

**'I have enormous curiosity and interest in other people. Sometimes it connects into a network, sometimes it fizzles out. Whatever the outcome, I find it fascinating.'**

Angela Eden



## c h a p t e r t w o

# Social capital

One of the most important choices we ever make in life is who to spend time with. As I watched my children grow it became clear on a daily basis how their thoughts, feelings and behaviours were being influenced and shaped by the people they were choosing to spend time with: the sports that Joe chose to play because he spent time with certain people at school, Lucy's first forays in the world of dancing as she started to dance with Stacy and Katie, or PC games that Michael found after talking with people on the Internet.

In the same way that I occasionally felt duty bound to intervene in the children's life to manage their social capital, I have to make conscious choices about the management of my social capital. Do I choose to spend time with a colleague like Carmel who is a social activist and will always help me think deeply through many of my existing beliefs and behaviours, or do I choose to spend time with Gary to develop ideas and themes for future books? Neither is right nor wrong, but that allocation of two hours of my time might seriously affect the next three months of my life and as a result have an impact on my professional career.

Just think about the five key people in your network and the extent to which your social capital with them enhances your personal capital. Which of them augments it? Do any of them lower its value? Who do you need to spend time with in the next month to achieve your next goal? The choice you make about whom to spend time with today can have a dramatic impact on what you do for the rest of your life.

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## Social organization

In a perfect world we might like to think that the process of organizing our social life is ordered and under control. However, so often it can be seen to resemble the chaotic interactions that take place in a school playground.

Think about your first day at a new school. In the classroom everything was quite safe because the teacher (hopefully) exercised control over the group and managed the interactions around a set of formalized rules and procedures. Because of that everyone had a chance to speak, and peer engagement was carefully managed. So far so good; you were able to speak to a few classmates in team exercises and made some initial links with people.

Then on the dot of 10.30, the bell rings for a break. Once in the playground all the established rules and procedures are discarded and a new set of regulations comes into play! In the playground the person with the most social capital tends to win. Just walk by any playground and you will see discrete clusters of children playing together. Watch this for a while and the key hub in each cluster will start to stand out. This is the person who has the most influence and has learned to acquire and mobilize his/her social capital most effectively.

In this situation you are on your own – there is no guiding hand of the teacher to help out. For this 15-minute break you will have to survive and prosper purely on your ability to fit in with the social patterns that operate in the playground. This is a tough world full of unspoken rules and regulations. For example, shadow network leaders who wield power using myriad behaviours and techniques; the subtle negotiation skills that require you to trade both toys and favours; your ability to fend off bullies; make sure that you are not the last person to be picked for a game of football; or the social pressure to conform with the 'right' branded clothes. It is the sophisticated capability to enter this world and forge social links which good networkers need to harness if they want to grow their social capital and make connections count.

I would really urge you to think back to that first day at school and the feeling that emerged as you entered the playground for the first time. It would be nice to think that this fear goes as we get older, but in my experience it doesn't. I still get this trepidation when I attend a conference, start a new job or walk into a room full of strangers. The difference now is that I know the apprehension will be there and simply develop strategies to manage the emotions. It is these strategies that form the backbone of the networking framework introduced in the book.

## Social capitalization

We might describe social capital as the thoughts, feelings and behaviours contained within a group of people that can be called upon to create value. It can be seen in everyday situations in the allegiance and spirit that help a team of firefighters tackle a dangerous blaze; the thoughts, feelings and skills that enable your football team to win another cup (or not); or the shared experiences and beliefs that enable your local café to function effectively, even when the next stream of lorry drivers call in for the bacon sandwiches.

You have it already in your various relationships with people who sit in your current network. When problems occur with your plumbing or electricity and there are no professionals around to help, then who would you call on? You might have four or five people who could and would help get you out of a problem. At work, are there people you operate with who, when push comes to shove, will help you to get the orders out in time? That is social capital, something that acts as glue for the personal capital that each person brings to the party and allows it to flow freely among the group so as to create value.

One of the things that people always mention when I raise the idea of networking is the fear that it is driven by self-interest rather than altruistic reasons. On the one hand, Francis Fukuyama suggests that social capital arises spontaneously as a product of iterated Prisoner's Dilemma games. Where a simple strategy of tit-for-tat (playing cooperation for cooperation and defection for defection) leads both players to a cooperative outcome. If individuals interact with each other repeatedly over time, they develop a stake in a reputation for honesty and reliability. He suggests that relationships based upon a society composed entirely of selfish people will develop social capital over time, simply because it makes sense to work to cooperate rather than in opposition.

