

# **Business Retention & Expansion**

## **Social Capital**

Cause or Effect in BR&E Visitation Programs

# Social Capital Overview

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- What is Social Capital?
- How does it relate to BR&E Visitation Programs?
- Does increased social capital lead to more economic development?

# Community Capitals

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- Human Capital – skills/abilities of residents and the ability to access outside resources and knowledge to increase understanding and identify promising practices. Also addresses the community's leadership abilities.
- Natural Capital – the community's environment including rivers, lakes, forests, wildlife, soil, weather, and natural beauty.

# Community Capitals

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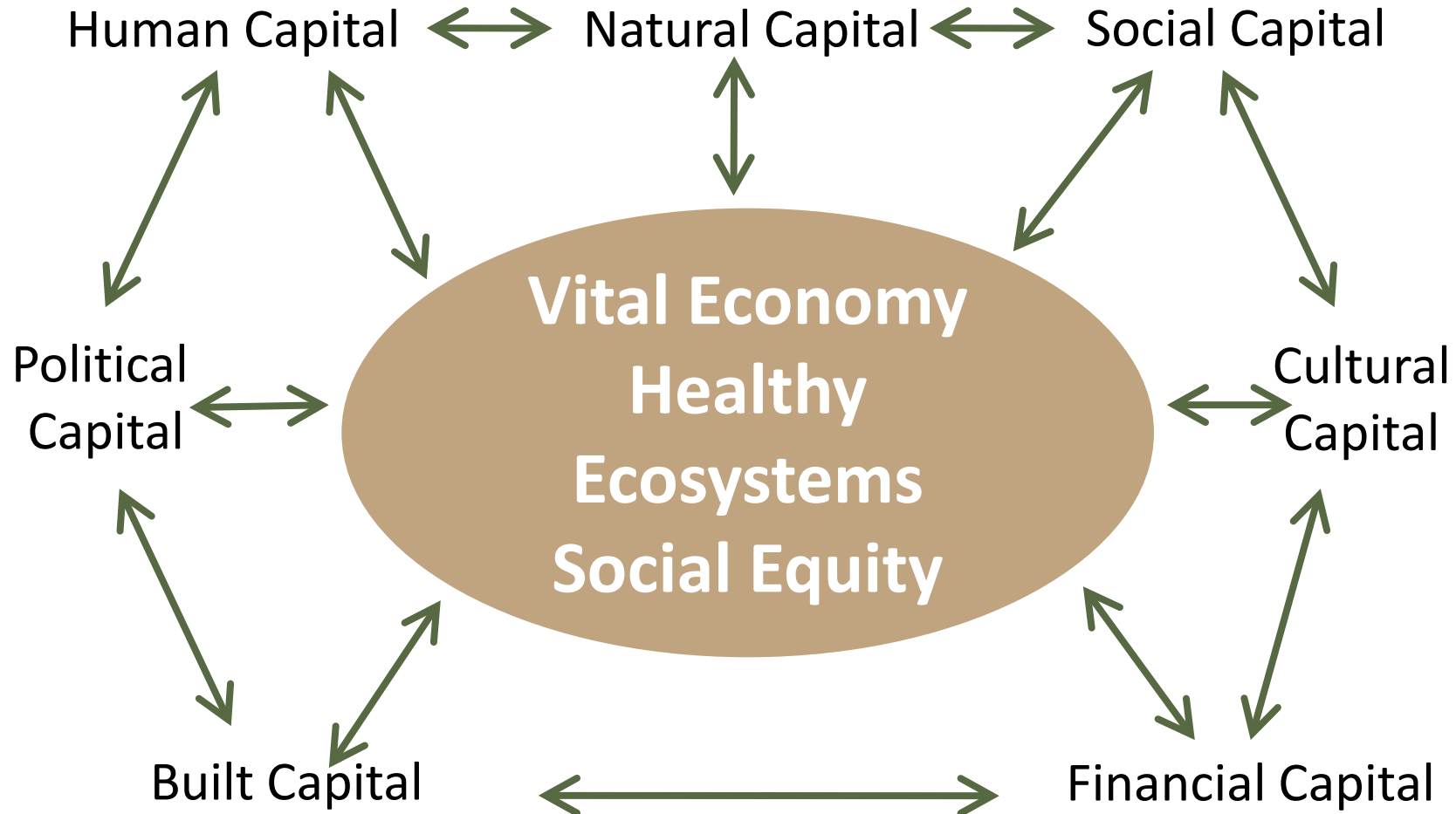
- Social Capital – describes connections among people & organizations; the social glue that facilitates action.
- Political Capital – ability to influence rules and regulations and their enforcement. Reflects access to power and power brokers, including government officials and leverage with regional firms.
- Cultural capital – influences what voices are heard and listened to, which voices have influence, and how creativity, innovation, and influence emerge.

