Social Capital Generators? A case study for the Industry Associations within the Vancouver New Media Cluster.

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"Sprinkled among every walk of life... are the handful of people with extraordinary knack for making friends and acquaintances. They are the connectors."

Malcolm Gladwell

#### 1. Introduction

Social capital is a complex and contentious concept that has been widely discussed in the academic circles and the business community. The works produced by the three founders (James Coleman, Robert Putnam and Pierre Bourdieu) have brought social capital into the spotlight of the academic debate and have generated a number of other works as well as discussions, responses and criticisms. Recently, social capital has become of interest to the business community which values social capital for its ability to improve the innovative climate within a collective entity and/or industry. In addition, policymakers have also become interested in understanding the role social capital plays in social issues because some studies reveal a correlation between social capital and well-being of the community as well as civic engagement.

Using the example of the Vancouver New Media industry, this paper explores key dynamics behind the formation of social capital and looks at how the expression "it's not what you know but who you know" applies to everyday life. Specifically, I am interested in understanding the roles of civic and professional associations as contributors to social capital within the new media cluster. For the purposes of this study, civic and industry associations are assumed to be non-profit <sup>1</sup> organizations whose activities are designed to support and promote their industry.

### 2. Rationale and Methodology

The idea for my thesis evolved from my work as a research assistant for Dr. Richard Smith on the Innovation Systems Research Network study (ISRN). When we have completed a number of the ISRN interviews with the civic associations in the Vancouver new media cluster, I noticed a number of interesting patterns in the social capital section of the ISRN que stionnaire. As mentioned, I have been studying social capital in my graduate work and wanted to

<sup>&</sup>lt;sup>1</sup> This is a traditional definition for associations; in this study we have also looked at some associations that are set up as a company and is for profit.

understand the role of civic associations and their contribution to the Vancouver new media industry. Therefore, the goal of the paper is to summarize the knowledge I have acquired on the subject as a research assistant for the ISRN project and to provide a framework for my thesis. This paper is a working draft which will be presented during the ISRN graduate student panel to seek further comments, critiques and guidelines. These suggestions will be implemented into my research later this year.

To achieve this goal, this paper has been divided into two parts: theoretical and practical. The theoretical component addresses the theory of social capital, gives an historical overview of the concept, and discusses some of its major criticisms. It also traces the history of civic associations and explores their relations with social capital. This serves as a stepping-stone for completing the practical component: looking at the role of the industry and civic associations as conditioners of social capital within the Vancouver New Media industry and discussing some of the key findings.

To describe the background and the state of the Vancouver new media industry, this study draws on the results of the research findings based on from approximately 70 interviews with key industry players and a quantitative industry survey of approximately 260 new media companies conducted by the joint efforts of Center for Policy Research on Science and Technology (CPROST) and New Media BC (a local industry association) in 2003. To describe the role of civic and industry associations as contributors to social capital, this paper analyses the results of the social capital related material from the ISRN interviews. In addition, it also includes the highlights from the test interviews with these organizations and participant observations. These organizations include New Media BC, Association of British Columbia Animation Producers (ABCAP), the Wired Women Society, TechVibes Media Inc., BC Film Association, e-LearningBC. The paper also provides an overview of some of the preliminary findings about the role of civic associations in the industry. I conclude with a summary and an overview of limitations and an outline for the future steps of this study.

## 3. Part One: Theory

In this part, I examine the theory of social capital and history of civic associations as well as the connection between social capital and associations.

## 3.1 Theory of Social Capital - an Overview

## 3.1.1 History and Key Figures

The idea that human relationships play an important role in any society is not new and their quality have long been a concern of social theorists. Some suggest that social capital theorists are merely mirroring and extending the ideas of classical sociologists (Field 2003). For example, Emile Durkheim's ideas of "mechanical" and "organic" solidarity and Ferdinand Tonnies' theory of *Gemeinshaft* and *Gesellshaft* provided earlier explanations on how various types of relationships affect the society as a whole.

To achieve desired goals and get things done, people have been relying on their relationships with others since the dawn of human civilization. Tribal life and its rules were critical to the survival of the human race in a harsh environment in the early stages of evolution. As society continued to develop, the aspects of relationships among its members became more complex. Anthony Everitt describes a semi-official system that existed in Ancient Rome, where free citizens achieved their goals through a web of personal connections known as *clientela*. The system worked on the basic principle summed up in the religious formula "du it des" – "I give so that you give." The Aristocrats acted as "patrons" and mentors to hundreds of their *clients* assisting them with business decisions, political connections, job search, law enforcement and even meals for those who were poor or in need. In exchange, the clients offered their loyalty to the patron in the times of political upheavals and were recruited in their army. Since there were no other administrative instruments, these networks between a patron and his/her clients cut across the social classes enabling the Roman Empire to function (Everitt 2002).

While today's society has undergone a number of changes since the Roman Era, one might wonder if the social capital aspects have actually changed. Unlike the Ancient Rome, where *clientela* was the only administrative system that enabled the society to function, today's society offers alternatives because modern organizations are governed by official rules and policies. If one follows these rules, he or she will most likely achieve their goal. Nevertheless, where possible, people prefer to rely on their networks of friends and relatives rather than on formal administrative procedures governed by bureaucracies. Field argues that this tendency

exists because we prefer to bypass the formal rules imposed by the system and talk to someone we know and use our social capital (Field 2003).

There is a considerable degree of controversy in the literature with regards to who should be credited for identifying the term "social capital" first. Some suggest that the roots of social capital go back to the sociological studies of community and economic development (Smith 2000). Putman argues that the term has been reinvented at least six times over the course of the 20<sup>th</sup> century, concluding that connections and cooperation help improve life, moreover, they can be profitable, similar to any other forms of capital (Field 2003).

