

Conferencia Interamericana de Seguridad Social



**Centro Interamericano de
Estudios de Seguridad Social**

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ORGANIZATIONS AND SOCIAL CAPITAL

by
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ABSTRACT

An organization is a group of persons who satisfy established membership requirement and whose form and function are generally acknowledged. An organization's membership requirements may be based on inherited or earned traits. Organizations exist because they provide a setting in which members with similar traits can meet their physical and their socio-emotional needs. As the relative importance of members' physical and socio-emotional needs change, membership requirements and organizational emphasis must adjust for an organization to survive. Social capital is sympathy one person or group has for another person or group. The strength and distribution of sympathetic relationships or social capital within an organization will determine the kinds of goods exchanged within the organization, the stability of the organization, and how power is distributed and exercised within the organization.

Key Words: organizations, social capital, membership requirements, shared traits, physical needs and goods, socio-emotional needs and goods, exchanges, organizational stability, distribution of power.

Introduction

An organization is defined here as a group of persons who satisfy established membership requirement and whose form and functions are generally acknowledged. Social capital is a person's or group's sympathy toward another person or group that may produce a potential benefit, advantage, and preferential treatment for another person or group of persons beyond that expected in an exchange relationship (Robison, Schmid, and Siles). The level and type of social capital that exists within organization will affect what exchanges occur, the stability, and the distribution of power within an organization. Social capital is more likely to develop among an organization's members who share important traits. Persons within an organization who develop social capital may form social networks that function within and without the organization.

Organizations facilitate exchanges of goods and services by attracting members with similar needs and traits. Social interaction within an organization may produce important socio-emotional

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goods which often lead to increased social capital. The structure or form of an organization is related to the organization's mission. And both the form and function of an organization depends on the level and distribution of social capital that exists within the organization. To analyze how the form and function of organizations and social capital are related, we introduce a framework for classifying organizations. Then, within each organizational type, we discuss the role and importance of social capital in determining its form and function.

1. Membership Requirements and Social Capital

Membership requirements establish a consistency within an organization that permits it to function cooperatively to achieve its goals and those of its members. An organization's membership requirements often suggest the common traits around which members relate to each other and the basis for social capital.

Some organizations require members to possess traits that are inherited. If membership requirements are associated with one's inherited traits, then the organization is exclusive, closed to those lacking the inherited traits. On the other hand, if the organization's membership requirements are related to traits that can be developed or acquired, then the organization is inclusive, open to those willing to earn the required traits. One's gender and ethnicity are inherited traits and organizations whose membership requirements are based on gender or ethnicity are exclusive. One's income or political allegiances are generally earned and organizations whose membership requirements are based on one's income and political preferences are considered inclusive.

Some inherited and earned traits used as membership requirements include one's athletic ability, intelligence, religious beliefs, political preferences, marital status, income levels, age, genealogy, gender, nation of birth, ethnicity of ancestors, education, degree granting university, recreational interests, employable skills, location of birth, place of residence, level of education, height and weight, and interests in art, plays, athletic contests, and construction.

Inherited and earned traits are often associated with different types of social capital. Inherited traits such as membership in a family are often related to strong-symmetric levels of social capital and referred to here as bonding social capital. Social capital that depends on earned traits such as one's education may be less durable than social capital based on inherited traits and referred to here as linking social capital. Relationships based on asymmetric traits earned or inherited such as might exist between a mother-child, teacher-student, owner-worker are referred to here as bridging social capital.

There is, of course, an interaction between the difficulty and exclusiveness of membership requirements and social capital. When an organization's membership requirements clearly distinguish members and non-members, it may be possible to have an organization with both large numbers and strong bonds. In addition, some large organizations do indeed maintain high levels of social capital because their membership requirements are exclusive. For example, one might be a member of an exclusive religious sect and if so is unlikely to be a member of other religious denominations.

High levels of social capital in large groups can be similarly maintained when the membership requirements are difficult to satisfy. For example, the memberships in elite medical

groups are difficult to satisfy, including years of training and residency. And even though the membership in these organizations may be large, there may a high level of social capital within the group, simply because much of their life's experiences have been shared.

