

Senior Leadership Network Analysis:

**A Strong Network is Essential to Achieving Professional Success,
Although its Purpose and Structure Vary by Individual and
Professional Context**

I. INTRODUCTION

Although it is widely accepted that that networks form an important part of individuals' professional careers, the caliber of networks can greatly vary. The structure and quality of networks depend on several factors that are unique to each individual. This paper will address the factors driving differences in networks and propose that:

A strong network is essential to achieving professional success, although its purpose and structure vary by individual and professional context.

To test this hypothesis, we identified and interviewed a diverse group of individuals. The individuals included:¹

- MA: The First Vice President of a Fortune 500 diversified financial services company
- IC: A freelance consultant who is in the process of founding her own company
- LC: A partner in the Spain office of a global private equity firm
- BS: A Senior Vice President of a large aerospace and defense company
- SF: A private investor, founder of an angel investor network and CEO of various multi-million dollar corporations

A set of questions was developed to first understand the interviewees' philosophy on networking and second, how they evaluate and adjust their network to their needs. Finally, we sought to understand universal traits of strong networks regardless of their individual characteristics. Research questions included:²

- Do you have a formal strategy or approach for making personal or professional contacts?
- What role has your network played in the development of your career?
- Who are the three or four people who have contributed the most to your professional network? How did you make these ties?

The conversations with these executives illuminated a variety of themes that include: multiple network philosophies, a need for better network awareness and assessment, and the importance of trust and reciprocity in sustaining networks.

¹ See Appendix A for more detailed biographies and overview of networks.

² See Appendix B for research agenda sent to study participants.

II. MULTIPLE NETWORK PHILOSOPHIES

When speaking to executives about developing and maintaining strong networks, we encountered a variety of approaches from the overtly focused and planned to the much more informal. Where an individual falls on the spectrum may result from several factors including business function, career stage or even gender. In many cases, the approach taken by the individual helped to dictate the position they play in their networks. This difference in network philosophy primarily plays out across two fronts: network creation and network management.

NETWORK CREATION STRATEGY

When creating their networks, the individuals we interviewed either utilized a planned, formal strategy or relied on more natural, informal means. While SF and MA made conscious efforts to create their networks, LC, BS, and IC did not employ such a pre-planned process. Irrespective of their approach, all five interviewees were unanimous in their opinion that individual networks are critical to job performance and career success.

Utilizing a Planned Approach

Early on in his career as a venture capitalist, SF recognized the importance of having a network of individuals who knew and respected him. Accordingly, he continues to go on the lecture circuit to build and broaden his network after every deal he completes. In MA's case, since he was a newcomer to a well-established organization, he was concerned that he may be excluded from crucial information flows within the organization. To preempt this situation, he intentionally used people under his direct supervision as brokers to connect him to individuals in other departments. In both cases, employing a planned approach enabled them to connect to critical individuals and information, without which they would not have been able to effectively carry out their responsibilities.

Interestingly, individuals who employ a formal approach to identifying contacts and building networks do so because they explicitly recognize that effective networking is a virtuous cycle. The power of each additional relationship grows exponentially with the number of contacts that an individual adds to the network. As one individual explained, “The stronger the ties with your network are, the more powerful your network becomes, and that makes it easier to reach new contacts or develop new ones.” Individuals who prefer their network relationships to develop naturally may overlook potential contacts that can bridge existing gaps in their networks.

Relying on Natural Developments

In contrast to SF and MA, LC, BS, IC did not employ specific tactics to build their networks. In LC’s words, “It’s just you, your life and your personal and professional experience that put you in contact with people who, at the end of the day, turn out to be valuable for your job.” He built his network with people he met through shared experiences such as academic and professional activities. His approach stems from his belief that potential contacts can be found anywhere. Consequently, every interaction – formal or informal - should be approached as an opportunity to broaden one’s network as much as possible. As LC claims, “In our company we recognize that it’s critical to expand the Rolodex because you never know who may be helpful.”

Similarly, in BS’ opinion, a network is essentially a collection of relationships. Most individuals have relationships that they cultivate both within and outside their formal work environment—it is a matter of personal preference and perspective on whether they formally articulate and frame their relationships as a “network”. In BS’ case, she does not understand the need for a formal philosophy toward building a network as long as one invests in the professional relationship as one would in any other personal one.

