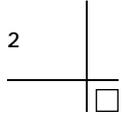


# What Is Social Capital, and Why Should You Care About It?

This book is a guide to *social capital*—what it is, how to evaluate it, how to build it and use it. This chapter defines social capital and explains why social capital is so important. “Social capital” refers to the resources available in and through personal and business networks. These resources include information, ideas, leads, business opportunities, financial capital, power and influence, emotional support, even goodwill, trust, and cooperation. The “social” in social capital emphasizes that these resources are not personal assets; no single person owns them. The resources reside in networks of relationships. If you think of human capital as *what* you know (the sum of your own knowledge, skills, and experience), then access to social capital

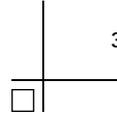


depends on *who* you know—the size, quality, and diversity of your personal and business networks. But beyond that, social capital also depends on who you *don't* know, if you are indirectly connected to them via your networks.

“Capital” emphasizes that social capital, like human capital or financial capital, is productive: It enables us to create value, get things done, achieve our goals, fulfill our missions in life, and make our contributions to the world. But saying that social capital is “productive” is an understatement: No one can be successful—or even survive—without it. But many people believe they should be able to get along without social capital; they mistake “going it alone” as the prescription for success. Others pretend to thrive without social capital, using it secretly as if it were improper or even unethical.

These beliefs and attitudes are rooted in the myth of *individualism*: the cultural belief that everyone succeeds or fails on the basis of individual efforts and abilities. This myth is so powerful—and such an obstacle to achieving success through social capital—that I’ll address it head on in the first section of this chapter. Despite the myth of individualism, social capital is an essential part of achieving personal success, business success, and even a happy and satisfying life. Next, I build a business case for social capital—the scientifically proven benefits of relationships for people, groups, and firms in the world of business. And I’ll even go beyond the business case to consider the links between networks and the greater concerns of life—health, longer life, and a sense of meaning, fulfillment, and the ability to contribute to the world.

I’ll conclude the chapter with a thorny issue: the ethics of using social capital. These thorns are imaginary. We can’t *avoid* managing relationships; our only choice is *how* we manage them. Managing our networks consciously is an ethical duty—and the prescription for personal and business success.



## ■ Reconsidering Success: The Myth of Individualism

What does it take to be successful—to achieve career and life goals? When I pose this question to my consulting clients, audiences, and students, I get a variety of answers. The source of success is natural talent, intelligence, education, or effort. It might even be sheer luck. Whatever the source, the unspoken assumption behind these answers is always the same: Success is an individual matter. Every person succeeds or fails on the basis of his or her own individual efforts and abilities. This assumption is so powerful that when I suggest an alternative view—success depends on our relationships with others as much as it does on ourselves—the usual reaction I get is denial. This reaction gets stronger when I suggest that pay, promotion, and accomplishments are largely determined by the structure and composition of one’s personal and business networks. And the last straw is my suggestion that it is our ethical duty to deliberately manage relationships—and that anyone who doesn’t is unethical.

Psychologists would say that the “denial response” comes from the need to maintain a positive self-image. Denial of the role of relationships, for example, preserves the self-enhancing illusion that we are masters of our own fates: we get all the credit for our successes. This psychological response might be real, but the reason for denial is much deeper. Every society is organized around “cultural myths” that give meaning and purpose to life. One prevalent in this culture is the fiction that success is an individual matter. To suggest that one’s fate depends on relationships runs counter to one of the dearest American values: individualism. Individualism is one of the nation’s founding principles; Americans are born into a culture that teaches and celebrates independence, self-reliance, self-sufficiency, self-interest, and self-determination. The American hero is the rugged individualist. For example, everyone knows (and is inspired by) Horatio Alger

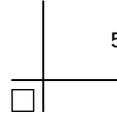
tales—rags-to-riches stories of individuals who achieve great success on the strength of their own efforts. Americans revere the go-it-alone mentality, the frontier spirit, the lone wolf thriving without others. This myth has many names but the message is always the same: *Success is an individual enterprise*. To suggest otherwise is almost un-American.

But that is my message—individualism is a myth. James Coleman, one of the most influential social scientists of the last fifty years, called individualism “a broadly perpetrated fiction in modern society.” “This fiction is that society consists of a set of independent individuals, each of whom acts to achieve goals that are independently arrived at, and that the functioning of the social system consists of the combination of these actions of independent individuals.”<sup>1</sup> This fiction or myth gets in the way of understanding how the world actually works. And in doing so it lowers our chances of success, depresses our pay, limits our promotions, decreases the value we create, reduces our ability to get things done, and even jeopardizes our health, happiness, and welfare. And it closes off all the great possibilities of life. By understanding the role of relationships, however, we can tap hidden resources that will enable us to be much more successful in all areas of our lives—work, family, and community.