Still the number of members has an important influence over the strength of social capital within the organization. To illustrate, the more usual case is one in which an inverse relationship exists between social capital density and the size of the organization. For example, anyone over 50 and willing to pay modest dues can belong to the American Association of Retired Persons (AARP). The large size of the AARP organization along with its modest membership requirements has resulted in a large organization with weak social capital. (When was the last time you organized or attended an AARP party?)

In contrast to AARP is the Boy Scouts of America (BSA) troop 196 located in East Lansing, Michigan. Their membership requirements are very specific. Boy Scouts in troop 196 are males between ages 11 and 17, wear the same uniform, likely attend the same school, live in the same neighborhood, subscribe to the same book of virtues, share an interest in outdoor activity, and meet together regularly in cooperative activities including cooking meals and tying ropes. As a result of its more difficult membership requirement and small number of members, social capital is dense in troop 196.

2. Density and Social Capital Networks

Social capital networks may form within organizations. A social capital network is a social structure made up of individuals connected by sympathetic relationships. The social capital network perspective provides a clear way of analyzing the social structure of an organization. For large organizations, several different social capital networks may exist and members of the organization may belong to more than one or none social capital networks.

An important characteristic of social capital networks is the exchange of socio-emotional goods that leads persons in the network to provide each other resources and advantages not available to those outside the social network. Social capital density within an organization can be measured by the percentage of total dyadic social capital connections that actually exist. The more inclusive, dense, are the social capital networks that exist within an organization the more stable will be the organization. This is because they are more likely to provide each other goods and services that further the mission of the organization and benefit its members.

To illustrate the connection between an organization and social capital networks, consider the following example. An academic department is an organization that is nested within the larger organization of the university. The department's membership requirements assure that department faculty and staff have membership traits that facilitate them contributing to the department's teaching, research, and outreach products while advancing the interests of members of the organization. Social capital among faculty and staff may lead to the formation of social capital networks among members of the organization that operate inside and outside of the departmental organization. Within the social capital networks that exist within an academic department, socio-emotional goods are likely exchanged in addition to the expected flows of goods and services—provided increases benefits to members within the organization.

On the other hand, exclusive social capital networks more retard the mission of the department and prevent the flows of goods and services to those not included in the social capital networks. These exclusive networks may unfairly advantage some members of the organization and disadvantage others in addition to the normal rewards and costs expected of an organization's members.

3. Maintenance Costs and Exchanges

Each organization experiences maintenance costs that vary depending on whether membership requirements are earned or inherited. In some organizations, earned or inherited traits may be a necessary condition for membership in an organization, but other duties and performances are required to maintain one's good standing in the organization. If an organization's membership is based on inherited traits, often associated with bonding social capital, then the organization exists independent of the actions of its members and maintenance costs may be low.

Organizations whose membership requirements are based on earned traits, often associated with linking social capital, will survive as members find their needs satisfied within the organization. Maintenance costs based on earned traits and linking social capital must be proportional to the benefits members receive.

Some examples of maintenance costs include the following. If membership depends on adherence to a particular code of religious beliefs, the maintenance cost is continual confirmation of one's beliefs. If membership requirements depend on one's financial status, continued financial achievement is the cost of maintaining one's memberships. Still other organizations may require both earned and inherited traits such as the AARP whose requirements are both inherited (one's age) and earned (membership fees).

Activities within organizations take the form of exchanges of physical and socio-emotional goods. Exchanges between members of organizations based on linking social capital are likely to have a physical goods focus. Members join, not so much to increase their consumption of socio-emotional goods but to use their membership to gain access to trading partners willing to exchange physical goods on slightly favorable terms and level of trade.

Social capital asymmetry within a relationship consistent with bridging social capital often reflects asymmetry in the resources of persons in the organization. One person in the bridging relationship is more likely to bring physical goods and services to an exchange while the other person to the exchange is more likely to bring socio-emotional goods to the exchange.

4. Organizational Focus

Michael Woolcock has suggested that organizations be defined using a two-way classification based on Intra-Community Ties (low to high) and Extra-Community Networks (low to high). Several organizations seem to be well classified in this 2 x 2 matrix. This internal versus external focus on an organization is another useful organizational classification device.

