CHAPTER

11

Internal Public Relations, Social Capital, and the Role of Effective Organizational Communication

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INTRODUCTION

The long history associated with organizational scholarship includes an extended and unresolved discussion of the ideal relationship that ought to exist between management and employees. That dialog has largely (although not exclusively) centered on the role of management, the lot of employees, and how those two very different groups might most effectively combine in ways that further organizational goals and objectives. More directly, it is fair to say that internal public relations is both grounded in and bounded by this relationship. From the point of view of employees, and from the perspective of public relations, the most important public is management, whereas from management's

perspective the most important public is employees. Ultimately, for both, being able to build and then explain a productive relationship to external publics is central to such goals as attracting investors, customers, and new employees.

This chapter is organized in the following manner. The first section provides a historical view of theories of organizational management and communication. It concludes with a discussion of the basic requirements for a theory of internal public relations. The second section discusses social capital as a theoretic perspective for a consideration of internal public relations. It includes a historical overview of this concept and a description of the theory and its components, and concludes by discussing its applications to internal public relations.

A HISTORICAL OVERVIEW

Every text written on organizational communication, management, and industrial psychology dwells in large measure on the inherent tension between those whose roles in organizations are identified as "management" and those whose roles define them as "workers." The relationship has never been an easy one, despite the fact that each is the other's most important public. The strain that traditionally marks this relationship has all too often resulted in frustration, hostility, and sometimes violence. And yet, the ability to achieve organizational success (however this term is ultimately defined) has always been connected directly to the ability to link the efforts of management and workers in useful ways. The means of doing so have ranged from what amounts to physical and mental coercion to more recent advances regarding the democratization of the workplace and the value of employee participation. Workers, for their part, have always sensed the power and political differentials that place them in secondary positions, whereas managers have often agonized over the gulf that separates them from fundamental human processes in the organization. This first section characterizes the historical nature of the internal public relationship.

What follows develops two key ideas that are of particular relevance for public relations scholars and practitioners. First, the discussion not only chronicles the emergent relationship between managers and employees, but it also makes clear the marginalized role of public relations in the internal public relations (IPR) process. The long history of this area largely ignores the role of the communication professional; in fact, in many of the works discussed, communication and public relations are mentioned not at all or only in passing. The perception that communication professionals are not relevant to basic organizational activities continues to persist at the start of the 21st century. Public relations managers, despite some progress (Watson-Wyatt, 1999), continue to perform technical rather than managerial roles in many organizations. Second, as discussed in more detail later, there is some evidence for a progression toward workplace democracy and, hence, an expanded role for the

communication professional that may ultimately transform the technical IPR role into a managerial or strategic one. Fukuyama (1992, 1999, 2000) has written extensively about the historical nature of this progression, arguing that there is a historical trend in national governments toward liberal democracy. As he says, authoritarian states of all kinds have been "replaced with, if not well-functioning democracies, at least states that aspire to permit a greater degree of political participation" (p. 194). In his work Fukuyama cites several examples of countries once in the throes of totalitarian oppression that have progressed to become much more democratically oriented. In a similar vein, Fukuyama argues that organizations are also evolving into complex social systems where social capital and the connections between all sorts of people become essential to organizational success. In this new world employees of all sorts share responsibility and negotiate power in order to make organizations work. As Fukuyama notes, "Max Weber argued that rational, hierarchical authority in the form of bureaucracy was the essence of modernity. What we find in the second half of the twentieth century, instead, is that bureaucratic hierarchy has gone into decline in both politics and the economy, to be replaced by more informal, self-organized forms of coordination" (p. 194). This may be true for IPR as well. It may be that fundamental changes in the nature of contemporary organizations portend a fundamental shift in the role of the communication professional in the organization.

The Classical Tradition

Most textbooks and a great deal of writing on organizations begin with the classical management trinity of Frederick Taylor (1911), Henri Fayol (1949), and Max Weber (1947). Taylor is identified as the father of scientific management with its emphasis on efficiency, monetary reward, and control (Kanigel, 1999). Fayol describes the appropriate range of activities of a privileged managerial elite as the key to success. Weber subscribes to the notion that authority ought to reside exclusively in the organization's rule-defined relationships, as best reflected in a bureaucracy.

The employee relational environment that emerges in this view is one where employees are controlled because they ultimately cannot be trusted. Workers cannot become members of the managerial brotherhood, because they lack the capacity for the careful planning, commanding, and controlling that is the managerial birthright.

Communication in the classical view serves as a mechanism designed to engineer unquestioned compliance with managerial decisions that are scientifically and rationally based. The internal public relationship is primarily one-way, with communication flowing down the hierarchy to distribute information regarding policy, practice, and procedures. The internal public relationship, however, is not reciprocal. Management makes decisions on behalf of workers,

presumably to ensure their welfare and that of the organization. Employees must accept this one-sided relationship as best for all concerned.

The Emergence of Doubt

Chester Barnard's book *The Functions of the Executive* (1938) is remarkable specifically because it expresses doubt about classical assumptions. Barnard was intimately familiar with American business as practiced, for example, by Carnegie and Morgan, and as expressed by Taylor, Weber, and Fayol. Barnard hesitated to blindly accept the dictum that managers must manage and workers must execute managerial directives. This doubt emerges because he sees organizational life from an interactive framework in which management and employees co-create the organizational fabric and the operative functions within it. He realized that management succeeds not because of superior knowledge, planning, or method, but because workers have chosen to cooperate in what they perceive to be a reasonable and justifiable managerial vision. Thus, the function of the executive is expanded to include the cultivation of support through networks of communication. Although Barnard ultimately does nothing to change the fundamental relationship between employees and management, he does expand and humanize the managerial imperative, providing an early recognition of the importance of communication in producing cooperation. In particular, this shift suggests recognition of employees as an audience for IPR and that this relationship must be cultivated through persuasive communication that leads to cooperation.

