The Application Concept of Social Capital Theory and Social Exchange Theory: The Comparisson of Collaboration and Networking Strategy in Knowledge Obtaining in Indonesia and China

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Abstract

The originality of this research is to apply the grand theory of social capital and social exchange theory to a discussion of the strategy of collaboration and networking among companies in knowledge obtaining on companies in Indonesia and China. The comparison between the two countries is based on the perspective of institutional theory and culture paradigm, whereby the firms in both countries have a specific difference. This research resulted in the proposition that (1) Organizational trust is a variable that affects the strategy of collaboration and networking for knowledge obtaining between firms, (2) There is collaboration and networking for knowledge obtaining between companies in Indonesia and China, (3) there are differences in terms of organizational trust collaboration and networking for knowledge obtaining between companies in Indonesia and China. Limitations of this study are, this is the study with limited to an assessment and conceptual literature excavation that remains to be proved further by research in the field.

Introduction

Knowledge obtaining is considered an effective way for firms to remain competitive in turbulent environments and for improving the long-term innovativeness of an organization. Knowledge obtaining has been suggested as a critical factor for organizational survival (Levinthal, 1991). Network-based industrial systems help firms in adapting to fast-changing markets and technologies as an organized whole (Saxenian, 1994). From a knowledge-obtaining perspective, knowledge exchange and the spillover of technological know-how can be applied to help explain the performance of firms. Many researchers (Krugman, 1991; Starkey and Barnatt, 1997; Tallman et al., 2004) also suggest that effective and continuous knowledge obtaining is the key to sustaining competitive advantage

for a firm. Other researchers suggest that trust can be an important enabler of facilitating organizational knowledge obtaining across boundaries (Edmondson, 1999).

Cooperation, interdependency, and exchange of information are human nature. Over the past decade, the study of organizational learning has increasingly encompassed researches into learning through participation in inter-organizational networks (Winkelen, 2010 cited in Darmasetiawan, et al, 2013). Trust has been identified as the main or important prerequisite to develop relationship inter-organization, and facilitate knowledge exchange (Fukuyama, 1995). Trust is also a social phenomenon that makes collaboration between organizations because each one feeling each other has the reliability, so there is a strong dependence (Nooteboom, 1996). Trust between organizations can have a meaning of a "relationship", "partnership", "alliance", "cooperation", "collaboration" and "coordination". Mulford and Rogers (1982) defines trust between the organization as "a process in which two or more organizations use existing rules to make decisions, or make new rules to jointly tackle common tasks, or it could be a joint activity toward a common goal (Kay, 1995). Further, Rothaermel (2001) suggests that the trust between organizations is a technology-based strategic alliance. In the current literature, Payan (2007), who conducted an extensive review of the literature, found that although the terms of cooperation and coordination is often seen as synonymous, they carry different meanings. He (Payan, 2007) suggested that collaboration and networking strategy facilitated by Social Exchange Theory (SET) and Social Capital Theory (SCT).

Even though Indonesia and China are both countries that is located in Asia, institutions and national cultures relate to the social capital of the trust between the 2 have differences. Social capital refers to the relationships, resources and assets embedded in social networks (Bourdieu, 1986).

In this study, is going to be built a proposition that have perspectives of institutional theory and culture paradigm. I argue that comparative social capital defined as the real and perceived differences and similarities in social network structures, relations and resources between nations, regions, localities, organizations, groups and individuals is a reflection of different institutional frameworks and national cultures. That (1) Organizational trust is a variable that affects the strategy of collaboration and networking for knowledge obtaining between firms, (2) There is collaboration and networking for knowledge obtaining between companies in Indonesia and China, (3) there are differences in terms of organizational trust collaboration and networking for knowledge obtaining between companies in Indonesia and China.

Literature Review

Indonesia and China Cultures

Indonesia's multi-ethnic and multicultural society consists of over 200 ethnic groups, each with its own language and distinct culture. The main large ethnic groups are the Acehnese, with a dominant Islam culture, in the northern part of Sumatra; the Batak, below the region of the Acehnese; the Minangkabau, having a matrilineal system, in the central part of Sumatra. Then there are the Javanese, in the central and east part of Java, the Madurese on the Island of Madura (east of Java), the Malay,

the Dayak in Kalimantan, the Bugis in Celebes, the Ambonese on the Island of Ambon, the Balinese on the Island of Bali, and about fifteen ethnic groups in Papua (Irian Jaya).

