

A review of
In Good Company
by Don Cohen and Laurence Prusak,
published by
Harvard Business School Press (Boston, 2001)
ISBN 0-87584-913-X

Rating: 8

(The Official Ayers Rating Scale goes from 1-10. Anything lower than 6 gets thrown out. This produces a net five point scale from 6-10.)

Imagine if you will an organization composed of completely rational people. These people act as cool, calculating actors. They ultimately behave as independent agents, each with a unique set of values and aspirations. All of them seek only the best for themselves as individuals. One might suggest they hardly form an 'organization' at all. Perhaps this matches your vision of investment bankers. Or Wall Street analysts. Or professional athletes.

In this book, the Cohen and Prusak make the case that the connections between people within an organization transform that group into an 'organization.' They refer to this as *social capital* and suggest that organizations need to understand social capital as a dynamic and even organic phenomenon. Managers cannot command it from above; they cannot render it fixed and permanent. It has an ebb and flow; it operates in biological time, not internet time.

They offer this working definition:

“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.”

These mysterious connections focus on various facets of acknowledged interdependence – trust, understanding, values, behaviors – that support collective action, presumably toward some common goal.

Since no one can mandate social capital into existence, we need to examine it in order to learn about how it *does* come into existence. Cohen and Prusak suggest that we can look at the generation of social capital as the *result* of continuing interactions. They suggest that we can equally look at it as the *cause* of continuing interactions. That is, A trusts B because of prior satisfactory engagements and, since A trusts B, that will likely result in future satisfactory engagements. Further, they suggest that we can look simply at the *level* of social capital (irrespective of its cause) as an indicator of the mutual satisfactoriness of engagements.

This sense of mutual satisfaction forms a critical element of the overall effectiveness of most contemporary organizations. In organizations where knowledge has become a critical asset – and that asset goes home at night – people increasingly see themselves as volunteers. The authors suggest that we can identify the people with the most knowledge, and therefore the most to potentially contribute, as the ones most likely to leave when they do not find their needs met. Their high value in the marketplace for talent results in their having a low likelihood of taking on a self-perception of 'hostage'

to a particular organization.. They choose to give their time and energy where they can satisfy their own needs on multiple levels. Cohen and Prusak write

“A powerful sense of higher organizational purpose can sometimes foster trust. A sense of duty, patriotism, or idealism can help generate trust as well as commitment. People tend to trust institutions that have a ‘calling’ beyond pure profitability”

Putting this in terms of Maslow’s Hierarchy of Needs, these people operate well beyond mere physiological and safety needs. They want to find situations to work even beyond the level of self-actualization and move toward transcendence – making a contribution to something bigger than themselves.

Trust forms one key component of social capital. The authors write

“Trust is largely situational: a particular person may be quite trustworthy in one set of circumstances but not in another, where particular pressures, temptations, fears, or confusion make him unreliable. We trust some people to carry out one kind of work but not another.”

I accept the first part of this comment. Trust depends on the situation and its unique set of circumstances and pressures: “Will someone behave as I trust he will, given the pressures?” We could paraphrase this as, “Is his character strong enough?” I suggest that the last part of their comment, however, reflects a confused understanding of trust.

“Carrying out one kind of work but not another” concentrates more on competence than trust. I suggest this differentiation: *trust is a matter character* while *confidence is a matter of competence*. I may have confidence in my surgeon but not trust him with my checkbook; I may trust my teenage daughter but lack confidence in her ability to drive in heavy traffic. Just as we view trust as situational, we can view confidence as depending on the situation and the kind of work.

The authors spend time reviewing the important idea of networks. They note that sociologists invented network analysis and that more mathematically-minded academics subsequently refined the concept. Rather than focus on the formal relationships found on the average organization chart, these networks tie people together in informal ways. People can serve networks in a number of roles, including connectors, boundary-spanners, mavens, and gatekeepers. Each of these roles makes a different and essential contribution to the overall effectiveness of the network. In an important way, a network worldview may value *connectedness* in a way similar to *superiority* in a purely hierarchical worldview.

In the last chapter, the authors take a hard look at two variations of virtuality. They look first at virtual organizations pulled together for a specific purpose then disbanded and second at staff members who interact with one another in some virtual way other than face-to-face. They warn of the difficulty of creating and sustaining social capital in this virtual environment.

The authors do an good job of pulling together many ideas. Other authors address those ideas –such as trust, networks, knowledge – in greater depth in a more focused but less ‘connected’ way¹. As a survey of the impact of social capital on organizational effectiveness, however, the book offers a good place to start.

¹ For a treatment of trust, see Robert B. Shaw’s *Trust in the Balance*; for networks see Malcolm Gladwell’s *The Tipping Point*; for knowledge, see John Seely Brown’s, *The Social Life of Information*.