An organization's focus is often correlated with the orientation of member's social capital. For example, within an organization, members may enjoy weak social capital ties or none at all. If these same members develop strong social capital ties to persons outside of the organization, then their commitments outside of the organization may dominate those to the organization.

For example, suppose a business organization has an external focus on its customer. Then suppose that the organization's service providers develop strong social capital links to the organization's customers. If at some point the organization's service provider finds preferred means of providing the customer goods and services, weak social capital ties within the organization may leave it vulnerable to members exiting and taking their customer connections with them. In other words, members may at some point decide that the benefits of membership are insufficient compared to maintenance costs—and when many of the benefits associated with the organization are potable—then the organization is unstable.

On the other hand, cheap social capital and strong ties may be formed within an organization if the orientation of the organization is outward and the external environment is hostile. For example, organizations engaged in competitive activities with organizations and individuals with goals opposing their own have an outward focus. However, this outward focus of an organization facing a threatening environment may produce increased levels of social capital between members because their survival and success depends on their social capital facilitated social capital.

5. Classifying Organizations

So far, organizations have been distinguished by the membership requirement based on inherited or earned, their social capital density, their cost of maintenance and their inward or outward orientations. Table 1 characterizes organizations based on the organizational characteristics described so far. Examples of organizations include: families, religious sects, ethnic classes, service clubs, communities defined by geographic boundaries, school districts, alumni clubs, gangs, employee unions, terrorist cells, employer alliances, athletic teams, political parties, literary and art societies, electronic chat groups, and nations and states.

Table 1 provides an interesting means for organizing individual organizations. For example, a local Rotary Club would complete the line labeled *Service Club*. For the club, membership requirements are earned, membership is moderately inclusive and within the organization, social capital density is moderate to weak. The maintenance requirements of memberships are moderate and the club has both an internal and an external focus—with slightly greater internal focus.

Other types of organizations that may exist within a geographically organized community may include families, churches, school districts, service and social clubs, and political parties. It is generally expected that as the number of organizations overlap, membership in organizations will overlap. As the social capital of persons in the overlapping organizations increases, social capital density within the community will increase.

Table 1
Characteristics of Organizations

Where Social Capital Resides	Inherited Traits	Earned Traits	Density	Maintenance Costs	Internal Focus	External Focus
Families						
Religious Groups						
Ethnic Groups						
Service Clubs (Local Rotary Club)		X	M	M	X	X
Person(s)						
Geographic Communities						
Gangs						
Work Groups/Unions						
Athletic Teams						
Political Parties						
Economic Clubs						
Literary/Cultural						
Electronic Groups						
States/Nations						

L(Low)M(Medium)H(High)

6. Socio-Emotional Needs and Goods

Organizations survive and thrive when they supply “goods” to their members. A “good” is something that satisfies a need. Several lists of needs have been suggested (e.g. Maslow). For the purpose of this paper, four needs are identified including: the need for physical goods and services and the socio-emotional needs to belong, to be validated, and the need to know.

The need for physical goods and services. This category includes the need for goods and services that provide the means for survival and physical enjoyment. In developed economies, economic needs are met by exchanging labor, effort, and other owned resources for income that is used to buy food, shelter, transportation services, entertainment, and other objects that provide physical satisfaction.

The need to belong. Men and women are social beings whose emotional and physical health requires social interaction and a sense of belonging. One form of punishment is to deny persons access to social interaction by confining them in isolated or limited social interaction setting.

The need for validation. Men and women have the need to believe they matter. The need to matter is satisfied through various mechanisms of validation. Means of validation are established in social interactions and must generally be interpersonally valued. Sometimes we seek validation by the work we do, the awards we earn, the positions we hold, our physical appearance, status symbols owned, the people with whom we associate, and the service we have performed.

The need to know. Men and women all have the need for information needed to cope in a complex physical and social environment. Sometimes this information connects consequences with their causes. Information that connects consequences with their causes is of the form “if A then B” is required for informed decision making. Chaos exists when an ordered connection between actions and outcomes is lacking or not understood.

