

Social Capital and Social Indicators: Building Organizational Health in the Modern Economy

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Executive Summary

This paper introduces a new management theory using social capital indicators as modern measures of organizational health.

Traditional human capital management theory, which focuses on individual performance, does not sufficiently articulate the influence of social dynamics on leading indicators of organizational productivity such as group cohesion, decision making processes, or diversity. As a result, there is a gap in the value equation.

We discuss the opportunities presented by social capital, the productive value of interpersonal relationships between employees and groups. We hypothesize that Respect, Inclusion, and Ethics are core behavioral competencies that can be taught and measured, and that they are predictive of business outcomes.

We introduce a competency model based on Respect, Inclusion, and Ethics, and a framework of Workplace Social Indicators that organizations can use to measure and manage organizational health and productivity. More importantly, these are leading indicators that enable executives to proactively govern the business, and mitigate risk.

We are currently implementing components of this model and framework with a variety of leading organizations. We welcome thought partners as we continue our research.

Transforming Work: Approaches to Human Resources Management

Over the last century, the world of work has transformed from factories and steel mills to innovation centers and online collaboration sites. Yet, businesses still think about talent management from the perspective of individual skills and productivity. Scholars of human resources management suggest that the practices leaders rely on to manage the workforce do not address increasingly dynamic and interrelated talent activities.¹ We agree.

Traditional approaches to human resources management use economic or production-based concepts that overemphasize the productive capacity of individuals versus groups. In 1776, Adam Smith presented the concept of "division of labor" which assigned tasks in units to individual people and measured their cost and productivity. At the time the focus was maximizing the productive capacity of a person's body, not their mind. In 1911, management, leadership, and organization development evolved² to differentiate knowledge-based work from industrial production, but still focused on individual capacity. In 1954, Peter Drucker distinguished the role of manager from that

¹ Huselid, M. A., & Becker, B. E. (2011). *Bridging micro and macro domains: Workforce differentiation and strategic human resource management.*; Whysall, Z., Owtram, M., & Brittain, S. (2019). *The new talent management challenges of Industry 4.0.* Journal of Management Development.

² Frederick Taylor, *The Principles of Scientific Management*, 1911

of the laborer and emphasized the need for professional oversight of workflows and processes.³ Talent development, introduced as a discipline in the 1980s,⁴ recognized the importance of interactions and “soft skills” to improve an organization’s operational performance. Later, in 2004, Snowden and Stanbridge⁵ introduced a model that matrixed prevailing human capital management with the concept of social complexity, incorporating the human elements of decision making and social interaction. Still, talent development centered on individual contributions and, as David Guest noted as recently as 2017, talent development had yet to reach sufficient maturity to harness human potential.⁶

Our main concern is that for hundreds of years, management theory has contemplated the individual without assessment of their relationships with other employees—i.e., the social dynamics and organizational climate in which they work. In other words, talent management practices have failed to incorporate research and theoretical models of human psychological and social development. As a result of this gap, HR practitioners lack the tools to characterize and quantify the productive capacity of social relationships and collective action. In addition, concepts that explain the dynamics of social interactions such as emotional intelligence, psychological safety, and inclusion do not integrate well in human capital management models. It is clear that we need a new model.

³ Drucker, P. (1954). *F. The practice of management*.

⁴ Legge, K. (1995). *What is human resource management?* Human Resource Management (pp. 62-95).

⁵ Snowden, D., & Stanbridge, P. (2004). *The landscape of management: Creating the context for understanding social complexity*.

⁶ Guest, D. E. (2017). *Human resource management and employee well-being: Towards a new analytic framework*. Human Resource Management Journal, 27(1), 22-38.

The Case for Change

For organizational leaders, the burden of managing talent is increasing. Regulatory requirements push companies to be more diverse and socially responsible and increasingly, employees desire companies that promote enlightened social views and have positive impact. Yet business leaders struggle to understand and enable the conditions that support positive social exchanges in the workplace—in large part because human capital management remains a primary organizing principle in developing systems and processes.

