Social Capital: A review from an ethics perspective

Angela Ayios, Ronald Jeurissen and Laura J. Spence

*Angela Ayios, Lecturer, Brunel University, Brunel Research in Enterprise, Sustainability and Ethics, Uxbridge, UB8 3PH, UK. Tel: +44 (0)1895 266873. Angela.Ayios@brunel.ac.uk

Ronald Jeurissen, Professor of Business Ethics, Center for Sustainability, Nyenrode University, Straatweg 25, 3621 BG Breukelen, The Netherlands. Tel : +31 (0)346 291004. r.jeurissen@nyenrode.nl

Laura J. Spence, Reader in Business Ethics, Centre for Research into Sustainability, Royal Holloway, University of London, Egham, Surrey TW20 0EX, UK. Tel: +44(0)1784 276403. Laura.Spence@rhul.ac.uk

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Abstract

In this paper we extend previous reviews of the social capital literature to encompass an ethics perspective. First, we update previous reviews of social capital. Social capital continues to gain currency in both academic and practical circles, despite relatively little critical reflection on the implications of promoting this popular concept. Our work goes some way to rectifying this paucity in understanding what has been termed the 'dark side' of social capital. In particular, we review the social capital concept from the perspective of three theories of business ethics: utilitarianism, justice and ethic of care. While the utilitarian perspective closely parallels accounts of social capital's rationale, the concept's operation is mirrored very closely by the assumptions underpinning the ethic of care, while the dark side of social capital is commonly given voice in justice-based critiques. We conclude by considering the implications of our analysis.

Introduction

Social capital – “understood roughly as the goodwill that is engendered by the fabric of social relations and that can be mobilized to facilitate action” (Adler and Kwon 2002, 17) – is a concept predicated on societal actors’ propensity to develop relationships with one another. If we judge the success of a concept by its adoption across different scholarly disciplines, then the social capital concept is triumphant. It has been adopted by those engaged with political science, development studies, sociology, organization theory and management.

Since Adler and Kwon (2002) have fairly recently reviewed social capital from a management perspective in general terms, it is not our purpose to repeat that here. Instead we build on and develop their work by updating the literature review of social capital, and reviewing it from an ethics perspective. Ethics has largely been missing from previous reviews of social capital. This is necessary because scholars and policy makers alike should be aware of the full implications of promoting social capital both as an analytical tool in researching organisations and as a mechanism for improving management and policy effectiveness.

This ethical review considers the *positive* outcomes of social capital, but it particularly concerns itself with the potential *negative* outcomes of inequality, privilege and loss of freedom that social capital can cause, and the impact of these on the ‘optimum economic’ outcomes idealised in the social capital literature. Edwards and Foley (1998, 131) suggest that Coleman (e.g. 1988) perceives social capital to be a “morally and ethically neutral resource that facilitates all manner of individual and collective endeavours”. As our review shows, not all forms, manifestations and outcomes of social capital are morally right. Some aspirations for social capital are not based on morally good intentions; the enactment of social capital can be exclusionary, and further, there are a number of unethical consequences of social capital.

Our analysis of the literature points clearly in the direction of two distinct ethical paradigms – utilitarianism on the one hand, which stresses acting for the common good and maximizing good outcomes over bad, and ethic of care, sometimes known as ethic of responsibilities or duties, on the other, which sees ethical conflicts not in instrumental outcome-based terms, but instead as conflicts of duties in relationships not always geared towards rational utility maximizing *homo economicus*. Put in simple terms, utilitarianism stresses rational outcomes – the ‘capital’ element if you like of social capital; ethic of care, on the other, alerts us to the ‘social’ element of social capital. Further, criticisms over the ‘excess of bonding capital’ (Coleman 1988) in certain environments and situations, made visible through inequality and exclusion, fall very firmly under the ethical gaze of justice. Justice operates according to the key principles of equal rights and the most extensive system of basic liberties being open to all, with social and economic equalities arranged so that they are to everyone’s advantage and available to all.

The paper is organised as follows. First we summarise the definitions and characteristics of social capital according to key literature. Then we take a closer look at the espoused advantages of social capital, and follow this with a review of the work that has addressed the negative aspects, or what might be called the ‘dark side’ of social capital. The next section sets out the central components of the three relevant ethical theories and we apply them in detail to some examples of the dark side of social capital identified in the literature. We conclude that by looking at the social capital literature through an ethical lens, the bias and ethical underpinnings in the extant literature are highlighted, to enable management researchers to engage with this undeniably useful concept in a more balanced and ultimately meaningful way.

The characteristics of social capital

There are many definitions of social capital (Adler and Kwon 2002; Paldam 2000). Robert Putnam’s key definition is that “social capital refers to connections among individuals – social networks and the norms of reciprocity and trustworthiness that arise from them” (Putnam 2000, 19). Adler and Kwon, in their definition, recognise that these networks and norms become “the goodwill available to individuals and groups. Its source lies in the structure and content of the actor’s social relations. Its effects flow from the information, influence, and solidarity it makes available to the actor” (2002, 23).

