Keys to Understanding Your Social Capital

Brian, your expertise could help a person who runs an NGO or government agency understand social capital a bit better. Let’s start with the basic question: What is social capital?

The easiest way for people to think about social capital is that it is the value of the contacts in their network. A contact network includes who you know and how the people you know know each other. You can learn a lot about a person’s social capital by looking at that structure alone.

When you think about relationships with the people you know and how those people know each other, I suggest you focus on three essential things. First is the kind of information you get from those people. The second is the kind of skill sets those people have that you don’t possess and would probably have to make a large investment to acquire. Third is your informal power as a leader—are you someone who can get people committed, who can help people interpret mandates, or who can help others draw inferences from data or make sense out of what someone else has told them? Positive social capital lies with someone who is able to get rich information from his network, whose contacts have a diversity of skills, and who gets power out of his network.

The first issue is what kind of information you want, keeping in mind what kind of information is going to be really valuable in your network, for there are many different types. One type of information is everything available on the internet. You can scrape everything off, and it’s publicly available. It turns out, though, that that is not the kind of information that gives someone a position of power and edge. The reason is that if everyone
has access to that information, it gives you no comparative advantage.

You’re not looking for that kind of public information; you are looking for what people call private information. It’s unstructured, it’s tacit, it’s not documented, and you won’t find it on the web. It’s often emerging information. You spend a lot of time trying to get it and trying to figure out what it’s all about. What are some good examples a person in an NGO might think of? Private information might include: Are governments taking some of their equity and budget out of one area and putting it into a new area? Are they going to shrink everything all together? Are they going to grow something new that might cannibalize on a particular area? That’s the kind of information that doesn’t appear in the written record anywhere, but it’s being shared somewhere else. That’s all private information, and that’s what flows through your network.

**How do you get that through your network?**

While you examine your network and contacts you need to remember that the big issue is trust. That may sound self-evident. You might ask, what can you tell me about trust that’s different? What we have learned about trust in networks is that there are really three important things. One is the self-evident truth that I just mentioned—you have to have trust in your network. When you trade your private information with someone else, you get value back based on trust.

There are also two trust traps. One is that many people just starting to build their networks seem to overbuild their network based on trust. They try to build a lot of trust into it, but when you build a lot of trust into it, you tend to crowd out another dimension of your network. And once you crowd out this other dimension of your network, you have a weak network. That other dimension is diversity, and the problem is called the trust-diversity paradox.

The other trap is that people need skills to turn those who are potential rivals into collaborators and trusting connections. Many people walk away from those who view them with distrust; it’s a lost relationship. But those people who convert those kinds of distrusting relationships into trusting ones really get a big bang out of their social capital. So you have to learn to develop trust with others who you naturally distrust.

**Is trust enough?**

No, the second thing you want to keep in mind about networks is the concept of diversity. Do your contacts have different skill bases, background, training, and ways of seeing the world than you do? If they don’t, you build redundancy in your network, and that turns out to be a bad thing. There’s a phrase used in business: an echo chamber. It’s shorthand for saying that if people in your network have similar backgrounds and training, then really all you get is an echo chamber around you. It doesn’t expand your social capital; it closes you off to things.

There is a very simple mental test to find out how diverse your network is. A good thing to ask yourself is this: Of the people I go to for advice, how many of them also go to each other? It’s a proportion equation. If you go to ten people for advice and five out of your ten go to the same people, then you’ve got a proportion of five out of ten or 50 percent. Seven out of ten is 70 percent, and ten out of ten is 100 percent. As that proportion gets closer to one (or 100 percent), the diversity in your network gets closer to zero.

Many people do not have diverse networks. In a recent survey of American business people, the diversity proportions were 8.2 out of 10. So the average business person you might go to for counsel goes to 80 percent of
the same people that you do. The question is, why? Well, this is the trust-diversity paradox.

Most people have much higher expectations for trusting people who are like them than unlike them. We think that when people are like us we can predict their behavior; we know what their interests are, how they treat problems, and we have a sense of how they will behave when we’re not there to observe them. Those building networks where private information and trust go hand in hand tend to spend a lot of time selecting people who they really think they can trust because it lowers the costs of management and of getting private information.

Of course, what they tend to do is overbuild their networks based on trust. Consequently, they crowd out diversity and are often not even aware of it. The reason they become oblivious to it is that without diversity in their networks they don’t even know what they’re missing; everyone around them shares the same point of view, giving a false sense of security. But in fact, it’s not secure. It’s quite the opposite. It’s a very narrow point of view that doesn’t include a lot of the complexity you would otherwise want. If you have a network where people share the same point of view as you, then you’re just wasting your time. You already have that knowledge. You get a lot of trust but not enough diversity. This paradox is a big trap in people’s networks and makes the networks low in social capital.