In this view, internal public relations are rooted in a communicative relationship where management seeks to convince employees that cooperation is in their best interest (acceptance theory). Management not only must envision the future, but must also persuade other audiences that their vision has merit. Ultimately, the gulf between the two cultures, although somewhat bridged through communicative interaction, remains largely intact because the vision remains management oriented and the range of employee options limited. That is, IPR remains primarily sender oriented and downward in its conception.

Beyond the Lamp Post

Elton Mayo (1933, 1945) and his work at the Western Electric Plant in Cicero, Illinois in the early 1920s earned him the title "Father of Human Relations Theory." The work of Mayo and his colleagues stands chronologically before that of Barnard. Conceptually, it advances the notion that task success is grounded irrevocably in the group relationship. According to Mayo, it is within the context of the group that human beings develop attitudes, beliefs, opinions, and values regarding their work life. It is this relational foundation that most directly influences an organization's ability to achieve goals and objectives.

Mayo's work has been repeatedly dissected since the date of its publication by critics of its method and conclusions. However, his work has been granted lawlike status by the many textbooks, articles, classroom lectures, and training sessions that take its key findings as axiomatic.

Human relations thinking argues that task success is rooted in the relationships that workers experience as a part of their work life. As work proceeds, employees enter relationships with each other and with management. The character of those relationships in various contexts constitutes a series of experiences that influence motivation and consequently work effectiveness. Low-quality relationships reduce motivation; more satisfying ones enhance the drive to succeed. Success at internal public relations, then, lies not in planning, control, or cooperation, but in the effective management of group relationships to produce an environment in which task accomplishment is enhanced. Again, the gulf between management and employees is not bridged, but the significance of individual relationships and needs is acknowledged and the managerial role expanded to reflect new message strategies and tactics.

The Person as Resource

The confluence of National Training Laboratories (NTL) work started by Kurt Lewin (Hirsch, 1988) and the quality improvement movement that emerges in the wake of World War II (Neave, 1990; Walton, 1986) coalesce to strike a new direction in which internal public relations is grounded in the recognition that human potential and the desire to leave one's mark are essential to organizational success. This direction is widely read by students in the work of McGregor (1960) and Likert (1961, 1967) and reinforced in the minds of managers through the work of such writers as Drucker (1994), Senge (1990), and Peters (1982).

This perspective is often tagged the *human resources model*. This position emphasizes the creative and intellectual potential of each individual while reconceptualizing the role of management. This new vision provides the asset base for any organization. In terms of motivation, for example, Maslow (1998) argues that what drives and transforms many organizational actors is the familiar self-actualization concept. Alderfer (1986) seeks to reinvent Maslow by creating the ERG model, recognizing that multiple needs may be at work and that employees may seek to emphasize other needs when some are frustrated. McClelland (1985) emphasizes need for achievement as a basic motive and as a counterpoint to Maslow's self-actualization concept. The point is that individuals come to the organization with the potential and desire for excellence. Consequently, the role of management is to cultivate and develop human resources to the fullest extent possible in order to maximize benefits for the organization. These benefits are frequently phrased in terms of a variety of

outcomes including, but not limited to, quality, customer service, and on-time delivery.

The key words in this approach are *cultivation* and *facilitation*. Employees are seen as having skills and knowledge that provide direct benefits to the organization. Management is seen as the force in the organization with the ability to cultivate knowledge and skills as a part of the development of human resources. In addition, management is also seen as responsible for facilitating human accomplishment on behalf of the organization's goals and objectives. In this view, internal public relations consist of investments made to cultivate and facilitate human resources, rather than making investments to control and inhibit them.

Integrating People and Technologies

The movement identified as sociotechnical systems began in England with the work of Eric Trist (1981), which led, in turn, to the creation of the Tavistock Institute. The main argument made by scholars working in this tradition is that organizational success is ultimately rooted in the ability to balance two very different systems: human and technical. According to this perspective, these two basic systems exist side by side in every organization. The key is to find ways of integrating these two so that technology and humans blend together to the benefit of the larger enterprise.

The propensity of many organizations is to invest heavily in the technological side of the enterprise, such as computers, e-mail, pagers, robotics, and cell phones. The presumption is that humans will adjust themselves to new ways of working and doing to the betterment of the organization. This is often not the case. For example, e-mail, with all its potential for opening channels of communication, may not automatically produce the changes that organizational planners have imagined. One must also wonder how cell phones, with all of their capabilities and potential, will actually influence the work environment. Consequently, part of the work of effective internal public relations, from this perspective, is to find a balance between technological concerns and the humanity of employees.

It Depends

Contingency theorists argue that no one organizational approach will suffice in a world that has become increasingly turbulent and complex (Burns & Stalker, 1966; Woodward, 1965). Key organizational processes must remain dynamic to allow configuration and reconfiguration in response to new challenges and demands. Thus, a managerial approach to internal public relations that places an emphasis on open cooperation, cultivation, and facilitation is only operative

as long as the environmental conditions that support it remain stable. As the environment changes, the approach to internal public relations must also change.

