

BUILDING AN EFFECTIVE NETWORK: WHERE SHOULD YOU INVEST AND HOW?

Networks and networking are a hot topic in business today. Innovative electronic networking tools such as LinkedIn, Facebook and Xing as well as more traditional networks such as alumni and industry associations are being used by executives to gain competitive advantage. Academic research and management journals suggest that your effectiveness may suffer if you don't get it right. We suggested in a previous *Perspectives for Managers* article (No 160, July 2008) that individuals might create their own "networking balance sheets", as a way of understanding the assets, liabilities and equity in their networks and networking abilities. But, a balance sheet is a snapshot at a moment in time, and this doesn't tell you what you should do to increase the value in the future.

Building an effective network: Align with your objectives

Investing in the future is the key to any strategy, whether it be organizational or personal. Like every CFO does, we suggest that you try to understand what you can do to increase your assets, decrease your liabilities and create more equity. You must do this assessment relative to your specific objectives, to see where your network fits your objectives and where you need to adjust your networking portfolio.

Research suggests that the benefits of a particular network depend on the situation. For example, a more open network, where few people are

connected to each other, works well in a more certain environment while a more closed network, where everyone is connected to each other, works well in a less certain environment. A network containing lots of customer contacts helps if your objective is profitability, while a network with diverse contact types may be better if your objective is new ideas for innovation. In addition, the types of relationships that you build with each of your contacts relates to their effectiveness. Strong, trusting relationships help to communicate tacit knowledge or confidential information while in weaker relationships you are more likely to communicate facts. However, you may have only a few truly strong relationships as they take work to maintain. The key is to define your objectives and the types of information you need to share and make sure that your network is structured with the right people, relationships and connections to achieve those objectives.

Increasing the value of your networking assets: Where to invest?

Most network research relies on a technique called Social Network Analysis (SNA). This focuses primarily on the structure of your network. *Structure*, however, is only one of the three key elements of your network. The other two are the *people in the network* and the *types of relationships* you have with them. Our approach suggests that you need to invest to have the right people in your network and the right kind of relationships



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Take a hard look at your network assets to determine if they will help you reach your objectives in the timeframe that you have in mind. And if not, where do you need to invest?

with them in order to enhance your network effectiveness.

Continuing with the financial line of thinking, consider an approach similar to that of MorningStar, the investment research and rating company, that uses a fund “style” box to characterize financial funds. You can take the same approach to your personal network portfolio. Start by drawing a chart similar to the one below. On one axis draw a continuum from high to low for the fit of your contacts with your objectives and on the other axis draw a continuum from high to low for the level of trust or strength of your relationship. Place each of your contacts on the matrix where he or she fits. Now assess your network portfolio. Do you have the right people in your network to achieve your objectives? Are your relationships with your contacts strong and trusting or less so? Take a hard look at your network assets to determine if they will help you reach your objectives in the timeframe that you have in mind. And if not, where do you need to invest?

In order to get that new job in a division where you’ve not worked before, who do you know who can provide you with insights about the division or the job? Is there someone well-placed and important in that division, but who doesn’t know you well? Is there someone with a lot of trust in you, but who is only moderately placed to help you? Can this person connect you to someone well-placed, and who trusts them? These people are assets.

Let’s broaden your reach. Who is on the “outskirts” of your network, someone with whom you have a weaker relationship, but who might be able to help you identify the right person to contact in the new division? Research suggests that in searching for a new job, often the most beneficial contacts are “weak ties” or those more distant contacts who have access to information outside of that provided by your close circle of contacts. The people with whom you are tightly linked, and who trust you and know you well, probably see the same information and opportunities that you see. In a job search mode, when you’re trying to reach out beyond your normal network, you will want to use people in that lower, right-hand box; they will know people that you do not know.