Are there ways out?

As a way to give a solution, let me describe what it is that makes social capital so important. I’ve talked about private information and trust and diversity. The third important thing for networks is power. How do you get power from your social capital? Imagine in your mind pictures of networks with the person at the center of a cluster and the people he knows around him and the people they know are around them. You get these clusters, cliques, or pockets. When you map the social world, you find out that, in fact, that’s the way lots of network diagrams look.

It turns out that a large portion of people live in these cliques, but there are a few people who bridge the cliques and bring them together, or if they don’t bring them together, they see the information and the ideas simultaneously. This allows them to be better and more creative in new ways that no one in any single clique could on his own because he lacks the information that someone sees in another network. Those people have a name in a network: brokers. People who have the type of power I’ve mentioned tend to be brokers.

Learn to develop trust with others who you naturally distrust. Turn those who are potential rivals into collaborators and trusting connections.

There is a really well-known research study that goes along with this that some of your readers might be interested in. It was completed by one of the great geniuses of the last century, Stanley Milgram. Milgram discovered this idea of brokers, and along with it, he coined this familiar phrase: six degrees of separation. Brokers and degrees of separation wind up going hand in hand.

Let me tell you about the research because it will help put this in perspective. Milgram had two passions in his life: research and travel. When he traveled he liked to go to typical places like Paris in the springtime or New Orleans for Mardi Gras, and he liked to go to exotic places like Madagascar or Pago Pago. Whenever he would go on these trips, he would play a game with a complete stranger he’d meet. So, maybe while on a tour in Borneo, he’d be sitting in a restaurant in the evening and would see a couple sitting at another table. He would go up to this couple and introduce himself as Stanley Milgram and then ask one of the couple if they
would play a game with him, which was whether the two of them could find a path of people that could connect them to him. Milgram got this idea because in his travels a letter. In the letter is the name of the single stockbroker and instructions: If you know the stockbroker, then send the letter directly to him. If you don’t, send it to someone you know who you think would send it to someone who would eventually get it back to the stockbroker.

Milgram was trying to count links or degrees of separation between people. So, he got all the transmissions back, and he found out that, on average, it takes six intermediaries to connect people who are essentially chosen at random. This is where we get the expression six degrees of separation. He found out something else, though. Sixty percent of the transmissions passed through the same four people. Now ponder on that. That suggests that we’re not really all connected to everybody else, but there are a few people who are disproportionately connected; it is through them that everybody connects to everybody else. Milgram called those people brokers. Brokers hop from cluster to cluster to cluster, and that’s what makes them so effective in organizing a network that meets their needs.

So what is important for your readers to remember about their network? You want trust and private information, but remember that trust has this trust-diversity paradox. You want diversity so that you have different skill sets. Finally, you want brokers because that gives you power.

The big question is, how do you do it? You have to understand what people use to build their network because some people do it right and some people don’t. You want to learn the principles that people do it right use. There are basically three principles for building a network. First is self-similarity; we tend to choose people a lot like our selves. Second is proximity; we tend to choose people who just happen to be around us. Third is the shared activity principle.

Self-similarity and proximity are not the best processes. Self-similarity gives a lot of positive feedback, lower costs, and less conflict. There is less disagreement and less need for you to change because you’re not getting information that you don’t already have. Self-similarity is something that people use a lot, and some of that’s okay. Everybody has some self-similarity in their network, but when you have too much, the diversity proportion goes high, and that’s a bad thing.

Proximity is really a consequence of how the world organizes itself. The world organizes things by likeness. That’s why we have departments, units, disciplines, silos,

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this kind of conversation would usually arise spontaneously and they would find that they actually did have a set of common connections. The conversation would end in “Gee, isn’t this a small world?” In fact, that is the name of Milgram’s study.

Milgram started to think that this is happening more than it should happen just by chance. He got back to his office at Harvard University in the sociology department after one such trip and decided to concoct this ingenious experiment about what a small world it really is. He opened his phonebook in Cambridge, Massachusetts, and chose the name of a single stockbroker at random. He then got a phonebook from a small town outside of Omaha, Nebraska, which was a pretty remote place in the early 1960s, and chose the names of 160 people at random. They are butchers, bakers, homemakers, crossing guards, law enforcement officials, and teachers—a wide range of people. He sends each of these 160 people
and all these other aggregations. Imagine it this way: Most people live their lives in an aggregation with other people a lot like them. As a consequence, their network becomes a reflection of them filled with people just like them. And most people are insensitive to it because it is just a consequence of the habituation of our lives.