Putnam distinguishes between two types of social capital – bonding and bridging – a distinction that has been popular in the literature to understand different forms of social capital. Where a group associates and identifies with fellow members of the same group, this is called bonding social capital. There is a strong emphasis on internal group norms, attitudes and sanctions that govern the proper expectations and behaviours of participants. As a result, in-group loyalty is maintained and specific identities reinforced (Field 2003, 32). According to Putnam, “Bonding social capital is good for under-girding specific reciprocity and mobilizing solidarity" (2000, 22). This type of social capital *may* come from a feeling of needing to react to (negative) external forces: "Social capital is often most easily created *in opposition* to something or someone else" (Putnam 2000, 360-361).

Adler and Kwon contrast this approach focusing on collective actors' *internal* linkages and close bonds with the concept of bridging social capital, which they view as focusing on a focal actor or group's *external* relations with other actors or groups. On this view, social capital becomes a "resource that inheres in the social network tying a focal actor to other actors" (2002, 19). Bridging social capital, then, is inclusive and concentrates on bringing together people from different backgrounds and perspectives: "Bridging networks…are better for linkage to external assets and for information diffusion" (Putnam 2000, 22). He explains the distinction between the two types thus: "Bonding social capital constitutes a kind of sociological superglue, whereas bridging capital provides a sociological WD-40." (Putnam 1995, 23).[1]

The bonding-bridging distinction is a point of debate; the two forms of capital may not be necessarily mutually exclusive (Putnam 2000, 23), nor are they always helpful for understanding the concept (Adler and Kwon 2002, 35). Some authors are strongly in favour of this separation, for example, Newell, Tansley and Huang (2004) argue for the separate treatment of bridging and bonding social capital, since for example, bonding social capital may be a prerequisite in a team for effective group benefit from

[1] Scholars have adopted and adapted this division in a variety of ways. For example, Portes (1998) stratifies the literature into 'consummatory' and 'instrumental' social capital. Nahapiet and Ghoshal (1998) have developed and applied the concept towards an evaluation of its functioning in organizational and business life. The bonding-bridging division can be detected behind their conceptualization of social capital in business existing in three dimensions: structural, cognitive and relational.

bridging social capital. On the other hand, Adler and Kwon point out that some conceptualisations are neutral to this ‘divide’ (2002, 21). A good example is Gray *et al*. (2007), who suggest this is a spectrum rather than a divide *per se*. They formulate this as a debate over ‘open’ or ‘closed’ networks (Coleman 1990), and draw on Coleman’s example of diamond traders in New York who have such a strong informal system of norms and sanctions that high levels of trust are possible (ie this is a closed network), in comparison to, for example, Burt’s (1997) brokering between distinct groups which are still open and benefit from information diffusion as a consequence. In this article, we recognise the bonding-bridging distinction as instructive for an understanding of how the ethical frameworks that underpin discussions and debate of the social capital concept can best be applied.

The advantages of social capital

The thrust of much of the social capital literature is generally positive (see for example Leana and Van Buren 1999). Social capital at the societal level is seen to deliver positive economic and political outcomes, based on the existence of intangible collective resources such as local solidarity, common norms and trusting communities, better mental health and education, plus reduced crime (Putnam 2000), “i.e. a wide range of durable, socio-economic, collective goods, which in all respects are vital to people, form an important part of their everyday lives and clearly enhance their well-being.” (Svendsen and Sorensen 2006, 425) Crucially, “[u]nlike other forms of capital, social capital inheres in the structures between actors and among actors.” (Coleman 1988, 20)

The management literature has been quick to spot the application of the social capital concept to business practices, with recent empirical work exploring social capital across a wide range of organizations and organizational practices. Studies have covered, for example, human resource development practices, internal organizational processes, the interconnectedness of human and social capital and its role in exchange relationships and strategic alliances (Edelman *et al*. 2004; Halpern 2004, 43-72). Others have investigated the role of social capital in innovation (e.g. Fountain 1998; Maskell 2000), knowledge management and the knowledge economy (e.g. Maskell *et al*. 1998; Lang 2004; McElroy *et al*. 2006) and workplace discrimination (e.g. Gray *et al*. 2007).

Inherent in social capital is the notion that such capital built along one trajectory is appropriated for a different cause. Social capital's appropriability (Coleman 1988, 109), or 'appropriable' organisation (Nahapiet and Ghoshal 1998, 253) could be in evidence when, for example, a garage owner takes a car to a neighbouring firm for a test and, while there, gets into discussion on a technical problem he is having with a repair and ends up borrowing equipment or simply learning information which helps solve the problem unrelated to the initial visit. Indeed, the 'problem' need not be business related and could be a social or personal issue such as which school to send a child to or what to buy a partner for an anniversary (Spence and Schmidpeter 2003).