Everyone’s first task is to “unlearn” the lessons of individual achievement.<sup>2</sup> The place to start is by considering the role of networks in the “individual” attributes people love to claim: natural talent, intelligence, education, effort, and luck.

#### Natural Talent

Physical and mental talents depend on genes, but inherited abilities explain only part of a person’s performance; the environment is as important—if not more so.<sup>3</sup> Natural talent is expressed and developed via relationships with others. Why, for example, did the U.S. women’s soccer team win the World Cup in 1999?



The team included highly talented individuals. But their individual talents had been spotted, honed, and nurtured by scores of coaches, teachers, and trainers. The players mastered their skills through many years of organized team play. Several members of the U.S. team had played together for years (including at the Olympic Games). They had the good fortune to be born at a time when a soccer infrastructure existed that provided opportunities to play and develop. America never had a world-class team before simply because the infrastructure to develop one didn't exist—not because the nation lacked young women with natural talents for playing world-class soccer.

But soccer is a *team* sport, you might object, and so of course individual success is interrelated with the performances of others. What about an individual sport, like golf? Consider the visual interplay between Sergio Garcia, the young pro golfer from Spain, and top-ranked Tiger Woods on the last few holes of the 1999 PGA Championship at Medinah, Illinois. Garcia's dashing play (including an eyes-closed chop that scooped the ball out of exposed tree roots) whittled Woods's lead to nothing. Woods (and the commentators) didn't miss the bold, challenging look Garcia cast at him from one hole to the next. Woods used this challenge to rally, rescue his lead, and win the tournament. Garcia finished second, right on Woods's heels.

Think of one of your gifts of natural talent. Who helped to nurture it? What role did your relationships with family, friends, coaches, teachers, trainers, teammates, and others play in the discovery, development, and expression of your natural talent?

#### Intelligence

Intelligence, like natural talent, depends on inherited genes. But again, that's only part of the story. "At one time, it was believed that intelligence was fixed—that we are stuck forever with whatever level of intelligence we may have at birth," notes Yale

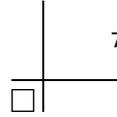


psychologist Robert Sternberg. “Today, many and perhaps most researchers in the field of intelligence believe that it is malleable—that it can be shaped and even increased through various kinds of interventions.”<sup>4</sup> The home environment, availability and quality of schooling, and other factors play major roles. Early childhood interventions such as Head Start raise intelligence and achievement scores.<sup>5</sup> A nurturing and stimulating preschool home environment (interactive caregivers, organized and varied activities, appropriate play materials, and so on) matters more than other factors, such as socioeconomic conditions. Isolation, neglect, and deprivation crush intelligence—to the point of mental retardation.<sup>6</sup>

The malleability of intelligence illustrates the difference between the brain and the mind: Everyone is born with a physical *brain*; but a human *mind* develops only through relationships. Indeed, the human brain evolved neurologically in response to an increasingly complex social environment, developing a specialized organic (“hardwired”) ability to perceive social events and human interactions. The mind arises in a social context that defines its form and figure; consciousness, self-awareness, awareness of others as mental selves, and the emotions are all relational.<sup>7</sup> Neuroscientists call this the “social mind” to emphasize that “the mind is communal in its very nature: It cannot be derived from any single brain in isolation.”<sup>8</sup> Indeed, ongoing human contacts are necessary for physiological and emotional well-being.<sup>9</sup>

#### Education

The fact that you and I are communicating through the written word is testimony to the many relationships involved in human education. We learn language through observation of and interaction with others. If I had been born in Beijing, for example, I would be writing in Baihua, the modern written vernacular of



standard Mandarin. Literacy is a function mainly of educational opportunities. We read and write because others—parents, relatives, teachers, tutors, older siblings or friends—taught us how. Education is an important component of “human capital.” Investing in one’s human capital by going to college, earning advanced degrees, and making learning a lifelong process is a critical element of success. But making this personal investment is possible only through relationships with others; indeed, social capital facilitates the creation of human capital. For example, a high school student is much more likely to stay in school if both parents are present, the student has few siblings (and so the parents can concentrate their attention and other resources), the parents expect their child to attend college, and the family doesn’t move often (residential stability facilitates relationships between the student’s parents and teachers and the parents of schoolmates, and between the student and teachers and other adults in the community).<sup>10</sup>

#### Effort

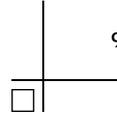
Everyone knows people who succeed even though they aren’t the most talented, the cleverest, or the best educated. They simply never give up. Effort is clearly related to success, but is it a purely individual trait? Clearly, there are natural variations in physical and mental energy. But the fields of organizational behavior and psychology demonstrate conclusively that the amount of effort expended varies tremendously with the social context. Fast runners prefer to compete against other fast runners (called a “fast field”) because it elevates their individual performance. Some work settings are motivating; others are demotivating. A person is more likely to work harder in a high-productivity workplace than in a low-productivity workplace. Good managers know how to motivate people by setting explicit and specific goals (“do your best” doesn’t bring forth as much

effort as a specific target), providing timely and useful feedback, and by artfully using rewards and incentives. They understand that the social environment greatly influences effort.