Other kinds of information is of the kind “A is like or is the same as B”. This kind of information allows us to transfer lessons learned in one setting to a different one. Table 2 creates a classification of organizations based on the needs organizations seek to satisfy.

7. Meeting Needs and Social Capital

The need for physical goods and services in advanced economies is satisfied through mutually advantageous exchanges. The likelihood of mutually advantageous exchanges improves with increases in sympathy because sympathetic partners internalize externalities. This internalization process adds to the direct benefits of exchange, the vicarious sense of well-being experienced by an improvement in one’s partner’s well-being. Antipathy also internalizes the external effects of the exchange. However, it produces a negative effect when an enemy’s well-being is improved. Thus, economic exchange and efforts to meet economic needs among enemies will be frustrated.

Social capital has an important role in an organization’s ability to meet its member’s need for belonging. One reason individuals join organizations is to meet their important need to belong. Our need to belong is satisfied when we find ourselves interacting with persons with values and traits similar to our own—providing a sense of belonging. Sometimes this tendency to seek for persons with similar values and traits is reflected in the saying: “birds with a same feather flock together”. So fans of one team sit together on one side of the field and opposition fans sit on the other side of the field. Protestants live together and separate from Catholics in Northern Ireland. Lebanon is divided by religion and ethnic backgrounds and most cities experience segregation determined by the price of one’s residence or whether one owns or rents.

Most organizations establish a means for recognizing “successful” members. These validation tokens in organizations may be signaled by salary levels, size and location of one’s office, access to organization leaders, and public awards. Validation in social organizations may include friendly gestures by other members, election to office, and opportunities to represent the organization to non-member and other organizations. Religious groups may establish still different means for validation including public recognition of its successful members.

Antipathy between members of the group would seem to lead to a rejection of the group’s symbols of validation. Indeed, we often characterize the rebellious and turbulent teenage years as efforts to flout and disrespect the validation symbols of adults and others.

Body piercing, alcohol abuse, grooming standards, and jay walking may all be efforts to demonstrate a disrespect for accepted symbols of validation.

Social capital facilitates information sharing and satisfying the need to know. Information is only valuable when it is trusted. We trust friends whose well-being is connected to our own. Roman Emperors had to wonder if their food had been poisoned. They could ask their servants, but then they often could not trust their responses. So, they had to hire tasters who would sample the meal before they believed the food was safe. In the modern world, we employ USDA inspectors instead of tasters.

So now comes the car salesperson with a “one time” good deal. He/she provides information, but we sense this information is tainted by his/her desire to sell cars. We would be much more comfortable if the salesperson were someone we trusted—or someone with whom we shared a social capital connection.

Economic agents may sometimes successfully pursue their economic needs even when parties to an activity are antipathetic. Their methods, however, will depend on sticks. We can, for example, litigate, strike, and threaten violence to achieve economic goals. It is unlikely; however, that we can successfully pursue our social and validation needs without social capital because carrots and sticks cannot buy caring and sincere praise. So, an organization can exist without social capital but the needs of its members that it can successfully meet will be limited to economic and possibly information ones.

The essence of this discussion is that dense social capital ties improve an organization’s ability to meet all four needs of its members. But socio-emotional needs cannot be met without genuine caring. Validation from enemies is not valued. Information from the antipathetic is not trusted. And, economic gains earned in cooperation with one’s enemy makes one a traitor.

Of course, the need for social capital is not absolute in each category. For example, some persons work in settings that fail to provide belonging, validation, or information services. But, their work does provide them the economic resources to maintain themselves in other valued organizations such as their families. But, organizations that supply only economic needs are less stable and its members are less loyal than organizations that supply socio-emotional as well as physical needs to their members.

If the only need satisfied by an organization is economic, then organizations might vie for the resources of competing organizations but they could only compete on the basis of their ability to meet economic needs. But, competition between organizations for members who find their economic, belonging, validation, and information needs met within the organization cannot be hired away with only offers of a higher salary.

