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PERSPECTIVES FOR MANAGERS

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No. 160 July 2008

YOUR NETWORK BALANCE SHEET. WHAT DOES IT LOOK LIKE AND WHERE SHOULD YOU INVEST?

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Networks and networking are a hot topic. Both academic research and mainstream business publications suggest that networks are important in business and that getting it right may relate to your performance.

Like so many good ideas, actually doing networking is harder for many of us than reading about it. And, unfortunately, most networking discussions and articles stop far short of the "how". "How" do I create a network that fits with my situation and objectives to maximize my performance? What is the current value of my network and how can I improve my network and networking approach? These are questions of considerable personal importance that should be thought through before embarking on what otherwise might be pointless and painful networking. We should stress, before we start, that this is all about "objective-oriented" networking; i.e., networking done in the pursuit of some specific objective. What we are suggesting here should not, in any way, be seen as being manipulative, duplicitous, or suggesting "inauthentic" relationships. Nor should it be seen as a substitute for "having a real life." In fact, we strongly believe that networking is very much a part of having a rich and successful "real" life, and what we propose in this Perspectives for Managers might help the reader achieve that objective.

Since the whole point of networks and networking is to create "social capital", we'll now borrow from our finance colleagues and propose a "networking balance sheet" to assess the value of your current network. The objective of this article is to help you think about your network strategically, especially the people in it and your relationships with them, and to suggest an approach to increase the value of your network relative to your specific objectives.

The network balance sheet: Why does this make sense?

Every network is composed of three basic elements: the people in the network, the type of relationships you have with them, and how the individuals are connected or network structure. For each of us, these network elements have varying strengths and weaknesses depending on our objectives and business or industry environment. Most network research relies on a technique called Social Network Analysis (SNA) to look at and measure networks. SNA focuses on the structure of networks by graphing the relationships between network members. The results tend to define the roles individuals play within network structures and the level of trust within the network as a whole. The problem with SNA is that it considers only a part of the personal network value.

In contrast our "network balance sheet" approach focuses more on the characteristics of each person in your individual network and the types of relationships you have with those people, characteristics that are

Place the people in your network onto a balance sheet. Who would you list as an asset? Who may be a network liability?

also important in your networking success and characteristics which you have control over to improve the value of your network.

If you were asked to assess the value of a company you would ask to see the company's annual report. The balance sheet would be an important piece of information in your assessment. Think of it as being a scorecard of business, which provides insight into the performance and prospects for the organization. Now let's think about developing a similar **scorecard for our own performance** and prospects, relative to building a network of relationships for better ideas and opportunities.

By constructing a networking balance sheet to assess the social capital of our networks at a specific point in time, and then employing a more "financial" assessment to assess our network relative to a particular project or objective, we can give ourselves a better chance to see the strengths and the weaknesses of our network, and to consider actions we might take to improve the situation.

Assessing your network

To apply this networking balance sheet idea, let's start with a simple approach. First list the people in your network. Write them down… Your boss, your colleagues, family members, college room-mates, clients, advisors, your daughter's teacher, your Monday night squash partner, etc, etc… Get out your address book, or look at who you are connected to on LinkedIn, Plaxo, Xing or Facebook. Who have you e-mailed in the past three months? Look at your cellphone; who have you called more than twice over the past 6 months? Write all of those names down on a piece of paper.

The next step is to categorize the people in your network: simple categories like Colleagues, Clients, Family, and Friends are a good start. A slightly more advanced approach might be by industry, age or geographic location. Then try to define the types of relationships you have with these people, i.e. based on the length of time you have known them or the level of trust you have with them. *"People I'm in contact with every day"*, *"People I interact with once a month"*, *"People I never see, but whom I can call anytime"* and *"People I haven't seen in years who may not remember me"*. Or *"People who love me"*, *"People who trust me"*, *"Acquaintances"*, and *"People who dislike me*"*. What is important is that you think which categories and relationships are important to you and your objectives.

Next, place the people in your network onto the balance sheet. Who would you list as an asset? Who may be a network liability? How would you characterize your equity in terms of help you have given to others and your own reputation? What is your attitude toward networking and your skill at it – is it an asset or a liability?

What other assets might be listed here besides people? These might include your own attitudes, behaviors, positions, memberships, etc. that give you an advantage in meeting interesting people and converting those meeting opportunities into networking relationships. So, assets include actual contacts, plus those personal conditions and fortunes that are advantageous in building and holding contacts.

Trust is one of the important elements in your relationship with the people in your network, and in a similar approach, Stephen M.R. Covey defined "Trust Accounts" such that "by behaving in ways that build trust, you make deposits and by behaving in ways that destroy trust, you make withdrawals. The 'balance' in the account reflects the amount of trust in the relationship at any given time."

When we get to what might be considered a network liability, we're probably more involved with recognized gaps in your current networking membership (e.g., I don't have enough young people; enough Asians; enough people working in venture capital, etc.) as well as shortcomings in attitudes, behaviors, positions and memberships. The idea is not to beat yourself up here, but to be candid and honest about what you have and do not have going for you in the quest to build more effective networks. If, for example, you've no one with China experience in your network, that's most likely, in most industries these days, a liability. Recognize it, and then determine if, and how, it should be remedied.