Even the goals we choose are defined by the culture in which we live. The goal of monetary success, for example, is central in American society.<sup>11</sup> Yet this devotion to making money is unprecedented in history. Up until a few hundred years ago, the continuous pursuit of profit for its own sake was a sin, charging any interest on a loan was illegitimate (usury), and a concept such as maximizing shareholder value would have been considered evil.<sup>12</sup> The goals we choose are influenced by those around us. As mentioned earlier, a student whose parents expect their child to attend college is more likely to go to college than one whose parents regard college as unnecessary or inappropriate. A teacher or mentor may encourage us to set higher goals than we would otherwise; a role model inspires us to achieve them.

#### Luck

Chance and happenstance are ingredients of success. For example, accidental discovery is responsible for a host of scientific and technical breakthroughs: penicillin, insulin, dynamite, Teflon, Post-it notes, plastics, and many others. Some people seem to have a knack for being in the right place at the right time. Yet this kind of luck is not accidental; it is cultivated. Studies show that lucky people increase their chances of being in the right place at the right time by building a “spiderweb structure” of relationships that catches lots of different bits and pieces of information.<sup>13</sup> They increase the chances of beneficial accidental encounters by living in a zigzag, not a straight line. Creativity can be managed. For example, creative types boost their luck by bouncing their ideas off others, learning from others, helping others, and so on. Some science labs have even changed the physical configuration of their labs and offices to encourage ran-



dom interactions, casual conversations, and accidental encounters.<sup>14</sup> “Chance favors the prepared mind,” said Louis Pasteur. Part of the preparation is building a network of relationships.



Success is social: It depends on our relationships with others. All the ingredients of success that we customarily think of as “individual”—natural talent, intelligence, education, effort, and luck—are intricately intertwined with networks. This reconsideration of success demonstrates why it’s useful to unlearn the lessons of individual achievement, revising our perspective of the world and how it operates. This change of perspective liberates us from the myth of individualism and enables us to appreciate the power of social capital in achieving personal and business success.

#### ■ The Business Case for Social Capital

You might agree that many aspects of success are social in nature, but still be skeptical when it comes to the world of business. I’m frequently asked, “Where’s the evidence that networks improve business performance? And I mean *hard* evidence, not just success stories and anecdotes!” This is a critical question; I would ask it, too. After all, the message that networks play a key role in personal and business success challenges conventional wisdom. It calls for us to see the world in a different way, and to change our behavior accordingly. It’s no wonder we feel a sense of danger. By changing our perspective and behaviors, whatever worked in the past—the old winning formula, so to speak—it may seem as if we’ll lose our competitive edge.

This worry is natural, but it is unfounded. Learning to move beyond individualism will increase success even in the hard-nosed world of business.



The facts about social capital that I'm about to share with you are based on hard evidence—scientific findings from rigorous, quantitative research studies conducted by professional social scientists (sociologists, psychologists, economists, and political scientists). The concept of social capital has a long intellectual history; this practical book stands on a sturdy scholarly foundation.<sup>15</sup> Over the past twenty years or so, social scientists have documented the benefits of social capital for individuals and for organizations. Here is a sample of these benefits, starting with personal ones and then moving on to the benefits for the organization.

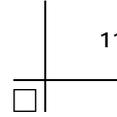
#### Getting a Job

Getting a job is one of the best-known uses of networks. The vast majority of people don't find jobs through advertisements, headhunters, electronic bulletin boards (like monster.com), or other "formal" methods. These methods work, of course, and you should never neglect them. But more people find jobs through personal contacts than by any other means. (The reverse is also true: most employers find good people by tapping networks of personal contacts. In fact, some companies institute organized programs to encourage workers to refer their contacts to the company.<sup>16</sup>)

The practice of networking to find jobs has always been part of the conventional wisdom promoted by employment counselors and outplacement consultants. This conventional wisdom is supported by scientific research, beginning with Mark Granovetter's seminal study.<sup>17</sup> The hard evidence shows that most people find jobs through personal contacts; they find better paying, more satisfying jobs than the ones available through formal channels; and they stay at these jobs longer.

