



THE WOODEN HUB

Integrity. Consistency. Excellence.

The Power of Social Capital: Moving Your Business Forward

“Better connected people enjoy higher returns.”

—Ronald S. Burt, Graduation School of Business, University of Chicago

Despite the current economic climate, successful professional services firms are experiencing business growth. Yes, market volatility is high, competition is fierce, and clients are more demanding. However, firms that remain consistent with their marketing spend; business development progression, reputation management focus, and client care are growth positive. Further, we have found that elevating your Social Capital is a powerful method to enhance your firm’s value, and it helps to underscore your role as a strategic advisor beyond Tax Season.

Social Capital refers to connections within and between social networks. It is the relationship that binds the firm together and its relationship with clients. Essentially, it is not just “what” you know (intellectual capital), but “who” you know (the connections that help to get things done) to drive new revenue streams and other critical business objectives. Through social networks that embody reciprocity and trust, Social Capital facilitates action.

Social Capital Helps to Increase Your Value

Social Capital may be viewed as a revenue bridge to identify and seize new business opportunities and facilitate the introduction of new services that extend beyond the Tax Season. The bottom line: better connected people advance their specific objectives more frequently and increase their professional value based upon the power of their Social Capital.

“Social structure is a kind of capital that can create a competitive advantage in pursuing their ends.”

—Ronald S. Burt, Graduation School of Business, University of Chicago

The Power of Social Capital and Social Networks

A social network—real world kind not the virtual kind—consists of the connections between individuals or organizations. The network is a measure of Social Capital—that is, the value obtained from the social network. While Social Capital exists in one’s network, it is the creation, maintenance, and development of the network that generates value.

Business professionals with more insular networks tend to circulate with others who are aware of the same opportunities. Those with more diverse networks hear different information early and are able to capitalize on opportunities that require disparate expertise and insights—hence, as you extend beyond your well-known networks the greater the degree of business growth.

We invite you to examine your own network. How balanced is it? Where are there gaps? Are there ways you can fill them (think of people or groups you want to connect with and tap into people in your network who can make the connection for you)? Are you spending too much time in one place? How can you reduce that level of interaction in order to create more balance?



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Social Networks to Propel You Forward

Fundamentally, there are three different types of social networks that help to further your Social Capital.

- **Operational Networks** are comprised of people you need to help accomplish your everyday tasks. The purpose of this network is to ensure coordination and cooperation among people who you know and trust each to accomplish tasks. This includes: direct reports, superiors, peers—both inside and outside a firm—and outsiders, such as vendors and clients.

It's important to not become over-reliant upon your Operational Network. You need to balance the internal perspective, external perspective, and future-focused perspective. You need to build relationships that enable you to face unforeseen and non-routine challenges.

- **Personal Networks** are comprised of kindred colleagues outside your firm who can help you with personal advancement. This network is formed by relationships through professional organizations, alumni groups, clubs, and personal interest communities. Reach out to these contacts for development support, referrals, lead generation, and information.
- **Strategic Networks** are comprised of people outside your control who will enable you to reach key organizational objectives. They help you see the big picture and give you a long-term perspective (i.e. market dynamics, internal politics, resource priorities). Strategic networks are critical to a long-term perspective; they are connections independent of your control, and they position you to observe dynamics of the market, resource allocation/priorities, power struggles, and trends.

Tips for Developing Win/Win Social Networks and Social Capital

- **Mindset:** As you grow in your leadership, you are dependent on others to accomplish core objectives. Seek to transform dependence to mutual influence. Take the long view – look to grow relationships over time vs. immediately to gain something from others; view this type of relationship development as “real work,” necessary for achieving objectives and not as something that takes you away from your job.
- **Time:** Prioritize your activities, eliminate those that are non-essential, and delegate where possible. Establish connections—look for common social interests or communities of expertise as a means to connect with others.
- **Give and Take:** Don't wait until you really need something to ask for a favor from a network member. Take every opportunity to give and receive from people in your networks, whether you need help or not. Help others so they may perceive value in the relationship and in turn, they want to help you as well. If this give and take is part of your regular interaction your requests for support will not be viewed as something out of the ordinary.



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The Value of Social Capital

- It is important to develop a broad and diverse network in support of revenue growth.
- The time to build relationships and make connections across the network is critical to new business opportunities.
- Understanding your reputation and how to manage it is vital to reputation management.
- It's fundamental to help yourself by helping others; and the role of reciprocity and trust in relationship development support firm loyalty and sustainability.
- Leveraging social media as a tool for network development and management is a must have asset.

For more details about The Power of Social Capital, and to learn how to implement the tools to develop a value-based social network, contact us at info@thewoodenhub.com.