Ostrom notes that: "Success in starting small-scale institutions enables a group of individuals to build on the social capital thus created to solve larger problems and more complex institutional arrangements (1990, 190). Hence an initial reservoir of social capital is a foundation for multifaceted activities and may lead to strengthened and broadened social capital potentially with a wider circle of partners. People often think of their social network in economic terms, as an ‘investment’. This common attitude nicely captures the appropriability and convertibility of social capital. The capital invested in social networks can be appropriated at a later time, for numerous purposes, and it can be converted into others forms of capital.

Summarising the general thrust of these arguments, Burt argues that advantages created in social structure; that is, in informal relations, are becoming increasingly important as, ‘…markets, organizations, and careers become more and more dependent on informal, discretionary relationships.’ (2005, sleeve notes)

What the dark side looks like

Most theories of social capital stress the positive externalities of social connections and informal relationships which are theorised to result in trust, shared norms, solidarity, and civic mindedness. As Field (2003, 71) observes: “there shines out a warm glow. Social capital’s ‘dark side’, by contrast, remains largely unknown terrain.” However, a good number of authors acknowledge the downsides to social capital – systematic critiques of social capital include those by Edelman *et al.* (2004), Locke (1999), Leenders and Gabbay (1999) and Portes (1998). Portes (1998, 15) summarises problematic aspects as being ‘at least’ the exclusion of others, excessive claims on members of the group, restrictions on individual freedoms, group closure and the downward levelling of norms based on group solidarity. Other related outcomes include distrust and lack of cooperation, thereby impeding economic progress.

Putnam does in fact recognise the potential limitations of the emphasis on shared norms, languages and networks, when he cautions over the ‘Dark Side of Social Capital’ (2000, 350-363) and concedes that there is a “...classic liberal objection to community ties: community restricts freedom and encourages intolerance.” (*Ibid*, 351) For example, in the 1950s a, “…surfeit of social capital seemed to impose conformity and social division” (*Ibid*, 352). This dark side is given voice in “a collection of criticisms that interpret Putnam’s social capital as class based, and elitist for providing a bulwark in favour of the prevailing economic policies” (Manning 2008, 55).

This can apply as much in the perpetuation of elites or key groups in the work place as in wider society, and is reminiscent of Bourdieu’s (1986) conceptualisation of social capital as relating to “privileged individuals (who) maintain their position by using their connections with other privileged people” (cited in Field 2003, 28). Based on this, it is easy to spot the potential moral deficiencies of social capital in simple statements such as those of Lin, defining social capital as, “embedded resources in the networks accessed and used to attain status.”(Lin 2001, 79) Social capital is premised on “investment in social relations with expected returns in the market place” (*Ibid*, 19), or put simply: ‘It’s not just what you know but who you know.’ (Lin 2001, 40)

In the business context, the ‘not what you know but who you know’ dark side can be found in Stevenson and Greenberg’s (2000, 652) comments that: “some actors are enabled by their network position, and others are constrained", ie there is no guarantee that the enabled individuals are necessarily the best. When it comes to, for example, knowledge-sharing, social capital, through its focus on a limited group of network 'insiders' and by extension organizational 'subgroups', may hinder intrapreneurship and impose non-reciprocal obligations that lead to the organisation favouring the subgroup goals over the goals of the larger organization (Adler and Kwon 2002; Locke 1999; cited in Willem and Scarbrough 2006). On a broader business level, cartelisation and business friendships may lead to obligations to help each other and opportunities for collaboration (Adler and Kwon 2002), however they may also lead to lower productivity, higher prices, non-responsiveness to customer needs, lack of enterprise, stagnation and inefficiency (Ingram and Roberts 2000; Field 2003; Adler and Kwon 2002). At a societal level, a commonly quoted example develops this possibility into a basis for social exclusion: Puerto Rican drug dealers in New York, it is claimed, do everything to keep one another within the drug milieu, to the extent that it would be treason to mix with the whites in an attempt at social upward mobility (Portes 1998, 17).

The common theme is that when social capital takes place within a well-delineated and close-knit group, the resulting bonds can operate such that outside influences are excluded and damaging group norms enforced (Johnston and Percy-Smith 2002), resulting in an aggregate loss for those inside the network and potentially the wider organization and/or society. In terms of the foregoing debate over the bonding-bridging divide, this is an example of Coleman's 'excess of bonding social capital'.

To sum up the arguments regarding social capital's 'dark side', this, then, is a case in which some economic actors have social capital that is more useful than others, it is a resource that can be subject to high levels of selectivity and manipulation by actors using it and those subject to it, and this can lead to great inequalities and perverse outcomes in the attainment of optimum 'economic outcomes'. Such concerns lead Adler and Kwon to conclude that: "social capital research would benefit from a more systematic assessment of risks as well as benefits… One actor's social capital advantage is often another actor's disadvantage, and research on the differential access to social capital is therefore a high priority (Lin 1999)" (2002, 35).