The work of management, in this view, becomes one of environmental scanning, a process embraced by public relations practitioners as a core value, and constant adjustment to new contingencies. Consequently, in this view effective IPR requires that flexibility with regard to change become internalized as a central organizational value. This is an idea embraced by public relations practitioners in general and crisis specialists in particular. It places special demands on management, and it pressures employees to accept change as a regular part of their work. The communicative relationship becomes crucial as the organization seeks to gather information critical for decision-making, and as it seeks to communicate that information and subsequent decisions to organizational members. Effective internal public relations then becomes the efforts directed at creating a flexible and adaptive workforce capable of surviving an environment in which reengineering, and restructuring, is a given.

Systems Theory

Systems theorists see organizations as organic wholes that interact dynamically with their various environments (Morgan, 1998). Communication is essential to the well-being of any organization because it is the central means by which organizations organize and structure themselves and simultaneously adapt themselves to often turbulent environments. Internal public relations emerge as a holistic concern for the manner in which various systemic components adjust to each other. An inability to maintain effective internal public relations manifests as an organization that loses flexibility and adaptability. Where internal public relations are effectively managed, the organization remains adaptive, open, and viable.

Complexity Theory

Management complexity theory (McMaster, 1996; Merry, 1995; Stacey, 1992, 1996; Wheatley, 1992) has been popularized by those who see in *chaos* a word capable of riveting the attention of readers on some of the key weaknesses that exist in contemporary managerial thought. The nexus of complexity theory is the canonization of change as a constant in organizational affairs. Basically, complexity theorists argue that organizations are self-organizing entities that constantly experience the pressure to change from their various overlapping and interdependent environments. The environments that produce the motivation for change are themselves extremely complex and, hence, are difficult to explain or predict. These environments organize quickly and often demand an

immediate response from the organization to ensure survival. The volatility of these environments places tremendous stress and strain on organizations. Further, complexity theorists argue that small changes in various organizational features can produce unexpected and significant outcomes for organizations.

The essence of organizational success is to create a supple and adaptable structure that can react quickly and confidently to increasingly turbulent, difficult-to-anticipate, and often violent changes in organizational environment. Needless to say, the essence of organizational success is a relational environment where the capacity for rapid adaptation and change is institutionalized as a foundational cultural element.

The Critical Perspective

Critical theorists argue that organizations subjugate various constituencies through a desire to exert hegemony. Hegemony provides the organization with the unquestioned and unthinking allegiance of employees. The internal public relationship is really no relationship at all; rather, it is a one-sided effort on the part of organizations to groom organizational actors as unconscious and unwitting proponents of core organizational values, beliefs, and behaviors.

Critical theorists justifiably and forcefully demand a careful reconsideration of basic assumptions and ways of thinking that create and recreate contexts and that are rarely, if ever questioned. For example, this chapter has repeatedly used the words *manager*, *employee*, *success*, and *worker*. These symbols carry an inherent and unchallenged set of meanings and assumptions that define the basic work relationship. In doing so, these symbols limit actions and vision. These limitations are absorbed by organizational members, who then create and re-create relationships that are embedded at the deepest level in the symbols that are used unconsciously to describe basic organizational relationships. Inherent in the meanings associated with these symbols is a basic relationship, one in which managers are responsible for basic organizational decisions while employees and workers are responsible for seeing that those decisions are put into practice. What a different it might make were these symbols understood for the reality they create, and new ways of conceptualizing this most basic relationship were conceived? What a difference it might make for the life that managers, employees, and workers lead in their organizations. What a difference it might make in the way organizations approach their work.

This, then, is the contribution of critical theory to the historical progression of thinking regarding the relationships that exist among people who live and work in organizations. In this view, the essence of internal public relations must be seen as fundamentally and essentially manipulative. Communication is central to the discussion, because it is the mechanism whereby means are created, conveyed, and maintained, and it becomes the mechanism whereby

individuals and groups become aware of the situation they are in and discover means to exert control over their lives.

Synthesis

The theoretical perspectives just discussed chronicle the uncertain and frequently turbulent relationship that has always existed between management and employees. This conversation has continued over the years, in large measure, because there exists the feeling that effective internal public relations can have a desirable impact on those processes and outcomes that optimize the organization. With the possible exception of the critical perspective, theorists have rarely been interested in internal public relations solely because of the potential impact on the lives of employees. Rather, much of the dialogue has focused on internal public relations as a potentially important independent variable in a managerial equation focused on specific outcomes. Hence, internal public relations, as critical theorists remind us, frequently becomes a kind of exploitative activity where employees are asked to provide "more" toward organizational goals and objectives without a true and continuing commitment of the organization to the them.

The essence of this historical progression of thinking about internal public relations for the purposes of this chapter is twofold, as indicated earlier. First, there appears to be a historical progression toward increasing workplace democracy. There is a difference between theory and practice, and it is probably fair to say that theory has advanced at a far greater pace than has practice. However, it is fair to claim that the conventional wisdom regarding internal public relations has significantly changed over the years toward increasing democratization and participation. Second, this progression demonstrates the need for an increased sensitivity to and skill regarding internal public relations. The added emphasis on communication and relationships correspondingly brings with it the need for a vision that must include communication at the strategic rather than the purely technical level. In other words, as organizations have evolved, so too have their communication needs, to the point that the expertise residing in the public relations function becomes of central rather than peripheral strategic value.