For example, organizations address disruptions in workplace productivity—like bias, discrimination, and harassment incidents—as isolated individual issues, and do not look to the broader social dynamics that allow these problematic behaviors to exist and persist. In addition, our current human resource policies and trainings were largely developed by practitioners in response to legal liability problems⁷ or marketing and public relations initiatives. Désirée Kaupp suggests that the way harassment is handled by most companies contributes to the perception that they focus more on organizational image and self-protection than on protecting or developing people.⁸

Studies have shown that a legal or employee relations approach to managing risk through such programs as anti-harassment, Equal Employment Opportunity, affirmative action, and diversity programs can be counterproductive to the psychological

⁷ Dobbin, F., & Kelly, E. L. (2007). *How to stop harassment: Professional construction of legal compliance in organizations*. *American Journal of Sociology*, 112(4), 1203-1243.

⁸ Kaupp, D. (2018). *Corporate culture an underestimated intangible asset for the information society* (No. 27). EIKV-Schriftenreihe zum Wissens-und Wertemanagement.

well-being of the victim. For example, Firestone and Harris found that people who report sexual harassment end up feeling alienated, intimidated, and, in some cases, blamed.⁹

Studies on diversity programs and training have demonstrated everything from mixed results¹⁰ to harmful effects that increase prejudice against protected groups.¹¹ Consider the example of the former Google employee, James Damore who wrote a memo entitled “Google’s Ideological Echo Chamber” about reverse discrimination in response to the company’s diversity initiatives.¹² Damore felt that the initiatives were one-sided and disingenuous. The point is that companies wish to change hearts and minds towards greater inclusion and respect—they should take care to implement the programs in ways that demonstrate these values in action. When HR, Legal, and Marketing departments seek to solve problems, and implement solutions without considering the broader social dynamics of the organization, their results are usually superficial and short-lived.

The problem with common human resource management interventions is that they fail to identify or address the social and psychological dynamics that underlie all human interactions. Interpersonal conflicts that signal the need for an approach to organizational health and risk management are mishandled because interventions

⁹ Firestone, J. M., & Harris, R. J. (2003). *Perceptions of effectiveness of responses to sexual harassment in the US military, 1988 and 1995*. *Gender, Work & Organization*, 10(1), 42-64.

¹⁰ Chang, E. H., Milkman, K. L., Gromet, D. M., Rebele, R. W., Massey, C., Duckworth, A. L., & Grant, A. M. (2019). *The mixed effects of online diversity training*. *Proceedings of the National Academy of Sciences*, 116(16), 7778-7783.

¹¹ Legault, L., Gutsell, J. N., & Inzlicht, M. (2011). *Ironic effects of antiprejudice messages: How motivational interventions can reduce (but also increase) prejudice*. *Psychological Science*, 22(12), 1472-1477.

¹² Damore, J. (2017). *Google’s Ideological Echo Chamber*. Internal Google Memo.
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continue to address issues as operational processes and not psychological and social ones.

Unsurprisingly, recent studies have proven that social and psychological health contribute positively to innovation, employee productivity, and company performance.¹³

What is Social Capital and Why is it Important?

Social capital measures the value of the relationships between people.

Comparable to financial capital, social capital describes an organization's productive capacity on the basis of its relationships. Unlike human capital management, where the effectiveness of individual-level operational processes such as recruitment, employee relations, and performance management are measured, social capital addresses the quality of the productive relationships between people as they are "instantiated in an actual human relationship"¹⁴ or sets of relationships within organizations.

Tristan Claridge¹⁵ characterizes social capital as falling within three levels; individual, group, and societal. We suggest that there are fundamental tensions to be reconciled within each of the levels and that these tensions represent different dimensions of interpersonal conflict. The individual level represents the tension between the "me versus you" dimension, the group level represents the tension between "us versus them" dimension, and the community or societal level represents the tension

¹³ Edmondson, A. C. (2018). *The fearless organization: Creating psychological safety in the workplace for learning, innovation, and growth*. John Wiley & Sons.; Liu, Y., & Keller, R. T. (2021). *How Psychological Safety Impacts R&D Project Teams' Performance* Research-Technology Management, 64(2), 39-45.

