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SOCIAL CAPITAL AND BUSINESS TRANSFORMATION IN ASIA

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There has been increasing research on the role of social capital in recent years. The initial studies explored social capital in the form of norms, trust, and networks that have a strong impact on social and community development. The focus then shifted to the role of social capital in contributing to business operations and higher productivity. As part of its mission to enhance the competitiveness of enterprises in the region, the APO conducted a two-phase research project on the economic role of social capital and its effects on business and productivity in Asia. The findings of the first phase, detailing research by Professor Heon Deok Yoon, Soongsil University, Republic of Korea, were published in *Social Capital in Asia: An Explanatory Study 2006*.

While the results of the first phase of research indicated that social capital strongly influences business and productivity, how social capital can contribute to the growth and transformation of businesses remained unresolved. "Business change is the way in which productivity improvement can be attained by business," declared Professor Tan Wee Liang of Singapore Management University, chief expert of the second phase of the research. "Some of these changes are substantial and lead to transformation of the business or aspect of the business." The second phase of the research on which the current volume, *Social Capital and Business Transformation in Asia*, is based focused on family-owned SMEs, the dominant business type in the Asia-Pacific region. The Republic of China, India, Republic of Korea, Japan, Malaysia, and Singapore took part in the survey. The initial Integrated Summary in this publication explains the rationale for the research, methodologies employed, general findings, and recommendations for optimum utilization of social capital to enhance the competitiveness and productivity of family-owned SMEs in the Asia-Pacific region. The subsequent chapters deal with the country-specific features of those enterprises and how social capital played a role in their growth and development.

Among the survey findings, social capital in the form of trust enables smooth transformation and development of family businesses, although the leaders may need to change before employees do by showing that collaboration will be rewarded. Contrary to expectations, it was shown that family firm leaders tend to transfer social capital via contacts and networks upon succession to a new generation, especially in Japan, the Republic of Korea, Malaysia, and Singapore. Two Korean family-run SMEs cited gained a global market presence by assiduously following up contacts made at trade fairs and conferences. The lasting social capital relationships thus built up enabled their transformation into world specialists in their niche fields acknowledged for efficiency and productivity.

Social Capital and Business Transformation in Asia offers thought-provoking examples of business transformation enabled by the judicious use of social capital and should thus be of interest to those involved in SME promotion and development, leaders of family-operated SMEs, and researchers in the social aspects of business.

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