The Significance of Relationships

One of the striking things that stands out in this discussion is the historical progression of ideas regarding internal public relations, from highly autocratic and control-oriented visions of organizations and organizational communication to a contemporary vision that values transparency, democracy, openness, flexibility, social concerns, ethics, change, and environmental responsibility, among other important characteristics. Regardless of perspective, the

underlying relational issue emerges as a consistent theme, whether the emphasis is on efficiency or facilitation. Ultimately, the fundamental and enduring question centers on the nature of the relationship that can and should be established between two very different organizational constituencies. Although the progression of ideas regarding internal public relations has been evolutionary (placing increasing value on the internal public relationship over time), the discussion is not complete, and widespread uncertainty exists among scholars, managers, and employees as to the potential for their productive association.

Relationships and Outcomes

The dialogue continues unabated, in part, because considerable uncertainty exists as to the appropriate character of the internal public relationship. That is, do relationships where employees are seen as valuable assets actually contribute significantly to organizational outcomes? In many respects, this is the central issue that has driven much of the historical dialogue. Given the tendency to see internal public relations as one concern among a constellation of concerns that may be connected to outcomes, the tendency has been to see internal public relations as something to be acknowledged, but whose impact is difficult to evaluate.

The Role of Communication

This historical dialogue regarding internal public relations has dealt either implicitly or explicitly with communication. The classicists rarely mentioned communication, and then only as a downward mechanism designed to control the unpredictable nature of employees. The emphasis on efficiency and structure, for example, foreshadowed a de facto communication approach that emphasized control, authority, and downward information flow and placed importance on task-related concerns. In more contemporary formulations, the role of communication is expanded to include person-oriented issues, conflict, and diversity, especially where employees are seen as organizational assets.

The Relatedness of Contexts

The theoretical perspectives just discussed consider the internal public relationship in various contexts (e.g., interpersonal, group, public, organizational, and technological). However, it is rare for the various contexts for relational development to be connected in ways that affect broader organizational concerns. For example, a great deal of research focuses on the interpersonal context; however, little discussion is provided as to how those relationships form, coalesce, and merge, to affect on how the organization, seen as a whole, succeeds

or fails. Much the same is true at the group level. Group theorists focus on groups and group formation, but fail to connect group processes with broader organizational concerns. At some point these various contexts and context-dependent theories must be seen in broader perspective with regard to holistic organizational concerns.

Theoretical Requirements

The preceding analysis leads to five requirements for a theory of internal public relations:

1. It must ground itself in relationships and relational activity.
2. It must provide a framework in which a clear empirical connection exists between internal public relations and desired organizational outcomes.
3. It must clarify the role of communication behavior as central to effective internal public relations.
4. It must provide a connection between micro-level actions and macro level outcomes.
5. It must place its focus at the strategic level.

The following section builds on these five requirements and advances a theoretical perspective based in social capital theory to address the concerns just identified.

SOCIAL CAPITAL

Despite its relative youth as a concept, social capital has been variously defined (Astone, Nathanson, Schoen, & Kim, 1999). As with so many concepts, conceptual clarity is at a premium, leaving significant gaps in treatment, method, and theoretical development. Some researchers, for example, have defined social capital at the macro level by focusing on national and cultural trends in social capital and subsequent desirable or undesirable outcomes (Fukuyama, 1995; Putnam, 1995, 2000), whereas others have focused primarily on the individual level (Coleman, 1988; Granovetter, 1973). Social capital research has included organizations by focusing on the relationship as a human asset (Leanna & Van Buren, 1999). Researchers have also focused on schools and school systems (Helliwell & Putnam, 1999; Morgan & Sorenson, 1999), poverty (Dordick, 1997; Narayan, 1999), community development, gender related concerns (Burt, 1998; Ibarra, 1992, 1995; Parks-Yancy, 2004), downsizing (Brockner, 1990, 1992; Shah, 2000), and economic development (Easterly, 2000; Knack & Keefer, 1997; Rodrik, 1999a, 1999b).

Since Coleman's (1988a, 1988b) and Putnam's (1995, 2000) popularization of this concept, the rush to apply social capital in almost "snake oil" fashion has led to serious problems with conceptual clarity. Each paper published contains a slightly different vision of the concept, including corresponding variations in treatment of operationalization, method, analysis, and conclusions. This situation leaves large gaps in the literature, and consequently little emerges in the way of comparable perspectives, questions, approaches, or results.

Social capital is defined here as the ability that organizations have of creating, maintaining, and using relationships to achieve desirable organizational goals (Portes, 1998). In particular, social capital is seen as something that can be acquired, stored, and expended and that can be used to facilitate action that can result in a competitive advantage for individuals, groups, and organizations. The account balance of available social capital emerges from the communication among individuals, groups, and organizations that allows them to successfully form, maintain, and utilize relationships.

This definition contains several ideas that will guide the following discussion and that connect directly with the theoretical requirements discussed earlier. First, it identifies relationships and relational concerns as central to all organizational activity. Second, it asserts that the social capital relationship affects organizational outcomes. Third, it implies that communication behavior serves as a mechanism for the production, maintenance, and expenditure of social capital. Fourth, it suggests the possibility of linking social capital activity occurring in many different locations to form a broader vision of organizational outcomes.