However, chronologically, a little known work titled "Housing and Social Capital" first published by the Royal Commission on Canada's Economic Prospects in 1957 precedes most of commonly mentioned works. In it, the authors suggest that "One might argue that it is the industrial component of capital which is ancillary to the social, rather then the other way around. Industry and industrial organizations are, after all, primarily a means to an end. But social capital and it associated institution are both this and more. They relate in part, to what is meant by civilization in the highest sense, they are worth having in themselves, they justify industry even as they facilitate it "(Dube 1957). The definition of social capital has changed since then and today's literature yields various explanations which shows that the concept of social capital is still evolving. In this paper, I would like to stay close to the classical works on social capital.

Robert Putman's works titled <u>Making Democracy Work: Civil Traditions in Modern</u>
<u>Italy</u> and <u>Bowling Alone: the Collapse and Revival of American Community</u> are among the most well known social capital studies in modern academic literature. While Putman's works have revived scholarly attention to social capital and contributed to the popularization of the concept among the wider public, there are other scholars who have contributed to bringing the subject into academic and public debate.

An American sociologist, James Coleman, and a French sociologist, Pierre Bourdieu has also studied social capital earlier in the century. Some suggest that Bourdieu, Coleman and Putnam can be considered the founders of social capital (Field 2003). Each scholar studied social capital in different times and within their discipline - perhaps this could partially explain why their definitions differ from one another. For Pierre Bourdieu, social capital is based on his understanding of social hierarchy which is deeply influenced by the Marxist sociology. He thought that economic capital is at the root of all other capitals: human, social or cultural. Bourdieu believed that social capital was an asset of the privileged who use it to maintain their superiority in society (Field 2003). Unlike Bourdieu, Coleman thought of social capital as a

resource because it involves the expectation of reciprocity and encourages cooperation among individuals and groups and treated social capital as a public rather than a private good. Coleman defined social capital by its function because it involves social structures and the actors within these structures. For instance, a family might choose to move neighborhoods for the father to start a new job and although this seems reasonable to the family, their connection to the neighborhood and vise versa will be lost which is a loss to the entire community (Coleman 1988). Robert Putman would agree with Coleman, seeing social capital as a public good and associating it with the civic engagement that contributes to the overall well-being of society. Putnam studied extensively the role of civic engagement and associations in Italy and later in the native United States. In Making Democracy Work, Putnam and his colleagues concluded that civic engagement tended to have more effective government in comparison to the regions where volunteerism and participation in public life was not as popular. Civic engagement in turn, contributes to the growth of social capital – people are more likely to get to know and trust each other when they participate in various aspects of public life together. He concluded that civic engagement and social capital have contributed to better economic development (Putnam 1993). In Bowling Alone: the Collapse and Revival of American Community, he argues that the decline of social capital affects the overall health of our communities: whether it is a matter of neighborhood safety, public school education or physical health. Social capital encourages collaboration and thus allows people to resolve collective problems more easily.

The subject of social capital is relatively new and the works of Putman, Coleman and Bourdieu have common issues which pose questions and require clarification. All three scholars largely downplay the negative consequences of social capital on society. Coleman sees it as benevolent, Putman mentions the downside and Bourdieu acknowledges it as a disadvantage to less privileged (Field 2003). Also, all three authors offer very little discussion on how social capital is affected by gender. It is true that a full range of negative and positive social capital requires further research and debate; however, these and other scholars should be credited for shedding the light on something quite significant, otherwise why would social capital be considered in the implementation of public policies and business plans?

## 3.1.2 What is Social Capital and is it Important?

Although the average person may not know that there is a formal definition for social capital, the common aphorism "it's not what you know but who you know" is familiar to almost everybody. Similar aphorisms expressed through proverbs exist in most other cultures. For example, in

Dutch, "Het is niet belangrijk wat je weet, maar wie je kent" translates into "It is not important what you know, but who you know"; and in Spanish " "No importa que sabes sino quien te conoce" means "It doesn't matter what you know but who knows you" (Hilferink 2003; Salazar 2003). This illustrates that people are aware and appreciate social capital regardless of their culture.

The role of social capital is important in times of crisis in our lives: we learn through experience to rely on our "safety nets" of friends and family in the times of hardship and to be supportive when a member of one of our networks needs help. In times of hardships or challenge – whether it is a loss of a family member or a search for a new job, we turn to our "safety nets" for support which almost always help us to get back on our feet and meet the new challenge. At the same time, it is those who lack social capital or, for one reason or another, refuse to turn for help to their "safety nets", who are hit the hardest. This means that, on the micro level, the wellbeing and success of individuals and communities is dependent on their relationships with other people, groups or organizations. On the macro level, the relationships among individuals can influence larger groups that affect economic development and relations with bigger entities. As such, social capital plays an important role in many aspects of today's society: economic development, civic engagement, innovation, democracy, human capital and education (Dasgupta and Serageldin 2000).

But besides the abovementioned positive aspects, social capital also has a number of negative qualities. Depending on the context, social capital can be a liability, encourage inequality and be used for illegitimate gains. Sometimes we unwillingly become a "safety net" for a relative we do not particularly like or get along with but who we are forced to help by family or cultural obligations.

In some groups the group laws may be so strong that an attempt to leave the group may result in severe punishment. We all know parents that were forced to move neighborhoods or change schools for their children to avoid or prevent them from "hanging out with the wrong crowd" and picking up harmful habits through peer pressure (Woolcock 2001).

People can also use their social capital for personal gains and may prevent others, who do not have the same access to "friends in high places" from getting the same results. Access to different types of networks is very unequally distributed – depending on our position in the society some people's connections are more powerful than others'. They can use these connections to further their interests. This in turn, makes social capital an asset for those in

power and can further promote inequality, taking away the opportunity from those already less privileged.

While there are drawbacks, there are aspects that make social capital important and recognizable across cultures. What are they? People are social beings - some of the most important moments in our lives – happiest or saddest - are spent with our friends, relatives, and people we know, trust and cherish over common meals, community events, rituals and volunteer projects (Woolcock 2001). Throughout the course of our lifetime, we become embedded in the "safety nets" or various social networks. We rely on these networks and the social capital within them for survival in the times of crises, for personal gain or pleasure and for the need to communicate with others. We may inherit some of the social capital from our parents and continue to build it, or more often we have to build it from "scratch" when we move neighborhoods, cities, countries. Regardless of our position in a society (with small exceptions 2), we constantly participate, build or in some cases, destroy, our own or someone else's social capital.