# Community Capitals

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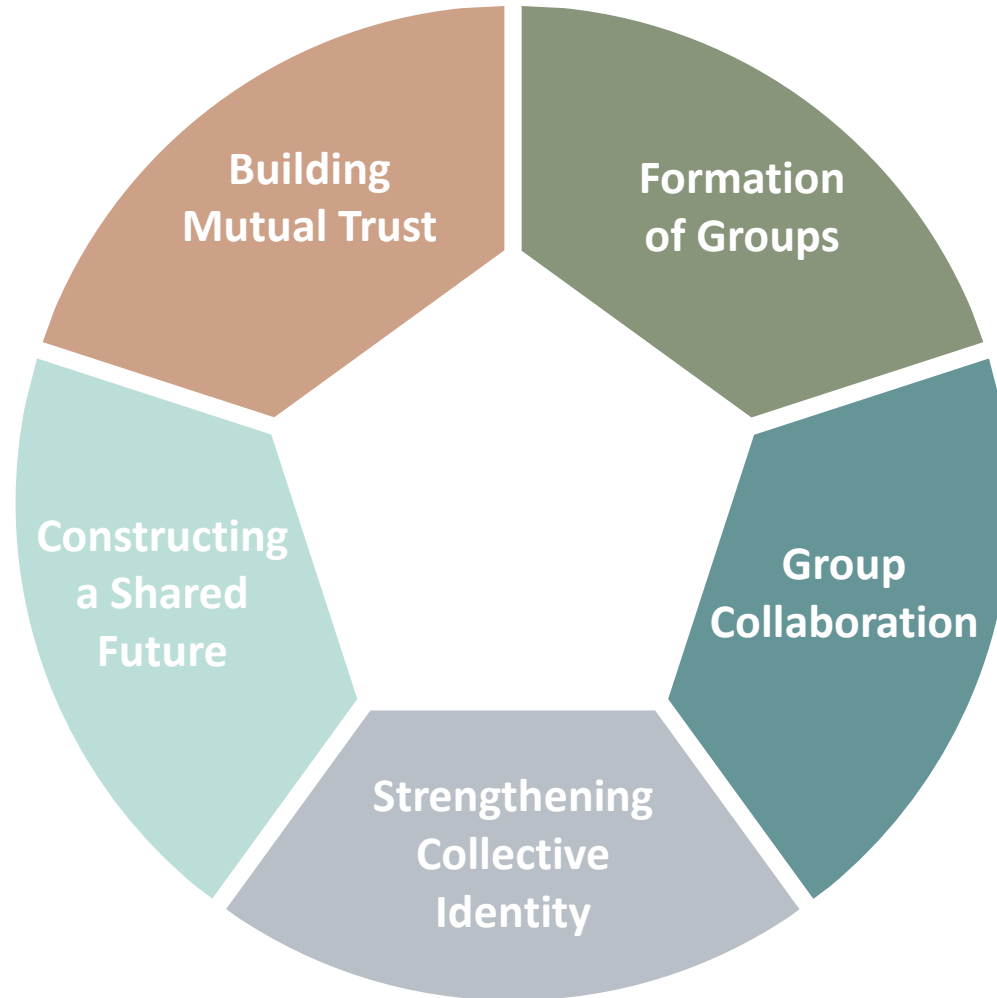
- Built Capital – describes the infrastructure that supports the community including telecommunications, industrial parks, streets, utilities, roads, etc.
- Financial Capital – financial resources to invest in community building, underwrite business development, support civic and social entrepreneurship, and accumulate wealth for future community development.