Just as shareholder's equity is the difference between the firm's assets and liabilities, so too is your own personal equity on your networking

balance sheet. If my assets, as I've listed them, are much more positive than my liabilities, my equity should be high, revealing considerable personal value from my networking situation. If, on the other hand, my liabilities are outweighing my assets, then I probably already realize that my networking situation is in a sorry state, and my personal networking equity is negative, signaling a need for future investment if I am to improve the situation. The point here is not to strive for a precise value, but for a subjective assessment.
The table below suggests an approach to categorizing the contacts and types of relationships you have with them into a networking balance sheet.

In thinking about your assets, liabilities and equity, a few questions may come to you such as:

- If a person is an asset today and you don't spend time with them, does the value of that particular asset go down? Covey suggested that it is important to make "deposits" in your trust accounts: deposits that mean something to the person with whom you have the relationship. In addition, he suggested that withdrawals are typically larger than deposits. As Warren Buffett has said, "It takes twenty years to build a reputation and five minutes to ruin it."

- You may wish to differentiate between "fixed" and "current" assets. I have lifelong friendships which would take a lot to dissolve... hence, they are fixed. On the other hand, my "current" assets might be the result of my present position and could erode quickly if not maintained.

- If someone I know thinks that I have forgotten them, or worse, dislikes me, are they a liability? Labianca and Brass suggested that negative relationships may have greater power than positive relationships to explain workplace outcomes. They said:

> *The greatest social liability happens when both parties dislike each other, but dislike does not have to be reciprocated in order for it to be a liability. For example, even if you like a person who dislikes you, that person may make it more difficult for you to accomplish your tasks by withholding important information, by failing to provide a reference for you when needed, or by spreading negative gossip about you.*

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ASSETS

Current Assets

- People with whom I have a less close[1] relationship with but that I can call on immediately.
- People who are less close and less-important but on whom I can call for more factual information.
- My attitude to networking and my level of skill (positive things)

Fixed Assets

- People that I have a strong, trusting relationship with and that I can call on immediately.
- People with whom I have a good relationship and who are important, but who are distant from me.
- My status and position (physical, geographic, professional, title, company)

LIABILITIES & EQUITY

Current Liabilities

- Favors that I owe to less-important people
- People who dislike me who are less-important
- My attitude to networking and my level of skill (things to improve)

Long-term Liabilities

- Favors that I owe to important people
- People who dislike me who are important

EQUITY

- Favors I've done for others with no recompense
- My reputation – My image – My record
- The sum-difference between assets and liabilities, indicating, in spirit not numbers, the "value" of my present networking situation.

- What is your own reputation or status within your organization? Jensen suggested that status and reputation are signals about your quality and are especially important in new situations to help reduce uncertainty . Status is based on your position in your organization and ties that you have with others, while reputation is based on your past performance.

After doing a first cut at your networking balance sheet, how do you assess its value? Are there many people with whom you have a strong, trusting relationship that you could call immediately if you needed them, i.e. your fixed assets? Are your networking skills well-honed and is your attitude toward networking positive? And what about your liabilities? Are there many important people who dislike you? Do you owe a lot of favors? How difficult would it be to meet new people? Cultivate new interests?

Managers have almost 500 years of experience with dual-entry financial accounting, but only recently have people begun to try to understand how to place a value on their networks.

Conclusion

Networks are fundamentally about relationships with people. While we may hesitate to look at these relationships analytically for fear of being too manipulative, taking an honest look at our networks and relationships can be helpful to be sure that we are building effective and strong networks that will help us achieve our objectives.

A balance sheet is a snapshot at a moment in time. It tells you the value today, but doesn't tell you what you should do to increase the value in the future. In today's connected, fast-moving world, part of your success is built on the people you know and your ability to network. Improving your networking skills will be an advantage relative to your competition and will improve your efficiency and ability to find new ideas and solutions. Believing that the value of your network can be improved and realizing that increasing it requires effort on your part, will assure you of an asset that will increase in value over time that will be there when you need it.

This article is intended to help you take a proactive look at your network, decide where it's strong, discover where it's weak, and lay the groundwork for investments that will increase its value with the ultimate objective to help you maximize the impact of your network on your performance.

> * You may not wish to network with people who dislike you, or speak badly of you, but nonetheless they are part of your network.
>
> It may be surprising to readers that we include "People who dislike you" or "People I do not trust" in an article on networks and networking. After all, who wants to network with people they don't trust or like? But the fact that you know these people means that you cannot ignore them. **They are in your network.** Since they dislike you, they may spread bad rumors about you or actively seek to hurt your career. They are a liability, and ignoring a liability does not make it disappear. You must deal with this liability, so better to acknowledge it and include it in your action or investment plans.

An earlier version of this article was published in German in IO Management, September 2007, *„Ihre persönliche Networking-Bilanz, Wie steigern Sie den Wert Ihres Netzwerks?"*

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