Indonesia has the slogan 'Bhinneka Tunggal Ika', meaning 'unity in diversity'. Although Indonesia consists of a few hundred ethnic groups with different languages and cultures, it remains a single state. There are several values which are common in the diverse ethnic culture.

Hofstede (1982) found in his research that Indonesians scored high on power distance: 'People in Large Power Distance societies accept a hierarchical order in which everybody has his/her place and which needs no further justification'. Hofstede did not distinguish the ethnic groups in the Indonesian respondents. His findings are valid for several ethnic groups, like the Javanese, the Sundanese, and the Balinese.

The Javanese in Javanese society accept the power of someone with the higher status. Other ethnic groups, however, like the Batak, would most probably score low on the power distance scale. Batak society is an egalitarian society. The same is true for the Minangkabau ethnic group. It is also an egalitarian society. The significant influences of the various religions on the culture of each ethnic groups, lead to a set of common values and norms (Hofstede, 1984)

The Indonesian government is very supportive in permitting people to perform their obligatory religious services according to their own beliefs. All over Indonesia, houses of prayer (for each religion) can be observed.

For the Muslims, about 80% of the Indonesian population, the intensive use of the Indonesian language in education and in daily interactions, and the basic national curriculum taught in the primary and secondary schools all over Indonesia, result in several changes in the culture of each ethnic groups towards the development of a set of common values and norms which constitute the Indonesian national culture.

There are three kinds of business organizations: (1) Subsidiaries of multi-national business organizations, (2) national private business organizations, and (3) state-owned business organizations. Generally, Indonesian employees and manager working in foreign business organizations will try to adjust to the corporate culture of the business. National private business organizations can be distinguished as conglomerates, large organizations, medium-sized business organizations, and small-sized businesses. The corporate culture of those business organizations is in general a family culture. It is a power oriented corporate culture in which the leader is regarded as a caring parent who knows better than his subordinates what should be done and what is good for them. Rather than being threatening, this type of power is essentially intimate and (hopefully) benign. The work of the corporation in this type of culture is usually carried forward in an atmosphere that in many respects mimics the home. (Trompenaars, 1996). This specific, namely Trompenaar's description of family culture is valid in state-owned business organizations, as well as in several private business organizations, and in large-, medium-, and small-sized business organizations.

In several business organizations the family culture is in fact a family business. The CEO or the business leader is the head of family, and members of the family hold

leading key positions in the organization.

Indonesians, especially Javanese, do not like people to strike aggressive postures or to speak loudly bordering on shouting. Standing with arms folded or legs apart or crooking the finger should therefore be avoided. They especially dislike those who lose their temper, or come close to it. Mann (1994), many Indonesians, especially Javanese, 'do not like to be the bearers of bad tidings and most do not like to say outright "no" in case this gives offense (sited in Warner, 2003)

Another characteristic of Indonesian managers is paternalism. The terms represent a benevolent authoritative person. Indonesian managers scored high on the dimensions 'collectivism', 'power distance', and 'femininity', and low on 'uncertainty avoidance'. Indonesian managers thus tend to: protect the interest of the members of their extended families, but in exchange expect permanent loyalty (benevolent authoritative/collectivism); accept the inequality between the 'strong' and the 'weak' (vertical orientation, power distance); like to contemplate, are not aggressive, unemotional, and relatively tolerant (conflict avoidance); stress quality of life and welfare for the weak – men need not be ambitious or competitive (femininity).

