

CHALLENGES FOR SOCIAL CAPITAL IN THE TIMES OF GLOBALIZATION – THE EXAMPLE OF MICRO AND SMALL ENTERPRISES

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Purpose: The aim of the article is to identify the challenges faced by social capital in the group of micro and small enterprises against the background of ongoing globalization processes.

Methodology: The research methods used to prepare this study were critical analysis of the literature and own research carried out using the CAWI method on a group of over 360 respondents from micro and small enterprises. The research results described in the article are part of a multi-stage research project on the role of social capital in economic processes in Poland, which has been carried out since 2023.

Findings: With the development of globalization, there are new challenges with adaptation to new conditions for the micro and small companies. As it results from the conducted analysis, one of such resources allowing to survive in the world of dynamic globalization processes, that can contribute not only to maintaining the continuity of economic processes, but also to increasing competitiveness is social capital.

Research limitations: The conducted research, due to the multithreaded nature of the issues raised, imposes limitations on the level of detail of the presented problems, while at the same time opening up the possibility of deepening them in subsequent stages of the conducted research.

Originality: The growing role of social capital in micro and small enterprises and the perception of this resource as a remedy for dealing with the challenges posed by dynamic globalization processes allows for a positive verification of the assumption adopted in the research in question and allows for the recognition of the goal adopted in the introduction to the article as achieved.

Keywords: globalization, economic entities, enterprises, social capital.

Category of the paper: Research paper.

1. Introduction

Globalization is a consequence of contemporary civilization processes. Although some authors point to the 16th-17th century and the rise of colonialism as the first signals of ongoing globalization, it was not until the second half of the 20th century that we observed the dynamic development of globalization processes (Miszewski, 2019, p. 9). Globalization has taken place in all aspects of socio-economic life. The complexity of global processes is evidenced by the discussion on the definition of the concept that has been going on for many years. According to G. Kołodko, "in the economic sense, globalization is a historical and spontaneous process of liberalization and integration of previously functioning to a certain extent in isolation markets and national economies into one interconnected, interdependent global market of goods, capital and technology" (Kołodko, 2022, pp. 303-304). The bonds that unite the essence of globalization are the liberalization, integration and interdependence of markets and economic entities operating on them. In turn, J. Kleer emphasizes that "globalization manifests itself mainly in increasingly stronger market links between the economies of sovereign {states}, which enable the flow of goods, capital, modern technologies, and labor. Such flows, as well as the emergence of numerous forms of cooperation between entrepreneurs from different countries, force the creation and relatively good functioning of international institutions" (Kleer, 2013, p. 63). Globalization is supposed to, on the one hand, enable the flow of various forms of capital and their allocation to places where they are optimally used, and on the other hand, change institutions that are supposed to enable cooperation between states and economic entities within the framework of the exchange of resources and making decisions on their allocation.

Globalization processes favor the development of transnational corporations, which, thanks to incomparably greater resources, are able to reach the farthest corners of the world, creating new sales markets and thus achieve an even stronger competitive position, thus weakening micro and small enterprises. This spiral, driven by increasing market disproportions and asymmetries, means that some of the smallest entities lose and withdraw from the global village in which economic processes dominated by large players take place. Other companies, wanting to ensure the continuity of their economic processes, are looking for new opportunities and business solutions that can ensure their survival and strengthen their market positions in the long term. One of such resources that allows these smallest entities to survive and develop in times of globalization is social capital. In the environment of micro and small companies, awareness of social capital is growing, which, like other resources, can bring measurable economic benefits. The foundations of social capital are trust, networks of relationships, cooperation based on a win-win model, reinforced by values such as reliability and responsibility, assistance in achieving individual and collective goals. Social capital built in this way by entrepreneurs can contribute to strengthening the competitive position in the local

environment. By using the effects of globalization, such as digital tools that support the development of international networks of relationships, social capital can create opportunities for companies to enter markets previously perceived by them as inaccessible.

2. Methods

The aim of the study is therefore to identify the challenges posed by globalization processes, especially in relation to the smallest economic entities (i.e. micro and small companies) and to attempt to determine the role of social capital as an economic resource that can help small enterprises maintain a competitive position not only in the local environment.

The article uses the method of critical analysis of the subject and analysis of the results of own research conducted using the CAWI method on a group of over 360 entities. The research results presented in the article are part of a multi-stage research project on the role of social capital in economic processes in Poland, which has been conducted since 2023.

