

Social Capital: A review from an ethics perspective

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Abstract

Social capital has as its key element the value of social relationships to generate positive outcomes, both for the key parties involved and for wider society. Some authors have noted that social capital nevertheless has a dark side. There is a moral element to such a conceptualisation, yet there is scarce discussion of ethical elements within the social capital literature. In this paper ethical theory is applied to four traditions or approaches to economic social capital: neo-capitalism; network/reputation; neo-Tocquevillian; and development. Each is considered in detail, and subject to ethical analysis by the application of utilitarianism, Kantianism, justice and rights, and ethic of care. Accordingly the assumption that social capital is either value-neutral or a force for good is critiqued and a framework for understanding social capital from an ethics perspective presented.

Introduction

Social capital understood 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 and practice, then social capital is triumphant. It has been used by those engaged with political science, development studies, sociology, urbanology, organization theory and management. Since Adler and Kwon (2002) and Lee (2009) have comprehensively reviewed social capital from a business and management perspective in general terms, it is not our purpose to repeat that here. Instead we build on and develop their work by enhancing our understanding of the dark side of social capital through a review of social capital *from an ethics perspective*.

We argue that widespread enthusiasm to work with the intuitively appealing framework of social capital is hampered by an unwillingness to maintain a critical eye on its full ethical implications. Even business ethics scholars have been using social capital theory without reflecting seriously on associated ethical issues (Fuller and Tian 2006; Muthuri, Matten and Moon 2009; Russo and Perrini 2009; Spence and Schmidpeter 2003). The concept has strong links with familiar business ethics territory such as reciprocity, stakeholder relationships, community engagement, trust, development and social cohesion, and could arguably be of great value to our field, if handled carefully. Without a rounded critique of social capital, researchers - and ultimately managers and policy-makers acting on that research – run the risk of overlooking the ethical issues and consequences of endorsing the concept, and undermining any good which it may engender. The ethical issues around social capital are many and varied according to the perspective taken of both the social capital concept and ethics. It is our task to provide a nuanced analysis of a range of perspectives of social capital by applying ethical theory.

The theoretical core of social capital is that aspects of social structure facilitate action for those within the structure; social capital is therefore concerned with examining patterns of embedded relations – built over time – that inhere in social structures and their ability to facilitate individual (micro), organizational (meso) and group (macro) level benefits. Social capital is thus a relational theory of social interaction which understands actors and their purposeful actions as inter-dependent.

“Intellectual and academic success does not come without controversy.” (Castiglione, Van Deth and Wolleb 2008: 1). In social capital’s case these controversies include questions over the legitimacy of the theory in terms of its definition, quantification and operationalization (e.g. Locke 1999). Social capital is burdened with a ‘plethora of definitions’ (Adam and Roncevik 2003: 158), which has generated a substantial sub-set of conceptual literature offering reviews and syntheses of this definitional diversity (Adler and Kwon 2002; Portes 1998; Paxton 1999; Field 2003; Lee 2009) as well as empirical research in business and management (for example Cohen and Fields 1999; Edelman *et al* 2004; Newell *et al* 2004; Hoffman *et al* 2005) and corporate social responsibility/business ethics (Spence, Schmidpeter and Habisch 2004; Muthuri *et al* 2009; Russo and Perrini 2010). However, we agree that with Woolcock and Radin (2008: 412-413) that the focus on establishing a lexical and theoretical consensus is misplaced.

Thus, social capital can be understood as an ‘umbrella construct’ (Hirsch and Levin 1999) or, using biological terminology, as “a genotype with many phenotypic applications” (Adam and Roncevic 2003: 158). Social capital’s antecedents and consequences are integrated and self-reinforcing: social capital is thus “...not unilinear but circular and multilinear” (Ibid: 178). Hence it is a concept which is at once both appealing in its apparent simplicity and complicated by its many and varied forms and applications.

In seeking to narrow-down the version of social capital of relevance in the current paper, we focus on economic social capital, not least since that is the context for the business activity with which our research is concerned. This form of social capital is also the one adopted by most theoretical scholars of social capital, however, this paper will interpret social capital in its economic context as belonging to a social economics tradition originating in Polanyi’s analysis of the ‘disembedding’ of the economy from wider society (The Great Transformation 1944). There is a considerable difference between Karl Polanyi’s ‘fictitious commodities’ hankering after a pre-capitalist golden age and James Coleman’s ‘rational choice’ view of social capital. However, both interpretations share a critical view of the asocial nature of classical and neo-classical economic perspectives originating in the Scottish Enlightenment. The socio-economic analysis’ most significant scholars are the social network theorist Mark Granovetter (1973, 1985, 1992 and 2005) and in explicitly social capital terms, James Coleman (1998, 1990).