Most organizations strive to meet all four needs though they may vary widely in their emphasis on any particular need. For example, a local Rotary Club meets weekly for lunch. This experience provides a sense of belonging. Each lunch meeting, however, includes a guest speaker to meet an informational need. One purpose of the Rotary Club is to provide services organized at the weekly meetings and usually performed on weekends. The Club’s service projects provide a validation service for its members without which the Club would likely cease to exist. Finally, during some meetings and service activities, members are sometimes arranging a business deal. Thus, the local Rotary Club helps its members meet all four needs.

Table 2.
Organizations Described by their Member Needs they Intend to Satisfy

Where Social Capital Resides	Needs which an organization intended to satisfy			
	Physical	Belonging	Validation	Information
Families				
Religious Groups				
Ethnic Groups				
Service Clubs				
Person(s)				
Communities				
Gangs				
Work Groups/Unions				
Athletic Teams				
Political Parties				
Economic Clubs				
Literary/Cultural				
Electronic Groups				
States/Nations				

1 (Low) to 10 (High)

8. Organizational Dynamics and Stability

Organizational missions and needs are dynamic. Organizations are dynamic because the network structure, the relative importance of members' needs change over time and the ability of the organization to satisfy them also changes. One change that occurs over time is the relative dependence on any one particular organization to supply its needs.

Perhaps the most dynamic of all organizations is the family. New members of the family initially depend completely on inherited social capital to meet their physical, belonging, validation, and information needs. As members of the family mature and enter school, their dependence on the family for complete need satisfaction is reduced. Some of their social needs may be increasingly met by friends at school. As children grow, their information is increasingly supplied by persons

outside the home through numerous communication channels. Finally, children may join athletic or cultural groups that provide validation, some of which was previously produced at home. So as the age of family members change, so does the relative importance of the needs supplied by the family.

As organizations evolve, their stability depends on the social capital inherent in relationships. Describe person i 's (j 's) relationship with person j (i) using the social capital coefficient k_{ij} (k_{ji}). Furthermore, since relationships are dynamic, the magnitude of these coefficients can change over time by investments (disinvestments) in social capital.

A positive social capital coefficient, k_{ij} (k_{ji}) > 0 , suggests that person i (j) has sympathy toward person j (i) that can be used if needed to obtain preferential economic treatment, obtain information that is not generally available, and use his/her sympathy to meet social and validation needs. Most often, however, social capital is inventoried for a "rainy day".

A social capital coefficient k_{ij} equal to zero implies an arm's-length relationship. Arm's-length relationships suggest that the only basis for interaction between persons i and j will be a quid pro quo exchange and that only economic needs are being met in the exchange.

Finally, antipathetic relationships characterized by negative social capital k_{ij} (k_{ji}) < 0 imply that persons i and j are affected inversely by each other's successes or failures. Indeed, when negative social capital exists, partners are unlikely to exchange on mutually beneficial terms of trade. The goal becomes to reduce the welfare of each other even if one's own well-being is reduced in the process.

An important tendency in relationships is for symmetry of social capital. If person i has a sympathetic relationship toward person j , but person j does not reciprocate with similar feelings, then person j can exploit person i . The famous example of asymmetric relationships is the "rotten kid". The parents love the rotten kid but the rotten kid hates his parents and uses their goodwill for selfish purposes. While asymmetric relationships may exist in the short run, exploitation of person i by person j will eventually result in the loss of person j 's social capital and produce a more symmetric relationship.

Possible relationships that may exist between persons i and j are described in Figure 1. The 45 degree line passing through the origin represents symmetric relationships. However, any relationship between persons i and j can be represented by a position on the two-dimensional graph. The horizontal (row) value represents i 's feelings for j . The vertical (column) value represents j 's social capital provided i . The positive (negative) dimension of the graph represents sympathy (antipathy). The origin of the graph represents a neutral relationship, the focus of neoclassical economics.

The diagonal lines in Figures 1 represent symmetric relationships that are inherently stable. Relationships off the diagonal allow or facilitate exploitation and manipulation. The further the distance of the relationship from the line of symmetrical relationships, the less likely is the relationship to be stable. Asymmetric and therefore unstable relationships are not likely to be maintained unless supported by other relationships. For example, we might be kind to our enemies because of our relationship with members of our religious faith who support our charity. But the expected norm is most likely clustered around the 45o line passing through the graph's origin.