3. The Challenges of Globalization and Social Capital – an Example of Micro and Small Enterprises – discussion

Globalization has introduced both numerous benefits and new challenges, significantly influencing economic processes. The most important advantages include:

- the development of large market players (transnational, international corporations), for whom globalization processes have enabled faster development by reaching the most distant sales markets, thanks to which they consolidate their positions in the global economy,
- more efficient use of the resources of individual societies in the production of goods meeting global demand, which has influenced the increase in the quality of products and services,
- optimization of production chains while reducing production and transaction costs,
- increased competitiveness of economic entities in the domestic and international arena,
- greater openness to cultural diversity (thanks to the development of technology and digitization, cultures interpenetrate each other),
- unlimited access to technology, achievements of science, culture and art,
- mutual economic dependence of states, which facilitates the formation of alliances and at the same time limits conflicts,

- international cooperation, which alleviates economic disparities (for example, foreign investments create jobs, thus mitigating the effects of local unemployment levels).

The main weaknesses of globalization include:

- growing crises and lack of institutional solutions,
- disparities in economic and social development resulting from, among others, polarization of investments in developed countries or from different demographic situations, such as demographic growth, especially in poor countries, while in developed countries – higher life expectancy (social dimension),
- loss of cultural differences,
- degradation of the natural environment, which is a consequence of the development of global industry and urbanization; stagnation and weakening economic growth dynamics, especially in developed countries,
- greater market asymmetries (including information asymmetries causing, among other things, chaos in rational decision-making by economic entities),
- increasing degree of risk related to uncertainty and instability of economic processes (Mączyńska, 2018, p. 309).

Globalization processes have posed the greatest challenges to the smallest economic entities, i.e. micro and small companies. Limited access to technological or capital resources often prevents opening up to new sales markets, which puts them in the shadow of strong competition from large global players. Small companies, in the face of growing challenges from the global world, such as digitization, automation, rapidly changing trends in consumer behavior, economic instability, must seek solutions within their capabilities that will ensure the continuity of their economic processes in the long term. Therefore, entrepreneurs are becoming more aware of cooperation and, consequently, of the role of social capital in economic processes. Social capital is defined as an economic resource (Bourdieu, 1986, p. 248; Putnam, 1995, p. 258; Coleman, 1998, p. 109) that can be used in economic processes in the era of globalization and that can help entities survive in unpredictable situations, including those related to the risk of losing economic continuity. Seen as a multidimensional aggregate of informal and formal institutions, it enables entities to cooperate with others and supports the implementation of common goals in conditions of unstable market mechanisms (Grabowska-Powaga, 2019, p. 116). The analysis of social capital can take place at various levels of its impact: trust, communication, interpersonal relations, and social involvement (Figure 1).

Social capital defined in this way is becoming increasingly important in conditions of uncertainty caused by the occurrence of market asymmetries, which can erode crises and lead to the destabilization of entire economies in the long term (Grabowska-Powaga, 2024, p. 26).

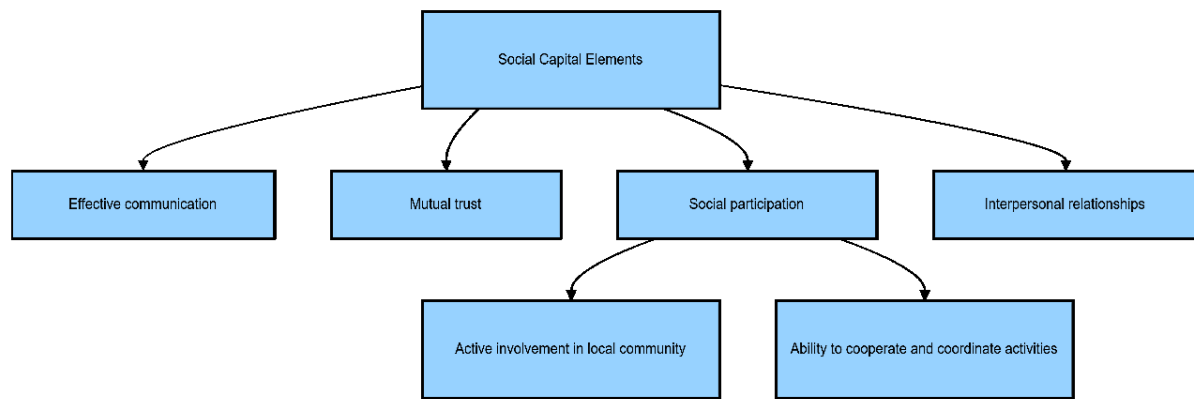


Figure 1. Elements of social capital in enterprises.