IC relies on personal interactions and the proximity principle to form new contacts. She views every interaction as an opportunity to expand her network. Whether she is at a social gathering or in a client's boardroom, she expresses genuine interest in the person to learn more about them and how they may fit into her network. Also, many of IC's contacts are formed through proximity, usually with her co-workers. She found this method of forming contacts to be effective and has helped to facilitate more informal interactions with other individuals in her network.

Gender and Network Creation

In our conversations, we observed some differences in the networking philosophy of male and female executives. In our interviews with the two female executives, we observed they both focused on building their networks through direct, personal interaction as part of their work responsibilities. IC stated she used her natural curiosity about people and what they do in their lives to form new relationships. IC also relied on her ability to leave a good impression on those she meets to form strong relationships and maintain her network, rather than employ formal and regular communications with those in her network.

Both women were conscious of the time involved in investing in a formal network and admitted to forgoing opportunities to expand their networks to preserve personal time. This contrasts with the formalized assertive networking philosophy adopted by the male interviewees. To illustrate, because work-life balance was consistently important to BS over the course of her career, she did not join many formal networks for female executives. From her perspective, any time spent outside of work on networking represented time spent away from home. As a result, although both of IC and BS' networks may not be as large or diverse as their male counterparts (as interviewed in this study), their ties were sufficiently deep and close to offer access to key

contacts, ideas, or information. Based on these two conversations, we can generalize that some female executives are willing to make a trade-off between network size and breadth for network depth. We cannot apply this conclusion across the board, but perhaps gender does play a role in an individual's network philosophy.

Physical Proximity and Self-Similarity Drives Network Creation

Despite differences in how networks are perceived, all but one relied on physical proximity and self-similarity to build their networks. To a large degree, interviewees' jobs and positions helped them to form ties with individuals with similar experiences, training, departments, and companies. For example, although BS sits as a broker between several clique networks (i.e., the executive council and her team), most of her contacts are from the organization in which she has worked. Likewise, MA has also been benefited from his job as he led several cross-functional teams for specific projects. Although these opportunities exposed him to diverse populations within the organization, they restricted his network to the industry and company he and his contacts shared. While BS and MA's networks suited their purposes in their specific contexts (such as discussing job-specific issues, in BS' case or gaining information from other parts of the organization, in MA's case), for an individual starting out or progressing in their career, more cognitive diversity as well as variety in backgrounds and experiences may facilitate mobility within one organization, or across organizations.

The one anomaly is LC whose job necessarily placed him in front of diverse audiences. As part of LC's deal-making activities, task groups are formed consisting of investment bankers, M&A advisors, auditors, lawyers, tax advisors, financing banks, management consultants, headhunters, management teams and industry experts. Therefore, this kind of position leads to the creation of an entrepreneurial-type network that relies on rainmaker networks. The brokers in

this network are the partners of the professional services firms (who sit in the middle of their own rainmaker networks) that put him in contact with other companies' resources and industry experts that offer access to deal opportunities.

NETWORK MANAGEMENT STRATEGY

One cannot develop a large, diverse network and expect to maintain an intimate personal relationship with every individual in the network. Those individuals who utilized a formal, planned strategy to building their networks also accordingly planned their network management approach. For example, SF segmented his network to help prioritize his time and attention. First, he developed a group of 20 to 30 fellow private investors to create a formalized "echo chamber-like" network. This group of professional friends not only works together, but vacation together and socializes outside of work. Second, he maintains a group of roughly 50 professional contacts with whom he initiates periodic informal contact through phone calls and emails. Finally, he has an even larger broad network that he keeps in contact through formalized newsletters.

In addition to prioritizing key contacts, the nature of interaction may also vary by individual. For example, MA undertook a conscious effort to target individuals in his network differently. For higher-level professionals, such as executives and his boss, his networking is focused on formal, face-to-face interaction in a business setting to facilitate his career advancement. For subordinates, he employs a more intimate approach through one-on-one lunch meetings and gestures such as birthday gifts. More one-on-one, personal interactions with closer contacts help to strengthen those critical relationships over time.

NETWORK PURPOSE

Networks enable executives to address the weaknesses and gaps in their own skills and experiences, and help them to better adapt to changing organizational conditions. More specifically, irrespective of their networking strategy, interviewees relied on their networks to:

- **Identify potential career opportunities:** For example, IC is currently free-lance consulting and working on a business plan with a partner from her former consulting firm.
- **Access broader knowledge and resources:** Many network contacts may have less-visible contacts or access to information. In this sense, a network can be leveraged to tap into the “hidden world” represented by the extended network of one’s immediate network.
- **Take advantage of a risk-free environment to discuss potential issues or ideas:** A network can provide a risk-free forum in which one can bounce off business ideas, assess the profitability of new opportunities, or discuss sensitive issues. Close network ties in this way often act as a confidential screen for an executive’s strategic plans or business problems.