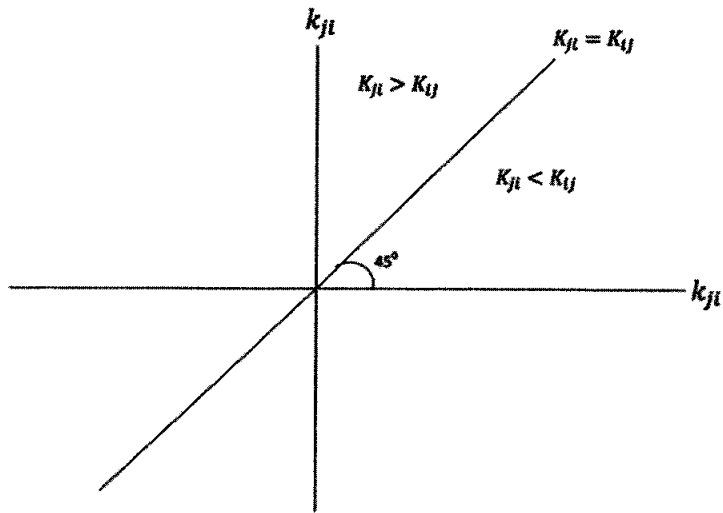


Figure 1. Symmetric and stable sympathetic (antipathetic) relationships along a 45° line characterized by $k_{ij} = k_{ji}$. Asymmetric and unstable sympathetic (antipathetic) relationships off the main diagonal characterized by $k_{ij} \neq k_{ji}$.

9. Hugs, Carrots, and Sticks

Kenneth Boulding described sympathetic relationships, $k_{ij} (k_{ji}) > 0$ as hug dependent when we are the object of another person's social capital. Hug power depends on one's social capital. Arm's-length relationships $k_{ij} (k_{ji}) = 0$ he described as carrot dependent. Carrot power depends on market incentives. Finally, he described antipathetic relationships $k_{ij} (k_{ji}) < 0$ as stick dependent. Stick power depends on coercive capacities, often monopolized by governmental units or units that operate outside of legal constraints. The Boulding identifiers are added to Figure 1 to create Figure 2.

The northeast quadrant of Figure 2 involves hug-hug relationships. The origin is a carrot-carrot relationship. The southwest quadrant represents a stick-stick relationship. Asymmetric relationships of stick-hug or hug-stick are described in the northwest and southeast quadrants, respectively. The positive (negative) vertical axis represents a carrot-hug (carrot-stick) relationship while the positive (negative) horizontal axis represents a hug-carrot (stick-carrot) relationship.

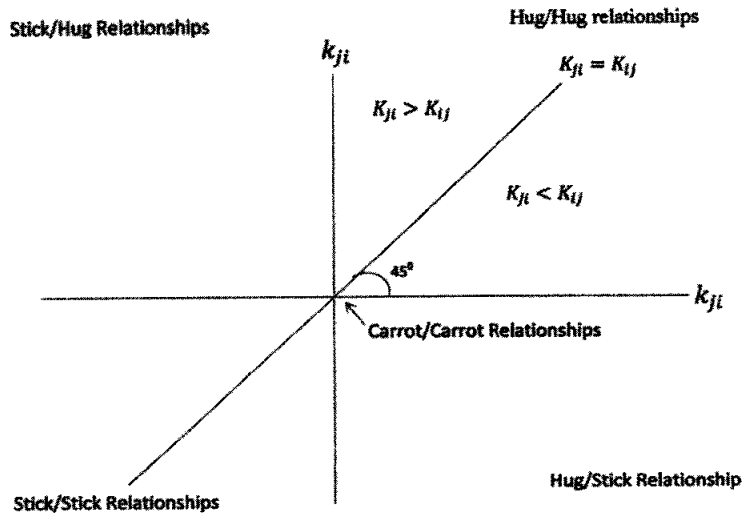


Figure 2. Symmetric and asymmetric levels of social capital and their relationship to how influence is exercised within the organization: hug/hug/, stick/hug, carrot/carrot, stick/stick, and hug/stick.