# Community Capitals



# Social Capital

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# Social Capital

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Social Capital consists of two competing components that must be used together in order to facilitate an effective and open community that can solve problems

## **Bonding**

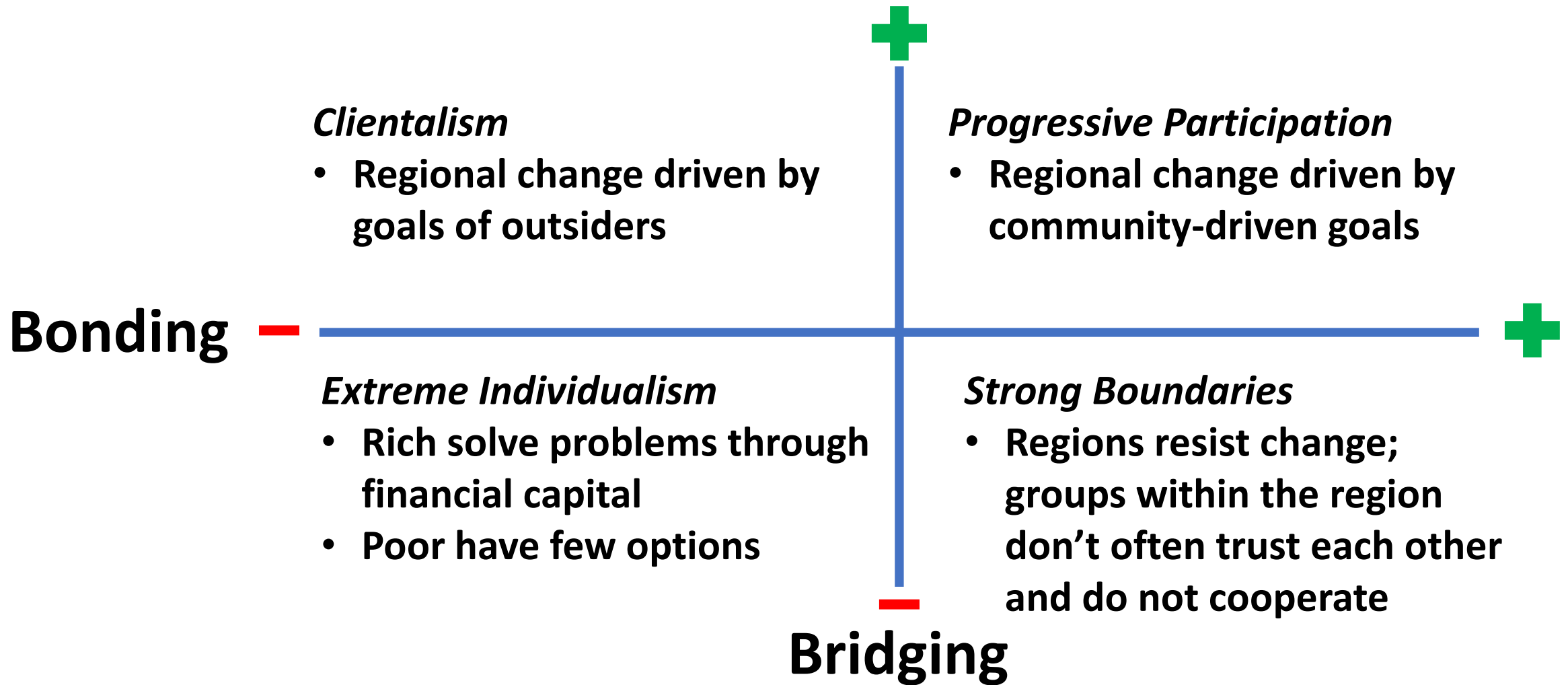
- Tight, exclusive networks
- Strong distinction between insiders and outsiders
- Single answer focus

## **Bridging**

- Open and flexible networks
- Permeable and open boundaries
- Legitimization of alternatives