Theoretical Origins

Contemporary notions of social capital developed independently in the work of two theorists: Bourdieu (1979, 1980, 1986) and Coleman (1988a, 1988b, 1990, 1993, 1994a, 1994b). Althogh Bourdieu's work precedes Coleman's work, Coleman's work was the first to receive widespread recognition, which served to popularize the concept and led to a rapidly developing body of research (Woolcock, 2001).

Coleman defines social capital functionally as "a variety of entities with two elements in common: They all consist of some aspect of social structures, and they facilitate certain actions of actors—whether persons or corporate actors—within the structure" (Coleman, 1988a, p. s98). It is the emergence of the forms of social capital in various contexts that produces social capital (Baker, 1990; Coleman, 1988a). Social capital emerges through the rich, varied, and textured communicative exchanges that occur among various organizational actors who are embedded in various contexts. These communicative exchanges involve individuals, groups, organizations, cultures, and nations, producing a

shifting sea of relational creation, maintenance, and dissolution that forms that framework for successful organizational activity.

Bourdieu takes a slightly different approach, defining the concept as "the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition" (Bourdieu, 1986, p. 248). Bourdieu's definition is important because it distinguishes between two critical elements: (1) the social relationship itself that allows a variety of actors to access resources held by their associates, and (2) the amount and quality of those resources.

To refine our understanding of resources, it is important to distinguish resources from the ability to obtain, maintain, and utilize those resources. It is the communicative exchange that produces and defines the available resources, and it is also communication that allows actors to access and make use of them. Information (intellectual capital) and economic and other forms of physical, human, and cultural capital may all be cultivated through the utilization of social capital. However, the possession of social capital does not necessarily mean that it will be maintained or spent effectively. Social capital is best understood as potential and its utilization recognized as influence. Further, like economic capital, social capital is not always used wisely and can produce negative consequences for actors (Portes & Landolt, 1996).

The following sections explain the distinctive features of social capital as they relate to internal public relations.

Obligations and Expectations

Coleman (1988a) describes the essential components of the relationship and its basic components by making two distinctions: obligations and expectations. Both are created through the communicative exchange and the both contain actor beliefs about past and future exchanges. As Coleman (1988a) notes:

> If A does something for B and assumes that B will reciprocate in the future, an expectation is established in A and an obligation incurred on the part of B. This obligation can be conceived as a credit slip held by A for the fulfillment of an obligation by B. These credit slips constitute a relational deposit that has a value that A can spend to accomplish various goals and objectives—unless, of course, the actor who has the obligation defaults on the debt. (p. S102)

Some clarification is necessary at this point. One must understand that a financial obligation is fungible, whereas a social capital obligation is not. For example, a debt can be sold or passed on to another individual or organization. Unlike financial or economic obligations, social capital is rooted in and constrained by the particular relationship in which it emerges. One could not tell

Fred that he ought to buy John lunch because John had bought Sam lunch last Tuesday. The relationship and the social capital exist only between John and Sam and within a particular context.

Dimensions of Social Capital

Social capital, grounded in social relationships, is complex and multidimensional. Identifying the nature of social behaviors and relational constructs that parsimoniously account for economic and other consequences is a critical feature of the development of a theory of internal public relations grounded in social capital theory. Putnam (1995, 2000) recognized the tendency to proliferate concepts and argued that a high priority should be placed on clarifying the dimensions of social capital. Consequently, Hazleton and Kennan (2000) modify the work of Nahapiet and Ghoshal (1998) and consequently proposed a three-dimensional model of social capital: structural, communicative, and relational. These elements are described in the following sections.

The Structural Dimension

Structural characteristics, imposed by history and culture, define a range of opportunities and limitations for relational activities. An organization where technology has a heavy impact on communication exchange experiences inherent limitations on the kind, quantity, quality, and number of relationships that can emerge. This, in turn, influences the organization's basic ability to configure and reconfigure itself with regard to the manner in which publics are accessed.

Structure is a necessary condition for the development and utilization of social capital. The system of network connections is, consequently, a fundamental structural concept. When more than two actors are connected, the configuration of the network itself influences relational outcomes. Communication scholars have a long history of interest in communication networks (Farace, Monge, & Russell, 1987; Monge, 1987). Elements of configuration such as network density, hierarchy, and connectivity are all structural components that affect the ability to create social capital.

Burt (1992), for example, identifies three features of networks: access, timing, and referral. *Access* describes the opportunity to send or receive messages, as well as knowledge of the appropriate network channels to use in social capital formation, maintenance, and expenditure. Knowledge of formal and informal networks facilitates both strategic choices and the efficiency of communication. Knowing whom to talk with about what is important, and it reflects what people know and intuitively understand about the nature and character of their networks (Garfinkel, 1967).

Timing is a consequence of both knowledge and network structures. However, all other factors being equal, organizations that can communicate more quickly and in an appropriate chronological frame are likely to possess an organizational advantage. For example, an organization that encounters a new market competitor can only succeed if the response is immediate and if information about this challenge is available in a chronological frame that enables effective decision making. Beyond this, however, the issue has to do with when the response should occur. When, for example, should the market response occur?

Referrals indicate the network processes that provide information to actors about availability and accessibility of additional network ties. That is, some networks are more open and accessible than others. Also, inclusion in one network can make membership in other networks possible. Networks with high referral potential are more likely to produce more social capital from more different relationships than networks with low referral potential.