¹⁴ Fukuyama, F. (2001). *Social capital, civil society and development*. Third World Quarterly, 22(1), 7-20.

¹⁵ Claridge, T. (2018). *Explanation of the different levels of social capital: individual or collective*. Erişim Adresi: <https://d1fs2th61pidml.cloudfront.net/wp-content/uploads/2018/11/Levels-of-socialcapital.pdf>.
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between “me versus we” dimension. Furthermore, we suggest that each of the three core competencies of Respect, Inclusion, and Ethics presents the solution to resolve social conflict across each level and dimension. **Table 1** provides a matrix of these relationships which we refer to as “social capital dynamics.”¹⁶

Table 1. Social Capital Dynamics

Competency	Level	Dimension
Respect	Individual	Me vs. You
Inclusion	Group	Us vs. Them
Ethics	Societal	Me vs. We

An individual who demonstrates the competency of Respect can manage the conflicts related to the individual “me versus you” dimension productively, by giving attention and deference to others’ words and needs while moderating their own. A group that demonstrates the competency of Inclusion productively manages the conflicts between “us versus them,” valuing people as individuals and getting to know them instead of relying on stereotypes and generalizations based on their personal characteristics (race, gender, age, etc.), life experiences, hobbies, or role in the workplace. A person who demonstrates the competency of Ethics can manage the conflicts between “me versus we” productively, choosing not to enrich themselves to the

¹⁶ Social Capital is often characterized by type, such as bonding, bridging and linking. Visit socialcapitalresearch.com for more information.
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potential detriment of their co-workers and organization, but to follow a more equitable and moral higher ground.

Respect, Inclusion, and Ethics are behavioral competencies that are critical on their own, and in combination, they create a positive organizational culture and health. Managing the dynamics within these areas takes knowledge, skills, and behaviors, which can be learned. When there are respectful interactions, when diverse individuals feel valued and included, and when employees act in an ethical manner, they make the positive contributions that drive collaboration, productivity, and innovation. When organizations permit bad destructive behaviors, allow discrimination, and forgive ethical lapses, productivity falls while employees are distracted by the latest incident, disengagement across the employee population stalls momentum, and complaints, claims, and risk of fraudulent acts increase.

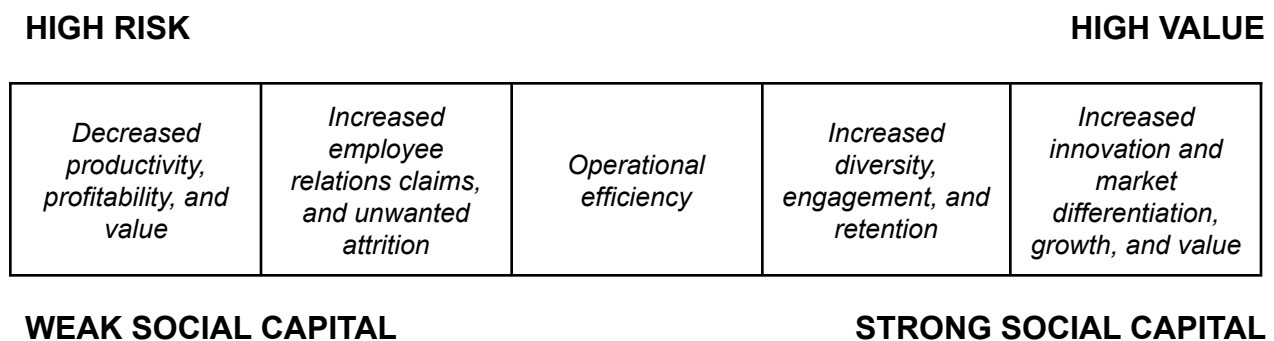
Our early research shows that the competencies of Respect, Inclusion, and Ethics—each alone, and more powerfully together—can define and predict value and risk in the modern workplace. Moreover, the competencies of Respect, Ethics, and Inclusion can be developed through instruction and practice, then measured to provide organizations with real-time feedback on areas of strength and weakness, the latter predicting organizational risk. These leading indicators of organizational health can be tracked along with other operational metrics and lagging indicators of performance, such as rate of hire, workforce diversity, and attrition.