The embedded view of social capital in the economy and the core understanding of social capital both refer to the processes that generate outcomes from social interaction and cooperation. These social capital processes have an ethical dimension because all interaction in social relationships, to a greater or lesser degree, has the potential for moral components (Pastoriza *et al* 2008). However, the ethical aspects of social capital have been described as ‘under-conceptualised’ (Preuss 2004: 154-164) and the explicit literature applying ethics to social capital is limited as we will go on to show.

This paper is organized as follows. In the next section we apply ethical theories to themes within the economic approach of social capital (primarily neo-capitalism; network/reputation; neo-Tocquevillian; and development). We draw particularly on the most relevant ethical theories which we determine to be utilitarianism, justice, Kantianism and an ethic of care. We conclude by identifying the implications of our application of ethical theory to social capital for future researchers.

Applying Ethics to Social Capital: Exploring the Dark Side

Most approaches to 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 do acknowledge the downsides to social capital including Edelman et al. (2004), Locke (1999), Leenders and Gabbay (1999) and Portes (1998). Others have applied social capital in empirical contexts to identify

negative aspects (e.g. in terms of class and entrepreneurship (Anderson and Miller 2003), rural entrepreneurs (Kalantaridis and Bika 2006), behaviour of individual business people such as Bernard Madoff (Manning 2010), Danish business associations (Svendsen and Svendsen 2004) and community forestry (Wilshusen 2009)). Portes (1998: 15) summarises problematic aspects of social capital 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 – rather than enhancing - economic progress.

Putnam also recognises 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 2010).

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) It is our task in the current paper to add some precision to these broad indications of ethical problems associated with social capital.

In the business context, the 'not what you know but who you know' issue is discussed by Stevenson and Greenberg (2000: 652) commenting that: "some actors are enabled by their network position, and others are constrained", i.e. 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 bonding 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.

To sum up the arguments regarding social capital's 'dark side', 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). This is the basis for the current paper, which seeks to deepen our understanding of social capital's dark side from an ethics perspective.

Most social capital literature reviews are either structured to consider the theory by discussing key personages, usually designated as Bourdieu (1986), Coleman (1988; 1990) and Putnam (2000; Field 2003) or thematically (Lesser 2000; Castiglione, Van Deth and Wolleb 2008). Both approaches are valid, however this review will take the latter thematic structure as its organising principle, since in this way traditions or approaches to social capital most relevant to business can be discussed with direct reference to their ethical content and not through the filter of one of the key social capital authors. Our analysis of the social capital literature suggests the application of four different ethical theories which will reveal a range of ethical issues: utilitarianism, justice, Kantianism and the ethic of care. Table One at the end of this section summarizes the discussion.

First, we introduce the approaches to social capital which position it as within the tradition of new-capitalism; as a network/reputation approach; as neo-Tocquevillianism or as an approach to development. As shown in Table One, we then apply four ethical theories. It is not the purpose in this article to dwell on ethical theory *per se*, but to apply ethical theory to better understand the nuances of social capital. We assume a basic understanding of utilitarianism, justice, Kantianism and care prior to reading this article. Our choice of ethical theory is guided by the desire to incorporate a range of perspectives on moral behaviour, hence we chose an approach which looks at the consequences of actions (utilitarianism), the fairness of actions (justice), principals and duty (Kantianism) and relationships (care). The four theories chosen are done so because of their range and difference in terms of the focus of the judgment about ethical behaviour. There is also somewhat of a precedent in using these theories in business ethics, though we have sought not to be constrained by this but to choose theories which indeed are most relevant in assessing social capital. For example, the ethic of care is arguably the least commonly applied theory of these four, but because social capital is in part at least about relationships and that is the moral focus of the ethic of care, we deemed it to be highly relevant in this instance¹.

Social capital as neo-capitalism

The first theme this analysis will address is social capital as neo-capitalism. Neo-capitalist approaches share a common 'capitalization' perspective drawn from

economic terminology which focuses on the “investment of resources with expected returns in the marketplace. Capital is resources when these resources are invested and mobilized in the pursuit of profit-as a goal in action.” (Lin 2001: 3) Moreover, according to Ahn and Ostrom: “All forms of capital involve investments that increase the probability of higher returns from individuals and joint efforts over a future time period.”(2008: 72). This ‘neo-capital’ extension of economic theory drew inspiration from Adam Smith’s perception that “included all the acquired and useful abilities of the population in a country as part of capital.” (Lin 2001: 8)

Such conceptualizations of social and economic activity resonate 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. The principle of utility refers to the ethical goal of promoting overall welfare (Bentham 1789; Mill 1859). In simple terms, this is often presented as a cost-benefit analysis wherein an action is morally right if it leads to the greatest good for the greatest number (the greatest happiness principle) and minimises harm.