Indonesian managers also tend to be more being 'particularists' than 'universalist'; relationships tend to be more important to them than the application of rules without any consideration of the existing specific conditions. Another research finding is that only a small percentage of Indonesian managers are opting for individual responsibility (13%). In other words, they tend to be more collectivistic, which is in accordance with Hofstede's findings. This is reflected in the group decision-making process. Indonesia uses the expression 'musyawarah untuk mufakat' (deliberations for the sake of getting a common agreement, consensus). When agreement is not achieved then the supervisor, someone with higher authority, makes the decision. Voting is avoided in the group decision-making process. Budihardjo (1991) found that most managers tend to use an authoritative style in solving individual as well as group problems. On the affective versus the neutral cultures, Trompenaars found that 75% of the Indonesian respondents would not express their feeling upset at work openly. This would be true if the majority of respondents were Javanese and Sundanese. People from the Batak and Minangkabau ethnic groups would most probably give an affirmative answer. They are more free and spontaneous in expressing their feelings.

One of the most important influences on Chinese everyday life was Confucianism in its many varieties, and it remains so. Three bonds of loyalty bound the society: loyalty to the ruler, filial obedience, fidelity of wife to husband. Two of these were set within the family and all represented relationships 'between superior and subordinate'. The major ideas of this Confucian system of beliefs were three basic guides (ruler guides subject, father guides son, and husband guides wife), five constant virtues (benevolence, righteousness, propriety, wisdom, and fidelity), and the doctrine of the mean (harmony). Confucius laid down that Ren or benevolence was the supreme virtue the follower can attain. As a strictly natural and humanistic law, it was based upon spontaneous feelings cultivated through education. To attain Ren you have to practice Li, which represents social norms. It can be interpreted as rituals, rites, or proprieties and includes all moral codes and social institutions.

According to Confucius, the optimal way to govern is not by legislation, but by way of moral education and by example. The ideal government is thus a government of wuwei (non-action) through a rock-solid groundwork of moral education. Confucianism occupied the mainstream of Chinese philosophy for many centuries. The neo-Confucian project under the Southern Song, Yuan, and Ming Dynasties formalized Confucianism into a set of rituals that then had a tremendous impact on thinking and behavior throughout Chinese society. It is widely accepted that Confucianism has been the most important historical foundation for many of these values: societal order, hierarchy, reciprocity and personalism, control, insecurity, family based collectivism, and knowledge.

Respect for hierarchy and learning means that long-serving senior figures in organizations are readily accorded leadership status. Family-based collectivism manifests itself in the survival, and today the resurgence, of family business, as well as in personnel practices such as recruitment of family members. Collectivism manifests itself in an orientation towards groups, so that, for example, there is often resistance to the introduction of individually based performance- related pay. Insecurity and personalism combine to accord significance to the preservation of 'face', and non-Chinese people therefore need to be careful when negotiating with older senior managers or officials who are lacking in modern technical knowledge not to cause them to lose face. The perceived need to guarantee trust and maintain harmony leads to special importance being placed upon personal relationships. An example is 'relational networking' based on interpersonal connections (guanxi). Guanxi has been deep rooted in China

since Confucius codified the societal rules over 2000 years ago. These welded the hierarchies holding national Chinese (and overseas Chinese) social structures together, such that fief-like loyalties and clan-like networks have long been the main links in the societal chain.

Together with guanxi (relationships), li (rite), mianzi (face), and renqing (obligations) reinforce the social bonds that make the Chinese system function smoothly. It is impossible to characterize a corporate culture that typifies China for two reasons. First, the context for Chinese business is changing rapidly, under the impetus of economic reform. Second, as a result of the reform, Chinese enterprises vary extensively, ranging from state-owned enterprises (SOEs), some of which are still protected from market forces, through former SOEs which have converted to joint stock companies, to collectively owned enterprises and private firms. In addition, companies with foreign ownership now make up a sizeable part of the non-agricultural economy.

Collective enterprises, especially so-called township and village enterprises (TVEs), owned and operated by village and municipal governments, have become a unique and significant force in China's economy. Many of them are low tech, wasteful, and poorly managed. Nonetheless, with the collapse of many SOEs, and the increasing authority delegated by the state to local governments in China, TVEs are likely to remain significant players in China. In addition to the reconstitution of some SOEs as private firms, the core private sector has been the fastest growing in China and now employs over 13 million people.