# Dimensions of Social Capital: Implications for Area Development



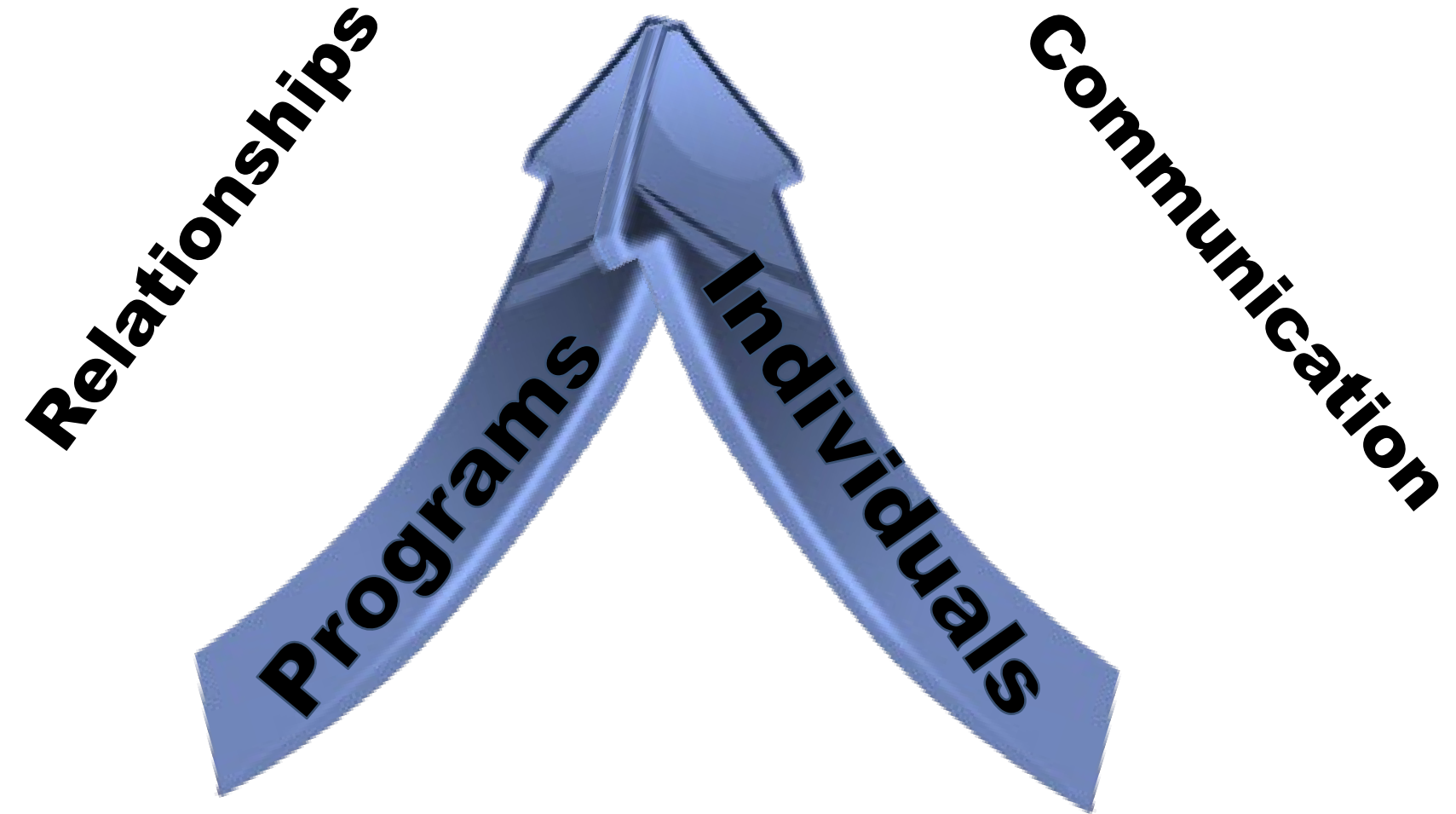
# Yogi Berra's Example of General Reciprocity

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**“If you don’t go to somebody’s funeral,  
then they won’t come to yours.”**

# Social Indicators

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# Honesty and Trust give communities a “measurable economic advantage”

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- **Tangible benefits**

- Firms (and individuals) spend less on “surveillance” if they can trust the public and employees
- Firms (and individuals) spend less on legal services or wondering how they will lose in a relationship
- Firms (and individuals) spend less on checking compliance with contracts if they can trust partners, employees, and customers

- **Intangible benefits**

- Firms (and individuals) have more of a trusting outlook on exploring partnerships
- Exploitation of cluster opportunities becomes more viable
- Greater level of trust between firms and government agencies, assistance organizations, the general public, etc.

# How Does Social Capital Work?

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- Social Capital helps communities resolve problems and make group decisions
- Social Capital reduces the transactions costs of doing business
- Social Capital broadens perspectives and opens the door to new ideas

# Mission of BR&E Visitation Programs

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- Help existing firms survive and grow:
  - BR&E Visitation Programs utilize a *process* for learning about the concerns of local businesses and setting priorities for BR&E projects (activities) to address those needs
- To build the capacity of the community to implement both BR&E programs and other local economic development efforts

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**Higher levels of social capital help build  
capacity to improve the local  
community's economic situation**

# Social Capital and BR&E

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- Utilizing a continuous/segregated model presents a different challenge in building social capital in a community than do the other BR&E models
  - **The Management and Operations Teams, in collaboration with the Stakeholders, should determine how the community's social capital can best be enhanced.**
- Building social capital is a tremendous part of setting the stage for the economic expansion of existing businesses
- How can you as the BR&E Operations Team or Task Force Coordinator develop social capital in your area?



# Questions

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