When the interaction between persons i and j is synergistic and mutually beneficial, it is hypothesized that their relationship will move in the northeast direction in Figures 2. If the interaction is mutually disadvantageous, then it is hypothesized that their relationship will move in the southwest direction in Figures 1 and 2. Finally, when the interaction benefits j (i) but disadvantages i (j), then the relationship moves in the northwest (southeast) direction in Figures 2. Included in Figure 2 is a possible path of relationships, moving from (hug, hug) to (carrot, hug) to (stick, hug) to finally (stick, stick).

The least stable relationship is the hug-stick or stick-hug. Furthermore, gradual changes in relationships are more likely than radical changes. Thus, changes between adjacent nodes are more likely than changes between non-adjacent nodes. Thus, we might move from hug-hug to carrot-carrot relationships, but it would not be likely to move from hug-hug to stick-stick in one step.

10. Power, Organizations, and Social Capital

Boulding defines power as one's ability to get what one wants. And one's ability to get what one wants depends on the kinds of social capital that exists in relationships. We adapt Boulding's characterization of relationships to describe the basis of power. Perhaps a measure of one's power is the number of persons one can control or influence to get what one wants. Sometimes what one wants places the person in conflict with what another person wants. Sometimes what one wants can only be achieved by assisting others. Conflicts characterized by zero sum games destroy

social capital and change relationships to the (stick, stick) category. Cooperative ventures or positive sum games move relationships to the (hug, hug) category.

The kinds of methods used to achieve power may be associated with the kinds of relationships that exist. If relationships are stick-stick, then each group is likely to pursue power without regard for the welfare of the other party in the relationship. In such a stick-stick relationship, power must be exercised with force, since the only motive to act will be to reduce one's losses. Stick methods applied in the past to gain power include boycotts, strikes, embargoes, litigation, physical violence to persons and property, and armed conflicts. Unfortunately, stick-stick relationships are all too common and frustrate economic development programs around the world and at home.

Carrot-carrot relationships characterize the world of neoclassical economists where self-interest dominates all other motives. In such a world, one exchanges with another only if he or she is materially better off as a result. In such a world, morality is enforced through penalties for cheating that make it in one's best interest to play by the rules. Carrot-carrot relationships often have an undesirable outcome. Since individual endowment differs, they trade and barter with distinctly different sets of resources that sometimes lead to stark difference in incomes.

The main point about power and carrot-carrot relationships is the following. Persons participate in arm's-length transactions only when it is in their self-interest to do so. They will neither harm an enemy nor sacrifice to benefit a friend. The ideal environment for carrot-carrot relationships is free markets. Free market economies in which traders are generally allowed to choose their products and trading partners have usually been promoted because they are efficient and able to get rid of their mistakes. It just may be that the main advantage of a free market economy is it provides unlimited opportunities for synergistic combinations that produce social capital and hug-hug relationships. For example, lenders and borrowers who successfully conduct business often produce good relationships in the process that can be used later on for customer retention and preferential loan treatment.

Hug-hug relationships pursue a different kind of power because they have a different kind of relationship. A hug-hug relationship is best characterized by Barry Manilow who crooned: "I'm glad when you're glad and I'm sad when you're sad." In a hug-hug relationship, the well-being of parties to the social interaction are internalized. Thus, it is unlikely that either party will engage in an activity that harms the other. True, social interactions between huggers require mutually beneficial outcomes just like those in carrot-carrot relationships. The difference between huggers and arm's-length relationships is that huggers benefit vicariously from helping their friends and therefore do more to help than those with arm's-length relationships.

Methods used in hug-hug relationships include mutually beneficial exchanges, offering gifts, offers of friendship, compliments, recognition, persuasion, and maybe even strong force if required to help the other person when the other person isn't aware of his/her danger. Methods for achieving power based on relationships are described in Table 3.

The network structure and the prevailing social capital within the organization will determine the power distribution within it. In hierarchical organizations with bridging social capital the power will be concentrated in the ruling network. The relationships between this network, which is in charge of setting the organization's goals and manage its daily operations, with other networks within the organization will determine how efficiently the organization develops its activities. The more stick the ruling network uses

on its relationships with the other networks the less efficient will be the organization's production and outcomes.