Source: own study.

Social capital is defined as an accelerator of economic and social progress (Jędrych, Klimek, 2018, p. 228; dialogkig.pl, 2017) or can also affect the increase in the competitiveness of economic entities. Social capital should be developed in particular in the smallest enterprises, which, due to limited resources, should see in it the benefits enabling development and maintaining the continuity of conducted economic activities. Social capital strengthens employees' trust in each other, facilitates the flow of information, increases motivation and commitment to achieving the organization's goals. Important advantages of social capital built in this way in enterprises are the reduction of transaction costs, increased innovation, and building a positive image of the company. It should be remembered that a deficiency or distortion of the foundations of social capital may constitute a significant threat to the stability and effectiveness of the functioning of an organization. Information asymmetry, lack of trust of employees in the enterprise may lead to conflicts that will thwart the achievement of the company's goals. In turn, too strong relationships may distort the objective perception in decision-making by entrepreneurs or lead to the marginalization of individuals outside the group in which social capital was created (Table 1).

Table 1.

Advantages and disadvantages of social capital in micro and small enterprises

Attributes of social capital	Advantages	Disadvantages
Communication	Reliable information that is characterized by symmetry among its recipients can increase the responsibility and involvement of individuals in the joint achievement of the company's goals.	Lack of information or its asymmetric flow may become a source of misunderstandings and conflicts among individuals.
Trust	Trust influences the development of relationships, motivation, creativity, and identification with a group.	Lack of trust or its limitation can lead to demotivation, discouragement or disorganization of work in the company.
Interpersonal relations	Dense networks of relationships make it easier for entities to access resources, and thus increase the competitiveness of companies.	Relationships that are too strong can make it difficult to make objective decisions.
Social participation	Belonging to a given group implies an increased level of commitment to achieving common goals.	In a group that is linked by strong relationships, there is a risk of marginalizing people outside the group.

Source: own study based on: Jędrych, Klimek, 2018, p. 228; dialogkig.pl, 2017, own research.

With the advent of the globalization era, the conditions shaping resources and their use in economic processes have changed. Factors influencing the formation of social capital have also changed, posing new challenges to it. First of all, globalization processes have caused market asymmetries through uneven access of entities to resources. The role of the largest market players has increased significantly, who, thanks to unrivaled resources, have strengthened their monopolistic positions in the global economy. At the same time, globalization has forced micro and small enterprises to seek new opportunities that would ensure the continuity of economic processes in the long term. As a result, awareness of the importance of social capital has increased among entrepreneurs of micro and small companies, who increasingly strive to build a management culture in their organization based on trust and cooperation with other entities. Globalization and, along with it, the progressive process of digitization and the dynamic development of artificial intelligence (AI) have influenced the development of the information society, in which communication, creativity, and knowledge play an important role, which directly create intellectual capital - another important component of social capital (Jedlińska, 2013, p. 27). Digital tools have enabled economic entities to establish relationships with other entities around the world. Such tools include various social media platforms (such as Facebook, Instagram), communication platforms (Google Meet, Teams, etc.). In establishing business relationships, platforms supporting the development of relational networks (such as Meetup) or platforms intended for thematic groups (such as crowdfunding, marketing platforms, etc.) are also used. Their conscious and effective use in establishing relationships and cooperation can successfully serve to build and consolidate bonds that build social capital. The consequence of globalization processes is the migration of people (Baszczak, Kielczewska, Rozbicka, Wincewicz-Price, Zyzik, 2024), and consequently an increase in cultural diversity on labor markets or in business cooperation. Cultural diversity based on tolerance (Jedlińska, 2013, p. 27) and trust can contribute to the development of bonding social capital or bridging social capital. Bridging capital is particularly important in the development of the competitiveness of micro and small companies. It allows for leaving a certain relational and information bubble, enables establishing relationships with external entities, which can, by making their resources available, create completely different conditions for building a competitive advantage for micro and small companies than before. Companies that are unable to establish bridging capital may be less innovative on the market.

