



Self-Employment Technical Assistance, Resources and Training

Self-Employment Q & A: Cultivating Social Capital

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INTRODUCTION

Business owners are familiar with various “capital” concepts including natural resources, human, physical, financial, and cultural capital. Natural resources include clean air, water, and other environmental assets. Human capital is the knowledge, skills, and competencies that an individual brings to the business. Physical capital may be the buildings and machinery that are owned by the business. Financial capital includes start-up money, access to credit and cash. While cultural capital includes familiarity with a particular market and specific customer traits.

Social capital can be just as invaluable to an individual who wants to start or grow a small business. Robert Putnam, in *Bowling Alone*, defines Social Capital as the “social networks, and norms of reciprocity

and trustworthiness, that arise from them.” Social capital is essential for small business success. The accumulation of social capital helps businesses grow through word-of-mouth. Social capital cultivates goodwill and creates collaborative opportunities with competitors and within a supplier chain. Social capital can facilitate cross-pollination of ideas between entrepreneurs and produces positive personal influence on local market politics. In short, building social capital offers opportunities to connect to others with varying degrees of intensity and allows for the interchange of ideas and commerce that offer mutual benefits. This START-UP/USA Q and A will provide information on social capital to assist individuals with disabilities in starting and growing a small business.

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Why is the development and use of social capital essential to business owners with disabilities?



Social capital is important to all businesses, whether owned by a person with a disability or not. But, social capital provides entre to customers who otherwise might be off-limits for people with disabilities who face a lack of accessibility, a paucity of transportation options, social isolation, meager marketing resources, or personal anxiety over having to make sales calls. There are several studies, including one by the World Bank, that shows increased social capital improves a persons health, happiness, and income. Capitalizing on social networks is a free or inexpensive means of developing mentors, getting and sharing ideas, and finding moral support while building and operating a business.



Is social capital the same as networking?



Networking is one strategy for acquiring social capital, but, networking is often a casual activity for many business owners. Developing social capital should be a conscious activity rather than a casual one. Strategies to build relationships and increase social capital can be outlined in the business plan, typically under the marketing section. For instance, the business plan may include ways to build relationships that can bloom into future opportunities for cross-promoting companies and joint projects. Consciously developing social capital also ensures that owners ask customers and suppliers for referrals to potential buyers. In the smallest of businesses, building social capital can have a more positive impact than advertising.



What are cross-promotions, and why are they beneficial?



Cross-promotions can take several forms, but the most common are package deals in retail. For example, a pasta company holds a special sales event and sells a package of spaghetti with a jar of gourmet tomato sauce. A small business example might be that a new restaurant owner teaches a cooking class at the local grocery store. The owner benefits by promoting the new restaurant to a market that may not be familiar with the business. The grocery store benefits by selling groceries used in a specialized dish that is made during the demonstrations. Another example might be that a local fishing guide demonstrates fly-casting at the local sporting good store. The guide can promote his small business while the store offers a promotion on fly-casting products to anyone coming in during the demonstration. Or, a jewelry artist might have a special event sale at the local craft and bead store. The artist benefits by showing and selling her designs, while the store benefits by selling supplies to hobbyists who otherwise might not purchase beading supplies.

There are numerous ways to cross-promote in retail, wholesale, manufacturing, and on-line. Educational events, such as demonstrations are typical, because they highlight the use of specific products and services, answer customer concerns, and present the perfect opportunity for customers to meet the artisan face-to-face. These events are also effective, because they tend to be low-cost for small businesses with small advertising budgets. The bottom-line is that one company reaches out to another to showcase each other's strong points and uniqueness. In sharing their talents, both increase the other's success to customers through special events or limited savings for the customers.



Is social capital the same as a "good old boys network?"



"Good old boy networks" are a visible outcome of local politics. Whether these networks are good or bad depends on whether one has access to the "insiders" or if the person remains on the outside looking in. Sometimes getting inside the group is easy and only takes a bit of planning.

For instance, James started a business in a rural community providing supplies to local homebuilders and remodeling companies. No matter what he tried, sales sagged. Then, James started going for coffee every morning at the local diner where the construction crews assembled before heading to their day's assignments. After four weeks of making small talk about his business products at the breakfast counter, James started getting orders that propelled his company to profitability. This example demonstrates how sharing the same space over time and having shared interests can build social capital.



How does being in environments with others who have shared interests translate into sales?



Sharing space is just one aspect. In the previous example, James specifically asked the workers to buy his products after conversations over numerous mornings. He talked about his experiences in the industry, his particularly unique line of goods, and his affiliation with the local community as a lifetime resident. James was also good with small talk about sports, hunting, and local affairs. In short, he became a “regular” in the café, which gave him credibility to ask for people’s business. Social capital presents opportunities, but sales techniques still play a role in making use of this capital. One must still close the sale.



What if my particular business doesn’t seem to have a logical location for connecting with others?