III. NEED FOR NETWORK AWARENESS AND ASSESSMENT

Although all of the interviewees recognized networks as an important professional asset, only one systematically analyzes the strengths and weaknesses of his network. Only in hindsight, do most individuals determine the inadequacies of their network relationships, and if possible, fine tune them. One executive actually remarked, “I had never thought of that. Actually, you realize that your network has been useful depending on the results - not in advance. It’s . . . a reactive approach.” Alternatively, one interviewee maintains that “any association or network is only as strong as its weakest link.” Consequently, he spends a significant portion of his networking time strengthening the relatively weaker parts of his existing network by either seeking new contacts (to fill structural holes) or deepening existing relationships.

Irrespective of the success of the individual and the structure of their current network, networks can always grow and include more diverse, stronger relationships. Individuals should be aware of their network – and their need for one – and should periodically assess their networks to ensure high diversity and low redundancy of contacts.

IV. SUSTAINING NETWORKS REQUIRES TRUST AND RECIPROCITY

Regardless of an individual's personal strategy in building and maintaining networks, there are two common elements that universally strengthen relationships: trust and reciprocity.

Trust as a filter for information flows

Networks comprise critical confidants who are approached for advice and as conduits of sensitive information; trust must be present in the network for confidants to freely share information and ideas, or act as advocates. When trust is present, the nature of the information shared expands to include more private, confidential information. However, once trust breaks down, vital information ceases to flow through the network. BS emphasized the importance of trust, honesty, open communication and attentive listening in maintaining relationships over time. BS also highlighted a “willingness to expose vulnerabilities” as an unconventional way to signal trust in the other individual and engender the same action. This exchange helps to overcome human tendencies to retreat emotionally when weaknesses are revealed by another person and triggers the highest level of trust in the other individual.

Reciprocity transcends the Golden Rule

Reciprocity is another key element of a successful network and often works hand in hand with trust. MA said, “To treat others as nicely and as sincerely as you would want them to [treat] you...this is the only way that trust in [a] network can be built...trust bears some variation of [the] reciprocity principle.” Reciprocity transcends providing assistance when requested by

members of one's network. The importance of not "keeping score" with favors and requests was a key theme articulated by many interviewees. Also, prompt responses to requests strengthen network ties by reflecting trust in and importance of the other individual in the network.

Sustaining ties with brokers

As brokers connect knowledge and resources efficiently, individuals particularly need to focus on building strong and reciprocal ties with them. Trust and reciprocity are critical for broker-client relationships for two reasons:

- Brokers will be approached only if a strong and trustful tie holds. To illustrate, one interviewee remarked, "When you contact a broker, you share with him critical information about a target company that nobody except you knows. So you really have to be sure that the broker is not going to share that information because it would ruin a deal in which lots of money may be at risk."
- A broker will share his network only if a strong connection exists. As LC remarked, "When you ask someone to put you in contact with someone else in his network, he is putting his reputation in risk so he is only going to do it if he trusts you."

V. CONCLUSION

In this paper, we determined that strong networks have different purposes and structures based on individual characteristics, such as gender, and professional context, such as job function. Although their respective networks may have specific weaknesses, all of the interviewees were able to achieve their professional goals with their existing networks. However, for an individual's network to act as a growth catalyst, one must continually assess it and seek to strengthen the areas that are lacking. In this way, building and managing networks is a long-term, evolutionary process which requires constant investment of time and effort.