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, alerting us to justice-based concerns with neo-capital theory perspectives on social capital (Rawls 1971). 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. Fine and Green argue against “economics as a colonizing social science” (2000: 78-93), in which the neo-capital approach is to reduce individuals to forms of capital, using economic language to analyse social and relational phenomena. 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 Granovetter (1985), Coleman (1988), 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 theorizing. 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 in networks and reputation

The next two approaches to social capital flow from such concerns, and will be considered jointly, due to their strong interrelationship: the second approach is social capital in networks, and the third is social capital as reputation. Network theory is vast (for an overview see Nohria and Eccles 1992) and its relation to social capital disputed. According to Lin, social capital is a network theory (2001) and Burt also adopts a structural understanding of the concept (2000; 2005) as do Gargiulo & Bernassi (2000). However many social capital authors regard network claims to be

too insular and overblown. Putnam, for instance, argues that network theory is limited and quotes the Palo Alto Research Centre in relation to the ultimate network, the internet, saying: “that information itself needs a social context to be meaningful.” (2000: 172)

It is not surprising that there are a number of ethical concerns over the network approach to social capital, given the universal claims made for this approach. The most important ethical issue, however, is rarely discussed, that is the instrumentalization of social relations which we can reframe in clear Kantian perspectives as using others as a means to one’s own ends. Thus, it has been argued that the network approach to social capital is overly mechanical and arguably strips individuals and groups of their emotional and instinctive need for social interaction, within a syntax more suited to computer circuitry. Moreover, Fukuyama has argued that: “Networks, understood as informal ethical relationships, are therefore associated with phenomena like nepotism, favouritism, intolerance, in-breeding, and non-transparent, personalistic arrangements.” (2000: 202) Such perspectives are entirely in conflict with Kant’s moral imperative for universalizability so that all individuals must be treated in the same way according to rational principles, rather than relationship based (i.e. he claimed we should not favour a relative over a stranger) (Kant 2005, orig. 1785).

The issue of trust (Sobel 2002) is developed further in our third related theme of social capital as a reputation theory, which analyses levels of trust and credibility, and in the economic context conceptualises reputation as a capital asset to be promoted and protected. For example, from an economic understanding of social capital, Dasgupta (2005: 56) argues that the role of mutual enforcement in repeated interactions is to create “a creditable threat by members of a community that stiff sanctions would be imposed on anyone who broke an agreement could deter anyone from breaking it.” The threat’s credibility would be grounded in ‘rules of behaviour’ or social norms.

This understanding of reputation belongs to a well-established research stream that examines reputation processes from a social perspective. Such a social capital analysis originated with Coleman’s vignettes on the New York diamond market and the Kahn el Khalili market of Cairo, in terms of network closure creating ‘obligations, expectations, trustworthiness of structures’ (Coleman 1988). Influenced by Coleman, and reflective of network theory, Burt has written extensively on reputation which he conceptualises as a relational asset (2005: 100-101). Burt also considers that the network closure reputation mechanism creates economic value by decreasing labour costs: “The more closed the network, the higher the quality and quantity of labor available at a given price within the network.” (Ibid: 148) This is due to deeply shared goals and peer pressure ensuring guilt-induced conformity. Burt illustrates this observation quoting approvingly of the late Apple CEO, Steve Jobs, on work teams: “The greatest people are self-managing. They don’t need to be managed. Once they know what to do, they’ll go out and figure how to do it.” (2005: 149)

Putnam sought to distinguish between bonding and bridging social capital, arguing that the former is likely to have illiberal effects because it seeks to build networks of the already like-minded to the exclusion of others (Putnam 2000: 358). Bridging social capital, he argues, which builds connections across groups and is inclusive in

nature, offers the potential to solve some of society's most intractable problems (ibid: 363). Thus from a justice perspective, we can discern a problem of poorly distributed justice where bonding social capital is displayed – perhaps among a particular ethnic, religious or class group of society. Svendsen and Svendsen (2004), in their analysis of Danish dairy producers and sports halls, argue from an empirical basis that bridging social capital results in overall positive externalities for the common good, hence the suggestion of bridging social capital being associated with a justice perspective.