Mapping Social Capital to Organizational Results

Although generating social capital is not a primary function of a business, high-quality interpersonal relationships and positive collective actions among teams is a critical “co-product” generated as people work together to complete work tasks-and the quality of that co-product is a predictor of future success.¹⁷ Social capital is reciprocal and beneficial to those contributing to its composition.¹⁸ As a knowledge asset it may be intangible and hidden under the surface, yet it is the greater portion of the overall value of a firm,¹⁹ and a central determinant of organizational success.

The strength of an organization’s social capital spans a continuum ranging from risk and dysfunction to productivity and growth, as shown in **Figure 1**.²⁰

Figure 1. Social Capital’s Risk/Value Continuum



The left side of the continuum is decreased productivity, profitability, and value and may be observed in attrition, risk metrics, employee disengagement, claims, and

¹⁷ Fukuyama, F. (2000). *Social capital and civil society*.

¹⁸ Putnam, R. (1995) *Bowling Alone: America’s Declining Social Capital*, Journal of Democracy

¹⁹ Schiuma, G. (2009). *The managerial foundations of knowledge assets dynamics*. Knowledge Management Research & Practice, 7(4), 290-299.

²⁰ Adapted from Benn, S., Edwards, M., & Williams, T. (2014). *Organizational change for corporate sustainability*. Routledge.

finer. The right of the range represents increased innovation, differentiation, growth, and value, observed in productivity, profitability, and employee retention.

A Framework: The Workplace Social Indicators™

To help organizations operationalize these competencies and analyze their ongoing impact, Emtrain developed the Workplace Social Indicators. The framework's assumptions are grounded in social psychology and social capital theory: to build value, organizations must understand and improve key elements of the interpersonal relationships between people and amongst teams, groups and executive leadership. We identified and defined fourteen indicators, each of which represents a cluster of knowledge, skills, and abilities, each of which directly impacts organizational culture, health, and performance.

The Workplace Social Indicators are designed to help executive leadership assess and manage their organization in a more holistic way. By measuring, scoring, and benchmarking core competencies of Respect, Inclusion, and Ethics via their underlying leading indicators, organizations can build the knowledge, skills, and behaviors that are most impactful to workplace dynamics. They are the competencies that will help businesses be relevant in the modern economy and resilient as it evolves.

Table 2 provides an overview of the Workplace Social Indicators organized by competency.

Table 2. The Workplace Social Indicators™ by Competency

Respect	Inclusion	Ethics
In-Group/Out-Group Dynamics	Decision-Making Processes	Decision-Making Processes
Power Dynamics	Valuing Differences	Norms & Practices
Norms & Practices	Allyship	Accountability
Unconscious Bias	Demographic Experience	Trust
Social Aptitude	Curiosity & Empathy Authenticity & Belonging	

Below, we define each indicator, why it matters, and how it impacts the organization. In some cases, an indicator is relevant to two competencies: we provide insights as to how they contribute within each respective Table.