VI. RECOMMENDATIONS FOR KELLOGG STUDENTS

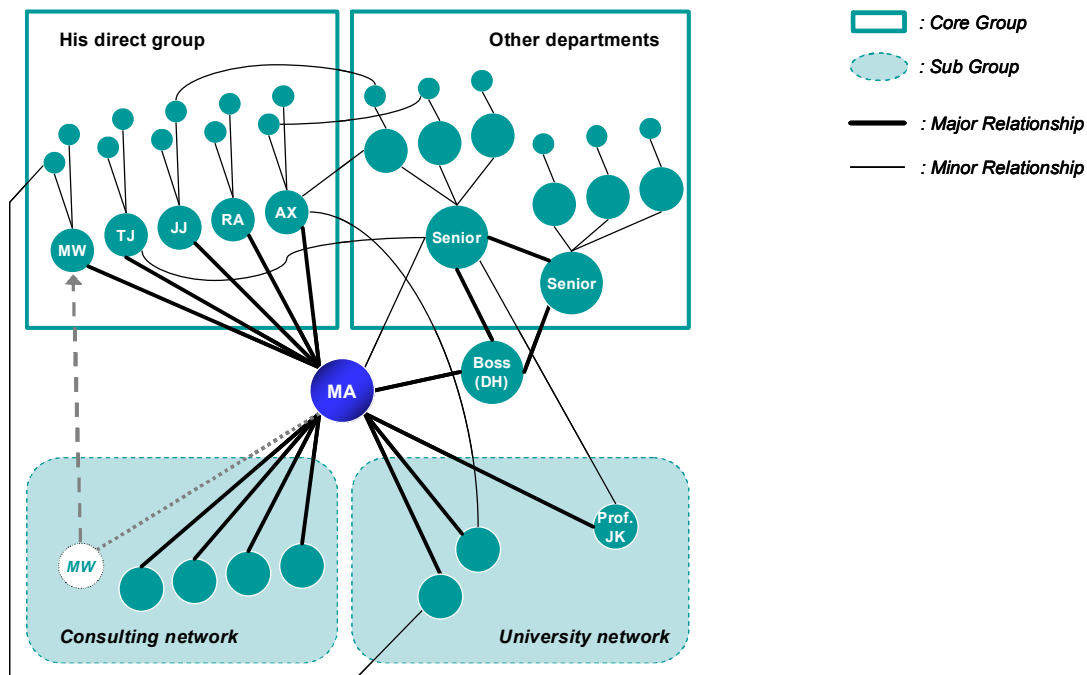
- **Believe that networking will enhance your performance**—Networks are important, nearly as important as overall job skills and abilities; as one interviewee remarked, “IQ will only get you so far, but good networking is what makes you reach your full potential.”
- **Pay attention to business basics:**
 1. Perform your job responsibilities well to maintain your credibility as both a professional and network contact.
 2. Utilize communication tools (calls, e-mails, letters, etc.) to maintain regular contact.
 3. Be fair and trustworthy in all business dealings.
- **Stay committed to developing your network**—Professionals need to make time during their careers to broaden their networks. Keep your sensors out for contacts you meet who can be added to your network but always express genuine interest in them as individuals first. Do not force the pace of the relationship.
- **Identify and use your brokers to reach “hidden resources”**—Professionals that develop strong networks can use them to discover resources that may not be readily apparent or widely available. Whether you are an entrepreneur looking for new business ideas or a venture capitalist trying to put together deals, you can utilize your network to make connections with others that can help fulfill your goals.
- **Never burn bridges**—Focus on leaving a favorable impression on network contacts, especially if you are not in frequent contact with them. Recognize the connections in your network—if you destroy a link, you become isolated from more than just that single contact.

APPENDIX A

Executive #1

MA is the First Vice President of a Fortune 500 diversified financial service company. He is responsible for IT architecture development and business intelligence such as internal reporting and analytics. He has 21 people under his direct supervision, and five of them report to him directly. He joined his current company three years ago, and his office has steadily grown since then from a small team of only four people. Prior to joining the company, MA was a management consultant with one of the largest consulting firms in the country.