Another privately owned part of the economy comprises foreign subsidiaries. Beginning in 1986, foreign direct investors

were permitted to establish their own wholly owned subsidiaries (WOSs), and in 1997 the number of newly established WOSs exceeded that of equity joint ventures (EJVs) with Chinese partners for the first time. In many SOEs, the residual of the iron rice-bowl model continues to persist, though under increasing threat from restructuring. There are, however, an increasing number of reformed SOE cultures, even very 'state-of-the-art' entrepreneurial ones, especially in those SOEs which have converted to joint stock companies.

Collective enterprises, including the TVEs, vary greatly between conservative unsophisticated cultures to some modern entrepreneurial ones. Different corporate cultures also arise through links with foreign firms and their different national ownerships. The greatest impact on Chinese enterprise cultures and practices appears to come when the foreign partner or owner is a multinational enterprise. Enterprises at both extremes of the range, traditional SOEs and private firm both exhibit corporate cultures that reflect paternalistic cultural values.

In traditional SOEs, the culture has been one of top-down leadership and authority, collectivism and mutual dependence, with an emphasis on conformity and attachment to the organization based on moral rather than material incentives. Loyalty to superiors and to the work unit has been complemented by employment protection and the provision of welfare benefits.

Managerial behavior in modern China has been greatly influenced by political circumstances and the institutional regime that government decreed. The most useful way of approaching the subject is to focus on the two contrasting types of firm that are likely to have long term prominence within the system. These are SOEs, which

it is official policy to maintain at least within strategic sectors of the economy, and private firms. SOEs tend to be larger enterprises than those in the non-state categories. A conjunction of size and the legacy of government administration means that such enterprises tend towards bureaucratic behavior. The behavior of SOEs also exhibits some influences from Chinese culture that reinforce this tendency.

Private Chinese firms tend to operate in a highly centralized manner, in which the entrepreneur-owners tend to maintain their authoritative position through keeping tight control of information and decision making. The owners of private Chinese firms tend to attach greater significance to the loyalty of their subordinates even than to their performance. They develop special ties with those upon whom they can rely and give special ad hoc rewards to them rather than adopting standardize reward system. The Chinese cultural preference for an implicit and moral basis for business dealing rather than a more formal footing is very characteristics of private firms. The viability of their business dealing rests heavily upon trust between the transacting parties. Both SOEs and private firms depend on guanxi to develop their external networks and to acquire business opportunities. This is especially true for private firms. They lack the institutional supports offered by government agencies, and good guanxi connections therefore provide an important substitute for gaining access to scarce raw materials and other resources. Similarly, it has been the tradition in China to rely more on the mutual obligations expressed by a relationship rather than on legal contracts.

In fact, resort to a contract was taken a sign of bad faith, a feature that many

Western firms investing in China found it hard to understand. However, the scene is changing with more positive attitudes growing towards commercial law in general and the use of contracts in particular. Luo (2002) suggests from the results of his research that, while business transaction between local Chinese companies may still often be conducted on the basis of personal relationships rather than by arm's-length contractual principles, the latter become significant in joint ventures with foreign firms and in such cases are accepted.

Application Concept of SCT and SET: Collaboration and Networking Strategy

SCT provides a way to understand relationship between social capital indicators and team learning behavior. SCT is created in the network group or team that refers to the trust that caused by the structure of social relations that can be mobilized to facilitate action (Adler and Kwon, 2002). SCT can provide a range of benefits for members of the group, such as information, influence, and control. The development of social capital occurs in social networks related to the work of each member of the group, namely the relationship between the members of one another through the sharing of resources such as information, assistance, and guidance related to the completion of their work (Sparrowe et al., 2001). Moreover, the content of the relationship between the members of the group contains elements of friendship, relationship development, and information exchange. According to Adler and Kwon (2002) network that arise due to the existence of a similarity refers to the socio-relational dimension of social capital, and higher levels of social capital are likely to be related to the learning behavior of the team. In addition, a stronger network (for instance, in the case of some similarities in the network) can be expected to increase team's collective ability to organize and execute courses of action (team success) and also contribute to the general trust about the ability of the team (the team's potential). Thus, social capital is formed of a network of team members are expected to be directly related to the benefits and potential of the team, as well as indirectly through its influence on team learning behavior.