Since the concept of social capital is quite complex and at times controversial, most definitions focus on different aspects of social capital, including explanations of what social capital is, what factors give rise to it, where it resides and what it can be used to achieve (Longo 1999). For the purpose of this paper, I chose to use a definition that encompasses all of these qualities:

Social capital refers to the intangible social features of community life – such as trust and co-operation between individuals and within groups, actions and behavior expected from community members, and actions taken by community members for reasons other than financial motives or legal obligations – that can potentially contribute to the well-being of that community (Longo 1999).<sup>3</sup>

In other words, trust and norms encourage co-operation within members of a network and enable them, consciously or unconsciously to work together towards a common goal. Also, there are other definitions of social capital that are worth mentioning, for example, "...the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an

<sup>&</sup>lt;sup>2</sup> I refer to individuals or groups who choose or are forced to live in isolation due to religious or some other beliefs.

<sup>&</sup>lt;sup>3</sup> This definition was adapted from the "Multiple Meanings and a Myriad of Terms in the Space Between the Market and the State" report prepared by the Centre for Public Sector Studies in University of Victoria, the Community Development Centre at SFU and the Inner Coast Natural Resources Centre (Alert Bay, BC) for the Non-Profit Sector Research Initiative in1999. The author presents taxonomy of the range of social capital definitions and meanings to derive a definition that encompasses this taxonomy.

individual or social unit," which means that social capital consists of networks and resources available through them (Nahapiet and Shoshal 1998). At the same time, Putnam suggests, that "social capital refers to features of social organizations such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit" (Putnam 2000). Therefore, the basic components of social capital are trust, norms/reciprocity and networks. Interestingly enough, associations, defined as "an organized body of people who have an interest, an activity or a purpose in common; a society" would need to contain most of those qualities in order to function properly (1992). Let us consider the history and background of civic associations in order to understand this connection further.

## 3.2 Civic Associations

Civic associations trace their roots to *guilds* which first appeared in the eleventh century England. According to Brentano who published his book titled, On the history and development of gilds and the origin of trade-unions in 1870, guilds were religious gatherings held on regular basis to in honor of St. Peter or another saint, accompanied by a community meal<sup>4</sup>. With time, these meetings evolved into a formal brotherhood of members that served as a support network for religious and secular matters (Brentano 1969). The main idea behind guilds is that replaced or played a role of extended family, where each member has obligations, responsibilities and support from other members and protection.

In parallel to religious guilds, in towns with rising commerce, secular guilds were formed for the protection of liberty, property and trade. Independent merchants who traveled from market to market and who were from the same town or area formed a union for mutual protection where they formally agreed to follow rules and protect each other in case of a physical attack. They also established certain rights which allowed them to hold monopolies on their goods and services and later industries in certain areas. Those who were not members of the guilds were allowed to trade but only at wholesale and had to pay taxes. Members paid membership dues and taxes were paid by the guilds on behalf of their members. The membership was someone exclusive and acquired considerable political influence, often becoming vested with the power of administration of some of the municipal regulatory functions (Microsoft 1993-2002). When merchant guilds were at their highest power, craftsmen were almost always excluded from guild membership. This caused tension between craftsmen

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<sup>&</sup>lt;sup>4</sup> The word guild traces its root to a number of European languages: there are variations of the world in early German, Danish, Welsh, Breton, Gaelic and Dutch. Essentially, guild denotes feast, banquet, or corporation. Back then it meant that a company of people would meet on certain occasions for the purposes of feasting and merrymaking.

and merchants and they began to form their own guilds that included in their membership all those engaged in any particular craft, and which monopolized the making and selling of a particular commodity within the cities in which they were organized. First craft guilds were organized around 12<sup>th</sup> century and they imitated merchant guilds by uniting for mutual benefits. By the end of 14<sup>th</sup> century, as national governments across Europe continued to gain power over municipal government, they supported the craft guilds, depriving the merchant guilds of their power to regulate the commerce in municipalities(Microsoft 1993-2002).

The goal of the craft guilds was to control production of certain goods or industry. All members of a craft guild were divided into three classes: masters, apprentices, and journeymen. The masters were independent entrepreneurs who owned their shops, tools, equipment and bought their own raw materials. Apprentices and journeymen were boarding at their masters' houses. The apprentices were the students entering the trade learning from their masters. The journeymen were those who successfully completed their training and worked for a wage at their master's shop. Each craft or industries were heavily regulated by the guilds – hours of work, prices, wages, quality standards and training requirements were supervised by the guild representatives. Any innovations that could lead to improvements in production or lower the costs were prohibited. The idea was to keep the three classes equal. Consumers benefited from the guilds because most goods guaranteed quality; however, since the prices and innovation processes were regulated, consumers could not benefit from competition(Brentano 1969).

By the end 15<sup>th</sup>, the craft guilds were a subject to internal tensions – the process for becoming a master was made far too rigorous because masters were interested in limiting acceptance of new members in their class and taking advantage of the low wages paid to the journeyman. In protest, the journeyman formed their own guilds by the way of strike demanding better working condition and changes in qualifications for the master status. These efforts were hardly successful; however, these movements are considered first predecessors of the trade unions because of their labor right defense movement (Microsoft 1993-2002).

In the 16<sup>th</sup> century, with the rise of industrialization, the craft guilds lost their former rights and privileges and eventually forced out of existence because they could not keep up with competition and wide distribution of goods. However, the idea behind guilds – a group of people united for mutual benefit to project common interests – emerged through trade unions (Brentano 1969). Surplus of working class competing for jobs at the factories were economically depended on their employers. First trade unions appeared in the end of 18<sup>th</sup> century in Western Europe and the United States. This was an organized response of factory

workers to deal with the impact of industrialization and capitalism. The main difference between a trade union and a guild is that trade union members can go on strike if their demands are not met. First trade unions were formed by skilled artisans attempting to protect their rights. At first, these associations were considered illegal by the government, however, many of these legal barriers to trade unionism were eliminated as a result of court decisions and favorable legislative action, but the early unions failed to survive the economic depressions of the first half of the 19th century (Microsoft 1993-2002).