The final feature of network structure has to do with Coleman's idea of the appropriable social organization (1988a). This concept describes the ability of networks or organizations formed for one purpose to be utilized for other purposes. Fukuyama (1995), for example, describes the transfer of trust from family and religious affiliations into work situations. Coleman (1990) shows how social capital formed in personal relationships are appropriated for business purposes. Burt (1992) describes how social capital that emerged in personal relationships was then expended to create organizations.

Applications of these concepts to our understanding of internal public relations are clear and direct. Public relations practitioners are those with the capacity to cultivate, maintain, and expend social capital on behalf of their organizations in an effort to cultivate functional internal public relationships. For example, the relationships established with media and other publics constitutes a deposit of social capital, which the organizations may expend to secure fair media coverage, gather information, and build alliances with other groups or organizations. Thus, access, referral, timing, and the appropriable social organization as basic characteristics of networks may be used to better understand how internal public relations works, and it also affords the opportunity to create a series of metrics that can help assess the effectiveness of the internal public relations practitioner.

Similarly, the connectedness of practitioners to internal networks is likely to be an indicator of the influence of public relations on the organization. Ties to the dominant hierarchy alone are not likely to produce excellent public relations. Rather, excellent public relations are best conceptualized by understanding the nature of the social capital accessible by the organization, including the practitioner, and the manner in which available social capital is expended to achieve important goals and objectives. This perspective offers something unique: a conceptualization of excellent public relations as a distinctively communication-grounded phenomenon that produces a commodity

that can be observed and measured and that can be connected directly to the organization's efforts to succeed.

The Relational Dimension

Expectations and obligations have previously been defined as central features of the social capital relationship. The amount and nature of both are central features in understanding an organization's relations with its internal publics. Further, as noted previously, this most basic of all human activities clarifies the role of communication in building excellent public relations.

Whether or not B repays A depends on a number of factors. One of these factors is the motivation to meet obligations through resource allocation (Portes, 1998). Two different relational consequences of communication are important in our model: trust and identification. Both help us to understand motivation with regard to retiring relational debt.

Trust is the primary relational feature of social capital in Coleman's (1988a) formulation and the most frequently studied concept linked to other social outcomes from a social capital perspective (Portes, 1998). Trust on the part of an actor supplying resources assumes the "anticipated cooperation" (Burt & Knez, 1996) of the actor seeking resources. Organizational trust becomes an "orientation toward risk" and an "orientation toward other people and toward society as a whole" (Kramer, 1999).

Trust as a basic component of social capital may be further clarified. Trust may be fragile or resilient (Leanna & Van Buren, 1999; Ring, 1996; Ring, & Van de Ven, 1992). Fragile trust is dependent on the immediate likelihood of rewards, and it is not likely to survive where benefits and costs are not perceived as equal. A contractor agrees to frame a house based on the expectation of prompt payment. This is contracting, or what Rosseau (1995) calls *transacting*, as opposed to relationship building. Relationships based on fragile trust emphasize formal communication exchanges that constitute a public obligation (Leanna & Van Buren, 1999). This does not lead to a deeper level of association and does not lead to an exchange if the reward structure is not clarified through some contractual arrangement.

Resilient trust is based on stronger and more numerous links and is not likely to be disrupted by occasional unequal exchanges (Leanna & Van Buren, 1999). Further, resilient trust reflects a transaction based on a handshake rather than a complex set of requirements embodied in a written contract. Resilient trust requires little maintenance because it inheres in a history characterized by stable, principled, and ethical interactions. However, resilient trust is easily destroyed through thoughtless acts that can immediately and irrevocably destroy the relationship.

Identification refers to the extent to which actors view themselves as connected to other actors. Portes (1998) identifies two forms of identification. The

first is bounded solidarity. Grounded in Marx's concept of emergent class consciousness (Marx, [1894] 1967; Marx & Engels, [1848] 1947), the production of social capital is a product of the emergent awareness of a common fate. Originally, the concept referred to situations bounded by community. That is, individuals who are residents of a community sense their connectedness in terms of goals, values, and beliefs and identify with each other on that basis. Out-group members are identified based on their lack of solidarity with a particular community. This concept must be expanded, however. It is possible for the motivation to seek solidarity to cross social boundaries where contextual factors drive together groups, forming alliances previously impossible.

The second form of identification arises when A and B hold membership in a common social structure. Unlike the bounded solidarity situation, the expectation of repayment is not dependent on a perceived common fate, but on norms operational with the community. In some instances, the actual repayment to A may come not from B but from the community. For example, the benefit to an employer who creates a day-care center for employee children does not accrue from the children themselves or even necessarily from their parents. Rather, the reward emanates from the approval of the broader community of employees in that organization.

Both trust and identification are made operational where there is an adequate degree of social system closure. Coleman (1988) argues that trust and trustworthiness, for example, are essential, but they do not, by themselves, constitute an adequate normative force ensuring repayment. System closure provides effective sanctions that add normative force to trust and identification processes. Social capital emerges more readily where some system (formal or informal) of constraints operates to discourage violations of trust and identification.

The Communication Dimension

Communication, as a visible and manifest activity, provides the process through which internal public relationships are accomplished. As such, human communication provides the symbolic mechanism through which social capital is acquired and the mechanism through which it is expended in ways designed to produce desired internal public relations outcomes. Communication is not a dichotomous variable. Its mere presence or absence cannot account for social capital formation. Although its presence may be necessary for social capital formation and use, a careful explanation will require theories that explain and describe variations in communication content and strategy.