Ethical theory and social capital

In this section we demonstrate the implicit reference to ethical theory in the social capital literature, and how certain moral arguments are sometimes unwittingly employed in order to justify the approach, while other ethical perspectives are undermined.

Utilitarian theory

Social capital as a form of capital is viewed as a productive asset or a resource to pursue and achieve maximum utility and/or profit for a society or business organization. Such a conceptualization resonates directly with the ethical theory of utilitarianism, a consequentialist theory which stresses the achievement of the long-term maximum utility for society as a whole, evaluating the moral worth of an action according to the results flowing from it (Knights and O'Leary 2006). First developed through the works of Jeremy Bentham and John Stuart Mill, the principle of utility refers to the ethical goal of promoting overall welfare. In simple terms, this is often presented as a cost-benefit analysis according to which an action is morally right if it leads to the greatest good for the greatest number (the greatest happiness principle) and minimises harm (Beauchamp and Bowie 2004).

Of course, in a situation where it is the *aggregate* utility that counts, one person's increase of utility may be offset by a reduction in that of another. As a result, utilitarianism is disadvantaged by the difficulty of allowing some to suffer because of the moral imperative of achieving the greatest good for the greatest number. In business ethics, the concept of utility is a popular model that has a wide application, which overlaps to a certain extent with the economic principle that is called, not coincidentally, utility maximisation. Indeed, in relation to its utilitarian underpinnings, social capital as a concept has been criticised by McCleneghan (2003, 437) as representing, through the work of Coleman (1988), Granovetter (1992), Portes (1995) and Woolcock (2000): "an early incursion by neoclassical economics into sociological thought through rational choice theory, extended and developed through network theory". There is a clear use of utilitarian language in her account of how, in this process, the 'social' element of social capital has become subordinated "to a particular form of economic theorising. Everything, including relations of conflict, can now be viewed as forms of capital which when they favour particularistic interests over the general good are understood in terms of the concept's 'dark side'." (McCleneghan 2003, 437)

Social capital's dark side, then, considers the mechanisms by which the common good, as promoted through the utilitarian assumptions underlying the 'warm glow' rhetoric surrounding the outcomes of the concept, is subverted through the inherent risks of particularistic interests prevailing, i.e. the costs then come to outweigh the benefits.

Utilitarianism and social capital

How is this manifested in practice? Social capital in its optimal form provides benefits for the 'broader aggregate', ideally becoming 'collective goods' rather than the private property of the focal group who created and initially sought to benefit from it (Adler and Kwon 2002; Coleman 1988), through the provision of, for example, macro economic and political benefits, a competitive and innovative businesses environment, trusting communities, improved health and education and so on, that all go to improve individual and societal well-being. From a utilitarian perspective, 'pure' public goods (Adler and Kwon 2002, 32) should not exclude 'outsiders' from the benefits developed and accrued by the insiders, nor should this apply in the reverse: "Depending on the content of its norms and beliefs, a group with strong internal ties but only few external ties may become insular and xenophobic or, alternatively, may use its internal social capital to encourage and help its members reach out to the surrounding world". And by implication, the external world benefits in this latter process too.

However, the risks of the negative (perhaps unintended) externalities of bonding social capital in the form of, for example, exclusivity and overembeddedness, the exercise of power, and blocks on innovation resulting in anti-competitiveness, among many others, are much in evidence in the social capital literature. For example, Portes' (1998) observes that tightly-knit communities may suffer free-riders who demand resources from the group or community, or indeed may discourage members from reaching out economically or culturally to the wider society. Similarly, extended families who share resources may lead to redundancy of effort by some, and extreme hard work by others. In both cases, entrepreneurial activity and greater economic returns are much reduced; individual good, let alone the common good, is not achieved.

From the business perspective, there is much discussion of the impact of social capital on managerial success, and on knowledge-sharing, competition, and innovation, amongst others – the utilitarian benefit of a profitable and competitive firm is assumed to be better achieved through such processes. For managers, social capital is seen as a source of power, influence and control particularly for those already occupying or wishing to achieve a powerful place in the social network (see Burt 1997) – so-called 'gatekeepers' who initially set up their networks for their own aims and benefits (e.g. career development). As they increase their power, their knowledge garners increased value as a result of their social capital activities and resultant position in the network – they set the frames of reference, norms and key individuals for their business and those around it – leading to enhanced knowledge-sharing, which in turn becomes a collective good available to those outside of the network. These key network players' social capital is more effective than formal relationships at mobilizing knowledge in organizations (Kostava and Roth 2003, cited in Willem and Scarbrough 2006).