Lin (1981) has written extensively on the connection between social capital and reputation and has developed the idea of relational rationality, with reference to Coleman's notion of social credits; that is, 'credit slips' on which an actor in a network can draw if necessary (Coleman 1990: 306). In Coleman's conception, "...creating obligations by doing favours can constitute a kind of insurance policy." Thus unequal transactions create credits and debts, and result in different social standing, which is one understanding of reputation. Further examples of social capital interpretations of reputation include Fukuyama who equates reputation with recognition (1995: 359), Nahapiet and Ghoshal who view it as deriving from relational factors (1998: 252) and Putnam who understands reputation as a result of dense social networks (2000: 136).

The ethical dimensions of the networking and reputation forms of social capital relate to the inter-connection of reputation with identity forming processes, coercion and free-will, and inequality. Forming reputation in a closed network may create 'in' and 'out' groups and thus potentially lead to discrimination to the out group as well as to 'downward levelling norms' (Portes 1998) to the 'in' group. For example, ethnic minority firms will often trade within a shared social network based on trust (Janjuha-Jivraj 2003). However, these networks impose economic costs, in terms of being, for example, 'welfare hotels', and in terms of limiting growth.

Burt's duo-reputation hypotheses also have ethical dimensions, in terms of reputation ownership. In his first 'bandwidth hypothesis', the actor owns their reputation in the sense that they define their behaviour which in turn defines their reputation. However, under the second 'echo hypothesis', reputation is not owned by the individual, but rather is owned by "the people in whose conversations it is built, and the goal of those conversations is not accuracy so much as bonding between the speakers." (Burt 2005: 218) Thus in the second echo hypothesis: "The key to establishing a good reputation is to get people in closed networks talking to one another." Moreover, under the echo hypothesis, first impressions are crucial for setting in chain favourable impressions. And: "Reputations do not emerge from good work directly so much as from colleagues' stories about the work." (Ibid: 218) How far this accords with reality remains to be investigated, however, it does suggest ethical implications in terms of how certain individuals and groups face discrimination in not possessing the right social credentials, or in the vernacular not having the 'right school tie'.

Social capital in its optimal form, then, seen from a utilitarian perspective, is in keeping with the neo-capitalist approach, 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). These benefits of voluntary cooperation manifest, it is claimed, through the provision of macro and micro economic, political and social benefits,

such as a competitive and innovative business environment, trusting communities, better regional performance, improved health and education and so on, that all go to improve individual and societal well-being (Adler and Kwon 2002). From the utilitarian perspective, 'pure' public goods should not exclude 'outsiders' from the benefits developed and accrued by the insiders, nor should this apply in the reverse.

However, as we have noted, the risks of the negative (perhaps unintended) externalities of bonding social capital in the form of, for example, social exclusion and over-embeddedness, the exercise of power, and blocks on innovation resulting in anti-competitiveness, among many others, are much in evidence in the social capital literature, showing that the optimum outcome of the common good is not achieved. Thus the extent and the ethical desirability that reputational and network approaches can achieve are both highly questionable. Putnam has conceded the disadvantages of strong communities restricting freedom and promoting intolerance. As he admits in a brief aside: "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" (Putnam 2000: 21-22).

A further ethical implication of reputation and networks as 'capital assets' arises out of the assumption the poor cannot afford it, running contrary to views that interpret social capital as the only asset the poor possess. For example, research focussing on a poor US community, concluded that while creating and later paying of obligations is a cornerstone of social capital, deprived residents show an aversion to engagement in neighbourly actions, rejecting reciprocal indebtedness and avoiding relationships that would commit them to any obligations to others (Hutchinson 2004). Consideration of relationships leads us to the ethic of care (Gilligan 1982). From an ethic of care perspective this alerts us to some complex analytical quandaries around the implications when potential relationships are rejected *because* of the additional obligation, reciprocity and burden required where a relationship exists.

The implications of approaches two and three chime very closely with arguments regarding social capital's 'dark side'. According to these concerns, 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' (see for example Ayios (2003; 2004) for the perverse consequences of such forms of social capital on foreign investment in post-communist Russia). 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 and inertia (Gargiulo and Bernassi 2000). Such concerns lead Adler and Kwon to conclude that: "One actor's social capital advantage is often another actor's disadvantage" (2002: 35).