Table 3. The Workplace Social Indicators for Respect

Indicator	Definition	Why it Matters
In-group / Out-group Dynamics	How 'us vs. them' behaviors shape employee experience, engagement, and opportunity.	<ul style="list-style-type: none"> • People have drastically different experiences in the workplace; the in-group is often unaware of this • Ensuring people in the out-group get equitable treatment helps create a more level playing field
Power Dynamics	How hierarchy and authority shape workplace interactions and influence employee contributions.	<ul style="list-style-type: none"> • Leadership behaviors disproportionately influence employee feedback, loyalty, and engagement • Imbalanced power without healthy feedback can breed bad behavior
Unconscious Bias	The way in which cognitive errors impact decisions about people.	<ul style="list-style-type: none"> • Bias causes underperformance due to misallocation and underutilization of talent. • Bias interrupters can enable more equitable employee experiences
Social Aptitude	How individuals sense and adapt to the needs of others.	<ul style="list-style-type: none"> • Productive social relationships are key to leadership effectiveness • People with this skill are emotionally aware, resolve conflict more effectively, and create greater engagement and cohesion
Pre-existing Mindsets	How past experiences shape the expectations, beliefs, and behaviors of a workforce.	<ul style="list-style-type: none"> • Intentional integration of diverse perspectives and life experience creates a dynamic, cohesive culture • Measuring mindsets explains gaps between desired and actual behavior
Norms & Practices	Intentional standards of conduct that promote prosocial behaviors	<ul style="list-style-type: none"> • Organizational norms help employees understand appropriate behaviors for efficiency, productivity, risk mitigation • Strong norms counterbalance the negative impacts of bias, power abuses, in-group/out-group conflict, and low social aptitude

Table 4. The Workplace Social Indicators for Inclusion

Indicator	Definition	Why it Matters
Decision-Making Processes	A structure for making decisions that is fair and consistently used.	<ul style="list-style-type: none"> • Structured processes help reduce bias • Enables diversity of successful candidates in recruiting, promotion • Also important for increased belonging and innovation meetings, tasks
Valuing Differences	The awareness, acknowledgement, and appreciation of differences.	<ul style="list-style-type: none"> • Enhances innovation by capturing the advantage of different perspectives and ideas • Explaining and/or debating different perspectives leads to more robust dialogue and risk discovery/management
Allyship	Behaviors that create social equity, access, and opportunity for those who wouldn't otherwise have it	<ul style="list-style-type: none"> • Allies help ensure that people who are underrepresented in the organization are heard, seen, and developed • Allyship increases the number of productive contributions and positive outcomes from the organization's investment in talent
Demographic Experience	The experience gained by interacting with people of different race, gender, age, class, and other characteristics.	<ul style="list-style-type: none"> • Deeper knowledge of the people around us makes us stronger problem solvers and better team members • People who have broad experience with people of different demographics don't rely as heavily on negative stereotypes
Curiosity & Empathy	The practices of listening and learning about others without negative judgment.	<ul style="list-style-type: none"> • These skills build high-quality relationships, foundation for trust, eases conflict & tensions • Creates flexibility to adapt to new people and processes, greater responsiveness to problem-solving and organizational change
Authenticity & Belonging	The condition of social well-being where you can express yourself and feel accepted.	<ul style="list-style-type: none"> • Helps people contribute fully to their work and express their professional opinions and concerns • Relieves the mental burden of pretending to be someone you are not

Table 5. The Workplace Social Indicators for Ethics

Indicator	Definition	Why it Matters
Trust	Confidence that people and processes in the organization can be relied upon.	<ul style="list-style-type: none"> • Provides a foundation for social cohesion and alignment with organizational norms and practices • Creates efficiency and helps improve output.
Decision-making Processes	A structure for making decisions that is fair and consistently used.	<ul style="list-style-type: none"> • Structured processes reduce risk based on errors in judgment; increases coordinated action • Sets clear expectations and steps for escalating errors, preventing security breaches, expense approvals, etc.
Norms & Practices	Intentional standards of conduct that promote prosocial behaviors	<ul style="list-style-type: none"> • Prosocial patterns of organizational behavior promote a healthy and productive culture. • Organizational norms help employees understand appropriate behaviors for efficiency, productivity, and risk mitigation. • Strong norms counterbalance the negative impacts of self-interest.
Accountability	When people hold themselves responsible for meeting organizational standards.	<ul style="list-style-type: none"> • Establishes a shared expectation of behavior for people across the organization. • Strengthens trust and confidence for better collaboration and productivity.

Through the use of the Workplace Social Indicators, leaders have insight into social capital dynamics that drive organizational success. If an indicator is weak, there's an element of risk to the organization. This can be remedied by building the knowledge, skills, and behaviors that indicator measures. Now, organizations can choose to

strategically invest their resources to improve the working dynamics of their employees, teams, and executive leadership.

