

# *The* **NETWORK ROUNDTABLE** *at the* **UNIVERSITY OF VIRGINIA**

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## **LEADING IN A CONNECTED WORLD: HOW EFFECTIVE LEADERS DRIVE RESULTS THROUGH NETWORKS**

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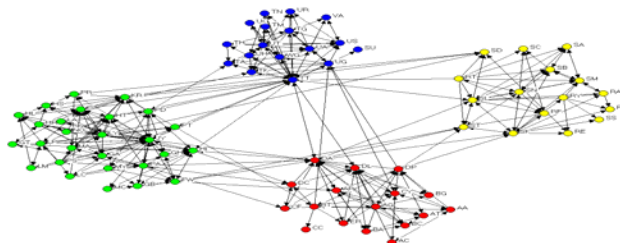
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## EXECUTIVE SUMMARY

Over the past decade, leaders have been actively seeking a multiplier effect—ways to better leverage their organization’s talent. Yet in this pursuit, implementation of matrix structures, collaborative technologies, and cultural change programs have yielded little more than overloaded organizations and employees.

A number of leading organizations are now finding that they can improve performance without overwhelming employees by adopting a network perspective on talent management. Based on 10 years of research at over 100 organizations, we have identified the following five network management principles that successful leaders use to compensate for weaknesses in formal structures and to ensure that they are fully leveraging key talent and expertise:

- **Managing the center:** Minimizing bottlenecks and protecting hidden stars.
- **Leveraging the periphery:** Rapidly integrating newcomers and reengaging underutilized high performers.
- **Selectively bridging collaborative silos:** Targeting key intersections in the network and leveraging brokers.
- **Developing the ability to surge:** Ensuring that the best expertise in a network is brought to bear on new problems and opportunities.
- **Minimizing insularity:** Managing targeted relations with key clients and external sources of expertise.

In this article, we develop these principles in more detail and offer recommendations for how leaders can manage organizational networks to produce superior performance and innovation.

It was the end of a long day at one of the world's leading banks, when former President Bill Clinton began his keynote remarks on the importance of networks. The 300 bankers in the room were tired—they had been together for 12 hours straight—and yet you could have heard a pin drop as Clinton described how networks had been critical to his success. Early in his career, Clinton had used his connections with other governors to learn how to excel in that role. Later, as president of the United States, networks proved vital to managing the give-and-take of demands and concessions among the world's power brokers. His reflections offered an inside view of the central role that Clinton's network had played throughout his career. They also gave a personal voice to 20 years of research demonstrating that leaders who make targeted investments in relationships outperform those who simply build ever-larger networks, or ignore the importance of connections altogether.

The bank had invited us and the former president to speak as part of a program for its top performers at the vice president (VP) and senior vice president (SVP) level. This particular event, held early in 2007, was a reunion of sorts for these top performers. Over the course of the preceding year, all of them had participated in a development program designed to identify their strengths, improve their capacity to work in non-hierarchical teams, and expand their knowledge of the firm's businesses. This program had two primary goals. First, the bank hoped to increase retention of its top-performing VPs, who tended to depart at a higher rate than those at more senior levels. Second, senior leaders sought to form lateral networks across divisions and regions so the firm could better serve clients and execute on its "one firm" strategy.

Too often, the rising stars at the bank would do well for a while but then fade when the demands of their jobs required more than individual expertise and the willingness to work just a little harder. As a result, a large part of our work with these high performers was focused on how they could build personal networks that would extend their individual abilities. Of course, investment bankers are a tough sell on some of these "softer" skills, and so our first job was to illustrate how

more productive networks would yield key business and career outcomes. Our audience was composed of VPs and newly promoted SVPs. Given the rise in status that accompanies promotion at an investment bank, the newly minted SVPs were the envy of the room. When we described how these SVPs had qualitatively different networks than the VPs, we had everyone's attention.

The message was simple but powerful: Your network determines, in part, the size of your paycheck. But it is not just a *big* network that enables high performance. Instead, what distinguished the highest performers was a set of connections that bridged the organization in important ways. For example, the SVPs' networks were more likely than those of the VPs to include people in different divisions, those with unique industry or product expertise, and those in different tenure groupings – people who had spent either less time or more time at the bank. And the professionals who were promoted to SVP most quickly were also the ones most likely to reach out to people in different regions as well as to people in the categories mentioned above. These and other insights on the networks of high performers at the bank helped our audience plan how best to build networks that would enable their continued success.

We also showed the group that these rising stars were not only high producers but also critical in integrating the bank's divisions and regions in ways that helped deliver more holistic solutions to key clients. The bank needed many more of these well-positioned employees in order to execute on its strategy to bring the very best of the firm to each major account. Our Organizational Network Analysis (ONA) covered sales-oriented product groups from a variety of locations that catered to corporate, government, and individual clients. Unfortunately, there were substantial breakdowns across product groups serving the same clients; often less than 1% of possible ties existed between such groups. In fact, our ONA made it clear that even *within* divisions and locations—points in the organization where you would expect people to be well connected—there were still opportunities for VPs and SVPs to better leverage best practices, client leads, and the

expertise of their peers. For example, against an ideal level of 33%, in one key business only 8% of possible ties existed; in another, that figure was just slightly higher, at 12%. A visual representation of collaborations among this group, seen in Exhibit 1, revealed how more productive networks throughout the SVP/VP population would yield three benefits: 1) better cross-selling and delivery of top-end solutions to clients; 2) greater individual productivity as the high performers extended their effectiveness; and 3) improved retention of key players at a level in the organization where the bank often lost professionals to competing firms.