Characterizations of social capital that deal with inequality bring the concept within the perspective of the ethic of justice, which 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 for all, such that the least advantaged in society (often overlooked on a utilitarian analysis) gain the greatest benefit (see in particular Rawls 1971). Relationships in this context are established through respect for others' rights and the observance of the attached obligations, established through the 'highest principles' (Held 2006; French and Weis 2000; Sevenhuijsen 2000). 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. 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, reflecting a popular tension in the ethics literature, that: "Differing perspectives subordinate individual liberty to the primacy of the common good (Etzioni 1999) or call for individual liberty as the overriding principle" (Spence and Schmidpeter 2003: 94).

The justice perspective therefore points to the problem of 'negative freedom', in the sense of standing in the way of a free or autonomous life (Giddens 1998). However, promoters of an ethic of care perspective may dispute such a perspective on social relations (Gilligan 1982; Held 2006). Rather than key principles of equal rights and the most extensive system of basic liberties being open to all, the ethic of care alerts us to the *social* element of social capital. This conceptualization of ethics will arise again during our analysis of theme five, below.

Concerns over the instrumentalization of social relations inherent within the network approach also fall within the Kantian perspective. It is generally agreed (Micewski and Troy 2007; L'Etang 1992) that Kant's "first and foremost formula" of the Categorical Imperative (Micewski and Troy 2007: 22) is universalizability, i.e. "Act only on that maxim through which you can at the same time will that it should become a universal law" (L'Etang 1992; 742). When approaching the underpinnings of the network approach from this perspective, actors are first and foremost required to act always in such a way that everyone would agree on this being a rule or law for behaviour to which everyone would agree. However, it is the second element of the categorical imperative that captures attention in particular, with its emphasis on human relationships, i.e. that persons should never be treated as a means to an end, but only as an end in themselves – respect persons under all circumstances: "our most basic moral intuitions require a respect for persons" (Moberg and Meyer 1990: 866). The network approach only respects others in an instrumental way for what they can give to the recipient of such 'social capital', then potentially creating a rule for behaviour, or obligation for future reciprocity based on such a social exchange. Kantianism would find this immoral if one is using others as a means only, and therefore ignoring their nature as "autonomous agents" (ibid).

Social capital as Neo-Tocquevillianism

To return to our social capital themes, the fourth theme concerns social capital as a neo-Tocquevillian theory and relates to the scholarship of two of the most influential theoretical authors Putnam and Fukuyama who both claim to be working within a de Tocquevillian tradition. For illustration, in Putnam's evaluation de Tocqueville is "the patron saint of contemporary social capitalists" (2000: 292). Fukuyama (1995) also quotes liberally from de Tocqueville and is lavish in acknowledging his influence as "the most important theorist of social capital" (2000: 19).

Moreover, Putnam's central themes, with regard to civic community, (Ibid: 87-93) and Fukuyama's emphasis on culture as an economic resource (1995) both have their antecedents in de Toqueville's 'Democracy in America' (1835); that is, civic engagement, political equality, solidarity, trust, tolerance and associations as social structures of cooperation, are all identifiable Tocquevillian themes. Further these themes have been identified in an historical sequence of theories bolstering the prevailing socio-economic status quo (Paxton 1999: 88-127). For instance, Whelan notes (2004: 221) that President Clinton wrote an effusive letter to Amitai Etzioni praising his book, 'The Spirit of Community' (1993) and Etzioni's moral and authoritarian communitarianism (1988) can be identified as an immediate precursor to Putnam and Fukuyama's social capital in terms of theorising and diagnosing society's ills, suggesting broad sweep remedies and also in the political attention that the theory garnered.

The rational economic underpinnings of social capital, presented above under neo-capitalism approaches, are strongly evident in such an account. However, such an understanding of social capital has been vigorously criticised from the political Left (Baron *et al*, 2000: 2; Levitas 2004: 41-56). In sum, according to critics, this Tocquevillian understanding of social capital is little more than anti-statist, authoritarian neo-communitarianism, which argues for more personal responsibilities and fewer rights. From this optic, Putnam and Fukuyama are read as advocating a new form of communitarianism, which stresses the need for the 'civic deficit' to be cut not by state intervention, for example by introducing a more progressive taxation regime; but rather by encouraging individuals to join 'legitimate' voluntary non-governmental organizations (NGOs). Therefore, the responsibility for social exclusion is shifted onto the poor: it becomes their individual responsibility to join in and improve their stock of social capital.