During the second half of the 19th century in Europe, trade union movements were associated with workers' movements resisting the capitalist system and advocating various substitutes such as socialism, anarchism, syndicalism, and, after the Russian Revolution of 1917, communism. By early 20<sup>th</sup> century the unions were formed among most workers across most industries in the U.S. and Europe. The strength of the unions was connected to the type of government in a particular region or country. In this paper, we will focus on Western Europe and North America.

Today, the most important function of trade unions in democratic, industrialized countries is negotiation of collective agreements with employers. These agreements are far more sophisticated than their original predecessors – they not only cover the basic wage demands but also account for various benefits, safety and unemployment compensation (Microsoft 1993-2002).

As mentioned, the idea behind trade unions and guilds was a voluntary or semi-voluntary union of people united for mutual benefit in order to protect common interests. In <a href="Making Democracy Works">Making Democracy Works</a>, Putnam suggests that craft communities and guilds, as a form of civic associations, were incubators of social capital because they encouraged development of "norms of reciprocity and networks of civic engagement" (Putnam 1993).

Another important form of civic associations that served as a cradle to social capital was volunteerism and voluntary associations. Putnam sites Schlesinger who suggests that the history of volunteerism in America traces its roots to 18th century and to the War of Independence: "Rubbing minds as well as elbows, they have been trained from youth to take common counsel, choose leaders, harmonize differences, and obey expressed will of the majority. In mastering the associative way they have mastered the democratic way" (Rotberg 2001). This is based on Tocqueville's argument outlined in <u>Democracy in America</u> who suggested that involvement in civil associations teaches citizens about democracy and collaboration towards common goal as well as act as a school ground for being involved in political associations (Baron 2000).

Over time, civic associations continued to evolve and today they represent an instrument that brings people together to allow them to work towards common goals, playing an important role in Western democracy. Their structure and functions vary from heavily regulated trade unions to informal grass root civic associations. The industry associations, a subject of my inquiry, are located somewhere in the middle of this wide spectrum. In my future research, I intend to further analyze the theory of civic associations in order to paint a complete picture of their role in society, both negative and positive. Now, I would like to give a brief overview of the literature that explores the connection between social capital and civic associations and vise versa.

# 3.3 Civic Associations and Social Capital

Clearly civic associations affect the stock and quality of social capital in society. Literature presents four major areas of debate that surround the topics of social capital and civic associations (Baron 2000).

## 1. Correlation between Social and Political Involvement

This debate goes back to the Tocquevillian argument who in his book <u>Democracy in America</u>, suggested that participation of citizens in civic associations teaches them about democracy because they work collaboratively towards common goal and paves the way for political participation. Based on this argument, Putman suggests that a vibrant civil society facilitates and encourages a vibrant political society. But other scholars claim that civic involvement in the United States moved away from the official politics to the voluntary sector. Galston and Levine argue that the classic Tocquevillian thesis should be modified - local civic life does not act as a school for wider political involvement but instead may increasingly serve as a refuge from (and/or alternative) to it (Baron 2000).

#### 2. Social Capital and Good Government

In his studies of the Italian regions Putnam suggests that there is a link between associational vitality and democracy. In <u>Making Democracy Work</u>, regions with a long tradition of volunteerism and active community participation tended to have more democratic government and be more economically prosperous compare to those regions where such traditions were not as strong(Putnam 1993). It is reasonable to suggest that the activities of political institutions or other agencies might help or hinder the creation of social capital. On the other hand, other scholars suggest that correlation between associational vitality and good government is oversimplified because public authorities are deeply implicated in the shape and activities of

voluntary associations. Elective government plays a major role in the political process but they have to collaborate with other organizations to achieve their goals. Institutions in civic society do not simply underwrite the capacity for good government; they are incorporated into the process of governing (Baron 2000).

### 3. Social Capital and Social Benefit: Trust and Distribution

Putnam argues that trust in political institutions correlated with the quality of democracy. But finding research tools that accurately measure the levels of trust within political institutions is a challenge. Furthermore, other studies show that political trust may not necessarily have a negative impact on the overall stock of social capital in society; on the contrary, citizens skeptical toward the government are more likely to keep its actions in check. Maloney et al goes on to say that: "The issue is not whether or not citizens are anti-statist, but whether they are prepared to place their own individual interests below those of intermediate social groups" (Baron 2000).

The other question that should be addressed is how social capital is distributed among various groups and classes in society. Being part of certain group may determine access to certain resources that other community members will find out of their reach. In Soviet Union, the unofficial economy of favors in the or 'blat', described by Ledeneva, facilitated exchanges among party members and people in positions of power promoting inequality (Ledeneva 1998). The "blat" networks that existed (and perhaps still do?) and the "old boys' network" provide opportunity to exchange favors exclusively among its members keeping away those who "do not belong." For example, children of the Communist party members would almost always be accepted into the state universities – as a rule, the higher the position of the parent(s), the more prestigious the university would be to the extent that some universities and certain faculties were "out of the league" for a regular Soviet citizen and their children. Such a system facilitated the unofficial but well established exchange of favors at the expense of unknown others. The "blat" network promoted bonding social capital and therefore, the type of social capital availible, bonding or bridging, may also impact the question of distribution. Thus, the 'distributive dimension' of soccap needs to be recognized. Differentials in the ability to create and access soccap are likely to reinforce existing social, political and economic inequality(Baron 2000).