SET emphasizes rooting individual transactions in a larger system, which deals with economic and social interactions (Carson et al., 2006.). Granovetter (1992) discussed the expected outcome of economic fact is the result of reciprocal interactions in the structure of the overall network. Fundamental assumption of SET is that positive results of the exchange increases trust and commitment, which finally establishes norms governing the relationship (Hawkins et al., 2007; Lambe et al., 2001). Trust is a central concept in this theory because it contributes rooting among the members of the network by maintaining a commitment (Kingshott, 2006). Trust has been suggested to reduce the possibility of members taking advantage of their counterparts and deliberately ignoring their rights. Hence, this would result in the loss of long-term benefits, and the benefits in the form of cooperation and commitment embedded in relationships between members of the group.

Dwyer et al (1987), age and the group members' experience in dealing with the situation dictates closeness of the relationship, (for instance, the more difficult times in a relationship that has been passed by each party, the greater shared understanding of each party to a problem). Therefore, the longer the two

sides share their experiences with each other, a higher reliance there is between each parties involved (Ganesan, 1994).

Knowledge Obtaining

The concept of knowledge obtaining, includes two things, namely (1) knowledge sharing, which is to transfer and pass a piece of knowledge, and (2) knowledge capturing, which is to receive a portion of the knowledge. Knowledge obtaining always involves the proactive information delivery, whereas delivery of proactive information as disclosed by Lochbaum (2011) lies only in dialogues to find information about the prerequisite knowledge, which approach uses general SharedPlans Theory that can be expanded and included the proactive approach.

Based on the study by Allen and Seaman (2009), the following issues are important to build a theory for proactive information exchange: (1) relevance: proactive behavior must be directed to a specific purpose, (2) shared knowledge: the members need to have specific knowledge together to recognize each plan, and (3) intentional semantics: mental attitude speaker, as expressed through verbal speech. Psychological studies (Allen and Seaman, 2009) have shown that group members often offer relevant information with colleagues in the group, before they are asked. It was based on the result of empirical studies to obtain a general formalism for the existence of a group. Moreover, Allen and Seaman (2009) also observed how the lack of information in the human discourse can explain proactive information delivery behavior studies in multi-agent teamwork settings. Knowledge obtaining involves two activities, namely: the process of gaining knowledge and knowledge creation itself. Two fundamental decisions and actions are

needed to begin the process of acquiring knowledge: (1) to transfer and pass a piece of knowledge, and (2) to receive a portion of the knowledge. The process of transferring and pass knowledge between organizations devoted to those aspects related to benchmarking, communication with partners, co-operative relationship with suppliers, customer feedback, in-house experimentation, systematic process of knowledge transformation, internal knowledge generation, and R & D (Niu, 2009).

Theoretical Framework and Proposition

Trust has been suggested to reduce the possibility of members taking advantage of their counterparts and deliberately ignoring their rights. Hence, this would result in the loss of long-term benefits, and the benefits in the form of cooperation and commitment embedded in relationships between members of the group, by that, it can be said that (1) Organizational trust is a variable that affects the strategy of collaboration and networking for knowledge obtaining between firms.

Relational networking in China based on interpersonal connections (guanxi). Guanxi has been deep rooted in China since Confucius codified the societal rules over 2000 years ago. These welded the hierarchies holding national Chinese (and overseas Chinese) social structures together, such that fief-like loyalties and clan-like networks have long been the main links in the societal chain.

Indonesian managers also tend to be more being 'particularists' than 'universalist'; relationships tend to be more important to them than the application of rules without any consideration of the existing specific conditions. Another research finding is that only a small percentage

of Indonesian managers are opting for individual responsibility (13%). In other words, they tend to be more collectivistic, which is in accordance with Hofstede's findings. This is reflected in the group decision-making process. Indonesia uses the expression 'musyawarah untuk mufakat' (deliberations for the sake of getting a common agreement, consensus). When agreement is not achieved then the supervisor, someone with higher authority (the leader, 'bapak', or 'ibu'), makes the decision. Voting is avoided in the group decision-making process. Budihardjo (1991) found that most managers tend to use an authoritative style in solving individual as well as group problems. Because of those 2 conditions, so was built proposition no. (2) There is collaboration and networking for knowledge obtaining between companies in Indonesia and China,