#### Pay and Promotions

People with rich social capital are paid better, promoted faster, and promoted at younger ages. This fact has been documented in many studies, here and abroad.<sup>18</sup> Sociologist Ron Burt of the



University of Chicago Graduate School of Business and INSEAD pioneered this line of research.<sup>19</sup> He discovered that social capital in the form of entrepreneurial opportunities yields these rewards. Entrepreneurial opportunities arise when a network contains many “structural holes” or gaps. A structural hole means a person is linked with two other people who are not themselves directly connected. The potential for creating value is obvious. Suppose, for example, that you have a tie with Bob in the Engineering Department (formed when you used to work with him) and a tie with Sue from Sales (formed when you both served on a company-wide task force). Bob and Sue don’t know each other; in fact, they are unaware of each other’s existence. You learn that Sue wants information about the needs of a new client. You know that Bob used to work there. By putting Bob and Sue together, you create value by bridging the structural hole. Sue will be grateful for your assistance; Bob will appreciate having a link with someone in Sales whom he can call on in the future. Both will be inclined to reciprocate at some point in the future, helping you by providing information, ideas, or contacts.

People are paid better, promoted faster, and promoted at younger ages when they create value. That is why social capital is related to these benefits: people create value out of their social capital. Problems seek solutions; solutions seek problems. If you bridge disparate parts of the organization, you can link a problem in one group with a solution from another. You will get more information, more quickly (you will have the luck-creating “spiderweb structure”). You can find financial, political, and social support for your projects.

#### Influence and Effectiveness

Influence stems from various sources—formal authority, coercion (control of punishments), expertise, and one’s position in networks of workflow, communication, and friendship.<sup>20</sup> In

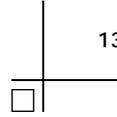


today's organizations, formal authority and coercion are declining as important and effective sources of power, while expertise and network position are rising.<sup>21</sup> Becoming a "network builder" is a critical part of becoming a manager; seasoned managers who take charge of new situations are more likely to be successful if they attend to their network-building responsibilities, not just technical tasks.<sup>22</sup> Those who become central in an organization's networks are more influential and even paid better, compared with those who occupy peripheral network positions.<sup>23</sup> And managers who have an accurate mental map of the networks—who talks with whom, who's friends with whom, who gets along, who doesn't—are more influential and effective than peers who operate with an incomplete or distorted image of the networks.<sup>24</sup>

#### Venture Capital and Financing

Social capital doesn't stop with the individual benefits discussed in the last few sections—it is critical to the acquisition of venture capital. The U.S. Small Business Administration sponsored a series of surveys to examine how start-ups and new businesses get venture capital.<sup>25</sup> The findings are startling: Seventy-five percent of start-ups and new businesses find and secure financing through the "informal investing grapevine"—the social networks of capital seekers and investors. Capital seekers and providers find each other via friends, colleagues, acquaintances, and well-connected business associates such as attorneys, insurance agents, and accountants. This "informal capital market" is estimated to be so large that the amount of capital it provides is much greater than the financing supplied via the professional venture capital market.

Relationships also play a critical role in financing for "middle market" or mid-sized firms. Companies that develop personal relationships with their bankers get financing at lower



rates, compared with companies that maintain arm's-length relationships.<sup>26</sup> You might be even more surprised to learn that social networks play a major role in decisions to purchase the stock of giant companies, too, such as those traded on the New York Stock Exchange. Polls of investors reveal that most institutional and individual investors decide to buy based on information from a friend or business associate, or because they know someone who bought the stock. Contrary to popular wisdom, few investors make decisions using such impersonal techniques as sophisticated technical analysis of a company's fundamentals.<sup>27</sup> My research shows that social networks influence the brokers and traders on the floors of the organized financial exchanges.<sup>28</sup>

#### Organizational Learning—and Doing

How does organizational learning take place? It's not by the use of formal knowledge management systems, argue Jeffery Pfeffer and Robert Sutton, because these systems "rarely reflect the fact that essential knowledge, including technical knowledge, is often transferred between people by stories, gossip, and by watching one another work."<sup>29</sup> As much as 70 percent of learning in the workplace takes place via informal interactions, according to a 1998 study by the Center for Workforce Development.<sup>30</sup> Smart companies master knowledge and put it into action by building social capital as an organizational competence. These organizational cultures promote—indeed, celebrate—learning by doing, teaching and coaching and mentoring, sharing good ideas and spreading best practices, and cooperating and collaborating rather than competing with others.<sup>31</sup>