### 4. The Decline of Social Capital

In his well-known <u>Bowling Alone</u>: the <u>Collapse and Revival of American Community</u>, conducted in the mid-1990's, the author analyzed the evolution of community engagement

during the 20<sup>th</sup> century using the example of bowling leagues in the United States. Putnam suggested that although individual bowling had a ten percent increase in America, the overall participation in bowling leagues had a 40 percent decrease over the last two decades (Putnam 1996). While bowling membership and its effects on society is the main focus in this study, Putnam also looks at the membership changes in a number of traditional associations in the United States and concludes that there is a trend towards overall decline in civic participation which could have a negative impact on the stock of social capital. However, many scholars disagree with Putnam, questioning the validity of his surveys. A number of studies conducted in the United States and Britain show that a number of voluntary associations have increased in the past thirty or forty years. For example, Nicholas Lemann, being somewhat sarcastic in the article titled "Kicking in Groups," argues that there is been relatively little decline in civic virtue in the United States. To prove his point, he shows that the number of U.S. Youth Soccer participants doubled in the past 10 years from 1.2 million to 2.4 million suggesting that perhaps there is been a shift in interest – from bowling leagues and chorus groups to soccer teams and online communities (Lemann 1996). These studies suggest that civic participation is not really declining but rather shifting due to changes in political environment. For example, attention of local government has been eroding in traditional services such as housing; to pick up the slack, associations have been formed who focus on providing support services and government lobbying on behalf of their members (Baron 2000).

There is also disagreement on what types of civic associations actually contribute to democracy and what do not. Some suggest that tertiary associations such as professional associations and staff groups take advanced democracies closer to mass societies because their main function is to collect membership dues. On the other hand, if checkbook participation supports the activities of a lobbying campaign conducted on behalf of certain community or interest group would not that be as effective or more effective as a public protest demonstration? Clearly, there is a lot of contention in the literature on whether contribution of tertiary and vertically ordered civic associations to social capital should be viewed as positive, negative or neutral (Baron 2000). In my future research, I hope to clarify some of these questions. In the meantime, I would like to move on to the second part of my paper and discuss some of the findings that were discovered while completing the practical component of my research.

#### 4. Part Two: Practice

### 4.1 The Vancouver New Media Cluster

In the past 10 years, a number of new media cluster/industry studies were conducted by various organizations: 1995, 1997, 1998, 2000 and 2001. The description of the Vancouver new media industry is based two most recent independent studies. The quantitative information is based on a province-wide survey which was conducted by the joint efforts of New Media BC and CPROST in the spring of 2003 that included statistics from 250 responses drawn from a database of 700 new media companies. The online survey consisted of 32 questions and asked about company's age, geographic location, core activities, target markets, human resources, innovative activities, financing and ownership, revenues, export activity, collaboration and location factors. The qualitative information includes highlights drawn from the ISRN interviews conducted from June 2002 to July 2003. Although some of the results simply confirmed findings from previous industry surveys, others revealed significant change and growth in the industry during the past five years.

The NMBC study identified a geographic clustering of companies in the BC Lower Mainland, clustered in the certain areas of the Greater Vancouver area: Yaletown, Gastown, and central Burnaby. The industry is still very young: over half of the companies (61.8%) surveyed have been in operation for less than six years. This figure compares to earlier statistics from a study conducted in 2000 by PriceWaterhouseCoopers in which 54% of new media companies were found to be four years old or younger. Today's new media industry in BC is comprised of more than 700 companies and provides full-time employment for approximately 14,000 people. This is a significant increase from 1998 when PriceWaterhouseCoopers reported that new media employed 1800 people. Although 79% of BC's multimedia companies are located within the Lower Mainland, the industry is beginning to flourish in other areas of the province such as the Okanagan and Kootenay regions and Vancouver Island.

<sup>&</sup>lt;sup>5</sup> Altogether, some 70 interviews were conducted under the ISRN project; 51 with companies and individuals and 19 interviews with representatives from the industry associations and the government agencies.

The typical Lower Mainland company is slightly older than its counterparts in the rest of the province. A majority of BC's multimedia companies, 87%, are privately owned, 8.8% are public companies, 2.3% are subsidiaries of Canadian parent companies and 1.5% are subsidiaries of foreign parents. Regardless of the location, the majority of new media companies, 52.5%, employ less than six people. The statistics show that as companies mature their employee count also increases (NewMediaBC 2003).

The ISRN interviews distinguished between firms according to products and markets. Research showed that rather than single cluster, the industry in BC is composed of four different sub-clusters. Although they carry out some similar functions, they are distinguished by their markets and products. Essentially, the sub-clusters correspond to different new media product areas; these include: e-learning, gaming, animation and web-services. Below is the brief description for each sub-cluster.

## **E-learning Sub-Cluster**

Companies in this sector specialize in producing and developing content and tools to facilitate online learning. It is the youngest sub-cluster in BC's new media industry and most of its companies are very small, often one-man shops operating out of home offices although there is a number of companies that employ up to 15 employees. BC's first elearning companies developed in response to a need for distance learning due to geography of the province. Currently, there about 70 companies within this sub-sector; they specialize in providing services for educational institutions and corporate organizations.

### The Gaming Sub-Cluster

Don Mattrick, President of the Worldwide Studios at Electronic Arts, played an important role in the formation of Vancouver's gaming industry. The success of his first game, "Evolution," allowed him and his former partner, Jeff Sember, to start their own company, Distinctive Software, in the early eighties. Gradually, the firm grew to 80 people and in 1991 it was bought by Electronic Arts (EA). EA continued to grow and by 2003, its revenues reached \$2.5 billion with offices in BC, United States and Europe. As Don Mattrick's company continued to evolve a number of employees chose to start their own companies, most known are Radical Entertainment and Relic Entertainment. These companies, in turn, spun out more companies, which contributed to the vibrancy

Vancouver's new media industry. The majority of companies in this space develop computer games for various platforms such as PlayStation®2 computer entertainment system, Xbox<sup>TM</sup> video game console from Microsoft, the Nintendo GameCube<sup>TM</sup>, the Game Boy® Advanced and PCs, which they then sell to publishers. According to the latest study completed by the New Media BC, there are about 140 companies with approximately 2400 employees in this sub-sector (Simmons 2004).

## The Animation Sub-Cluster

The first BC-based animation companies were founded in the late 1980's, providing service-work for major Hollywood companies and large animation companies, such as Nelvana and Cinar, in Toronto and Montreal. These early companies gave rise to more animation companies and the sub-cluster grew through the 1990s. The nature of the activities evolved from doing service work for the US-based companies to producing indigenous content through co-production with other Canadian and international companies. Producing and selling their own content is important to animation companies because it complements revenue, adds value to the company and contributes to a portfolio that can be showcased to prospective clients. There are approximately over 60 companies in the sub-sector.