Measuring and Managing the Workplace Social Indicators

EmtrainAI CultureTech online training platform is designed to increase the attitudes, behaviors and skills that create Respect, Inclusion, and Ethics in the workplace while serving as an organizational diagnostic for those competencies. Workplace Social Indicators are assessed within a learning experience. Using Emtrain's unique learning architecture, learners are asked to recognize, analyze, and proscribe actions to common problematic workplace issues. They consider sentiments and experiences surrounding their own behavior, as well as that of their manager, team, and organizational leaders. This experience serves to increase knowledge retention while simultaneously collecting data that are scored and analyzed using our proprietary methodology. Once a client's employees have participated in an online training, scores are benchmarked across the entire dataset by competency and indicator and a client scorecard is generated.

Reliability analysis and factor analysis are used as a means of validating the indicators. Our current dataset contains nearly 40 million employee sentiment data points. We have been measuring, scoring, and benchmarking Workplace Social Indicators and providing client consultations on leading indicators of risk since March of 2020.

Field-based validation studies of the Workplace Social Indicators reveal the following:

At a large US manufacturing company, employee response showed that In-Group/Out-Group Dynamics were a significant source of conflict, and identified in particular day shift workers vs night shift workers. The organization's human resources team was aware of the tensions between the shifts, but they had not realised the degree of disruption they caused. As a result of their scorecard, leadership realized that the best next action was to do a formal review of the working conditions for each shift, and to find ways to get representatives of each group in projects to resolve as many issues as possible.

A global health sciences company scored low in Power Dynamics. This score was driven in part by employees feeling that if they placed a complaint related to bias, discrimination, and harassment, it would not be taken seriously by their management. The organization's leaders had believed that low number of complaints meant that the organization was healthy, and had not been aware that complaints were suppressed because of a distrust of management and fear of retaliation. As a result of their scorecard, leaders gained insight into a number of immediate actions to be taken to address risk before situations escalate into costly claims or public reputational harm.

A large technology organization had low Social Aptitude scores as well as moderate In-Group/Out-Group Dynamics scores. When reviewing the scorecard, the management team doubted their scores because they were not corroborated by their frequent internal pulse and culture surveys. However, as Black Lives Matter unfolded, a

series of issues arose in their public forums. They realized that their problems were directly related to the Social Aptitude and In-Group/Out-Group Dynamics, which were previously identified in their scorecard as leading indicators of risk.

The practical value of the Workplace Social Indicator scorecard is that it provides leaders with a diagnostic measure into the specific social dynamics within their organizations that create risk. As a result, leaders have opportunities to focus HR, diversity, and training initiatives and investments where they can create the greatest impact.

Conclusion

Relative to the concept of human capital management, social capital has not yet gained widespread adoption as a framework for organizational management. Instead, leaders continue to rely on operational processes that focus on the individual as the primary unit of organizational productivity. Compartmentalized efforts—legal actions, training interventions, and diversity statements—lack potency because they ignore the unified social and psychological drivers of organizational health.

A more effective approach to leading organizations uses social and psychological concepts related to human relationships, development, and maturity that govern both individual *and* group-level interactions in the workplace. These are the foundations of collaboration, productivity, and innovation that will drive business success.

Leaders have an opportunity to adopt social capital theory in a significant way, alongside other management practices. A large component of an organization's current

and future value is defined by the social dynamics in the workplace. Businesses need systems that can characterize, measure, develop, and monitor these social dynamics. Emtrain's new organizational theory based on social capital dynamics, identification of core competencies of Respect, Inclusion, and Ethics, and operational framework of the Workplace Social Indicators helps organizations do just this. Leading indicators of organizational health and wellbeing can be measured and tracked along with operational metrics of performance, such as workforce diversity, attrition, and rate of hire for a more holistic understanding of an organization's risks and opportunities, and actionable strategies to create improvements.