#### Word-of-Mouth Marketing

Advertising increases awareness of products and services, but personal referrals and recommendations lead to actual decisions to purchase them.<sup>32</sup> Over four thousand empirical studies

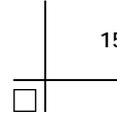
document the prominent role of social networks in the *diffusion* or spread of products and services as diverse as hybrid corn, luxury automobiles, best-selling books, men's and boys' undergarments, computer hardware and software, stocks and bonds, consulting services, computing services, and speaking engagements—to name just a few.<sup>33</sup> The word-of-mouth effect offers a virtual “free ride.” So the best marketers incorporate systematic word-of-mouth programs in their marketing campaigns, tapping the power of social networks to launch new products and services, and to ensure the saturation of the market for existing ones.

#### Strategic Alliances

Social capital influences the use, performance, and success of strategic alliances. For example, compatible alliance partners often find each other via their social and business contacts. Prestigious firms in high-technology fields attract alliance partners; those who ally with these prestigious partners boost their own status and credibility, while the prestigious firms acquire access to new technologies.<sup>34</sup> Past alliances predict future alliances, too. Research shows that the more strategic alliances a company creates, the more it will create in the future.<sup>35</sup> Corning, for example, has evolved into what it calls a “network of alliances.” It has mastered the art and business of strategic alliances, learning how to manage alliances and make them mutually beneficial. Companies like Corning make excellent partners, attracting even more alliance candidates.

#### Mergers and Acquisitions

Good social capital enables executives to successfully resist takeover attempts. Members of a top management team who are well connected in elite social and business circles—serving on other corporate boards and on nonprofit boards, having held high political offices, or serving as officers or trustees of trade



associations—are better able to deter or fend off hostile takeover bids, compared with a top team of isolated executives.<sup>36</sup> A well-connected top management team is more likely to learn about and use effective takeover defenses. Indeed, new takeover defenses such as the poison pill diffuse through the network of interlocked corporate boards; central firms in the director interlock network learn about and adopt new defenses earlier than peripheral firms.<sup>37</sup> Bankruptcy is also less likely for firms with well-connected executives and board members, even controlling for a host of other explanations.<sup>38</sup>

#### Democracy

Doing business in other countries requires stable, honest, responsive, and dependable governments. The quality of government, however, varies with the richness of social capital—networks of cooperation, norms of civic engagement, and a spirit of trust. For example, as Harvard political scientist Robert Putnam found in his twenty-five-year study of democracy in Italy, the regions with rich social capital enjoy strong economic development and responsive local governments but the regions with poor social capital suffer.<sup>39</sup> Recently, Putnam traced a decline over time of the American propensity to join voluntary groups and associations, coining the phrase “bowling alone” (from the observed rise of solo versus team play in the game of ten pin bowling) to represent the downward trend in this form of social capital.<sup>40</sup> Other analyses dispute his claims of a decline of American social capital—but not his argument that democracy requires social capital. Without it, democracy withers or never takes root.<sup>41</sup>

#### ■ Beyond the Business Case: Social Capital and the Quality of Life

As compelling as the business case for social capital is, there are even more compelling reasons to learn how to develop and use social capital. Rigorous studies published in psychology and



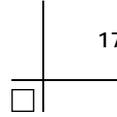
medicine demonstrate a direct link between social capital and the quality, purpose, and meaning of life.

#### Happiness

When Sigmund Freud was asked for the secret of happiness, he replied: “Work and love.” University of Chicago psychologist Mihaly Csikszentmihalyi has confirmed Freud’s wisdom. Based on twenty-five years of psychological research on happiness, he finds that two factors matter more than anything else—meaningful work and the quality of relationships with others.<sup>42</sup> New “relational theories” of psychology argue that a primary motivation in life is *participation*: growth and development in connection with others.<sup>43</sup> Developing social networks leads to happiness, growth, satisfaction, and a meaningful life. Social networks, psychologist Barton Hirsch says, “involve far more than provision of narrow categories of ‘help.’ Instead, networks reflect the nature and value of our participation in the major life spheres.”<sup>44</sup> The grand purpose of building social networks, then, is to enhance our participation in relationships with others and to make our contributions to the world. Happiness *must* ensue.

#### Health

People with good networks enjoy better mental and physical health. The health-enhancing effects of relationships have been documented in a host of studies, ranging from reduced risk of serious illnesses to freedom from the common cold.<sup>45</sup> (See the following case study for more on this.) Among people who become ill, those with solid support networks recover faster, compared with others who are isolated or alone.<sup>46</sup> Couples who treat each other with respect are less likely to suffer from infectious illnesses; conversely, unhappy marriages increase the risk of illness by 35 percent and shorten life expectancy by four years.<sup>47</sup>



### Can Social Networks Prevent the Common Cold?

The answer is yes, according to a study reported in the *Journal of the American Medical Association*. "More diverse social networks were associated with greater resistance to upper respiratory illness," conclude researchers from Carnegie Mellon University.