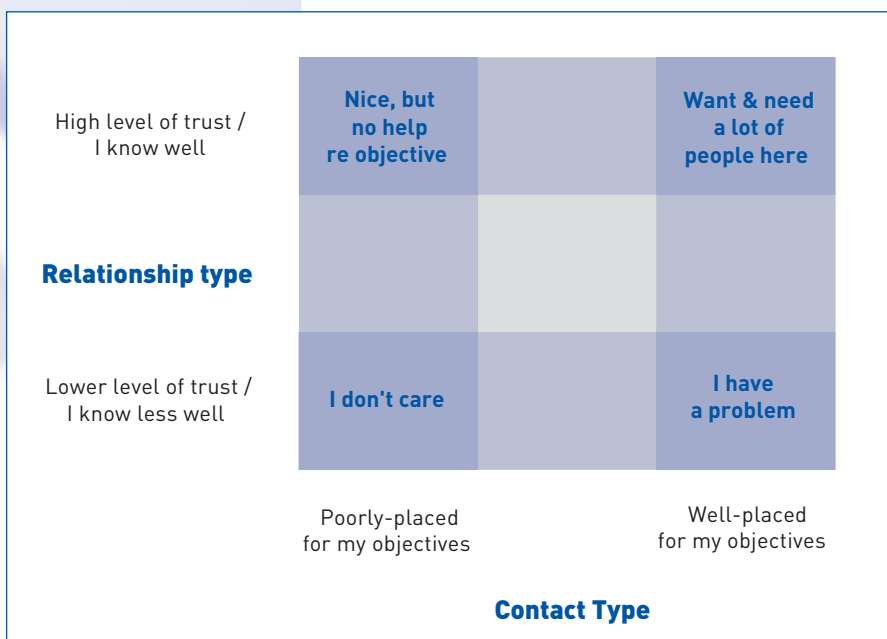
Below is an example of the real case of a senior executive moving into a new country where he had never worked before and where his company’s presence was very weak.

Not only did he evaluate and map out who was in his network, who knew him well and who could be valuable in his new role, but he also looked at where he would invest, and also where he would spend less time and effort.

Back to our fictional example, if you then look at your second task, your company’s Brazilian airline project, the same questions must be posed. Is my network currently well-suited for this task, and if not, what can I do?

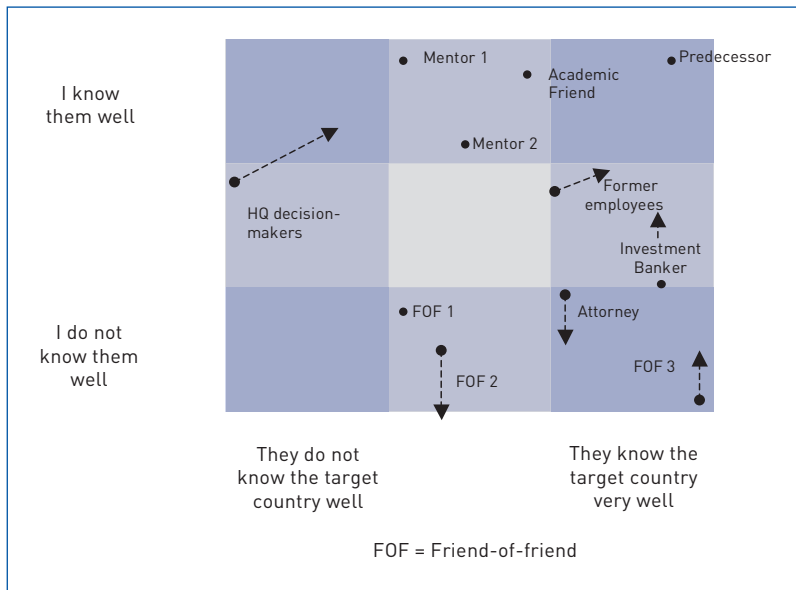
Making the investments: How to build and leverage your network

If your conclusion is that you need to invest in your network, there are a myriad of options available to you, again depending on your objective. In our



For example, you have big plans for the coming three years. Not only do you want to get a better job in a different division of your company, but you’ve been assigned to a new project to evaluate a market entry in the airline industry in Brazil, a country you know little about. For both objectives, you feel your network is going to be helpful, but you know that you’ll need to make a special effort to leverage your network in the right way.