The above observations became the premise for conducting in-depth own research, the guiding hypothesis of which was the growing role of social capital in micro and small enterprises as a certain antidote to coping with the challenges posed to them by dynamic globalization processes.

4. Social capital in micro and small enterprises – selected results

The presented research results are part of a multi-year project focusing on the role of social capital in economic processes in micro and small enterprises. Over 360 entities representing this sector participated in the research stage on shaping social capital in micro and small enterprises in the era of global processes. The research was conducted using the CAWI method in 2023-2024. Due to the editorial limitations of this study, arbitrary excerpts from a wide range of research problems identified during the implementation of the project are presented below. Due to the analyzed problem, respondents were asked about the ability to establish and maintain relationships with other local entities (creating the so-called bonding capital) and with external entities - supra-local (shaping the so-called bridging capital). Among the respondents, 78.5% declared local cooperation, 53% supra-local (Figure 2).

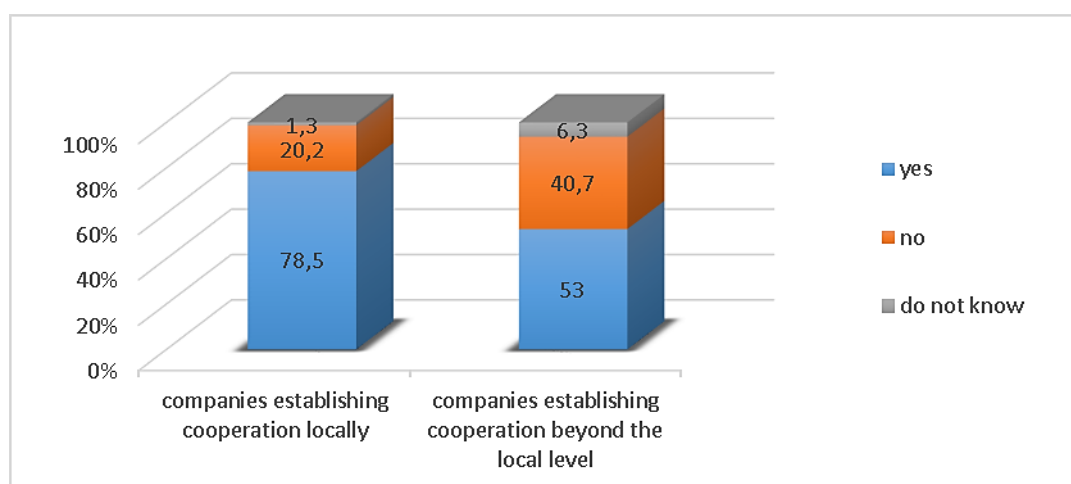


Figure 2. Companies establishing cooperation in total.

Source: own study.

These results resonate with the observations presented earlier. Stronger bonding capital certainly increases the efficiency of a given group of entities, but it is bridging capital that can, by expanding the cooperation network, enable faster development and affect the competitive position of a given company. It should be noted, however, that the assessment of supra-local cooperation has significantly increased in times of global crises (such as the COVID-19 pandemic or the war in Ukraine) from 10% to 35% of respondents assessing it as good (a similar measurement indicated a lower level of satisfaction with local cooperation - from 65% of respondents assessing it as good before the COVID-19 pandemic to 55% of respondents satisfied with cooperation during the crisis) (Figure 3).