Those two things, self-similarity and proximity, build clique-like networks. We have found through research that the thing that helps build powerful networks, high in trust and diversity, is the shared activities principle. The shared activities principle is very powerful because it breaks down the trust-diversity paradox. Basically, it works like this: People who get involved in shared activities of all sorts tend to make contact with people unlike themselves, and the activity itself tends to help you build trust quickly and in a low-cost way with those people. It gives you all the benefits of self-similarity but with none of its downside.

What are some great shared activities for someone who's part of an NGO? Serving on nonprofit boards, community service, volunteering, team and partner sports, cross-functional teams and committees, etc.—all of those things that bring people together, whether commercially oriented or not, tend to play a very important role. Why? Because people of all backgrounds and ways of viewing the world can be attracted to the same shared activity. The shared activity puts you into a deal stream where you're coming in contact with diverse people, and proximity gets broken down.

Once you are in that shared activity with these diverse people, how do you build trust with them? Well, it turns out that the activity helps you do that quickly, and that's the main benefit. You already extend some trust to that person just by being in the activity with them. You couldn't participate in that activity unless you trust that person, and vice versa.

Also, research shows that when you're involved in the shared activities, you are profiling the people in the activity. You are looking at their character and qualities, how they act under various circumstances, and how they
Shared activities break down the trust-diversity paradox. Shared activities help you communicate on a more even level with people of different ranks. Shared activities allow you to step out of one script and into another script. Shared activities are an engine for building powerful networks rich in social capital. So this is why we play golf or basketball with other people?

Exactly! It helps really build the relationship. And, of course, this is building a relationship before a deal comes along. The relationship precedes the deal, which makes the deal go smoother, more simply, more effectively, and less costly. And through this profiling, you get transparency. The other thing is a lot of the shared activities have things at stake. If you win you break a record; if you lose you don’t break a record. You argue with the team to motivate them, and this type of work helps bonding—we either commiserate in loss or celebrate in victory. And bonding builds trust.

What else should our readers pay attention to?

Shared activities are particularly important in two additional ways. Many people in NGOs are building networks and trying to get in front in very little time. They are pressed and have a million things to do. So how do you connect with the people who are already really busy? What you want to do is piggyback on things that they have a deep passion for, a thing they always find time for—and that is usually a shared activity. They care about this thing, and their passion brings them back over and over again. Consequently, you get some opportunity for frequency of interaction that doesn’t draw them away from their schedule or routine.

The second thing is that shared activities help you communicate on a more even level with people of different ranks than yourself. In sociology we have a concept called the script. Basically, in a script every interaction you have with someone follows certain expectations of what is appropriate or inappropriate. We all do it all the time. A script does two things: First, it tends to make us similar to anybody else following the same script. Second, it tends to suppress qualities or characteristics that might be important to the person that he’s trying to reach.

Imagine that in the middle of this interview you all of a sudden start talking; you start saying, “All this makes me think of so and so in such and such; let me sketch out my network and look at this.” You go on for about a half an hour, and it turns out to be an absolutely brilliant, Einstein-like insight about networks. The problem is that the script would mess up my ability to see that brilliant insight because I would become uncomfortable. I would feel you were violating the script, and that violation of the
Governments may even be corrupt, and the rule of law may be suspect. How can positive social capital help people overcome weak institutions, when social capital can help overcome weak institutions, when I look at the literature and talk to people, I discover that social capital has become a lot more sensitive to merit and to the value people bring to the network during the last fifty years. This sensitivity is making it powerful vis-à-vis weak institutions. Credit circles are an example of people using their social capital to overcome corrupt or weak financial institutions. The right kind of social capital allows them to combine resources that they might not individually have or that they struggle with to substitute for these weak institutions.

What’s the dark side? What should people be aware of as they go out and build these networks?

There are a few dark sides. One is this trust-diversity trap. It tends to have people build networks that are not enriching themselves or others; it doesn’t really add value for anyone. It’s somewhat of a benign problem in the sense that no one intentionally tries to fall into the trap.

I think that another dark side of networks also has a benign quality to it. Despite having positive characteristics—small worlds, clusters, and bridges—these powerful networks turn out to be extremely fragile to the loss of just a few super connectors because those super connectors, like the four in the Milgram study, are the ties to everything. If those people are not easily replaced—if other people can’t step in to replace their links quickly—the network tends to collapse rapidly.

The last negative thing to consider is that networks are not good or bad in and of themselves—the people who use them determine that worth. As we learn more about how people use networks and more about how powerful networks can be in their structures, they will eventually be adopted by groups that will use them for selfish purposes. If we were having this conversation a few years ago the first thing that would come to mind would be terrorists. Terrorist cells are cliques and connected by brokers, and they are able to have a very fluid-like structure and do the sorts of things we saw them do because of the network. That’s an extreme example, but members of NGOs need to make sure they are using their networks in appropriate ways. [55]

Endnotes