In the Niu's research, which trust is widely considered an effective control mechanism in inter-organizational relationships, and it can reduce transaction costs and risks that are involved in cooperating with others (Nooteboom, 1996). From the factor analysis, it reveals that trust has two dimensions benevolence and dependability. The fact that the study included samples from industrial clusters in Asia, Europe, and the USA and found that the hypothesized relationships did not appear to be unique to any particular cluster provides at least some evidence for generalizing the findings. It is interesting to note that trust measures used in this study do not differ significantly across geographical locations. However, based on the mean values shown on the ANOVA analysis, it seems Eastern nations have higher mean values on benevolence while Western nations have higher mean values on dependability. This somehow provides intriguing findings besides the

main scheme of this study. A possible explanation of this observation might contribute a lot to the difference of national or even regional cultures, and it is worthy of future exploration. Further, it is suspected that technology may also facilitate trust formation between trading partners due to a reduction in the need for face-to-face interactions. The author did not include this factor in this study and it should be included in future studies. That said, the findings are still intriguing and provide implications for both researchers and practitioners. Perhaps most important of these is the difference found between the predictors of knowledge acquisition and creation. Industrial clusters are often regarded as innovation systems due to the potential for collective learning local knowledge spillover, and past research has suggested a link among industrial cluster involvement, trust, and knowledge obtaining. The current findings, though, highlight that it is important to consider the nature of the cluster involvement, the particular type of trust, and source of obtaining knowledge. From a practitioner standpoint, the findings suggest that firms need to consider not just the necessity of obtaining knowledge, but to give consideration to the degree of industrial cluster involvement desired and focus their knowledge obtaining activities and rusting relationships among clustering firms appropriately (Niu, 2009).

In the other hands, Darmasetiawan's research in analysis and discussion of hypothesis 1: Increasing of Organizational Trust within the group will be able to enhance Knowledge Obtaining, from the data processed for testing Hypothesis 1 showed that organizational Trust in the group had no significant influence on Knowledge Obtaining. It is known that organizational Trust in the group does not directly affect Knowledge Obtaining, both

in the group as a whole, the PERSI, and GP FARMASI, whereas in the Gakeslab group increasing of Organizational Trust has a significant effect on the Knowledge Obtaining. Therefore, for the overall members of health industry cluster group can be said that increasing of Organizational Trust in the group was not able to improve significantly the acquisition of knowledge or Knowledge Obtaining (Kresna, et al., 2013). From those 2 statements, was made proposition no. (3) there are differences in terms of organizational trust collaboration and networking for knowledge obtaining between companies in Indonesia and China.

Discussion

SET provides believes that they are working together towards forming trust and intentions which requires for members to be depend to one another, as a capital for mutual benefit sharing. The members can share knowledge, proactively provided by members of one against the other, embodied in words, ideas, agreements and concerted action for mutual benefit. This knowledge sharing is done to address the lack of knowledge, and to have a dialogue to search for information The listener needs to know the information, if they have a will to help by providing relevant information. The involvement of the members in the group means that they have the motivation to get involved in the group, which is associated with the acquisition of knowledge, if the group members have a willingness to share. According to SET, the interaction of the exchange of information that occurs in the individual transaction involves rooting in a larger system but it appears that variable trust will have a different role if applied

for knowledge obtaining as fortune that is going to be obtained if companies do a strategy collaboration and networking between companies if compared to any companies in Indonesia nor China.

Conclusion

This paper is a conceptual study that underlies the research with regards to knowledge obtaining between organizations as a form of fortune that is going to be received from collaboration of strategy and networking, It has been known that the intersection between SCT and SET turned out that knowledge obtaining for groups in the industrial cluster is affected by organizational trust, but it appears that the role of organizational trust will be different for organizations that are in China and Indonesia because of the culture growth aspect that is available on those 2 countries. Further research is recommended in order to prove the truth of whether or not for the three propositions (1) Organizational trust is a variable that affects the strategy of collaboration and networking for knowledge obtaining between firms, (2) There is collaboration and networking for knowledge obtaining between companies in Indonesia and China, (3) there are differences in terms of organizational trust collaboration and networking for knowledge obtaining between companies in Indonesia and China.

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