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example, let's assume that you know no one closely in the division in which you are trying to get a new job or who lives in Brazil. (Don't skip the obvious step of talking with your closest friends and associates).

As a start, consider an organization or network where you have a strong reputation and would be considered "legitimate". For example, do you belong to an alumni association? Is there anyone from your university, and even better, from your class or year who works in the industry of your target division? IMD has over 60,000 active alumni around the world, in every industry imaginable. For your Brazilian project, IMD has 1,026 alumni in Brazil, 671 alumni of Brazilian nationality, and 506 worldwide in the airline industry. These people at least share your affinity for IMD, and they may be willing to share with you their experiences in the country or industry. Some of them may also be willing to refer you to their contacts in the country or industry which may provide you the legitimacy to connect to a new network.

Next, look more in the public domain. Do a search on LinkedIn or Xing by industry or country and see if any of your contacts come up. For example, one of the authors typed "Brazil" and "airline industry" into LinkedIn and found 183 people in, or linked to, his network. Find the shortest (or strongest) path to a key person, inside or outside your company. Your investment is the time needed to register on one or more of the social networking sites and to do the necessary searches. If your search brings

you someone you know, but not well, what can you do to gain their trust? Can you get someone to introduce you? Do you have any common interests that would help you to establish legitimacy with that person?

If you don't have close contacts in your target division or in Brazil (or friends with close contacts),

find people who have a similar function to what you do today and approach them "cold". If you're in treasury or sales, find someone in treasury or sales. With common experience, you have legitimacy with those contacts, which will improve your chances that they will help you. Research shows tighter bonds within a profession than within a company or industry, so your likelihood of being rebuffed is reduced.

Next, are there events where you can go to expand your network? Is there an industry conference coming up? Or are there industry blogs that will give you an opportunity to correspond with people in the business? In Europe in 2006 there were over 43 million visitors to 1,200 different industry trade shows. In the USA, there were 414 international association meetings in 2006. The message is: Go, and get beyond your own network. You'll be on the outskirts of the industry during the event, but talk with people during cocktails, ask questions of the speakers and visit company booths. Your investment is your time and the willingness to go outside your comfort zone. Your payoff may be meeting the right person, or someone who knows the right person and can connect you after the conference.

We all have limited time and energy, so you also must decide when to stop investing, or invest less. You probably spend time with people who cannot help you with this new objective; how can you focus your efforts? We're all guilty of the "proximity principle" – spending time with those closest to

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us physically (the person in the office next door) and we usually succumb to the “self-similarity principle” (populating our network with people just like us) – can you focus your time with them so as to give you more time to expand your network? Remember, it is often the person outside your close network that can help you with new ideas and new information.

We can also, of course, increase our equity by reducing our liabilities and improving the quality of our relationships. Can you make a sincere effort to improve your relationship with someone who doesn't favor you now, perhaps trying to repair whatever damaged your relationship before? Can you proactively repay some favors that you owe? Can you improve your reputation by publishing an article in an industry trade journal or giving a speech at an industry event so that more people know who you are and the quality of your work?

Conclusion

Networks are fundamentally about relationships with people, and the unique network of your relationships is your social capital. Much like financial capital, your network and your networking skills are assets, and how you use and improve these assets is a strategic choice. You can hope that your network asset will increase in value, or you can proactively choose to invest in it, as you would with your financial assets.

Strategy is about such choices (your balance sheet) and the implementation of those choices (network investment analysis). This article is designed to help you to identify how to make the best network choices relative to your specific situation and to give you ideas about how to implement these choices by building appropriate relationships. We have developed these guidelines in an effort to help you join the set of leading edge executives using networks to gain competitive advantage.

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IMD is ranked number one worldwide in executive education (*Financial Times*, 2008). IMD's MBA was ranked first worldwide in the 2007 FT "Ranking of the Rankings," the combined global annual MBA rankings from *Business Week*, *The Economist*, *Financial Times*, *Forbes* and the *Wall Street Journal*.