How do they know? First, 276 healthy volunteers, age eighteen to fifty-five, were asked to describe their ties to friends, family, work, and community. Next, the researchers gave them nasal drops containing one of two rhinoviruses, the germs that cause the common cold. They placed the volunteers in quarantine, and waited to see who caught a cold. Those with more diverse social ties were much less likely to catch cold, compared with those with few types of social ties.

In the researchers' words: "In response to both viruses, those with more types of social ties were less susceptible to common colds, produced less mucus, were more effective in ciliary clearance of their nasal passages, and shed less virus. These relationships were unaltered by statistical controls for prechallenge virus-specific antibody, virus type, age, sex, season, body mass index, education, and race. Susceptibility to colds decreased in a dose-response manner with increased diversity of the social network. There was an adjusted relative risk of 4.2 comparing persons with fewest (1 to 3) to those with most (6 or more) types of social ties. Although smoking, poor sleep quality, alcohol abstinence, low dietary intake of vitamin C, elevated catecholamine levels, and being introverted were all associated with greater susceptibility to colds, they could only partially account for the relation between social network diversity and incidence of colds."

Source: S. Cohen, W. J. Doyle, D. P. Skoner, B. S. Rabin, and G. M. Gwaltney Jr., "Social Ties and Susceptibility to the Common Cold," *Journal of the American Medical Association* 277 (June 25, 1997):1940-1944.

### Longer Life

**Probably the most surprising finding is that people with good networks actually live longer.<sup>48</sup> All the mechanisms are not fully understood, but the link between networks and longevity appears**

to be caused by both behavioral and biological changes. For example, it has been widely observed that frequent attendance at religious services reduces mortality, partly due to behavioral changes—the tendency to make more social contacts, to improve health practices (stop smoking, reduce alcohol consumption), and to stay married—but also due to the meaning to life religion gives.<sup>49</sup> Lisa Berkman, M.D., now chair of the Department of Health and Social Behavior at the Harvard School of Public Health, mapped the social networks, lifestyles, and health behaviors of seven thousand residents of Alameda County, California, following them over nine years.<sup>50</sup> She discovered that isolated people were three times more likely to die during the nine years than the well-connected. The life-lengthening effect of connections was enjoyed regardless of age, notes Berkman's colleague Edward Hallowell, M.D., and significant effects persisted even in the presence of unhealthy practices such as smoking or obesity.<sup>51</sup> Her study and findings have been replicated more than a dozen times in the United States and around the world.<sup>52</sup> In addition to documenting the link between social networks and longer life, she learned that the specific *type* of connection didn't matter as much as having an assortment of connections. As Hallowell summarizes:

To gain the benefits of connection, it didn't matter what kind of connection a person had. For example, you could live alone, but have frequent contact with friends or relatives, and be protected. Or you could belong to various voluntary organizations, but not participate in any religious activity, and still be protected. Or your connection could come from church and family, but not from any volunteer organization, and you would still be protected. The key to gaining the benefits of connection was to have several kinds of connection, but the kinds could vary from person to person.<sup>53</sup>



This brief tour of the business case for social capital—and the case beyond the business case—provides ample evidence of the benefits of building personal and business networks. Better networks improve wealth, health, and happiness. Individuals *and* organizations reap the benefits of better networks. That’s good news. The even better news is that all of us can learn how to build better networks. In my experience, anyone can improve networks. This book shows the way. But there’s a catch. If we create networks with the sole intention of *getting something*, we won’t succeed. We can’t *pursue* the benefits of networks; the benefits *ensue* from investments in meaningful activities and relationships. This is a radical reorientation to the “use” of networks, and so I don’t expect everyone to accept it without hesitation. This reorientation stands on an ethical argument about the proper use of social capital. I introduce the argument next, and will pick it up again and elaborate it in subsequent chapters.

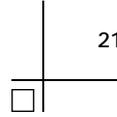
#### ■ The Ethics of Using Social Capital

Many people incorrectly interpret the message of social capital as blatant manipulation: building and using relationships for self-serving and instrumental goals, even for nefarious purposes. Over the years I’ve given many talks and seminars about networks and social capital to a wide variety of audiences. One of the most frequent concerns I’ve heard is the ethics of managing relationships. Consider Vivian, a departmental manager who attended one of my seminars on building social capital. After reviewing the results of my diagnosis of personal and business networks (the subject of Chapter Two), she and I discussed why and how one might want to change a network. Vivian had

learned through her diagnosis that her core network was small and the people in it were very similar. She felt it didn't support her mission and goals. So we discussed the possibility of including more people in her core network. We also discussed the possibility of ending certain relationships with others. Vivian couldn't contain herself. "I don't want to *think* about adding or dropping people from my network! It's unethical to think about people as things you can add and drop!"