However, I am not sure if I totally agree with this idea. I think the importance of the proposition is that it can legitimize the notion that successful networking can be based on selfish action. Yes, you are reading this book because you want to get, or improve your position in life or get promotion at work. Although there might be a few of you who are reading it to understand how to solve problems for other people (even then there might be a personal payback!), I guess this will be a small group. So

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networking is about doing better for yourself, but I hope that in the process you see the sense in my argument that you can only do better for yourself in the 'long run' with an intent to do better for other people as well. This is based on the simple principle that the generation of any social capital is built on the donation by two or more people in the relationships. They are donating their personal capital with anticipation that it will generate a return at some point downstream. Any investment process, no matter what form, can survive only if it is built on the premise that it is fair and equi-

table. If there is any notion that players in a trading relationship are out purely for self-interest, then greed, corruption and deceit will eventually creep in and in the long run destroy the trading system.

## Social capital investment process

Now the suggestion that we might need to consider an 'investment process' when talking about the development of personal relationships might cause some people to throw their hands up in horror at the apparent coldness. However, please note two things: first, that this book is about professional networking, not social networking (there is no suggestion that you would follow any of these ideas in your personal life); second, most of the ideas in this section are things that many people do already, but at a tacit level and as such they are talked about only in private conversations or in hushed corners in the office. All this book seeks to do is to bring to the surface many of the undiscussible things that people talk about in private.

### Investment criteria

As part of this investment process it makes sense to understand what criteria you will use to select potential partners in your network. This notion of investment criteria is a common activity in the financial markets as it seeks to achieve a fair and equitable return on its investment. The effective and astute investor will be able to:

- manage the investment process to optimize his/her return;
- reject any investment that will not give a good market return;
- identify investments that will take time to grow;

- find opportunities to derive synergies from future mergers and acquisition;
- spot potential to create synergies in the portfolio mix;
- provide limited seed capital for start up investment where there might be a marginal chance of return in the future;
- identify 'rising star' candidates in emerging markets;
- look for companies that demonstrate entrepreneurial vision;
- look for proven skills in their respective functional areas and relevant market or industry experience.

When applied to the idea of social capital investment, the same criteria might be considered. If you are going to use your valuable time to invest in a professional relationship, you might choose to use these criteria as a checklist, albeit implicitly. If we take the same financial criteria, we arrive at the following:

1. Ensure that you get the best from the social relationship.
2. Ensure that you don't create connections with negative people.
3. Don't rush a relationship – give it time to grow.
4. Find opportunities to derive synergies across your different networks.
5. Spot potential to create synergies between people within the current community.
6. Always be prepared to spend a little time with people even if you don't see a potential for connection at the moment.
7. Look out for good people and link up with them early on in their careers.
8. Try to connect with people who know where they are going and have a clear sense of purpose.
9. Try to connect with people who are skilled at what they do.

If your goal is to grow social capital that has sustainable value and will help achieve sustainable success, then you cannot keep drinking coffee with people for fun. Serious people are serious about how they network and the desire to reap a reward for the investment of their time in other people. This is where a set of personal criteria can help to ensure that you stay focused on the goal of social capital growth and not get distracted by the fact that you like the person. It is fine to like someone and want to spend time with that person, but it is also important to understand whether he or she is part of your professional network or personal social group.

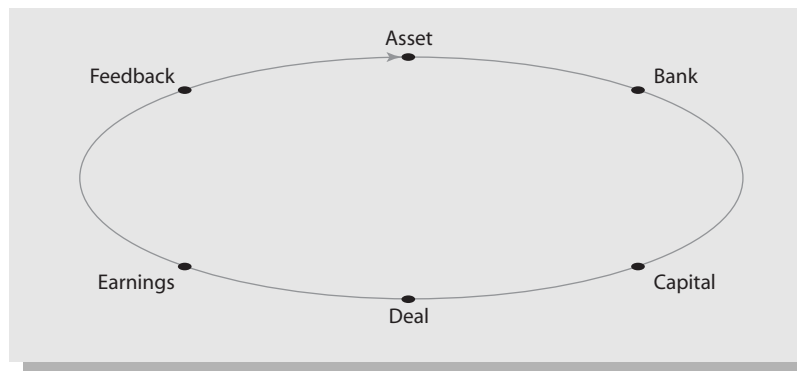
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## Investment process

Once the investment choice has been made, there are various steps that can be followed to deliver a return on the financial investment. These steps are not mandatory or explicitly followed in every process, but the generic framework is common enough to indicate the type of processes that most investment journeys will follow as seen in Figure 2.1.