Table 3.
Methods Used to Exercise Power That Depend on Relationships

	Stick	Carrot	Hug
Stick	Boycotts, strikes, litigation, threats, destruction to property and life, armed conflict	Ransoms, tribute, fines, etc.	Epitome of religious behaviors in the face of adversity
Carrot		Mutually beneficial exchanges, cheating, and the possible harm from doing so is small	Overpayment for services, executives to reduce their own benefits to save employment for workers
Hug			Gifts, pleasant social interactions, mutually beneficial exchanges, recognition of efforts, persuasion

11. Conflict versus Cooperation in Organizations

A natural extension of our discussion is to suggest that different kinds of relationships facilitate the fulfillment of different kinds of needs. When individuals interact over needs, they do so in the environment of their relationships. The nature of their relationships, in turn, influences the methods they will pursue to achieve their needs.

Nevertheless, there is a natural limit placed on the possible methods employed to meet one's needs. The natural limitation is associated with the need being pursued. Suppose, for example, person A has a need for B's friendship to satisfy a need to belong. It is unlikely that A could arraign B before a magistrate and seek for a legal redress that would require B to supply friendship to A. On the other hand, one may be unwilling to accept increased friendship in place of a mortgage payment.

Information is also an important commodity. Certain types of information can be purchased in the market place. But most information is not traded in the market place but instead is exchanged between friends. Two friends may exchange inside information about personal circumstances, the condition of a friend, economic opportunities, the attractiveness of one's appearance, and one's supply of social capital.

As an individual considers satisfying his/her basic needs through social interactions with members of an organization or with non-members, he/she may consider using a stick, carrot, or a hug. The success of each method will depend on his or her social capital. The likelihood of success is described below in Table 4.

A table similar to Table 4 (Table 5) could describe an individual's likelihood of success in meeting his/her social needs using alternative methods of exercising power and having access to alternative levels of social capital.

Table 4.
The Likelihood of an Individual Meeting
His/Her Physical Needs Using a Stick, Carrot, or a
Hug When Endowed with Various Levels of Social Capital

Person i's Social Capital Invested in Person j	Stick	Carrot	Hug
High	Destroys social capital, outcome unknown	Likely successful	Likely successful
Zero	Depends on the size of the stick	Likely successful	Not likely to be successful
Negative	Will be mutually disadvantageous	Not likely to be successful	Not possible

Table 5.
The Likelihood of an Individual Meeting
His/Her Belong, Validation, and Knowing Needs
Using a Stick, Carrot, or a Hug When Endowed with Various Levels of Social Capital

Person i's Social Capital Invested in Person j	Stick	Carrot	Hug
High	Low	Medium	High
Zero	Low	Low/Medium	Medium/High
Negative	Low	Low	Low/Medium

12. Some Reflections

Exchanges designed to meet the physical, belonging, validation, and information needs occur within and between organizations. Moreover, there is usually more than one possible exchange relationship that requires a choice of exchange partners. Partners are selected on their contribution to the four needs. For example, a large grocery chain hires friendly faces because they are supposed to provide a social as well as an information and economic service to their customers. However, asymmetry of relationships may hinder the store meeting its goals. For example, suppose that the store's employee has just been threatened by his/her boss (a stick). Will this employee likely be ready to hug the store's customers? The difficulty of the U.S. auto industry occurred when the relationship between the employees represented by the union related

to the managers and owners only through a stick or carrot. What the companies found out was that they could not extract from the employees all that was needed to successfully build a car when employees were motivated only by the stick or the carrot. Success required efforts that were not spelled out in the formal contract.

The important point here is that carrots cannot meet all of the needs of the employee. More carrots are usually unable to meet the social, information, nor validation needs. When we ask each other how we like our jobs, we are asking about more than is your pay sufficient for you to meet your economic requirements. We are asking: how do you get along with your boss and co-workers? Is your work appreciated? Are you kept informed about developments that will affect you in your work?

The paper has emphasized the multifaceted connections and interdependencies between the form and function of organizations and the social capital that exists in social capital networks. These connections should impel us to recognize that our ability to improve an organization's form and function of organizations will require that we invest in and manage social capital.

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