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INVESTMENTS IN SOCIAL CAPITAL

Social capital is an economic idea that refers to the connections between individuals and entities that can be economically valuable. Social networks that include people who trust and assist each other can be a powerful asset. These relationships between individuals and companies can lead to a state in which each thinks of the other when something needs to be done.

Along with economic capital, social capital is a valuable mechanism in economic growth. As technological advancements continue to make the world smaller and the global population more interconnected, companies rely on social capital more than ever to drive business. While in decades past, companies could rely on persuasive marketing to get customers in the door, in the 21st century, those customers are plugging into social networks and relying on their peers to direct them to a provider when a business need arises.

Business runs better when people within a company have close ties and trust one another. But the relationships that make organizations work effectively are under assault for several reasons. Building such "social capital" is difficult in volatile times. Disruptive technologies spawn new markets daily, and organizations respond with constantly changing structures. The problem is worsened by the virtuality of many of today's workplaces, with employees working off-site or on their own. What's more, few managers know how to invest in such social capital. The authors describe how managers can help their organizations thrive by making effective investments in social capital. For instance, companies that value social capital demonstrate a commitment to retention as a way of limiting workplace volatility.

Managers can build trust by showing trust themselves, as well as by rewarding trust and sending clear signals to employees. They can foster cooperation by giving employees a common sense of purpose through good strategic communication and inspirational leadership. social capital, once a given in organizations, is now rare and endangered. By investing in it, companies will be better positioned to seize the opportunities in today's volatile, virtual business environment.