- **Asset.** This is the resource that the player has within the investment process. It might be land, money, access to other people, time or a whole array of different resources under our control.
- **Bank.** At some point before the investment begins we have to convert the asset or resources into working capital. The idea is to separate the tradable from the non-tradable items and bank it as an asset to be used for investment purposes.
- **Capital.** At this point the asset is now separated and is ready for investment. As working capital it will be affected by a number of forces. It will have a value applied to it (hard or arbitrary); it will be beset by risk (it can be enhanced or lost to the owner); and has notional ownership and as such can be transferred between owners.
- **Deal.** Once we have capital in place, we can make the capital work and so generate a profit. This is the trading stage where action is taken to make the capital dance. For the second-hand car trader, it is finding a punter off the street; for the stock broker, it is identifying the stock.
- **Earnings.** Once the deal or transaction is complete (in a perfect world), the original capital is recouped along with profit that compensates the owner for use of the capital. This is in the form of earnings. This might be a profit on the car sales, or an increase in stock value (or dividend)

**Figure 2.1** Capital investment loop



- **Feedback.** In the final stage of the investment cycle, the owner can reinvest the earnings. The investor can either feed the earnings back into the investment loop or simply pull the combined capital and earnings out of the investment cycle and convert the new capital back into personal assets or resources.

The same process can be applied as you begin to invest in partners to join your network. You have assets in terms of access to people, you can capitalize these names, draw upon the capital and then receive a payback which in turn feeds value back into your personal asset base. This loop can be tracked against the social capital process as seen in Table 2.1.

The important things to consider with respect to the social investment strategies are:

- You will often need some seed corn capital to start with. This might be your existing contact list, a list of names from the last conference you attended or the people you worked with in the last three jobs.
- You will need to consider the list and separate out those people who are part of the tradable process and those that you do not wish to include as professional social capital (maybe friends and family). The bank stage is critical here because you have to ask serious questions

**Table 2.1** The social capital process

	Financial investment <i>Car purchase and resale</i>	Social network <i>Career change</i>
Asset	House as asset	List of names in personal diary
Bank	Short-term mortgage taken on house to use as foundation for business	Select top 10 names from list and put into a file index
Capital	Money raised in mortgage becomes capital to buy rare E-Type Jag	Names in file list become capital investment to develop career change network
Deal	Jag sold to rich overseas millionaire	Contact each person and explain that you require career change and would like to enlist his or her help
Earn	100% profit on sale	Payback in form of recommendation from two people, which leads to interview
Feedback	Mortgage paid off and profit used to build extension on house	New job attained and new role used to increase social contacts

about the extent to which you are willing to trade on personal friendships. I believe that it is often this stage that creates the most emotional tension for people. When they can't separate the two types of relationship the result is that they decide that networking is not for them or make silly mistakes and end up abusing the social relationship with their friends and family.

- You need to have the stomach to trade in the social market. It can be quite an intellectual and emotional challenge if you are not used to seeing relationships as bankable assets. If you are unable to accept this idea, then your professional network may well end up as a social network rather than social capital.
- You must be prepared to reinvest any gain back into the network. If you keep draining the pond, one day it will be empty. In the same way, you cannot keep taking from your social capital pool. You must be prepared to reinvest by giving time and energy back to fuel the flow of contacts and goodwill.
- There is risk as well as reward in this investment process. You might spend a great deal of time investing in one relationship only to see it collapse as the individual retires to another country. You should be as careful with social investment decisions as you would when taking out a pension or mortgage.

If this appears overly clinical, it is only because we are not used to deconstructing how we interact with people and, in particular, how we interact

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to achieve selfish personal goals. People often react against the idea of networking because they associate it with the dodgy connotations of 'knowing the right people', a distaste for 'Machiavellian politics', because they don't want to kiss up to the powerful or because networking stops you from 'doing work that really adds value'. People may accuse you of all sorts of awful things because you admit to having a strategy for networking. However, no matter what you call it, we all do it! Often people see others who network well and assume that they have a magic wand that

helps them to grow contacts everywhere they go. In most cases they don't, they just know how to make their personal connections count. The hard reality is that who you know often does count for more than what you know.

Is the prime minister or president of the United States the most knowledgeable about domestic problems, world order, social problems or eco-

conomic theory? No, (hardly) they get other people to do that, as their primary skill is the capacity to build alliances in a political network that is naturally suspicious and potentially corrupt. It is this capability to make connections count that helps them get to the top of their profession and remain effective once in post. Interestingly it is often the failure to maintain this capability that can lead to their demise. As we see so often, it only needs a small amount of mismanagement for the social pack to turn against the leader and then they come crashing down.

