WEEK 11: SOCIAL CAPITAL, AUTONOMY & ACHIEVEMENT

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Social Capital in the Creation Human Capital (Coleman)

• two intellectual streams in the description of social action:
  - sociologists consider action in social context.
  - Economists say that action is to maximize utility.
Social Capital in the Creation Human Capital (Coleman)

• Social capital is a particular kind of resource.
• Physical capital includes tools, machines, equipment. (tangible)
• Human capital includes skills, knowledge, capabilities. (tangible and intangible)
• Social capital exists in the relations among persons. (intangible)
Social Capital in the Creation Human Capital (Coleman)

• 3 forms of social capital are “obligations and expectations”, “information flow capabilities”, and “norms”.

• If A does something for B and trusts B to reciprocate in the future: this is expectation in A and obligation in B. Trustworthiness of the social environment is necessary which means that obligation will be repaid.
Social Capital in the Creation Human Capital (Coleman)

- Acquisition of information is costly and information channels are a form of social capital.
- Norms accompanied by sanctions can constitute powerful form of social capital.
- Closure of social networks can facilitate social capital.
America’s Declining Social Capital (Putnam)

• the importance of a strong and active civil society to the consolidation of democracy. The United States has played a central role in systematic studies of the links between democracy and civil society.

• A wide range of empirical evidence indicates that the quality of public life and the performance of social institutions (and not only in America) are indeed powerfully influenced by norms and networks of civic engagement.
America’s Declining Social Capital (Putnam)

- Religious affiliation: pattern is a significant drop in reported weekly churchgoing.
- Labor unions: union membership has been falling for nearly four decades, with the steepest decline occurring between 1975 and 1985.
- The parent-teacher association (PTA): participation in parent-teacher organizations has dropped drastically over the last generation.
America’s Declining Social Capital (Putnam)

• Across the 35 countries in this survey, social trust and civic engagement are strongly correlated; the greater the density of associational membership in a society, the more trusting its citizens. Trust and engagement are two facets of the same underlying factor--social capital.
America’s Declining Social Capital (Putnam)

• Technological trends are radically "privatizing" or "individualizing" our use of leisure time and thus disrupting many opportunities for social-capital formation.

• America still ranks relatively high by cross-national standards on both these dimensions of social capital. Even in the 1990s, after several decades' erosion, Americans are more trusting and more engaged than people in most other countries of the world.
Structural Holes: Burt

Three Types of Capital

- Financial – monetary resources
- Human – natural abilities or talents and acquired skills
- Social – relationships with others from whom you receive opportunities
The “Who and How” of Social Capital

• “Who You Reach” – Network provides an actor with access to people with specific resources and functions as a conduit

• “How You Reach” – Social structure is capital itself; the “rate of return” enhanced by structure of network and location of actor’s contacts within the structure.
Structural Holes & Information

- Access, Timing and Referrals

- Maintain a large (network size) and diverse networks (network range); opportunity costs in the network; nonredundant contacts & Granovetter’s “strength of weak ties”

- Structural Holes: relationship of nonredundancy between two contacts; nonredundant connected by structural hole; hole provides network benefits that are “additive” rather than “overlapping”
Structural Holes & Redundancy

- Cohesion: contacts are redundant when connected by strong ties = same benefits

- Structural Equivalence: contacts lead to the same sources of information = same benefits

*Figure 1.2* Structural indicators of redundancy
Structural Holes & Efficiency/Effectiveness

- Efficiency: maximize number of nonredundant contacts in the network to maximize the yield in the structural hole; measures of cohesion and structural equivalence identify redundancy

- Effectiveness: devote resources to preserving primary contacts that act as entryways to those beyond the people at the end of your relations
Structural Autonomy & Control

- Tertius Gaudens: “essential tension”; playing the conflicting demands of one actor off another in order to reap the benefits of being in a brokering role; control emerges from this position (also, *Brokerage, Chapter 5*).

- Entrepreneurial Motivation: actor is willing and able to take advantage of opportunity (increases with perception of success & volume of structural holes); “way of life”
Structural Autonomy

• Incorporates concepts of information & structural holes, and control into one argument.