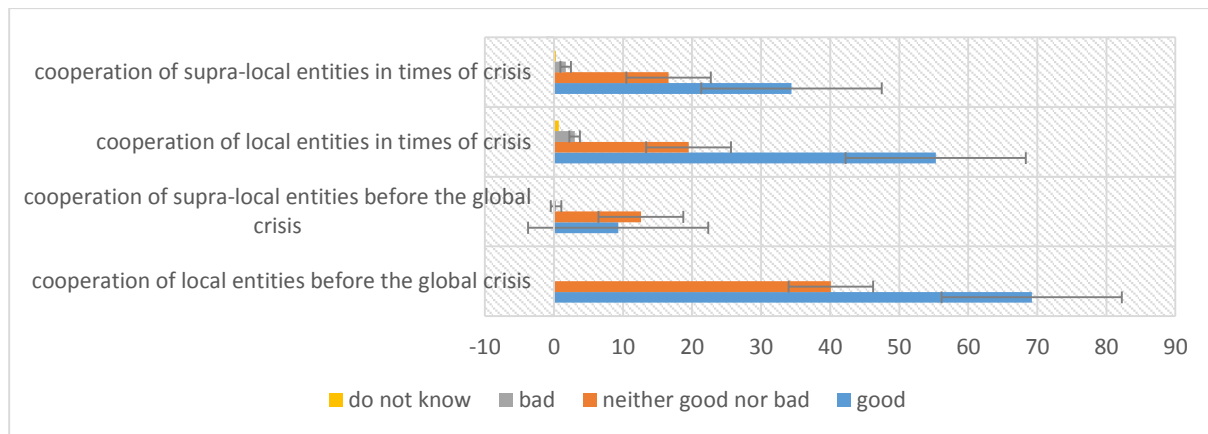


Figure 3. Assessment of business cooperation before and during the global crisis.

Source: own study.

The research results indicate that 67% of respondents representing this group of entities use digital tools to establish and maintain business relationships. These are most often social media platforms like LinkedIn, Nextdoor, Instagram (84%), communication platforms like Slack, Zoom, Google Meet (67%), thematic platforms like Redditi, Quora (17%) or business networking platforms (6%). There are crowdfunding platforms like Patreon or marketing platforms like Google My Business, Etsy, which are used by Respondents very seldom (1%) (Figure 4).

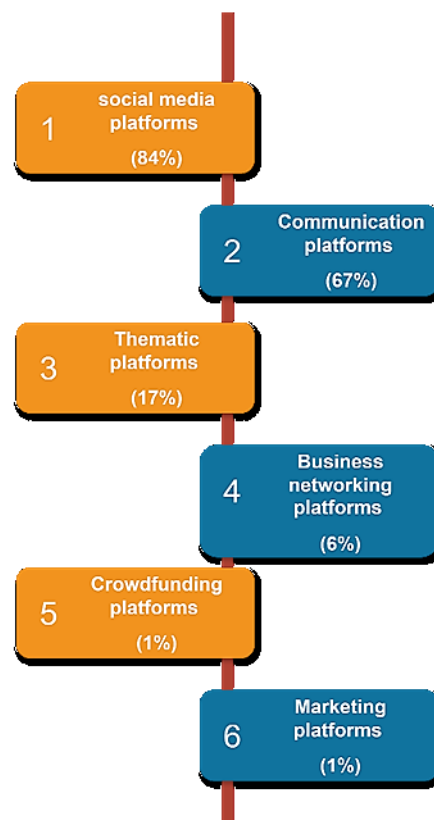


Figure 4. Digital tools used by micro and small companies to build relationships with the other entrepreneurs.

Source: own study.

The foundation shaping social capital is the trust of entrepreneurs in other entities. It is higher in the group of local entities (66%) than supra-local ones (43%) (Figure 5).

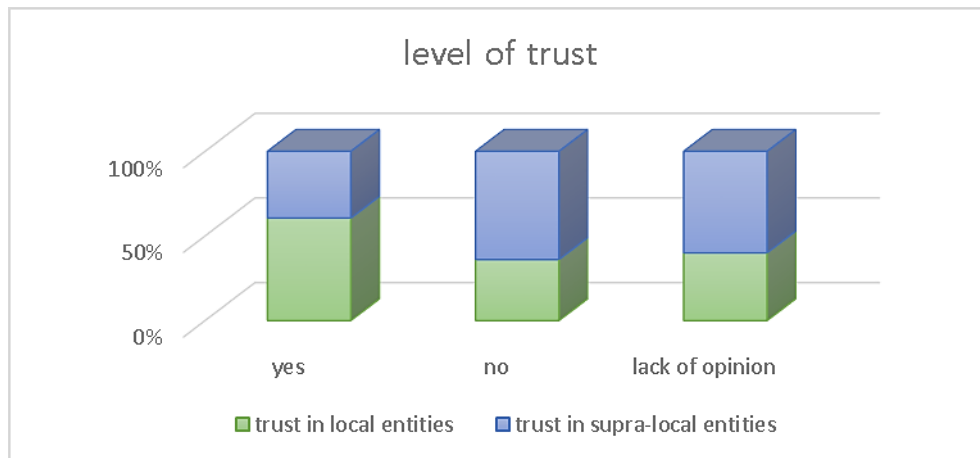


Figure 5. Respondents' trust in local and supra-local entities.