However, such an exercise of power may not achieve greatest happiness for the organization and its stakeholders, and indeed has the potential to undermine organisational effectiveness and performance. Unless such managers exercise their power 'virtuously' towards organizational rather than personal gain (Adler and Kwon 2002), there is every possibility they may direct others towards a selective form of knowledge-sharing or withholding (Edelman *et al.* 2004). The networking manager described above is instrumentally seeking career success and increased power, and so may be sorely tempted to make changes in what constitutes acceptable or correct knowledge in an organization, or the appropriate ways and routines of doing things (Lawrence *et al.* 2005, in Willem and Scarbrough 2006) that meet their own needs. Such managers or groups of managers or even organizations may seek to maintain their dominant position through setting norms and narratives that "exclude subordinate categories from the information, influence, and solidarity benefits it has already accrued. There is no invisible hand that assures that the use of social capital resources in competition among actors will generate an optimal outcome for the broader aggregate" (Adler and Kwon 2002, 31). The greatest happiness of stakeholders is far from guaranteed.

Knowledge and knowledge-sharing has been a popular focus of attention for the application of social capital theory to business. Social capital is seen to create mutual understanding, and the right conditions to exchange knowledge, perhaps even intensively. With greater knowledge-sharing amongst sub-groups and members of organizations, organizational performance and profitability are improved (Gargiulo and Bernassi 2000; Tsai 2000; cited in Willem and Scarbrough 2006). However, the utilitarian benefit of firm profitability can be threatened when innovation and entrepreneurship are thwarted through these processes, i.e. it is possible that there is over-reliance on the strong ties associated with dense networks of social capital and their resultant obligations (Granovetter 1973). The very norms and group identification that have the potential to increase organizational or group performance can, dependent on the focal actor, and the attendant network and assumptions of it, create barriers to new ideas entering the group, resulting in parochialism and inertia (Gargiulo and Bernassi 1999 in Adler and Kwon 2002).

The undesirable consequence of social capital leading to a poor innovative environment and sub-optimal business outcomes have been investigated by, for example, Maskell *et al*. (1998, cited in Field (2003), who found evidence in the Nordic countries that social capital, while having the potential to stimulate knowledge transfer and business innovation also created a "risk of 'lock-in' to existing strategies and techniques. In this case, employers find they are pushed into holding on to an activity long after it has ceased to have economic value (Maskell *et al.* 1998, 49, in Field 2003, 86). In a similar vein, Kern (1998), commented on German industry that the price of too much inter-firm trust in the country was a loss of radical innovation – firms neither sought nor adopted new ideas on account of their loyalty to established suppliers (Adler and Kwon 2002, 30).

Unintended consequences are also examined by Ayios (2003, 2004) and Ledeneva (1998, cited in Field 2002). Ayios notes how the *blat* system in Russia of exchanging favours for necessary, scarce items or services impacts negatively on the entry of western investors in the former Soviet states who struggle to master what she labels ‘local competence’ – i.e. a post-Soviet version of the old boys’ network. Ledeneva’s (1998) research indicates that in the minds of the *blat* perpetuators, there is a loss to unknown others from whom they objectively distance themselves in consequential terms, while those engaging in the exchange gained. Further, Portes (1998, 15) cites examples where a particular group becomes dominant and flourishes in a given industry, such as the construction industry in a city, and in doing so excludes others from having the same opportunity.

Strong ties might limit innovation but enhance other positive outcomes (e.g. psychological well being of participants) so that, overall, utility gains are still positive. Granovetter’s (1973) strong and weak ties have been identified in the case of entrepreneurs who use different social circles to solve different problems (Cohen and Fields 1999; Flap *et al.* 2000, 153). In their work focussing on the social capital of ethnic entrepreneurs mainly in the Netherlands, Flap *et al.* (2000, 153-158) note that starting up a business as an ethnic entrepreneur can be hampered by limited collateral, discrimination by banks and a distrust of bureaucratic agencies. Money is often borrowed from several family members and friends. A balance of positive outcomes is achieved through entrepreneurship being enabled via these processes of social capital. However, the motivation for making these contributions may be to do with upholding a status position, which can be highly embedded in a local immigrant community. In turn, the recipient also cannot risk losing face, and is bound to repay the money quickly, making it difficult to develop the business on a sound financial footing. Friends and family may be hired as employees, which has the advantage of reducing turnover, but they cannot be pressed as hard as other employees. In a study of South Asians in the West Midlands, Ram and Jones found that family members actually put up resistance to bringing in external help when needed (Ram and Jones 2002, 164). Furthermore, as customers, friends and family may expect special rates; the research by Flap *et al.* (2000, 156) indicates that some cultures may consider it inappropriate to make profit from the in-group but fair game from people in the out-group. Again, achievement of the greatest happiness is threatened.