Overview of MA's Network

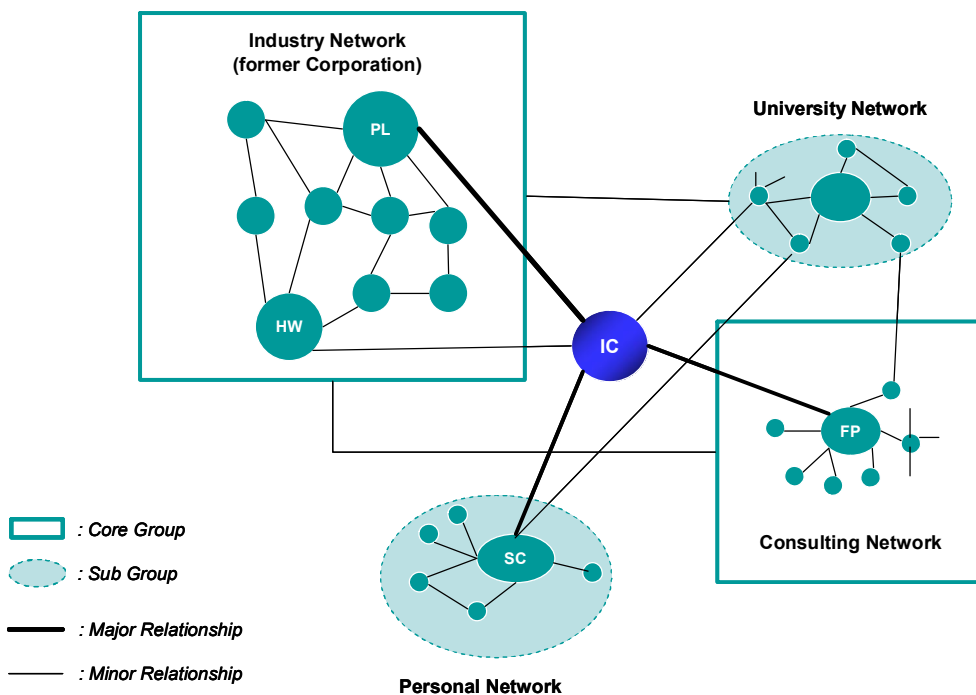


- At first, he relied upon his subordinates' broker role to build his network.
- Over time, he has integrated his existing networks with his new professional networks and he himself has evolved into a broker in an expanded network.

Executive #2

IC is currently working with a consulting firm, on a contract basis, in the private equity practice. The firm performs due diligence for clients looking to buy out other companies. She has focused mainly on market research to determine the brand equity and awareness of target companies. She is also in the process of forming a management team for a company she is founding. The company will provide a foreign language enrichment program for young children.

Overview of IC's Network

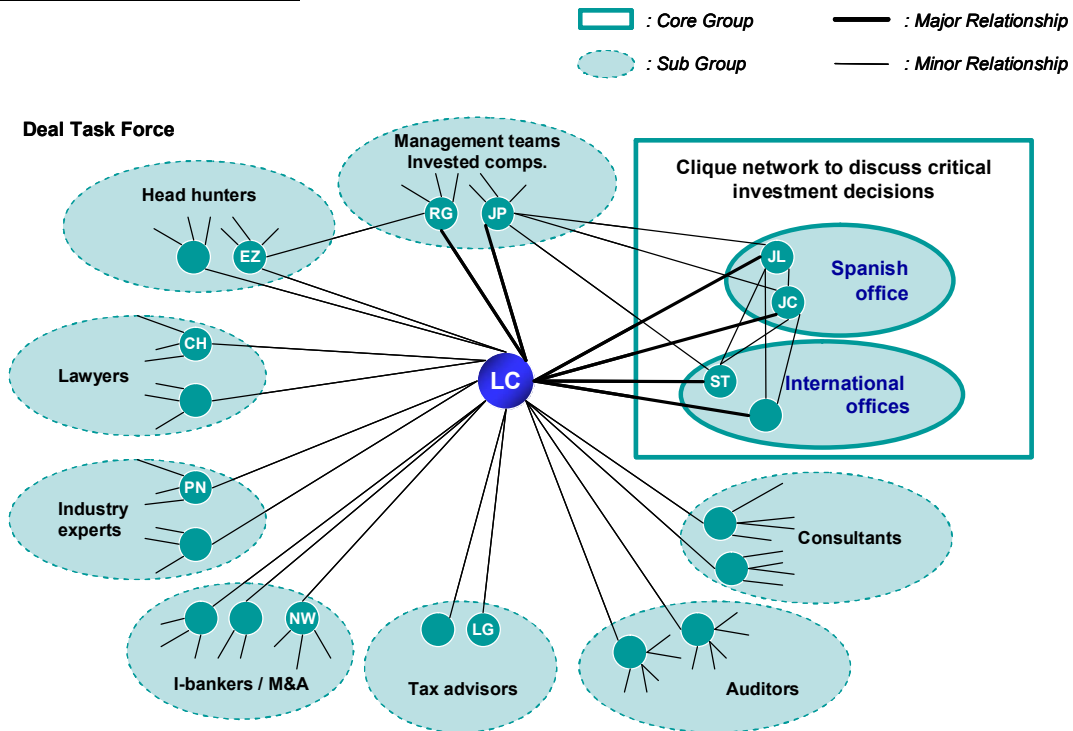


- IC's contacts were formed mainly through the proximity principle and include former co-workers. However, she has also served as a broker between the distinctive groups by linking university contacts with industry contacts.
- IC's network contains both echo chambers and rainmakers in other networks, which helps to diversify the contacts to whom she has access.