One particular means of viewing the communication is provided by Hazleton (1998), who advances a set of messaging strategies that could be connected to social capital creation, maintenance, and expenditure. He suggests that organizations exhibit two types of goals: instrumental and relational. He argues that public relations are central to the achievement of relational goals

and that the achievement of relational goals is necessary for the achievement of instrumental goals. This is consistent with our view and understanding of the concept of social capital and its role in cultivating internal public relations.

Hazleton (1992, 1993) has also proposed a taxonomy of seven public relations strategies phrased in terms of individual functions that are useful in understanding the communicative dimension of social capital: facilitative, informative, persuasive, promise and reward, threat and punishment, bargaining, and cooperative problem solving. Page (1998; 2000a, 2000b, 2000c, 2003; Page & Hazleton, 1999; Werder, 2003, 2004, 2005) in a series of studies has explored the use of the public relations strategies identified by Hazleton. Her research demonstrates both the utility and validity of the strategy taxonomy for studying public relations communication, demonstrating empirical linkages between perceived attributes of publics, and perceived public relations effectiveness.

One would expect that communicative strategy will systematically vary with social capital processes. Some of these strategies are associated with the formation of social capital, whereas others either drain the available stock of social capital or inhibit its development. Different communication strategies are likely to characterize differing levels and types of social capital. Facilitative strategies that enable others to overcome constraints and achieve their goals clearly have implications for social capital formation. Both bargaining and promise and reward, for example, are more likely to be used in situations where trust is "fragile" rather than "resilient," that is, when resilient trust is in demand. On the other hand, effective and fair use of some of these strategies over time may create more social capital and facilitate the use of additional communication strategies.

Communication, in addition to laying the foundation for the emergence of social capital, is also the mechanism whereby the available stock of social capital can be accessed and expended to further individual, group, and organizational goals and objectives. Informative strategies, cooperative problem-solving strategies, and informative strategies may all be useful in the transformation of social capital into other forms of capital (Coleman, 1988) as communicators indicate their needs and goals to employees or other publics with a sense of obligation to the organization.

Communication is a primary concept in the theory of social capital. Unfortunately, we do not have the time or space here to develop this area of our theory more fully. The particular ways in which these communication strategies for acquisition and expenditure of social capital operate provide a clear avenue for future investigation.

Consequences of Social Capital

As communication is employed to expend the available deposit of social capital, various organizational outcomes emerge. These outcomes may be either

positive or negative depending on the manner in which social capital is expended. This serves as a reminder that social capital is potential and that desirable outcomes depend on its effective expenditure. That is, the mere presence of social capital does not necessarily lead to positive outcomes. An individual who has a sum on deposit at the local bank possesses the potential for desirable outcomes based on the prudent expenditure of his money. If, however, the individual spends that money in frivolous ways, the outcome may in fact be negative. In the same sense, social capital provides the potential for success depending on its judicious expenditure. Here again is a direct connection to the practice of internal public relations and internal public relations. The professional communicator, in whatever capacity, is the one individual in the organization positioned to make strategic decisions about both the cultivation and expenditure of social capital.

In this regard there are three classes of potentially positive outcomes: increased and/or more complex forms of social capital, reduced transaction costs, and organizational advantage. As noted earlier, these outcomes can be either positive or negative and can be characterized along a continuum that ranges from the highly concrete to the highly abstract. Outcomes are often less easily observed and more uncertain than other types of exchanges (Bourdieu, 1979, 1980).

The effective use of communication to allocate deposits of social capital may produce additional social capital and/or expressions or byproducts of social capital, e. g., intellectual capital (Nahapiet and Ghoshal, 1998) or human capital (Coleman, 1988), new relationships, and new or enhanced networks. This is an important feature of internal public relations. In this case, effective relational management through campaigns and message management done well can produce additional social capital, thus retaining a strong account balance available for disbursement. More specifically, the judicious expenditure of social capital creates an environment in which important organizational initiatives, such as restructuring and change management, can occur in a more timely and successful way. This recognition places the internal public relations function in the center of important organizational activities rather than as a valuable but somewhat peripheral activity. There are also a variety of activities that can benefit from effectively managed social capital, including increased commitment to management and the broader organizational framework, improved community relations based on positive employee responses to change, and the fact that media could come to identify the organization as excellent.

Fukuyama (1995) identifies transaction costs as those costs that accrue to organizations or cultures in the absence of social capital. Fukuyama argues that simpler and less expensive systems, based on trust, come to be replaced by "a system of formal rules and regulations, which have to be negotiated, agreed to, litigated, and enforced, sometimes by coercive means" (p. 27). Transaction

costs (Coase, 1937, 1961; Williamson, 1975) are costs incurred by individuals, groups, and organizations that are associated with human interaction. The concept of transaction costs has been variously defined (Klaes, 2000), and hence, as with many concepts, conceptual confusion is the norm rather than the exception. The approach taken in this chapter acknowledges the work of theorists such as Coase (1937, 1961), Marschak (1959), Malmgren (1961), Alchian (1965), and Williamson (1975). It builds on the notion of contracts, policing, exchanges, negotiation, etc., contained in those visions to see transaction costs as being associated with human interaction, that is, communication.