The above discussion has shown how the ethical lens of utilitarianism can be instructive in understanding the potential moral deficiencies of the ‘capital’ element of social capital, and draws our attention to the risks of its perceived benefit-maximising *rationale*. It also paves the way for grasping how the ethic of care underpins notions of the *operation* of social capital’s ‘social’ element.

Care, justice and social capital

Brady (1985, 24) comments that “utilitarianism as a system of public decision-making tends to suppress the expression of sympathy and other felt obligations... Any obligations or feelings of intrinsic worth, apart from human self-interest, are comparatively unimportant.” *Homo economicus* is beholden to act rationally, instrumentally, motivated by extrinisic rewards, and acting in isolation from others. Liedtka suggests that it is the shortcomings of this approach that has led to the “language of care and relationship-building …[appearing]… with prominence in the business literature, driven by the realities of the marketplace” (1996, 179). These ‘realities’ now reside in a realisation that traditional views of capital overlook the central role of economic actors interacting and organising themselves in such a way as to create economic growth and development (World Bank (1998), in Hibbitt *et al.*

2001). Indeed, social capital is “seldom defined so as to include feelings or emotions. Yet it is feelings of empathy and concern for others-developed through contact and interaction with them-that provide crucial reinforcement for trust and cooperation" (Folbre 2001, cited in Schmid 2002, 751).

While an ethic of care prioritises the maintenance and nurturance of ongoing responsibilities and relationships, the ethic of justice emphasizes individual autonomy, choice and freedom, ensured through the preservation of equality, and enacted through rules that must be followed by all to ensure fairness. Relationships in this context are established through respect for others’ rights and the observance of the attached obligations, established through the ‘highest principles’ (French and Weis 2000; Sevenhuijsen 2000; Reiter 1997). Therefore, an ethic of care perspective is linked, as a result, to ‘negative freedom’, in the sense of standing in the way of a free or autonomous life (Giddens 1998, cited in Sevenhuijsen 2000). Social capital, seen through this lens, has been criticised on the grounds of exclusion, restricting freedom, perpetuating privilege, creating intolerance, the production of closed and binding ties and norms, the creation of mistrust and non-cooperation, and the reproduction of conformity, amongst others.

A common theme running through the criticisms of social capital is the perpetuation of privilege, as described by Bourdieu (1977, 1986) in terms of those individuals using their links to other privileged people to maintain their status – an elite bunch of Jones’s with their own symbols, norms and narratives of what constitutes the acceptable ‘in group’ and its behaviour. While social capital in its positive forms is seen to produce optimal outcomes through the generation of norms, responsibilities and relationships so typical of the ethic of care literature, and that thus enable collective and individual action, the dark side criticisms see how this can be abused from a justice perspective.

The departure from the ‘prevailing’ emphasis on an ethic of justice is commonly attributed to Carol Gilligan (1982), whose book *In a Different Voice* (1982) argued that females tend to view morality in terms of interconnectedness, focusing not on fairness, autonomy or universal principles, but on the creation and strengthening of relationships among individuals and their attendant responsibilities: “An ethic of care is reflected in concern about how to fulfil conflicting responsibilities to different people, as opposed to questions of how to resolve claims of conflicting rights among them” (Simola 2003, 354).

This ties in very closely with approaches to social capital, which view one of its core motives as the willingness of individuals to look beyond their own self-interest and, based on sympathy and caring, help those with whom they have an affinity (Schmid 2002). The sympathy of an individual or group towards another individual or group “may produce a potential benefit, advantage, and preferential treatment for another person or group beyond that expected in an exchange relationship. Social capital resides in transacting, communicating individuals” (Schmid 2002, 750).

Gray *et al*. (2007) examined gendered and racial exclusion in the workplace enacted through micro-level exclusionary ‘social capital’ practices such as casual conversations, sporting activities, patronage by those higher up to help the next generation coming through and so on. These activities result in negative normgenerating ‘cliques’, with trust extended through relationships amongst ‘insiders’, who are defined by in-group values and narratives to the detriment of outsiders. They emphasise Marsden’s (1987) findings of social homogeneity, which mean we seek similarity amongst those with whom we establish relationships according to criteria such as leisure pursuits, age, occupation, attitudes, family circumstances, location, etc. Therefore, when developing networks and sponsoring future careers, those in powerful positions will reproduce ‘homosocially’ (Kanter 1977), that is, with those sharing their own characteristics.