Executive #3

LC is a partner in a global private equity firm with cumulative funds raised over \$10 billion. He is part of the Spain office, in which a total of seven professionals work (two other partners and four investment managers and principals), as well as a larger corporation with approximately 100 people, with whom he has a clique network to discuss internal investment matters.

Overview of LC's Network

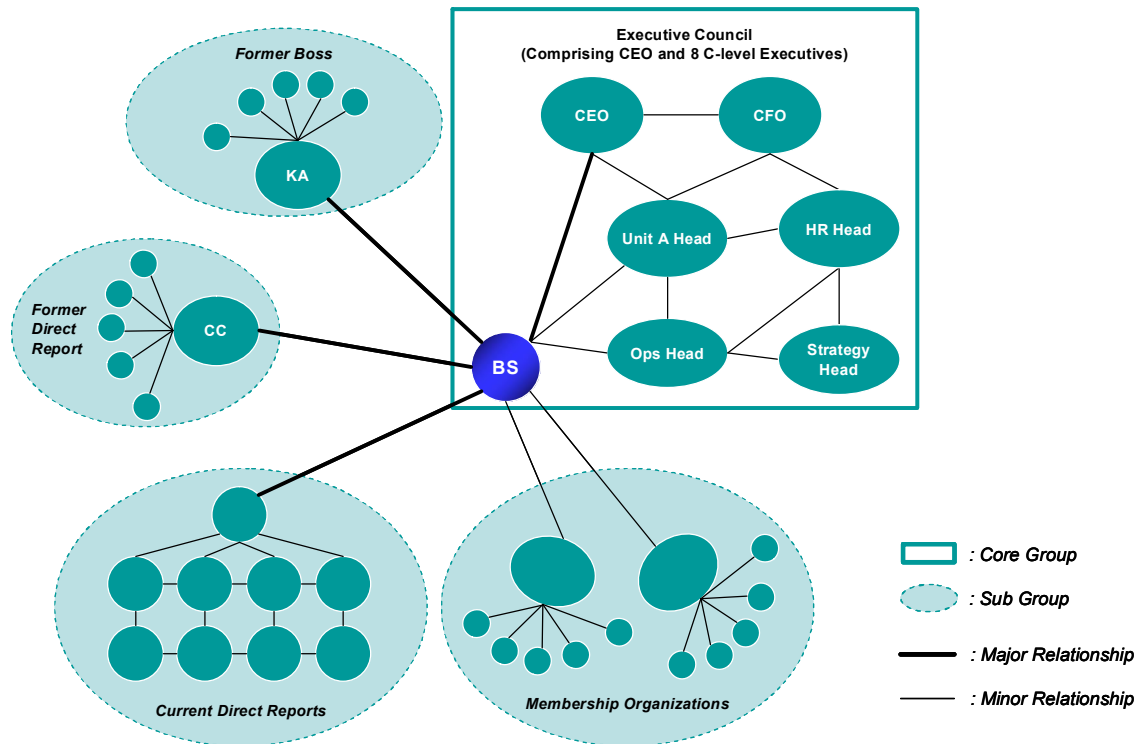


- Deal-making task force group consists of various expert groups such as investment bankers, M&A advisors, etc., resulting in the creation of an entrepreneurial-type network.
- The brokers in the network are the partners of the professional services firms that put him in contact with the resources of those companies and industry experts that provide access to new deal opportunities.

Executive #4

BS is a senior vice president in a large aerospace and defense company. Her responsibilities include overseeing internal audit, business ethics, compliance, and other regulatory matters. In the past 30 years, she has held positions in shared services, information resource management, quality, and engineering within the same organization.