The ethical aspects of this social capital understanding are the same as those levelled against communitarians, in terms of justice-based concerns over free will and the imposition of restrictive normative controls on non-conformists and the marginalised. Critics of contemporary capitalism would also argue that this version of social capital can be understood as falling within the parameters of Burkean conservatism with a stress on allegiance to the status quo and social harmony. The Tocquevillian version of social capital is thus supportive of the socio-economic status quo and belongs to the 'sociology of regulation', concerned with emphasising unity and cohesiveness (Burrell and Morgan 1979: 10-20) to the detriment arguably of addressing ethical issues of increasing inequality, especially economic inequality. For example Levitas has concluded that social capital "simultaneously obscures and legitimates wider social inequalities, and provides a lens through which the rich become virtually invisible." (2004: 49)

These views can be criticised on grounds of both utility and justice. Not only are the powerful selective in what and with whom they share knowledge and power, excluding some and including others, but those within and external to the network may find their freedom limited in terms of acceptable behaviour, obligations to key parties, and their abilities to exercise independent thought and behaviours, let alone (economic) development and self-determination. This leads to the creation of a 'social prison' (Portes 1998), and, as pointed out previously on utilitarianism, the goals and biases of the closely connected subgroup may then come to dominate the whole of society. Similarly, justice-based concerns over liberty and freedom in particular 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 deviate from for fear of becoming an outsider, or which they cannot break, because they *are* an outsider. Clearly, such norms are not concomitant with freedom of choice.

Further, Kantianism's second formulation of respect for persons again is applicable here in its rejection of instrumentalizing human relationships, although of course Kant's overriding formulation of universalisability of laws for everyone is also highlighted here in the weakness of such an objective perspective. Specifically, Kant's promotion of a universalising objectivity in the application of principles is countered by "evidence of Kant's inability to account for the moral value of emotions and emotional attachments", as typified through his idealised example of the cold-hearted benefactor (Stohr 2002: 187). Returning to respect for persons as a guiding principle, Martin (1991) points out that if one respects another as an autonomous chooser, then "one should not choose another's ends" (Ibid: 136). The 'choosing' by the 'status quo', 'acceptable' NGOs etc implies selective choosing by an elite 'other' on behalf of recipient 'others' who may not have been consulted over such a choice.

Social capital as development

The fifth theme is social capital as a form of development with an attempt to "reintroduce the social element into capitalism" (Baron *et al* 2000: 13). In methodological terms, to open up "the way for different approaches to modelling social relations, which address some of the moral and technical complexities of their protean character" (Ibid: 14). Thus in this tradition, social capital has instrumental value in capturing qualitative phenomena, which contrasts with the exclusively quantitative and asocial perspective that hitherto dominated. For example criticism has been levelled at development agencies, such as the World Trade Organization and International Monetary Fund for a reliance on overly quantitative models for analysis and policy recommendations. The argument was that these quantitative models failed to give adequate weight to the impact of social relations on economic activity and thus they inaccurately abstracted or dis-embedded economic activity from its social context.

Fukuyama reaches the conclusion that social capital analysis is important because: "It constitutes the cultural component of modern societies" (1999: 1); and is often critical for understanding development. He also calls on anecdotal evidence to suggest that "it is difficult for outsiders to foster civil society where it has no local roots." NGOs, "simply manage to create a stratum of local elites who become skilled at writing grant proposals; the organisations they found tend to have little durability once the outside source of funds dries up." (2001: 18) Further, according to Wallis and Killerby (2004:

239) the “extraordinary outburst of research... has largely been motivated by academic and policy interest in the explanatory power of social capital with regard to spatial variation in economic and institutional performance.”

Wallis and Killerby are of course talking of the utilitarian arguments and perspectives of social capital and the ‘optimum’ outcomes it can deliver. Brady (1985: 24) has a word of warning on such a view that could shed light on some of the policy concerns surrounding social capital, i.e. 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.” On this evaluation, *homo economicus* is seen as beholden to act rationally, instrumentally, motivated by extrinsic rewards, and behaving 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 organizing themselves in such a way as to create economic growth and development (World Bank: 1998). 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” (Schmid 2002: 751).

Thus the ethic of care perspective would perceive of social capital as a medium for interaction that prioritizes the maintenance and nurture of ongoing responsibilities and relationships. Morality is viewed 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 (Held 2006). Put succinctly: “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).

This tension between ‘positive consequences’ rooted in notions of relationships and responsibilities towards the other and the ‘negative manifestations’ of elitism, insularity, behavioural control and corruption are closely tied to arguments comparing the ethic of care perspective 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 (Dillard

and Yuthas 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 instrumentalization of relationships to bringing positive consequences in spheres outside of personal life. The pursuit of social capital may override 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).