### Web Services Sub-Cluster

This final sub-cluster is different from the other three in that its companies engage in very diverse activities. Their main products are a combination of services such as the preparation of various materials for e-commerce, Internet marketing and web site development. Some of the pioneers in the transactional aspects of the Internet were located in Vancouver. The majority of these companies is quite small and privately owned, some working on a contract basis. There is also a large number of freelance consultants who provide their services on a sub-contract basis. Most companies operate locally focusing on the local market. But, as a rule, if a company is successful, their market and their base of clients grows with them. There are also companies such as Blast Radius, who have achieved a word-wide recognition; their portfolio of clients includes some of the world's largest firms, such as Nike, Nintendo and Heineken.

## 4.2 Overview of Civic Associations of the New Media Cluster

As a part of the ISRN study of new media industry in Vancouver, we were able to conduct six interviews with civic associations that operate within the given cluster. A brief overview of each organization is provided below.

# New Media BC (interview conducted 20/06/2003)

New Media BC (NMBC) traces its roots to the ASI Exchange in 1997(Green 2003). Officially, NMBC was launched in June 1998 through combined funding from IRAP/NRC, the Telus New Media and Broadcast Fund, and BC Film. The founding sponsors recognized the importance of a strong association to the development of the new media industry. Through networking events, Special Interest Group committees, advocacy work, and marketing, NMBC works to build the new media community locally and promoting it abroad. When it began, NMBC had 40 members and currently represents over 130 new media companies and over 100 individuals(Green 2003). The member companies represent all sub-sectors of the new media industry; the membership is comprised of businesses, educational organizations, government agencies, and individuals whose core businesses are e-commerce, e-learning, web development, electronic games, animation, visual effects, software and tools, interactive products (NewMediaBC 2002). NMBC has three full-time employees and two contractors on staff and a Board of Directors. Over the years of its existence, NMBC was able establish a well-known reputation within and outside the industry.

## eLearning BC (interview conducted 17/07/2003)

*eLearningBC* is an alliance of over 70 e-learning providers whose aim is to market their members nationally and globally and lobby federal and provincial government. The company members cater to a wide range of audiences from school to corporations and provide a number of services: from grade school to university curricula, virtual classrooms to virtual studios, content development tools to learning management systems. *eLearningBC* is non-profit association run by the board of volunteers and committees who represent member companies (eLearningBC 2002).

It began in 2000 as a Special Interest Group (SIG) initiated by several individuals who worked in the e-learning sector. One of the first initiatives undertaken by the group was

organizing a trip to the Online Learning Conference in Anaheim in September 2002 (Stewart 2003). Another initiative involved establishing a structure and a marketing plan to promote elearning companies in BC. eLearning BC remains a very active group – they regularly hold meetings, educational seminars and online discussion as well as an active e-mail list. They also have close relationship with a number of government officials from the provincial and federal level that offer great support and governance advice and help with lobbying activities.

# BC Film (interview conducted 29/07/2003)

Since its inception in 1987, British Columbia Film mandate has been to offer programs and services that contribute to the growth of the indigenous production community in British Columbia. Over the years, the Society has offered development and production financing to British Columbia filmmakers through a variety of funding programs and professional development to producers, writers and directors through marketing and skills assistance programs. In addition, BC Film administers the provincial tax credit program on behalf of the provincial government. It is a private, non-profit society, which operates at arms-length from government and reports to a Board of Directors. The Society receives a majority of its operating funding from the provincial government through the Ministry of Competition, Science and Enterprise (BCFilm 1996-2003). BC Film has 12 full-time employees on staff and a Board of Directors (Francis 2003).

BC Film is connected to the new media industry on two levels: through business activities and technology. New media technology is used in the film industry, for example in credits or in animated movies. Because of this overlap, many companies are members of both associations. Also, some new media companies collaborate with film companies on a subcontract basis.

## The Wired Women Society (interview conducted 18/06/2002)

The Wired Woman Society (WWS) was founded in 1996 by Emma Smith, who at the time, was an instructor at the Vancouver Film School, with the goal to build relationship and encourage knowledge sharing among women employed in the technology sector (Haman 2002). There are also Wired Woman chapters in Toronto, Calgary and Winnipeg. The society manages the development and national disbursement of four key programs: education, mentorship, online services, and R&D. The chapter provides its members with monthly educational seminars,

social gatherings and general support. Members of Wired Woman receive regular news, update emails, and can use the society's email list to post news and inquiries to the entire membership list (The\_Wired\_Woman\_Society 2003). Recently, WW launched an online portal for the members to facilitate online marketing. Most Wired Woman is a non-profit association run by the Board of Directors and various Committees, all of whom are volunteers.

## The Association of British Columbia Animation Producers (interview conducted 17/07/03)

The Association of British Columbia Animation Producers (ABCAP) is a non-profit organization representing animation producers and production companies operating in British Columbia. Founded in 1994, ABCAP's mandate is to foster and encourage a solid foundation for, and continued growth of the animation industry in British Columbia. Organization was founded for a number of reasons: first, small animation companies wanted to create a watchdog body to monitor Disney that, at the time, was moving to Vancouver. Second, company members wanted to create an atmosphere of cooperation and a place for negotiation. In 2001, ABCAP conducted a survey of some 60 firms either directly working in or deriving some portion of their business from the global animation industry. Currently, there are about 30 members in this group. At the time of the interview, ABCAP was in transition mode: they were considering merging with NMBC and were not as active as other associations.

### TechVibes Media Inc. (interviews conducted 18/06/2003 and 23/04/2004)

TechVibes is an online community portal that provides networking opportunities for the members of high tech industries across Canada. One of the founders of TechVibes, Lindsay Smith, was a co-founder of GeekRave Productions, an initiative that aimed to provide more networking opportunities in the height of the tech boom era. Founded in the beginning of 2000, GeekRave staff organized monthly events for high tech professionals in Vancouver. In 2002, after it folded, Linsday Smith (now the CEO) partnered with Michael Schwarz (now the President) to create TechVibes with the goal to facilitate online networking for new media industry. In addition to the online portal with over 13,000 members across North America, TechVibes also holds monthly networking events in downtown Vancouver that are extremely popular among those who work in the new media sector, especially the younger generation (Smith 2003).