Vivian's declaration, as you can imagine, ignited our discussion. Is it somehow unethical to consciously "manage" a network? The fact is that you can't *avoid* deliberate decisions about your networks of relationships. It turned out that Vivian often made decisions to add or drop people from her networks. She had been married, divorced, and remarried (decisions to add, drop, and add to her networks). She and her first husband had gone through intensive marriage counseling. Even though they eventually divorced, the choice of counseling indicates a conscious decision to attempt to repair the relationship. With her second husband, Vivian consciously decided to have two children (decisions to add people). She and her husband are loving, attentive, devoted parents who began a college fund for each child soon after each one was born (decisions to invest in relationships). At work, Vivian made regular personnel decisions, hiring, retaining, and firing people in her department (decisions to add, keep, and drop members of her networks and the networks of everyone in her department). And, of course, Vivian *did* think carefully about all of these decisions to add and drop people from her networks.

It would have been unethical for Vivian to *not* think about decisions as important as marriage, divorce, children, hiring, and firing. I argue that the same is true for any relationship, from the strongest, deepest connections we have to the most transitory, fleeting interactions with strangers. All of these can be life-giving, life-enhancing, meaningful contacts with another human



being—what Hallowell calls “human moments.”<sup>54</sup> The word for “hello” in some aboriginal tongues means “I see you”—a statement of acknowledgment and recognition. In contrast, I’ve walked through a factory with a plant manager who never even nodded to the workers and supervisors he supposedly managed. And I’ve seen companies downsize with an utter disregard for the effects on relationships, internal and external, devastating the social networks that knit the company together.<sup>55</sup> All behaviors and decisions about relationships have ethical implications, whether or not we consciously consider the ethics of our actions and decisions.

We manage even our best and most fulfilling relationships. After all, good relationships don’t just happen. Humans are imperfect beings living in an imperfect world. Conflict is inevitable in any relationship, given that each person in a relationship has a different background, lifestyle, interests, values, and needs. The critical issue is how we manage the conflict. Is that the same as manipulation?

It is possible, of course, to cultivate a false trust relationship for the purpose of deceit and abuse. The world is full of people who engage in such practices, ranging from the unethical salesperson who uses social psychological principles of influence to induce sales to the professional swindler who uses the same principles to defraud victims, as my colleague Rob Faulkner and I learned in our investigation of a business that bilked hundreds of investors out of millions of dollars.<sup>56</sup> But any body of knowledge can be used for moral or immoral purposes. It’s not the management of relationships—or social psychology itself—that is unethical. It’s what we do with our knowledge that makes our practices ethical or not.

Each of us makes decisions all the time about our relationships, consciously or not, that have ethical implications. Suppose, for example, that you find yourself in the situation I described earlier: you discover the “structural hole” between

Sue and Bob. What do you do with it? The ethical decision is to bring Sue and Bob together. Another possibility, however, would be to keep them apart and exploit the structural hole. You could, for example, secretly interrogate Bob about his former client, pumping him for information that might be useful to Sue. Then you could bring what you learned to Sue, representing it as your own, and never revealing your “sources.” Sue, of course, would be grateful for the information. Bob would be indifferent, though he might wonder about your sudden curiosity about his former employer. You have profited, but you did so by concealment. And you lost a golden opportunity to help others by helping them to build relationships. Ethics aside, this sort of behavior can be profitable, but in the long run it is inherently self-limiting, even self-defeating.

“If you want to go north, head south.” This old Zen saying is true for social capital. If we try to build social capital directly we won’t succeed. Viktor Frankl, the Austrian psychologist who developed logotherapy based partly on his experiences in a Nazi death camp (which he wrote about in *Man’s Search for Meaning*) addresses the paradox of happiness.<sup>57</sup> Anyone who tries to pursue happiness directly will fail and be unhappy. Happiness cannot be *pursued*; it *ensues* from the pursuit of worthwhile, meaningful activities. If a person joins an association just to “network,” people see right through the false front. But if you join an association you believe in—one that has a mission you are passionate about—you will form new relationships as a natural by-product of your involvement with the association. Social capital is the by-product, sometimes a very deliberate and conscious by-product, of the pursuit of meaningful activities.