Again, we return here to Kantianism. The criticisms are similar to those against Kantian objectivity, however perverse this is in relation to his insistence on respect for persons such that they are not used as means to end. However, as shown above, Kant was also able to shed light on our concerns over the ‘paternalistic’ elements of development theory: “Kant’s ethical theory seems to be particularly good at explaining what is wrong with paternalism... it implies that manipulation of the other, even when this will result in his achieving his ends, is morally repugnant; it is preferable to allow the other to choose his own means, even when they are, in terms of his own aims, bad ones; or to reason with the other person and thus to respect his autonomy as a rational chooser” (Martin 1991: 136). Ironically for a moral theory much associated with ethical universalism, in such an account Kant is arguing for plurality in the achievement of the person subject to ‘development’ through autonomously choosing their own ‘route’ without interference from others who may hold alternative agendas, however benign those others’ intentions may be.

Table One summarizes our findings when applying Utilitarianism, Kantianism, Justice and the Ethic of Care to the thematic approaches to social capital.

Insert Table one about here

It is our contention that this table provides the basis for an understanding of social capital which acknowledges and highlights the ethical content of the concept. We do not seek to promote one ethical perspective approach over the other, rather it is our intention that both practitioners and scholars better understand the implications of their actions. Rather than focusing on how to generate and measure social capital, we wish to support a finer grained reflection on its nature. This work thus dovetails with the literature on the dark side of social capital which rightly highlights that it is not necessarily an absolute good. Our contribution is to clarify the different ethical issues likely to emerge according to a range of approaches to social capital. We chose four ethical theories and four social capital traditions to provide a wide ranging set of perspectives. One version of social capital and version of ethics would have been inadequate in the extreme.

Conclusion

In this paper we have presented a detailed review of approaches and traditions of economic social capital and examined them through the application of ethical theory. In doing so we reveal the assumed perspectives which scholars of social capital imbue in their work. The most basic of these and the one which we seek to challenge with this paper is that social capital applied in business and management research is either value neutral or, simply put, a force for good. While research on social capital often briefly acknowledges what is called ‘the dark side’, very little goes beyond this to include a balanced ethical perspective within social capital research and accordingly more robust analysis. Our goal is thus to enhance the capacity of social capital researchers in the business and management field.

Our key contribution is in the value of Table One which summarises the pertinent ethical issues relating to social capital. It is our hope that future social capital researchers will be able to use the table as a starting point for understanding the dark side of their chosen approach to social capital. For example, a researcher seeking to investigate social capital in terms of development, would be readily apprised of potential issues to look out for with respect to maximising social good, equitable societies, ensuring freedom of individual choice and the potential for instrumentalization of relationships. Hence the table offers a template of ethical issues for social capital researchers. We do not claim that this will be exhaustive, but we do propose that it will improve the depth and quality of social capital research if used carefully. A second contribution of this paper is to introduce social capital to business ethicists who have not previously had the opportunity to read work in this area. It is our hope that the paper inspires some business ethicists to learn more about social capital and reflect on the value of bringing ethical theory and social capital together.

Importantly, we have distinguished between different traditions of economic social capital. We identify four key approaches of social capital, that is, social capital as neo-capitalism, in terms of network/reputation, as neo-Tocquevillianism and in terms of development. We sincerely encourage future scholars wishing to use social capital to distinguish between approaches to social capital as we have done, and in doing so address some of the complexity and confusion around definitions of this umbrella concept. We acknowledge that other traditions of social capital are also valid, and restricting our assessment to four is somewhat of a limitation. For example Bourdieu’s neo-Marxist inter-generational explanation of enduring class advantages is appropriate for examining educational attainment; e.g., the privileged student with the right social capital will be attuned to the cultural expectations of an Oxbridge interview and later will also have the social capital to be finessed into the most desirable ‘internship’ or occupation. (Field 2003: 16) Halpern (2005) answers the question of ‘Why is social capital important’ by considering: economic performance; health and well being; crime; education; and government and the effective state. In addition to economic perspectives, Castiglione et al (2008) also consider the concept from the perspective of democratic politics, community and society. While these perspectives might not be as directly relevant to the business and management area as the economics perspective of social capital, they are nevertheless worthy of further research.

Our ethical analysis has been necessarily cursory, given our wish to include a range of ethical theories and social capital traditions. Future research might seek to deepen the analysis of anyone of the 16 quadrants in Table One. For example, it could be that there is substantially more to be said about the application of Kantian theory to network approaches to social capital. Building on this, we have sought to give relatively equal weight to the four ethical theories applied. Others might usefully seek to argue that one or perhaps two of the theories are most pertinent and their application should be extended.