TechVibes is a company that employs three full-time staff and several contactors as well as volunteers. TechVibes business model is similar to that of a magazine or a newspaper - they

aim to "create value for an audience, to drive that audience to the website where they are reading and taking something from it and then to advertise products to that audience (Smith 2004)."

## 4.3 Role of Civic Associations in the Social Capital of New Media Cluster

Social capital, which can be defined as a combination of values, networks and norms that enable a group of people to work together, is often invisible to outsiders. It can be characterized as the "invisible glue" that holds social networks together. Civic associations would be a crucial component of such 'glue' because they provide a number of functions that holds a certain community or industry together. These activities such as events, discussions, online forums provide industry members with the opportunity to build trust and relationships with each other and promote collaboration. In the fast-paced industry such as new media, trust is a very important component of the business environment because it speeds up the decision-making process and fuels innovation. Our research revealed a number of trends and activities that shows how civic associations he lp generate social capital in the new media industry. I have identified six categories which are: niche and focus; mentoring; volunteers; learning ground; collaboration or co-opetition; and gender differences.

## Niche and Focus

As mentioned above, the new media of Vancouver has four sub-sectors described earlier in the paper. Similarly, associations can be divided into two sub-groups. First kind provide their services to all new media companies, serving as an umbrella organization for the industry such as New Media BC or TechVibes. Second sub-group caters to a specific audience of a particular sub-sector such as eLearning BC or ABCAP.

Their focus, broad or narrow, defines the strategies by which their members are served. Each association has a clearly defined niche, serves a particular function(s) and has a clearly defined member profile. These niches are based on specific services or expertise that they provide to their membership. For example, the Wired Woman Society specializes in understanding women's issues in technology. To do this they provide professional and personal training for women who work in the new media industry at low cost (Haman 2002). One of the reasons New Media BC earned its reputation as "the voice of the new media industry" is because of their historical connection to the federal and provincial government: "We were able to do lobbying because of the connection to Michael Francis – at first he introduced me to

everybody. So it became a signature part of what we do. It is done through the relationships with the people in the government' (Green 2003).

## Role of Mentoring

Almost every association mentioned that mentoring and coaching have played a crucial role in establishing themselves in the community. When New Media BC was founded in 1997, Jane Green, its first full-time employee and later, the Executive Director, was given a six months contract with Industry Canada to start organizing new media companies in the Lower Mainland. This was done on the grass roots level, with a help from bigger players such as BC Tel and government support. Their involvement was very important in laying the groundwork on which association was build. But building good relationship with industry leaders and government officials was also important. In the interview, Jane Green also mentioned that she was mentored by Michael Francis, BC Film's Chairperson; Bob Scarabelli founder of the Rainmaker, Paul Lee, COO of EA; Jerome Kashetsky, Industrial Technology Advisor with National Research Council Canada (Green 2003).

Mentoring has also made a tremendous contribution in the early days for TechVibes. In 2002, when the company was first just establishing itself as a community online portal, "local successful entrepreneurs like Don Mattrick, Dick Hart, Steve Dietrich … who have done very for themselves but they are entrepreneurs at heart and they started the same way we did. They recognized our passion. They came to the events, were there for advice and just knowing that those people support you, that's been extremely helpful for us" (Smith 2004).

# Role of Volunteers

Since most of civic associations operate on a tight budget and limited resources, they are forced to seek outside help. One of the most common ways is to recruit and rely on the help of volunteers' or temporary contractors. These relationships are beneficial to both sides. The volunteers are usually those who either want to get into the industry and need experience, or people who are between jobs and looking for a new opportunity. The volunteers and contractors are provided with opportunities to get experience and exposure within the industry as well as build a reputation. But what is more important is that through their work, "helpers" have an opportunity to learn the industry by meeting and developing relationship with the representatives from companies that work with these associations and build their own social capital.

Associations also have a Board of Directors and Committees run by responsible for various aspects of activities. These positions are usually unpaid. People that occupy strategic roles on the Board are usually well-known and experienced members of the new media community. These people have been very successful in their careers. They are looking for ways to give back to the community - for them being on the Board is an opportunity to help associations and the industry grow. Committees, on the other hand, usually consist of a mix of experienced individuals and those who are looking for new opportunities. By being part of a Committee, volunteers are able to build their network and get exposed to the industry. The associations also benefit from the volunteers, contractors, Committees and Board of Directors because they provide much needed assistance with various projects and events for low or no cost.

### The Learning Ground

Employment and volunteering opportunities with associations serve as a learning ground. Due to budget constraints, funding limitations and fast-paced nature of the industry, people do not stay with these organizations for long term. Michael Francis mentioned (somewhat apologetically) that BC Film does not pay their staff high salaries but they put a tremendous emphasis on training and mentoring their employees: "Generally the employees we have hired have been people out of the film industry; we hire producers and turn them into bureaucrat, so they learn that and go back to film producers, there have never been long term employed with us" (Francis 2003) The negative aspect to this is that associations have to invest more time and training into new stuff, the positive side is these former employees take their experience elsewhere in the industry which contributes to further knowledge transfer.

# Collaboration or Co-opetition?

The results of the NMBC survey showed a high degree of collaboration among BC new media companies. The average number of collaborative partners within BC was slightly greater than five. The strong sense of community and ranked it as "somewhat important" in the new media industry correspond with the statistics that find 44.9% of companies located in the Lower Mainland and 43.9% in the rest of BC(NewMediaBC 2003). There is also a strong degree of collaboration among the associations and companies and associations. Quite often associations organize joint events or co-sponsor each other's events: for example, Wired Woman Society can have an information table at the TechVibes and vise versa.

