

In Good Company: How Social Capital Makes Organizations Work

Don Cohen and Laurence Prusak
Harvard Business School Press (2001)

Social capital has become a hot topic recently. Robert Putnam's *Bowling Alone* and Francis Fukuyama's *Trust* have placed social capital squarely in the center of debate about what makes organizations and communities work. What is social capital and how can it be put to use? These are the topics addressed by the very readable *In Good Company*, a practical guide for business as well as regional leaders.

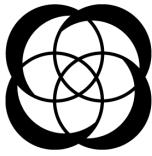
The authors state that “social capital consists of the stock of active connections among people, the trust, mutual understanding and shared values and behaviors that bind the members of human networks and communities and make cooperative action possible.”

Social capital makes an organization, or any cooperate group, more than a collection of individuals intent on achieving their own private purposes. Social capital bridges the space between people. Its characteristic elements and indicators include high levels of trust, robust personal networks and vibrant communities, shared understandings, and a sense of equitable participation in joint enterprise—all things that draw individuals together into a group.

The main point of this book is that social capital exists in every organization or community, but in widely varying amounts. It can be depleted or enhanced, squandered or invested in. That social capital generates economic returns is one of the underlying messages of this book. Without social capital, organizations and communities cannot function. Social capital can benefit organizations and communities through better knowledge sharing due to trust relationships, lower transactions costs due to a cooperative spirit, lower turnover rates and greater coherence of action due to shared understanding.

One of the major contributions of this book is the practical advice it gives on how to invest in social capital. The authors maintain, “Social capital is mainly created and strengthened (and sometimes damaged) in the context of real work.” They discuss how to build networks and communities of practice. They talk about the power of place in building social capital. “Space and time for people to gather and make connections with one another are the seedbed and sunlight of social capital.” They make clear the importance of conversation and storytelling to building community. They quote Oxford cultural historian Theodore Zeldin who says, “Conversation involves more than sending and receiving information.” It implies mutuality and a kind of engagement or relationship. Conversation binds communities and builds social capital.

The book addresses the challenge of building social capital in the face of both volatility and virtuality. Dealing with constant change requires rethinking the terms of the social contract, which accepts the need for flexibility along with more support for transitions. Social networks



become more important. The authors find that successful virtual work depend on using a broad range of connections, communications and cooperation to build the trust and understanding that collaboration requires. What works for volatility—that high social capital can protect organizations from the damage it can cause—holds true for virtuality too. Organizations that have robust networks and communities, a deep reservoir of trust, and a clear sense of organizational identity are likely to have more success performing virtual work than organizations that are somewhat fragmented and likely to become more fragmented by trying to work at a distance.

This book provides an excellent introduction to the concept of social capital and its practical implications for organizations and communities. It moves well beyond describing social capital and its effects to prescribing specific steps that organizations can take to invest in social capital to improve performance. While written primarily for a business audience, its lessons apply to regions as well. Without trust and commitment, it is impossible for regions to accomplish anything. With it, regions can succeed because social capital is the essential ingredient for collaboration. In fact, social capital may be the X factor (or secret sauce) that helps explain why regions with similar assets perform in different ways.