Those costs might include, but are not limited to, brokering solutions to problems, negotiating and managing conflict, creating contracts to regulate the behavior of others, and creating an information environment in which people are connected to each other and to information. In the absence of the ability to successfully acquire and expend social capital, transaction costs tend to proliferate. These costs can assume a variety of guises within the context provided earlier: the costs of sexual harassment suits, age discrimination suits, and disability claims are often manifestations of the absence of social capital. In addition, increased information costs, increased conflict, legal costs, employee theft, and labor-union-based grievances are also transaction costs. Rather than reflecting purely economic costs associated with market activities, transaction costs reflect a lack of social capital. Transaction costs demand additional expenditures of social and financial capital beyond what is necessary to achieve organizational objectives, imposing a limit on what the organization can ultimately achieve. Employee theft, for example, reflects either the absence of social capital or a poorly managed set of relationships that has emerged as dysfunctional employee, group, or organizational behavior. Employee monitoring devices, as another example, are transaction costs because they require added financial inputs to attempt behavioral control, where a more effective expenditure of social capital could have produced less costly and more desirable outcomes.

Expenditures of social capital via communication can result in increases in organizational advantage: productivity, efficiency, quality, customer satisfaction, net asset value, stock value, employee satisfaction, employee commitment, organizational adaptation, etc. But these aren't the only important outcomes that are possible and desirable. Social capital also connects to ethical behavior, transparency, and a more livable organization that is sustainable in terms of both individual and organizational needs. Organizational advantage refers to outcomes that improve the ability of the organization to achieve self-defined goals and objectives by adapting to changing environments.

Here again internal public relations becomes a central strategic and tactical concern rather than a peripheral one. Effective internal public relations provides a constraint on transaction costs. Hence, the value of managed relational activity lies both in enhanced goal attainment and in the management of

transaction costs. For example, an organization that experiences grievances and perhaps legal action regarding gender-based relations has incurred a transaction cost. In this case, it is the cost of dysfunctional human interaction. Where effectively managed internal public relations occurs and where it is targeted toward gender-based interaction problems, transaction costs can be mitigated. This does not mean that transaction costs will disappear, because an infrastructure must exist to cultivate and maintain human interaction. However, it does suggest that the role of internal public relations is a central organizational activity targeted toward social capital formation and expenditure designed to manage transaction costs. This in turn facilitates and enables organizational goal attainment.

The pursuit of associations between social capital expenditures and the three categories of outcomes must be understood. First, outcomes are complex, turbulent, and uncertain because of the nature of the relationships that give rise to them. This can be more easily understood by recognizing that outcomes are characterized by unspecified obligations, uncertain time horizons, and potential violations of reciprocity expectations (Bourdieu, 1979, 1980). One does not know exactly how actors might construe their obligations based on social capital, because the types of outcomes that can emerge are contextually embedded. A manufacturing organization, for example, might have built a sizeable account of social capital with employees based on the long-standing cultivation of positive internal public relations. How, then, do employees see their obligation, and how are they likely to respond based on their perceptions of those obligations? Will they invest greater effort in their work, will they improve quality, or will they simply express more positive attitudes toward their organization among themselves?

Further, it is difficult to understand when obligations will be repaid (uncertain time horizons). When can one expect an obligation to be repaid? Will actors perceive reasons for reciprocating at all? Actors may also violate reciprocity expectations. For example, an actor lends an acquaintance $20. The actor expects that the loan will be repaid promptly. The acquaintance seeks to meet the obligation by offering to buy lunch in some unspecified time frame. Although the intent is to repay the obligation, the manner in which the obligation is to be met fails to meet conventional expectations and may become the source of conflict rather than a resource that can be applied to future needs.

Within this context, researchers have sought associations among communication and organizational advantage, for example, in an effort to satisfy bottom-line demands. The overall strategy has been to seek correlations between traditionally valued organizational outcomes and some measure of communication, often embodied as participation (Cotton, et al., 1988; Doucouliagos, 1995; Leana and Van Buren, 1999; Locke and Schweiger, 1979; Miller and Monge, 1986; Schweiger and Leana, 1986; Seibold and Shea, 2001; Wagner and Gooding, 1987). If net asset value, for example, is not significantly

associated with some measure of communication-related activity, then the search is often interpreted to have been in vain. Unexpected interpretations and violations of obligation and expectations introduce a level of complexity and uncertainty that makes the link between communication and outcomes more challenging to identify, but potentially richer in its implications for organizational practice. How to proceed?

An approach to this relationship requires a twofold focus. First, although correlations with organizational advantage variables may be modest, the associations with social capital and with transaction costs may provide a better picture, especially when seen as additive with organizational advantage concerns. Second, over time associations among organizational advantage, transaction costs, and the emergence of additional forms of social capital may interact synergistically to produce additional unanticipated effects. Consequently, the more productive approach is to focus on explicating which outcomes (and what types) actually emerge, their net effect, and their potential interactions.

CONCLUSION

This chapter has argued that effectively managed internal public relations offers an important and useful means of understanding the difficult relationship between those who fill management roles and those defined as employees or workers. Social capital theory and transaction cost economics blended with a focus on communication behavior offers a unique and profitable way of envisioning this process and its impact on organizational competitiveness. This view places public relations practice in a central position with regard to the strategy associated with internal public relations. Our argument suggests that those who are able to understand and manage internal public relations from this perspective are more likely to adapt effectively to their relevant environments and fulfill their most deeply held aspirations.

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