As a result: “Social networks function to enable access to information and knowledge and to create job opportunities, but at the same time, function to prevent others from gaining access to such privileges” (Gray *et al*. 2007, 145). This they argue is the key to understanding inequality in occupations; the supposed fair and objective processes of promotion and career advancement (in line with the prevailing justice orientation) are undermined by the preferences of powerful individuals who determine fitness for purpose of a candidate (based on relationships). This is very reminiscent of Lin’s ‘it’s not what you know, but who you know’ commentary on social capital. The losers in this process tend to be women and minority groups (we would add the disadvantaged or poor also), who are an example of ‘some people’s social capital being more useful than others’. Their networks tend to be with individuals with whom they share certain characteristics with, and who are in a similarly disadvantaged position through, for example, poor access to information and knowledge networks, or low-ranking occupational areas. In such a process, social capital is not only a basis for inequality and the extension of privilege, but perpetuates it (Field 2003).

The findings of Gray *et al*. (2007) show a less 'rosy' version of the social capital story being "about how social networks provide resources to lower-level aggregates—organizations within societies, units within organizations, and individuals within units—with which the lower-level aggregates can reshape the higher-level aggregates and renegotiate their place within them" (Adler and Kwon 2002). On the contrary, within these networks of relationships, norms and outcomes are leveled downwards. As Portes and Landholdt (1996) explain, in competitive environments, any kind of information may be diffused according to political motives, and one person's social capital advantage may well mean another person's loss.

In terms of racial exclusion, Putnam considers whether social capital is contrary to equality, in particular noting that: "Race is the most important embodiment of the ethical crosscurrents that swirl around the rocks of social capital in contemporary America" (2000, 361). Discrimination in whatever form can come as a consequence of social capital, and the exclusion of those outside a well-bonded group or network is perhaps social capital's most clear-cut dark side. On the other side of the race issue, there have been some studies (see, for example, Flap *et al.* 2000, above) looking at the operation of social capital and ethnic minority businesses. Examples from family businesses, typically built around strong bonding social capital, suggest that children and relatives of the owner-manager often have little choice but to participate, a clear restriction on their liberty and freedom of choice, since livelihood and family life are intertwined (Ram and Jones 2002, 161).

The perpetuation of privilege and inequality is often examined in terms of managerial careers. It is unclear whether Burt (1997) and Granovetter (1973) were aware of the potential moral deficiencies of social capital as a way of enhancing managerial careers through increasing such individuals' status at the expense of others (Field 2003). The networking manager may be the most well-connected, but may not be the best person for the job and will be adept at using their relationships to advance their own interests and viewpoints; the organisation may suffer as a result.

Again, this phenomenon has also been commented on in relation to knowledge-sharing, and the potentially high degree of selectivity in its enactment. Not only are the powerful selective in what and with whom they share knowledge, excluding some and including others, but those in the network may find their freedom limited in terms of acceptable behaviour, obligations to key parties, and their abilities to exercise independent thought and knowledge development. This leads to the creation of a 'social prison' (Portes 1998, in Willem and Scarbrough 2006), and external knowledge may be rejected or excluded as suspicious and untrustworthy (Adler and Kwon 2002). As pointed out previously on utilitarianism, the goals and biases of the closely connected subgroup may then come to dominate the whole organisation.

As the foregoing shows, justice-based concerns over liberty and freedom are a key criticism of communities who generate norms and obligations that those within them are committed to, and indeed which members will be loathe to break, for fear of becoming an outsider. Coleman's famous example of the diamond traders in New York shows the positive outcomes of a community that aspires to honesty amongst its members. However, for individuals in difficulties or who disagree or who are beholden to onerous obligations, their freedom to act independently, or be honest with their peers may be curtailed despite their best intentions.

Flap *et al.* (2000, 155), examining the social capital of entrepreneurs in the Netherlands, suggest that a very dense network of bonding social capital makes it undesirable, even impossible, for the entrepreneur to be honest in times of difficulty. Entrepreneurs may "hide the true state of their affairs out of fear of damaging their reputation and ruining their chance of selling their business and goodwill". The close watch of a community can thus force dishonest behaviour. If repeated, such forceful acts of dishonesty may reduce the honesty of a person's character. This runs contrary to the suggestion by those in favour of such networks, for example, Brass *et al.* (1998), who argue that the stronger the ties holding a group together, the greater the incentive for ethical behaviour since there is an expectation of future interaction – typical of care-based approaches to business. They consider that the multiplexity of relations, where there is a high degree of appropriability, will result in ethical behaviour. This again runs counter to Flap *et al*'s argument that tightly knit groups high in social capital may be driven to unethical behaviour due to the sheer pressure of group norms and relationships, and the unacceptability of failure as defined by the group.

Therefore, groups characterised by strong interdependent relationships can put enormous strain on individuals, if they 'fail' in reaching the group norms, do not comply with their presumed characteristics and are perceived not to fulfil their 'proper' obligations. For example, Katila (2002, 190) talks of farms in Finland and notes that "When a farmer takes over the farm from the previous generation he immediately commits himself to the values of the yeoman moral order as well…He is responsible not only to himself but also to the previous generations. Breaking the chain of continuation means that one is wasting all the years of labour invested in the farm business." In Finland, to inherit and then lose the family farm would bring guilt and shame on the perpetrator and his (and it normally is a male's) family. This is not an intentionally unkind norm, indeed no doubt the community feel they have extraordinarily high moral standards, but could lead to psychological strain for those not able to live to the 'standard'. This community also demonstrates one of the enduring features of long-standing, tight-knit communities, that of highly gendered expectations with a clear prescription of men and women's work (Katila 2002, 191). Clearly, such norms are not concomitant with freedom of choice, but do resonate with, for example, the studies of ethnic businesses and familial expectations described above.