Overview of BS's network

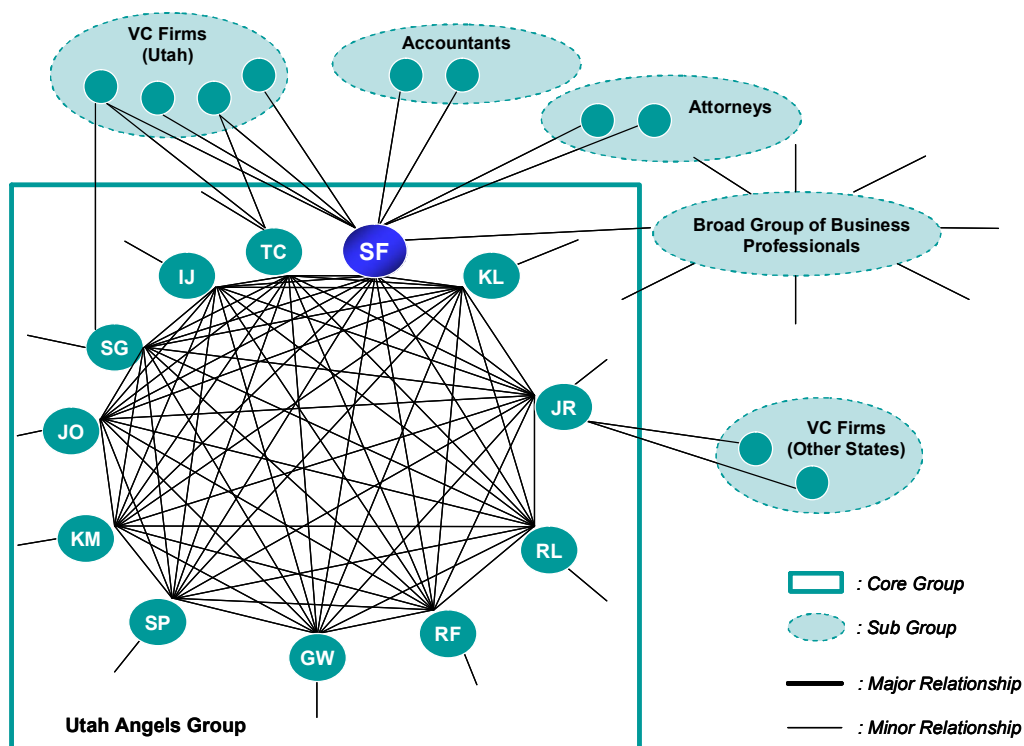


- BS' network mostly consists of individuals within the same organization.
- In addition to her husband, her former boss (KA), and a former direct report (CC), BS relies on a direct report who “rotates” based on her team at that time.
- Given her position in the company's executive council and her personal relationships with individuals at multiple levels of the organization, BS serves as the broker between several clique networks.

Executive #5

SF is a private investor and founder of various medical companies. He is the founder of the largest angel investor network in Utah. In addition to managing numerous private investments, he serves as the CEO or President for at least one of the companies that he is invested in. He has developed a strong network over the last ten years tailored to the venture capitalist industry.

Overview of SF's network



- The Utah Angels private investment group acts as an echo-chamber, although it was designed to act exactly as such.
- Additional network resources are available through SF, such as accountants and attorneys when expertise is needed.
- SF set up the network around him and created a broker position for himself.

APPENDIX B

RESEARCH AGENDA – SENIOR LEADERSHIP NETWORK ANALYSIS

Purpose: To gather information regarding how senior executives initiate, develop, and manage their personal and professional networks to accomplish their objectives.

Note on This Study: All individuals participating in this study will be kept confidential through the use of pseudonyms. The team will provide all participants with complimentary copies of this research if requested.

Research/Discussion Questions:

I. BACKGROUND

1. What is your full title? What are your primary goals and responsibilities in this role?
2. Can we get an idea of your team (e.g., how many direct reports, dotted line, cross-functional)?
3. What does the term “network” mean to you?
4. In your experience, how important is an individual’s network?

II. CREATING A NETWORK

5. Do you have a formal strategy or approach for making personal or professional contacts?
6. Who are the three or four people who have contributed the most to your professional network? How did you make these ties?

III. MANAGING NETWORK TIES

7. What role has your network played in the development of your career (e.g., promotions, new job opportunities, challenges in the workplace)?
8. Who do you approach to ask for professional advice or discuss matters important to you?
9. How would you evaluate the strengths and weaknesses of your network?

IV. SUSTAINING YOUR NETWORK

10. What specific steps do you take to maintain your relationship with your contacts (especially facing time constraints and increased job responsibilities)?
11. How much of your network is based on trust and reciprocity?
12. Based on your experience, what advice would you give regarding building and managing professional networks?