• Actors are structurally autonomous when they are “free of structural holes on their own end and rich in structural holes at the other end. These are the players best positioned for the information and control benefits that network can provide.”
### Competitive Advantage of Structural Holes

<table>
<thead>
<tr>
<th>Kind of Advantage</th>
<th>Substance of Advantage</th>
<th>Social Structural Condition Responsible for the Advantage</th>
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| Information Benefits | Access, Timing and Referrals | Contact Redundancy & Structural Holes  
network trust, size & diversity,  
cohesion & structural equivalence  
efficient-effective networks  
structural holes & weak ties |
| Control Benefits | Tertius Gaudens, Entrepreneurial Motivation | Structural Autonomy  
holes & entrepreneurial opportunity  
primary holes & constraint  
secondary holes & constraint  
hole signature & structural autonomy |

**Conclusion**: Players with contact networks optimized for structural holes — players with networks providing high structural autonomy — enjoy higher rates of return on their investments because they know about, have a hand in, and exercise control over, more rewarding opportunities.

*Figure 1.10  Argument*
Structural Autonomy Model

- Redundancy – Key to Benefit is Connection: determine the effective size or number of nonredundant contacts in a network; redundancy relates to comparison between value and resources; ratio to measure efficiency

- Constraint – Key to Benefit is Dependence: opportunities constrained when network resources are heavily invested in relationships that lead back to a single contact; generally density increases constraint and size decreases constraint

- Structural Autonomy: an interval scale is developed to measure the extent that an actor, relative to other actors, has unconstrained access to structural holes
Structural Autonomy Model: Hole Signature

Incorporates the measures of network resources (time or energy) required to maintain relations and constraint characteristics of an actor’s contacts to determine patterns across networks.
Structural Autonomy: Economic Transactions

• How are structural holes and profits distributed across markets?

• Hypothesis: “… producers with networks rich in structural holes can negotiate favorable terms in their transactions with suppliers and customers, and so should enjoy higher rates of return of their investments…”

• Structural Hole: measured as ratio between the proportion of total market output produced by businesses owned by the four largest firms; ratio of one indicates few structural holes
Structural Autonomy: Economic Transactions

• Predicted importance of structural holes is confirmed by analysis.

• Profit margins decrease when lack of structural holes exist between suppliers and consumers.

• More structural holes among suppliers and customers, the more profits can be expected to grow. The more structural holes that exist among producers, the more profits will shrink.
Structural Holes – Chapter 4

• Hypothesis: Managers get promoted more quickly if they have rich structural holes.
• Sample: Managers in a large tech firm
• Organizational Structure: Tech firm did not use a traditional bureaucracy, instead relied on a matrix structure
Organizational Structure

• Managers have direct (formal) and indirect supervisors

• Formal supervisors are responsible for performance evaluation and salary recommendations

• Indirect supervisors provide supervision on project jobs
Expectations

• Variable rates of return are expected by structural holes
• People with rich structural holes are expected to be promoted ahead of peers
• People with high constraint are expected to be promoted slower than their peers
• Socially Expected Duration (SED): socially prescribed or collectively patterned expectation about temporal duration (i.e. we expect it to take 4 years to get a bachelor’s degree)

• SED of managers should be measured relative to similarly situated managers (main office is different than field offices, Sales is different than IT).
Results

• Who you are, where you work, and what you do determines the effect of structural holes
• Working on social frontiers (places where 2 social worlds meet) increases the effect of structural holes
• Social frontiers include: women, managers in remote plants and field offices, and newly hired managers
Constraint vs. Autonomy

• Constraint has a strong positive correlation with early promotion for women and fast promotion for men
• Structural holes improve the chances of early promotion for men
• Overall constraint delays promotion at all ranks, and the effects of this delay cumulate
• Overall effect related to heavily male sample?
Types of Structural Holes

• A – Entrepreneurial Signature – high ranking engineer, younger than average, short time in rank. Cites 12 contacts and is close to 2, neither of whom is a direct or indirect supervisor.