The activities and events organized by associations play an immense role in providing the industry with networking opportunities. In fact, many interviewees described them as a "supporting cloud" for the industry because these activities help the members meet potential investors and partners, discuss ideas, find work and learn the latest trends. One of the interviewees, who is an active member of E-Learning BC, pointed out that to serve the e-learning market it is important to have: "a network of supporting services to offer a full range of services to these clients, so what E-learning BC made possible is for these people to actually get to know each other and build a level of trust with them, so you can be in a client situation, see an opportunity and immediately react to it, knowing what you are recommending and you could in fact go so far as to take responsibility and subcontract and know that you are not putting your own reputation at risk, and that's very important" (Stewart 2003). This quote demonstrates a high level of social capital that exists within the members of these associations.

However, it should be mentioned that one interviewee mentioned off the record that certain associations have not been very keen on working together with others. The same associations were mentioned by couple of representatives during participant observation. When one of these associations was approached for an interview, they politely declined justifying it by the lack of time therefore, we cannot confirm this information because we have not had ISRN interview with them. I will have to investigate this further in my future research.

In addition, it should not be a great surprise that conflict almost always arise in any complex relationships. People that work/volunteer for these associations may have disagreements or dislikes on a personal level or on the business level (due to conflicts in sponsorship for example). Further research will show how these conflicts were dealt with in the past, what effects they have on the present and future collaboration projects among these associations.

### Gender Differences

Through my research, I have met and got to know most of the people that work or volunteer for these associations. The new media still remains mostly male dominated industry, with one exception of e-learning sub-sector which has an even split because the majority of people who work there have a background in teaching/education, a traditionally female dominated industry. Nevertheless, most employees that run new media civic associations are women. Is this a role women choose to take on in a technical industry traditionally dominated by men? This question needs further investigation.

Also, women and men have different approaches in building and maintaining their relationships with others and as such, gender has an affect on how social capital is used and perceived. Putman mentions gender by referring to the Yiddish words *macher* (usually men) - those who make things happen in the community and *schmoozer* - for those who engage in flexible and informal conversation and activities (tend to be women). He suggests that women are more avid social capitalists than men which lead us to believe that perhaps women are better suited to run civic association in the industry dominated by 'geeks<sup>6</sup>'.

#### 5. Conclusions

In this paper, I set out to explore some of the key dynamics behind social capital formation and to test how the well-known expression "it's not what you know but who you know" applies to the Vancouver New Media industry. To do this, I choose to focus on understanding the role of civic associations and their contributors to the stock of social capital within this given cluster. In the theoretical component of the paper, I discussed some of the points of the theory of social capital, history of civic associations and looked at the connection between the two. In the practical component, I have offered a brief overview of the industry and civic associations and summarized their role within the industry. I have also discussed some of the key findings from the ISRN interview that show how civic associations contribute to social capital.

Having done the overview of social capital theory and the ISRN interviews, I would like to conclude that civic associations make a very positive contribution to the well-being of the Vancouver new media industry. They serve as a 'supporting cloud' for the cluster because they provide opportunities for networking, knowledge sharing and communication and represent the collective interest of their members. Their role and contribution to the social capital in the cluster can be summarized by this quote: "Knowledge is power, the more knowledge we share, the more powerful everyone will be as a group. Two minds are better than one and that grows exponentially from there. I think that's the biggest thing. It does not matter what your means are....I think industry associations have a responsibility to people to provide that knowledge and share that and be leaders within the community not just in their area but overall because it just helps everybody else "(Smith 2004). Civic associations provide the opportunities for knowledge sharing through various activities and on a number of levels – through joint marketing initiatives, collaborative research projects and policy activities. Usually, these projects are done

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<sup>&</sup>lt;sup>6</sup> A person who is single-minded or accomplished in scientific or technical pursuits but is felt to be socially inept. http://dictionary.reference.com/search?db=\*&q=geek

by a group of individuals that come together to work towards a common goal. Overtime, this allows them to build working relationships and trust which often develop into friendships. These relationships and the knowledge flows that they facilitate provide a network for the intangible social features of the new media community that sustain and contribute to the stock of social capital.

Obviously, there is a number of barriers that negatively affect the knowledge flows within the industry such as funding shortages and competition for funding, personal differences or conflict of interests posed by a business situation. As a researcher, it is a challenge to recognize some of these barriers because interviewees are reluctant to acknowledge them. I am aware of some of the challenges but I will need to research them further in the next stage of my research.

### 5.1 Contributions

Writing this paper proved to be a useful exercise to review and summarize the knowledge that I have acquired as an ISRN research assistant. This paper provides the following contributions:

- 1. Highlights from the interviews with the Vancouver new media civic organizations from the ISRN interviews.
- 2. An overview of the role that civic associations play in the Vancouver New Media industry.
- 3. Preliminary findings on the subject which will be tested further in my research later this year.

## 5.2 Limitations and Future Steps

As mentioned, the primary goal of this report is to summarize the knowledge I have acquired on the subject working as an ISRN research assistant and to provide a framework for my thesis. This is a work in progress report and as such it poses several limitations:

- Since the ISRN questionnaire was not constructed to study soc ial capital specifically,
  only two sections (Association Background and Local Cluster Characteristics/Social
  Capital) of the guide were be used for analysis. Although the questions in these sections
  address the majority of questions about social capital, they do not cover the theory on
  associations and social capital specifically.
- 2. Although we have completed quite a large number of ISRN interviews (approximately 70), we did not interview all of the associations in the industry for various reasons: some

- just did not have time to us and others did not want to be interviewed due to political reasons. In my future research, I plan to approach these associations one more time to make sure that the ir opinion is counted.
- 3. This study does not explore the member's perspective on the role of civic associations in the stock of social capital. Although most of the company and government representatives we have interviewed said that associations play an important role in the industry referring to them as 'supporting cloud', I would like to test this further.

In order to paint a full picture of the role of civic associations in the new media industry, I intend to interview the associations that have not been approached yet and follow up with the associations that we already talked to asking them specific questions related to theory on social capital and associations. Once the follow up interviews are complete, I will also conduct a short online survey of members which will allow me to understand their perspective as well.

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