana.	0.503**	0.538**
	0.465^{*}	0.375^{**}		

 Table 1shows the results of the test there is a significant relationship between relative, cognitive, and structural constituents from social capital with innovation of the employees.

H2-Is there a relationship between organizational learning capability (experintation, risk taking, interaction with outer environment, dialogue, participative decision making) and innovation of Esfahan province children and adolescents mind training center?

 TableII- Correlation coefficient among components of organizational learning capability (OLC)

 & innovation(INN)

OLC	Experimentat	Risk	the	Interaction	Dialogue	participative	OLC
componen	ion	taking	with			decision	
ts			external		making		
			enviro	onment			
INN	0.688^{**}	0.514**	0.568	**	0.654**	0.631**	0.773*
							*

** p≤0.01

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According to results of Table 2 there is a significant and direct relationship between experimentation, taking risk, interaction with outer environment, dialogue and participatory decision making from organizational learning capability with the employees' innovation. *H3*-Is there causal correlation between social capital and organizational learning capability with innovation employees of Esfahan province children and adolescents mind training Center?

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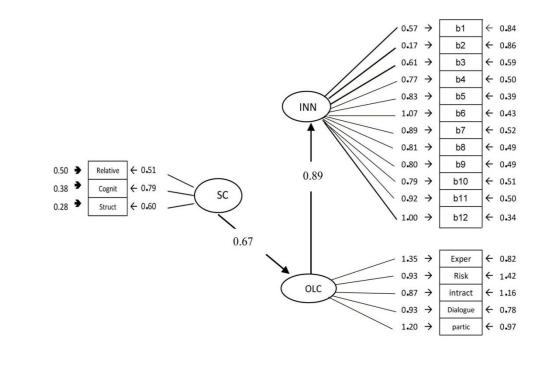


Figure 2. The final model of relationships between variables

The final model of the relationships between social capital and organizational learning capability with innovation is shown in Figure 2. Based on results of Figure 2 social capital had direct impact on organizational learning capability and had indirect impact on innovation.

Table III. Fit indices								
<i>µ</i> ² GFIRMSE	A/df	CFI	RMR	IFI				
0.99	0	.07	0.990.940.060	1.417				

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The results of Table3 shows, model was favorable in the case of fitted indexes and data fit. The means that, is \varkappa^2 /df index indicative numerical value equal to1.417.In this study, RMSEA (Root Mean Square Error Of Approximation) =0.060. GFI (Goodness of Fit Index) =0.94, CFI (Comparative Fit Index) = 0.99, RMR (Root Mean Residual) = 0.07 and IFI (Incremental Fit Index) =0.99 were obtained. Indicatorsproposed all showsthatthe final modelisdesirable condition.

Discussion

Data analysis shows that there is a significant relationship between social capital and its components (cognitive, structural and relational) with innovation. These findings are in line with some findings of alvani and abdelahpour (2008), change (2006) in terms of indirect relationship between social capital and innovation. These results show that healthy human relationships in work can enhance personnel's skills and ultimately their innovation through effect on information exchange and knowledge transfer.by increasing capacities for knowledge formation, group morale flexibility against changes and creation of laws and policies of personnel's interaction with organization; this center can enable personnel's information expansion and ultimately their innovation. Analysis of the results of second hypothesis indicating a relationship between organization learning capacity and its component's (experimentation, risktaking, interaction with external environment, dialogue and participative decision making) withinnovation. These results in line with alameh are and moghadami(2010), change(2006), hongming etal(2007), phodes et al(2008),liao and wu(2010)toloie and maatofi(2011)Fernandez et al(2012)and tohidi and mandegari(2012) results in term of relationship between organizational learning and innovation Algera and Chiva (2009) results in terms of organizational learning capacity and innovation relationship. These results show that organizational learning capacity include knowledge acquisition, dissemination and application and has a strong relationship with production innovation performance and also is of crucial importance in organizations maintenance and transience. Through organizational learning, organizations can provide more opportunities for learning and knowledge sharing and through knowledge expansion across the organization and enhancement of actualizing new ideas, processes or products can raise organization capacity for learning. Thus it can be said that centers which learn earlier and faster than others and apply this learning in their work can be successful in competition world of today. Children and adolescents mind training Center needs a center for

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personnel's training to change center to a learning organization.in order to respond to these challenges and learning development stimulation in individual and organizational and social levels.

Causal relationship models results show that social capital has direct and indirect effect onorganizational learning and innovation respectively. These results are in line with change (2006).thus with increasing of social capital and organizational learning of personnel, effects on organization innovation becomes more salient. Which on the whole can bring about more efficiency in center activities. Thus providing atmosphere for personnel's interaction and experience sharing can raise both learning and innovation.



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