This certainly is true for some businesses. Or, the individual may not be well connected, is shy, or is even very anxious about being with strangers. Martha, for instance, lives in a small town and has struggled with severe depression most of her life. Her disability left her poor and somewhat isolated even though she had family living nearby.

Martha decided to take her love of art and sewing and combine them into a custom embroidery business. She regained a bit of her old enthusiasm and started going to church with her family. As Martha shared her business plan, her family began advocating for her within the church network. Soon, parishioners were making suggestions about who in the surrounding communities might need garments embroidered. Martha followed up on the leads by calling on salon owners, clubs and intramural sports teams. She almost always began with an introduction such as: “our mutual friend, Sue, mentioned in church the other day that you might be looking for a new logo and some ball caps for your company.” Her business flourished through this use of social capital. Martha relies on the mediating forces of the social network naturally arising from her participation at church and with her family to promote her business.



I run a home-based business on eBay; how do I grow social capital?



Online businesses are booming. During a recent holiday season, an estimated 50% of all online sales were made by small retailers, many of whom are sole proprietors. Online auction sites such as eBay present an interesting opportunity to build virtual social capital. In fact, eBay is a very democratic marketplace, allowing buyers and sellers to critique one another.

Perhaps the most important aspect of eBay is that people selling similar or complimentary products can e-mail one another or join organized chats. This presents opportunities for sharing marketing strategies, for researching particular products one is interested in carrying, for discussing good or bad suppliers, and for developing online friendships. These networks of like-minded people can offer advice on business approaches, share insights into management of a company, connect each other with potential customers, and offer customer service advice. The online auction houses offer abundant opportunities to grow social capital that addresses feelings of social isolation, and also supports the refinement of a business. Numerous online sellers report that they have lasting friendships that developed from people met during these commercial activities.



Social capital seems to suggest that business owners should work together, but what does that mean for the importance of competitiveness?



A sense of competitiveness is certainly healthy in business, but the spirit of collaboration is alive and well in thriving businesses. Working with others who have shared interests and similar companies may make it possible for a person to bid on jobs once thought too big for a small company to handle. Teaming up with others may allow one business to concentrate on aspects of a job, while the other company works on another component of the contract. Working together may allow

for bulk purchases of raw materials or services, thereby lowering costs. Working together may make better use of existing resources, such as sharing a delivery van that once sat idle for half a day. Working together may lead to the sharing of ideas, tools, and skills needed by one small business or the other. The opportunities are abundant and beneficial.



Can existing Small Business support systems and/or rehabilitation agencies promote social capital accumulation?



Across the country, Small Business Development Centers (SBDCs), Chambers of Commerce, small business incubators, and other entities sponsor affiliated gatherings such as "Home Alone" groups. These organized meetings of home-based and small businesses take place regularly to discuss local market conditions, share leads, discuss how companies can work together on securing projects, and evaluate services such as shipping firms, local accountants, or radio advertising. These meetings can build camaraderie around shared experiences for business owners. While Home Alone groups offer obvious market advantages including free technical assistance and advice, they also offer a place in the community for an owner with a disability who has faced isolation or exclusion. Another strategy in rural communities is to set up facilitated conference calls among business owners, or even people considering going into business. Just as the Home Alone groups provide moral and technical support face-to-face, these calls can offer opportunities to network, share experiences, and grow social capital.



How can I get started building Social Capital for my small business?



START-UP/USA can help connect individuals with disabilities to others who have successfully started small businesses. Go online to: [www.start-up-usa.biz] for more information. START-UP/USA supports an Entrepreneurial Leadership Network, made up of successful business people from across the country. Referrals can be made on a limited basis based on need, location, and availability. Or, contact one of START-UP' entrepreneurs via e-mail by going to the following link: [<http://www.start-up-usa.biz/eln/index.cfm>]. Best of all, START-UP/USA can assist an individual in identifying local resources for building a social network. Finally, be sure to develop a marketing plan that includes social capital augmentation as a part of daily operations.

SUMMARY

The cultivation of social capital is a critical, often no-cost or low-cost, activity critical to the growth of any business. Business owners who actively grow their social capital by reaching out to join community groups and cultivating friendships around shared hobbies, interests, or business vocational endeavors report many benefits. This includes receiving advice on solving recurrent business problems and making businesses more profitable. Other benefits include develop-

ing marketing and sales contacts, locating new business opportunities, gaining access to financial resources, developing partnership opportunities, and receiving new perspectives on business ideas. Last but not least, business owners report that increasing social capital has provided them with emotional support and provided opportunities to socially connect with others who have similar interests.

ADDITIONAL INFORMATION

- ◆ Putnam, R. D. (2000). *Bowling alone: The collapse and revival of American community*. New York: Simon and Schuster.
- ◆ Sirianni, C., & Friedland, L. (1995). Social capital. Available online at: <http://www.cpn.org/tools/dictionary/capital.html>
- ◆ The World Bank (2009). Overview of social capital. Available online at: <http://go.worldbank.org/C0QTRW4QF0>

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