I am acquainted with a bank loan officer in Chicago, Janet, whose behavior is the epitome of what I call “the paradox of taking yourself out of the equation.” Janet was successful, but she wanted to be extraordinarily successful. Her job was to make



loans, and she was evaluated on the volume of loans she produced. One day she experienced a shift of perspective. She stopped trying to make loans and started trying to help. Instead of looking at the person across from her desk as a loan to be made, Janet saw the person as someone with needs that she might be able to help satisfy. If she thought they didn't need a loan, she would tell them so, even if they qualified for one according to her bank's rules. If she thought her potential customers could do better by getting a loan at a competitor's bank, she would give them the name of a loan officer at the bank. Eventually, she engaged potential customers in a broad conversation about their lives, families, and needs, and then worked hard to help them, no matter what kind of help they needed. She even began the practice of sharing cab rides with strangers, just so she could strike up a conversation and see if there was some way she could assist them. What happened? All she helped were so grateful that they did everything they could to help her. Even if they didn't get a loan at her bank, they would recommend Janet to all of their friends, family, neighbors, business associates, colleagues, and just about anyone else. The result was an explosion in Janet's loan productivity. She made more loans—and made more money—than ever before. She had become *extraordinarily* successful by taking herself out of the equation and helping others without regard to how it might help her.

The ethics of social capital requires that we all recognize our moral duty to consciously manage relationships. No one can evade this duty—*not* managing relationships *is* managing them. The only choice is how to manage networks of relationships. To be an effective networker, we can't directly pursue the benefits of networks, or focus on what we can get from our networks. The best prescription is to take themselves out of the equation, focusing on how we can contribute to others. In practice, "using" social capital means putting our networks into action and service



for others. The great paradox is that by contributing to others, you are helped in return, often far in excess of what anyone would expect or predict.

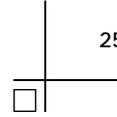
#### ■ Shifting to the Network Paradigm

Both the business case for social capital and the case beyond the business case are nested in the nature of these changing times—a paradigm shift from a group to a network organization of life. Sociologists Barry Wellman and Keith Hampton call this a paradigm shift “from living in ‘little boxes’ to living in networked societies.” As they describe it,

Members of little-box societies deal only with fellow members of the few groups to which they belong: at home, in the neighborhood, at work, or in voluntary organizations. They belong to a discrete work group in a single organization; they live in a household in a neighborhood; they belong to a kinship group (one each for themselves and their spouse) and to discrete voluntary organizations. . . . All of these appear to be bodies with precise boundaries for inclusion (and therefore exclusion). . . . In such a society, each interaction remains in its place: one group at a time.

Although people often view the world in groups . . . they function in networks. In networked societies boundaries are more permeable, interactions occur with diverse others, linkages switch between multiple networks, and hierarchies (when they exist) are flatter and more recursive.<sup>58</sup>

This book is an invitation to engage and participate in the shift to the network paradigm. It offers the concept of networks as a mental model, a lens, a mode of behavior, and a method of contribution. As a mental model, it is a way of thinking about the world and how it operates; as a lens, it is a way of viewing



**the world; as a mode of behavior, it is a way of acting in the world; and, as a method of contribution, it offers a way of making the world a better place by building networks, connecting the unconnected, and linking the unlinked.**

#### CHAPTER SUMMARY

Social capital refers to the many resources available to us in and through our personal and business networks. These resources include information, ideas, leads, business opportunities, financial capital, power, emotional support, goodwill, trust, and cooperation. Without well-built and well-managed networks, however, these resources remain hidden. They also remain hidden if we take refuge in the myth of individualism, pretending that we are masters of our own fates, or that relationships really don't matter. Even natural talent, intelligence, education, effort, and luck are not individual attributes at all; they are developed, shaped, and expressed by and through relationships with others.

There is also a business case for social capital—hard evidence that social capital boosts business performance. Individuals who build and use social capital get better jobs, better pay, faster promotions, and are more influential and effective, compared with peers who are unable or unwilling to tap the power of social capital. Organizations with rich social capital enjoy access to venture capital and financing, improved organizational learning, the power of word-of-mouth marketing, the ability to create strategic alliances, and the resources to defend against hostile takeovers. And social capital is a bulwark of democracy.

The case beyond the business case links networks with the quality of life. A network of good relationships leads to happiness, satisfaction, and a meaningful life. A good network improves health and lengthens life. But it's more than that. Building networks is a major mode of participation and involvement in the world. Building networks enables each of us to contribute to others. Accordingly, there is a moral duty to consciously manage relationships, and to do so in ways that serve others. By doing so, we not only reap the personal benefits of networks, we make the world a better place by making it a more connected place.