The ethical theories we have drawn upon – utilitarianism, justice, Kantianism and ethic of care – are in our view the most salient for economic social capital theory. However, others may also be relevant. For example, if the individual actors are the focus of social capital research, then it would be valid to engage with virtue theory which studies the character of the individual (as has been done by Preuss 2004). As we have revealed in this paper, applying different ethical theories frequently results in contradictory analysis of the ethics of a situation. This is the nature of ethics, and it is the task of the researcher to explicate the associated issues and determine the priority of the different perspectives.

The current paper is theoretical in nature, but we would attach considerable value to empirical work which seeks to verify and critique the theoretical observations we have made. This would strengthen the credibility of our analysis and extend its value considerably. There is a strong stream of empirical work around small business, entrepreneurship and social capital which we have cited in our discussions. This would be suitable territory for expanding our work on the ethics of social capital. Indeed, there is likely to be some considerable opportunity in the growing context of social entrepreneurship, where social priorities are at least equal to financial ones, adding an intriguing layer to social capital analysis.

It is our hope that this paper has implications beyond the academic. Social capital research is desirable to practitioners as a result of its promise of social and economic improvement. Developing an ethics perspective in social capital research should, in improving the robustness and the rounded reflection within research, also positively influence practice and policy. Our ethical application can help practitioners and policy makers to guard against negative unintended consequences of promoting social capital. We strongly recommend that research with a specific practical focus engages with the ethical perspective in social capital.

Each of our recommendations for future research is applied specifically to business and management, but to return to where this paper started, with the wide disciplinary interest in social capital, researchers in other contexts (urbanology, sociology, community development and planning etc) should also engage with the ethical issues of applying the concept, and in doing so problematize its sometimes simplistic and narrow treatment.

In conclusion, in this article we have sought to provide “some balance to the frequently celebratory tone with which the concept [of social capital] is surrounded” (Portes 1998: 3) by applying ethical theory. This we argue is important for the advancement of an enduringly popular but inadequately critiqued concept.

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Table One: Summary of the application of ethical theory to four traditions of social capital

| | | Ethical theories | | | |
|-------------------------------------|------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Traditions of social capital | Social capital as.... | Utilitarianism | Justice | Kantianism | Ethic of Care |
| | Neo-capitalism | Close alignment between neo-capital theory and utilitarianism. Social capital is seen as providing collective social goods and aggregate welfare. | Subjugation of the needs of some in order to achieve the greater good results in distributive justice concerns. Particular concerns where it is the most disadvantaged who pay the price for the advantaged. | Individuals identified as forms of capital rather than being afforded individual respect for persons. | No account taken of relationships, rather an assumption of people as rational, economic individuals which runs counter to an ethic of care. |
| | Network/Reputation | The perspective of the pursuit of the greater good is dominant but not necessarily commensurate with the pursuit of individual goals. | Closed networks may create 'in' and 'out' groups and be a forum for coercion and inequality by social exclusion. This is a more commonly acknowledged 'dark side' of social capital in terms of bridging and bonding. | Instrumentalization of social relations and reputation - using others as a means to an end. Goes against Kant's universalizability imperative by promoting favouritism and nepotism. | Undermines the value of genuine relationships and promotes relationships built for personal gain which are contrary to an ethic of care, except where in doing so close personal relationships benefit. Complex analysis needed of the resistance, for example of the poor, to enter into relationships which will create obligations. |
| | Neo-Tocquevillianism | Utilitarian claims by the powerful to meet their goals subjugate the needs of the less powerful. | Responsibility for social inclusion shifted onto the excluded. State abdicates welfare responsibilities to individuals, communities and NGOs. Imposition of preferred norms goes against liberty and free will of individuals. | Fundamental aspect of Kantianism, demonstrating that respect for persons is violated. | Protecting those with whom there is a relationship could be in keeping with an ethic of care. |
| | Development | Assumption of optimum returns by promoting social capital 'creation'. | Enabling more equitable societies and protection for the least well off is commensurate with a justice based approach. | Individuals should be allowed to formulate their own rationally arrived at choices, not guided by a pre-established development agenda. | Feelings of empathy and concern for others embraced but at the cost of the rights of individuals and elitism. Instrumentalization of relationships is inappropriate according to an ethic of care. |

ⁱ For an introduction to ethical theory in the context of business ethics we recommend some of the best established text books in this area such as Velasquez (2012) and Crane and Matten (2010). There is also an argument for the inclusion of virtue theory, but this has been treated adequately by Preuss (2004).