The fact is that in any society, be it business, politics, school or even the neighbourhood watch, connections count. If the fact that I can get a few people together and form a neighbourhood watch to keep an eye on each other's homes is manipulative or wrong then, sorry, but if it lowers the crime rate in my neighbourhood, keeps my house safe and increases the market value of my property, then I will carry on doing it. In the same way, if I can work with people who can help take my personal capital to market and I can reciprocate and help find exposure for theirs, that sounds like a shared success to me. So long as we are open and ethical in the process and do not veer into a secret society, then what is good for us must be better for the community (social or business).

## Social cost

A friend of mine was an avid networker. He was the consummate social animal and excelled at it. He would use his professional links to build up a great network of contacts and as such had an amazing stock of social capital that he could call upon until he landed a great job with a major league big blue-chip company. This was *the* job he had been working for and there he was doing what he wanted, travelling the world and being seen as an expert in his field. A year passed and we couldn't really get to see each other because he was busy.

The problem was that while his stock of air miles was increasing, his stock of social capital was diminishing at an alarming rate. All of a sudden he realized that his network had been eroded. He didn't have time to keep in touch with anyone, didn't attend conferences, didn't act as a conduit to broker relationships between people and didn't really know what was going on outside his specialist field of interest. He had failed to maintain the continual investment in his social capital because the cost seemed too high at the time.

My challenge to him was, what would happen if the company were to make you redundant? How would you get a new job? Who could you call

upon to help meet the right people, and to what extent can you demonstrate that you are in tune with the wider market rather than just your niche area? The answer was that he couldn't. He had, in effect, suddenly moved from being in control of his destiny by virtue of the network that he operated and instead had become a corporate slave, locked into the social capital of the company he kept and which kept him.

The problem is that you cannot just go out and buy more social capital. The investment process takes a long time, and the gap between re-accumulation of the social capital and the current situation can leave you very exposed to the political and commercial whims of your masters and markets. It is very easy to decide not to paint the house windows this year because the cost of paint and time is too high. However, the downstream cost as the wood begins to rot will be much higher in the long run. Any decision not to invest in your professional network now is potentially driving up your downstream cost.

## Social corruption

As a final thought, it is important not to get carried away with the notion that social capital is always good. What is effective and positive social capital in one situation or market can be quite the opposite in another.

Consider the neighbourhood watch that supports the local community in one context and how it can become a vehicle for vigilante action when a suspected offender moves into the neighbourhood. Work associations that enable efficient wage bargaining and safety practices in one month can soon turn into confrontational groups which seek to attack the management body or, as we can see peace protesters, seeking to bring about the elimination of world debt can turn into groups that take violent action and cause pain and injury to groups that oppose their view-

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point. The important point here is that for any of these groups that have apparently developed a negative bias in their social agenda, it is often not the whole group that causes the problem. With the best overall intentions, agendas can be hijacked, so it is not the whole of trade unions which attack management (or vice versa). Social networks are powerful systems that have great value but are rarely regulated. As such, it takes only a few people to impact how the social group looks to the outside world.

Thus, social capital also has an important 'down side'. Where you have communities, teams or associations which work at cross-purposes to society's best interest, they can actually hinder economic and social development. The original idea to do well through social grouping can instead become corrupted, as the group turns insular and views the outside group as the opposition or in some cases the enemy. The net result is one of alienation and exclusion for the broader social group they set out to support.

Always try to step inside out and ensure that your social capital is being used for positive social or commercial purposes and that it has not been hijacked to suit the ends of subtle fifth columnists. Think about the networks at work. When in an informal setting do you run the company down and collectively point out the faults of the bosses (whilst not telling them to their faces) or do you use the generative power of the group to reflect on ways to help the business? If so, you might have drifted into a model in which you are socially excluding people without realizing it. This is a dangerous point and one that you are well advised to avoid as you grow your network.

The danger is when the level of exclusion spreads across the entire community like a virus and becomes accepted as the norm. It is this social virus that leads to the collapse of companies when they forge unethical relationships with the external auditors, the destruction of sports teams when they become corrupt and take backhanders from bookies, or corruption in the education field when teachers deliberately cheat to get children through the exams. In many cases the virus starts by infecting a few people who adopt opposing social beliefs that have a destructive impact on the external world. The risk is where this virus becomes really contagious and spreads throughout the community without any chance to restrict the flow.

In all these cases the social group has taken itself too seriously and excluded the civic and ethical responsibilities that it owes to the wider social group. This is a real danger that arises with any social network and it is one that you must be very careful of as your network begins to grow and create social capital of some value. Never forget that the accumulation of social capital gives you social rights and this automatically confers social responsibility. You must share joint accountability with fellow network members to ensure that this responsibility is discharged with fairness and integrity. Failure to do this will seed the process of well-deserved self-destruction.

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