Source: own study.

Lower trust in supra-local entities may result from a certain fear of anonymity, diversity of entities, risk of established relationships. Social capital is also characterized by the network of relationships that entities establish locally and supra-locally. The results of the conducted research indicate that both in the context of bonding and bridging capital, entities most often build numerous lasting ties, over one year (44% in the case of local entities, 38% among supra-local entities). The rarest in the group of local entities are single, short relationships, up to one year (8%), in the group of supra-local entities, numerous, short-term relationships are sporadically established (11.3%) (Figure 6).

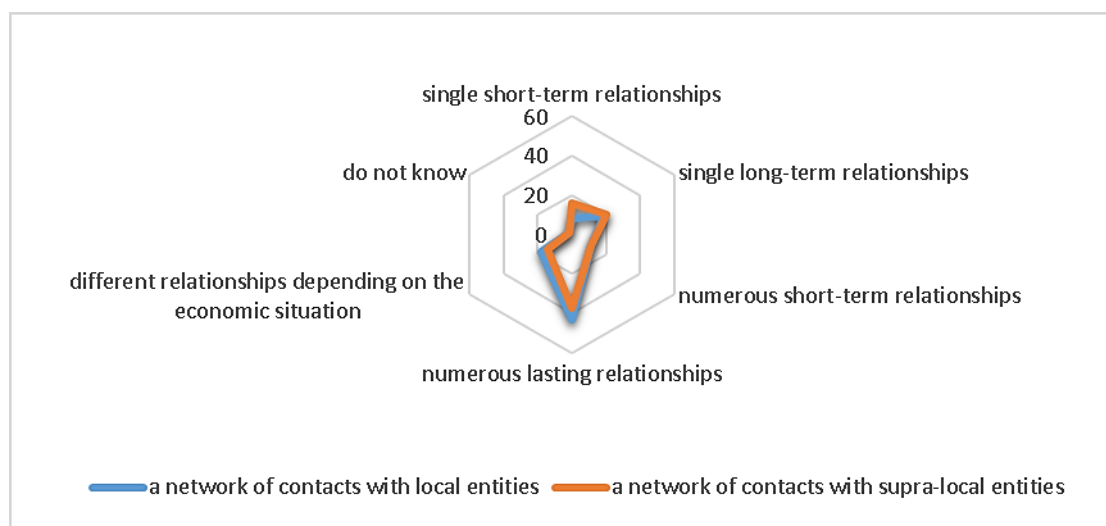


Figure 6. A network of relationships between local and supra-local entities.

Source: own study.

Based on the research results, it can be concluded that the relationships established among local entities can be homogeneous, closed, based on mutual trust, similar values and goals, while among supra-local entities, the bonds built are open, diverse, characterized by limited

trust. However, as the research shows, the networks of relationships in the local and supra-local environment can be identified as dense and long-lasting. This observation is crucial for the social capital itself and its ability to survive in the long term.

5. Summary

The conducted research, due to the multithreaded nature of the issues raised, imposes limitations on the level of detail of the presented problems, while at the same time opening up the possibility of deepening them in subsequent stages of the conducted research. At the same time, the results obtained so far allow for conclusions that are important in relation to the subject.

Globalization has changed processes at all levels of socio-economic life, has caused an even greater dichotomy between large market players and the smallest entities that are looking for opportunities to continue their economic processes in an increasingly automated and digital global reality.

As it results from the conducted analysis, one of the possibilities allowing for maintaining in the world of dynamic globalization processes has become social capital and perceiving it as a resource used by entrepreneurs in economic processes. and globalization itself through network communication of social communities (often using digital tools) has become an opportunity for its development.

The growing role of social capital in micro and small enterprises and perceiving this resource as a certain remedy for dealing with the challenges posed to them by dynamic globalization processes allows for a positive verification of the assumption adopted in the research in question. In turn, the identification of the challenges posed to social capital by the contemporary global world (including deepening market and information asymmetries, the accompanying automation and digitization, the multi-dimensional diversity of interpenetrating cultures) allows us to consider the goal adopted in the introduction to the article as achieved.

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