Preface

Family capital distinguishes family from other forms of business. Family capital includes human, financial, and social capital. Together, these three forms of capital account for a significant portion of family firm performance.\(^1\) “Of the three types of family capital, family social capital best distinguishes family from non-family businesses . . . family social capital cannot be hired or imported; it exists within family relationships.”\(^2\) Any firm can secure financial and human resources outside the family. However, family social capital is available only in the family.

These comments were written in the introduction to a special issue of *Family Business Review* devoted to family capital. The source of the special issue was the first Conference on Family Capital, Family Business, and Free Enterprise sponsored by the Family Business Center at the University of St. Thomas, Minnesota.

In that conference and associated publications, it became clear that social relationships in families can be a form of capital or a liability to a business. When families have trust and work together well, relationships can be an asset. When they distrust one another and have considerable contention, family relationships can be a liability. The purpose of the second conference and this book is to examine business families through the lens of social capital to better understand how they build trusting, cooperative relationships that can be a source of capital for the business.

Thus, this second multi-stakeholder conference sponsored by the St. Thomas Family Business Center examined social capital in family business. The stakeholders who participated in the structured dialogue were family business scholars, family business owners, and advisors to family businesses.

The purpose of this book is to increase our understanding of social capital as it relates to business families in ways that can be understood and applied by practitioners. A structured dialogue process was used in developing the content of this book. As a result of the conference, scholars better understand whether and how social capital concepts apply to family businesses. They can ground theory, research, and teaching in the experience and perspectives of family business owners and advisors. Owners
and advisors develop a working understanding of social capital language and concepts that can be helpful in their practice. As a result of common understanding that is developed, scholars, owners, and advisors in different occupations and disciplines better understand one another.

Structured dialogue has been used in a variety of contexts to help multiple stakeholders understand and act on complex issues and problems. The rationale, foundation, and approach for the structured dialogue process used in the conference are described in more detail in Appendix B. Briefly, the process is described below.

First, scholars from a variety of disciplines were asked to write papers and give short presentations summarizing their papers at a multi-stakeholder conference. To provide a diversity of perspectives, scholars from a variety of disciplines were invited to participate, including family business, family communication, family social science, entrepreneurship, management, ethics, organizational behavior, human resources, and consumer sciences.

Second, family business owners and advisors from a variety of backgrounds were invited to read the papers, attend the conference, listen to presentations, and join in dialogue with the scholars about the elements of social capital. Family business owners represented a variety of industries including construction, manufacturing, agriculture, financial investment, sales, and service. Advisors had expertise in law, family systems, family office, and team development. Because their input was so important to this book, their biographies are included in Appendix A.

Third, the structured dialogue occurred in three two-hour sessions. At the beginning of each session, scholars gave two short presentations about social capital in family business. Following the presentations all participants joined in dialogue. The dialogue was structured so that all had an opportunity to participate. Each individual was given a block of wood with their name attached. To make a comment, the individual placed the block of wood on its end. A facilitator called on individuals for comment following the order in which blocks were set upright. An exception to the order could be made if someone had a comment relevant to the comment made by someone else.

Fourth, because each two-hour session was focused on a topic related to family social capital, participants developed a common body of knowledge about social capital. Before the second and third forum sessions started, participants were given a summary of the previous session.

Fifth, following the conference, selected practitioners at the conference were invited to write a commentary that applied social capital concepts from selected conference papers to their family firm or practice. This gave them the opportunity to look at their business or practice through the lens
of social capital. These papers add contextual richness to our understanding of social capital in family business.

Sixth, the dialogue that occurred during the conference was recorded. Transcripts of the conference audiotapes were made. Summaries organized around common themes were written from the transcripts, including quotations from individuals.

Seventh, an extended introductory paper was written, illustrating social capital concepts. The illustrations were drawn from the papers or comments made by conference participants. This paper titled “Social capital in family business” appears as Chapter 1 after a brief introduction to the book.

The summary and conclusion for the book (Chapter 18) reviews the basic elements of social capital that were discussed during the conference and suggests how these concepts apply to business families, which provides insights into the nature of family social capital. Finally, recommendations (Chapter 19) were drawn from a discussion led by a facilitator that synthesized what had been said during the conference and final comments given by the stakeholders at the conference.

NOTES

1. Danes et al. (2009a).