• B - Entrepreneurial Signature - 11 contacts, 3 of whom he is close to. Additional contact is better connected and more constrained. Younger than average finance manager and has spent an average amount of time in rank.
Types Con’t

• C – Clique Signature – 9 contacts most of whom are strongly connected. Density of .5 is higher than other signatures. Entry level sales managers who is twice as old as average person in rank

• D – Hierarchical Signature – 9 contacts who are not densely connected. Constraint is limited to a small # of contacts.
Hierarchical Networks

• Small hierarchical networks can be as effective as broader networks with many structural holes, but can be risky should the relationship sour.
• Think about your relationship with your advisor.
Shape of Networks

• Networks may be flat (no actor is dramatically more central than any other) or hierarchical (built around 1 or 2 strategic partners).
• Managers preferred flat networks (and subsequently selected an entrepreneurial approach to a clique approach)
• Managers who chose a hierarchical network were evenly divided between networks centered around their boss and someone else.
Reasons not to choose your boss:

• Relationship is less likely to go sour from inevitable disagreements that arise between people working together
• Since there is always a boss, choosing your boss gives them more control over your work whereas an external sponsor can be leveraged for negotiating advantage
• Boss is expected to be an advocate and therefore may not be a convincing advocate
Network Size

• Increasing the size of a network to more than 12 – 14 people rarely increases the non-redundant number of contacts. Adding additional contacts will likely only increase the density of the network.
Personality Correlates of Structural Holes (Burt & Jannotta)

• Structural hole theory describes how social capital is a function of the brokerage opportunities in a network.
• Discontinuities between exchange relations (structural holes) are entrepreneurial opportunities to broker.
Personality Correlates of Structural Holes (Burt & Jannotta)

• The content of the personality items associated with network structure is consistent with the structural hole argument.

• Respondents in the least constrained networks claim the personality items of independent outsiders (versus conforming and obedient insiders), in search of authority (versus security), thriving on advocacy and change (versus stability).

• Personality and network structure are more associated in the lower ranks of an organization.
Social Networks and Status Attainment (Lin)

• Status attainment can be understood as a process by which individuals mobilize and invest resources for returns in socioeconomic standings.

• Even accounting for both the direct and indirect effects of ascribed status (parental status), achieved status (education and prior occupational status) remained the most important factor accounting for the ultimate attained status.
Social Networks and Status Attainment (Lin)

- Research has provided consistent support to the proposition that social capital, in the form of social resources, makes a significant contribution to status attainment beyond personal resources.
- This association persists across societies (different nation-states and political economies), industrialization and development levels, populations in the labor market (recent graduates, new hires, job changers), different sectors in the economy (industries, organizations, positions in organizations), or status outcomes (occupation, authority, sector, promotion, bonuses).
Brokerage – Chapter 5

- Network models of brokerage predict the distribution of social capital advantage in a network.
- Information is more homogeneous within than between groups.
- People who bridge holes may have a vision advantage in detecting and developing good ideas.
Complementary nature of brokerage and closure

• The influence of brokerage and closure are complementary;
• Unrestrained brokerage can create chaos whereas closure brings people into alignment.
• Closure can also lead to groupthink whereas brokerage promotes selection and synthesis among conflicting alternatives.
Being first matters...

- Bridging structural holes is most beneficial for the first person who bridges the hole.
- There is a sharp decline in both cost and returns for each successive person who bridges the hole until the equilibrium point is reached and a hole no longer exists.
Maintaining Structural Holes

- Brokerage advantages are theoretically temporary, they may become enduring if:
  - the equilibrium is slowed or repeatedly disrupted,
  - or if bridges are not absorbed into the social structure around the hole.
So how do I know if a Structural Hole is Active?

It’s open if:

• It provides opportunities for insiders on one side of the hole to exploit outsiders on the other side;
• It permits insiders to hoard opportunities from outsiders;
• It makes it easier for insiders to construct new organization based on existing models in which insiders are advantaged; or
• Daily routines and valued social ties of aid, influence, and information gathering have adapted to the hole.