Conclusion

This article provides "some balance to the frequently celebratory tone with which the concept [of social capital] is surrounded" (Portes 1998, 3) by re-examining the social capital literature from an ethics perspective. Whereas previous commentators have tended to draw on a variety of risks associated with social capital to highlight its 'dark side', our critique exposes discussions of the rationale, operation and criticisms of social capital to the language of ethical theory. Debate over social capital's operation and the criticisms of it are in fact typical of the ethics debate over the difference between perspectives based on autonomous individual rights, as set out in the prevalent justice perspective, and Gilligan's (1982) criticism of this approach based on a 'different voice' that emphasises the importance of relationships. This tension is realized in the argument that the ethic of care perspective has been linked to 'negative freedom', in the sense of standing in the way of a free or autonomous life, which is of course the highest aim of a justice orientation (Giddens 1998, cited in Sevenhuijsen 2000). Under this argument, bonds become bondage.

Portes (1998) has criticised social capital over its potential for exclusion, loss of individual freedom, insularity and excessive obligations. The trust and cooperation engendered through the focal group and its actors, while popularly seen as delivering positive outcomes, in reality have the potential to translate into a mistrust of outsiders and the generation of downwardly mobile group norms that discourage external cooperation and encourage selectivity and abuse. From an ethical perspective, social capital is both achieving and risking the utilitarian benefit of economic and societal prosperity through an unequal distribution of justice-based fairness and equal rights amongst certain members of the community who are bound by restrictive relationships and power imbalances. However, the utilitarian perspective, with its focus on aggregate welfare, may well trample individual needs and rights, leading to another tension in the ethics literature, as: "Differing perspectives subordinate individual liberty to the primacy of the common good (Etzioni 1999) or call for individual liberty as the overriding principle (Friedman 1970)" (Spence and Schmidpeter 2003, 94).

Putnam himself has drawn this out, conceding the disadvantages of strong communities restricting freedom and promoting intolerance. As he admits without further comment in a brief aside (2000, 21-22): "Networks, and the associated norms of reciprocity are generally good for those inside the network, but the external effects of social capital are by no means always positive….Therefore it is important to ask how the positive consequences of social capital – mutual support, cooperation, trust, institutional effectiveness – can be maximized and the negative manifestations – sectarianism, ethnocentrism, corruption – minimized".

This tension between 'positive consequences' rooted in notions of relationships and responsibilities towards the other and the 'negative manifestations' of elitism, insularity and corruption are closely tied to arguments over the ethic of care perspective that perceives ethical dilemmas "as conflicts of responsibilities in relationships rather than conflicts of rights between individuals" (Crane and Matten 2007, 112), compared with justice-based concerns over restrictions on freedom and inequality of power and status. While relationships are put at the centre of the ethic of care that sees them as crucial to properly understanding ethical decision making, Portes' (1998) and Putnam's (2000) 'dark side' discussions of their abuse in social capital terms are echoed in the ethics literature in terms of justice-based critiques of the care ethic. Communal discourses that are distorted and controlled by powerful agents are seen as subverting the goals of an ethic of responsibility (Niebuhr 1963 in Dillard 2001). The focal actor is bound through these community-based restrictions, and must be liberated through autonomy, as enacted through justice.

Often, the caring dimension of social capital is neglected; in particular when highlighting the appropriability of social capital, personal relationships are seen as an asset of potential value to business or other instrumental causes. This suggests the instrumentalisation of relationships to bringing positive consequences in spheres outside of personal life. The pursuit of social capital may over-ride the pursuit of personal relationships for their own sake. Social capital has been found to bring benefits to individuals who operate successfully with it. However, the very value of social capital may be derived from a devaluation of friendship and kinship. Trying to build goodwill by cultivating friendship may be thwarted if the motivation is disingenuous (Perry 1999, 15).

As a result, an instrumental, utility-inspired approach to social capital entails the risk that social relationships based on care dissolve into a ‘marketplace of contacts’, where everyone instrumentalises everyone else. Even if this is all based on informed mutual consent, an important moral value may be jeopardised, namely our ability to engage in special relationships involving care.

It is our contention that the literature on social capital is strengthened by this ethical review which fortifies our critical understanding of the concept. Future research and management application of social capital should be done with the ethics perspective in sharp focus and a better understanding of the utilitarian, justice and care perspectives

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