|Editor's Note: Insert Exhibit 1 about here|

This last point is subtle, but critical. Too often, executives do not understand the network disruption that occurs when well-connected high performers leave the organization. In this case, losing just the top 5% of employees with the most ties bridging functional lines resulted in a 31% decrease in cross-functional ties. The ONA quickly alerted the bank to a group of professionals whose departures could dramatically affect revenue production and the ability to execute its strategy. Armed with these insights, leaders were able to focus attention on some people they did not initially recognize as being central to firm performance. In addition, the ONA results also helped leaders show these individuals the extent to which their networks, which required years of effort to build, were critical enablers of their success. This revealed a hidden cost of changing jobs—the efforts required to rebuild one's network at a new firm—which persuaded many high performers to stay at the bank despite the higher compensation other banks offered.

When we revisited this group at year's end, we learned that retention rates had improved and, in fact, were much better for these high performers than for the broader employee population. More important, however, was the fact that those who did leave turned out to be on the periphery of the network and so had only a minimal effect on the collaborations that generated sales – their departures reduced revenue-producing collaborations by just 3%. By contrast, if the organization

had lost the same number of the most central people in the revenue network, revenue-generating collaborations would have decreased by 17%, and information flow throughout the firm would have been seriously disrupted. The bank's network perspective clearly had substantial and quantifiable payoffs for the organization – payoffs that had remained invisible when the firm had considered its top talent as individual experts instead of as crucial contributors to the larger network.

## **DRIVING RESULTS THROUGH EFFECTIVE NETWORKS**

Most leaders are desperately seeking a multiplier effect—a way to get more from their organization's talent. But after a decade when almost every large organization in the world adopted some form of matrix structure, applied yet another technology enabling employees to instantaneously connect, or adopted a cultural change program urging more collaboration, we have little to show for it other than overloaded organizations and employees. Some leading organizations are finding that they can improve performance without overwhelming employees by taking a network perspective.

For the past 10 years, we have conducted network analyses and tracked the success of various leaders and their groups at over 100 organizations. We have found that leaders who *continue to excel over time* are utilizing networks in distinctive ways to compensate for weaknesses in formal structures and to ensure that their units are obtaining a multiplier effect on key talent and expertise. In the remainder of this article, we describe how such leaders deliver innovation and high performance through networks. Throughout we also show how the investment bank described above has driven network ideas deep into the organization through five principles:

- **Managing the center:** Minimizing bottlenecks and protecting hidden stars.
- **Leveraging the periphery:** Rapidly integrating newcomers and reengaging underutilized high performers.

- **Selectively bridging collaborative silos:** Targeting key intersections in the network and leveraging brokers.
- **Developing the ability to surge:** Ensuring that the best expertise in a network is brought to bear on new problems and opportunities.
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### **Principle #1: Managing the Center**

We generally find that 3% to 5% of the people in a network account for 20% to 35% of the value-added ties—the collaborations that generate sales, efficiency gains, key innovations, or other forms of value. As a result, prominent players in these networks have a substantial and quantifiable impact on an organization’s performance; however, often they are not managed or leveraged any differently than the individuals who do not enable their colleagues to be more effective. Unfortunately, in groups of any size or geographic dispersion, leaders are often unable to accurately identify these valuable individuals. When asked to name key players in advance of a network analysis, leaders are usually only about 50% correct. Identifying and focusing on two types of employees at the center of networks—*bottlenecks* and *hidden stars*—can have an immediate and dramatic effect on an organization’s performance.

Consider a network analysis of the top 600 client-facing managing directors (MDs) at the investment bank mentioned earlier. This cross-functional and geographically dispersed network represented a critical revenue engine for the bank and a major point of strategic advantage in mobilizing its best industry and product experts in client sales and execution scenarios. Senior managers were extremely interested in better understanding the collaborations among these key personnel. To their surprise and concern, they learned that a very small number of people played a

disproportionately important role in revenue-generating collaborations. As shown in Exhibit 2, 5% of the MDs accounted for 29% of interactions generating revenue, whereas 10% accounted for 43% of these collaborations. Some of these well-connected people could be identified either by their reputation or position in the hierarchy, but senior leaders were surprised to learn that many employees in critical positions did *not* have as many revenue-producing connections as they should have. The insights that emerged from the ONA were not trivial; strategic decisions were being made that affected these employees, but leaders did not always have a clear view of people's networks and the central way that they impacted, for better or worse, the productivity of many others. To this end, the ONA helped leaders identify and work through two strategically important groups at the center of the network: *bottlenecks* and *hidden stars*.

|Editor's Note: Insert Exhibit 2 about here|

*Bottlenecks.* The first category of highly connected MDs the bank cared about were those who had, for one reason or another, become bottlenecks—they were so overloaded with demands and requests that colleagues who needed their help to be effective simply could not get it. Of course, just being well-connected in a network does not necessarily mean that someone is a bottleneck. The individuals we were most concerned about were those who were already central in the revenue-producing network and also had a large number of other people claiming they needed even more access to them in order to do their jobs.

There are various reasons why otherwise highly effective people become bottlenecks. Leaders may be too accessible and create excessive reliance on themselves. Experts may fail to help others develop industry or product knowledge. Formal roles can rapidly become bottlenecks. And, of course, we all know and have suffered from people who intentionally hoard information. Each of these obstacles requires a different solution, but the first step is to determine if these key players are central owing to their position in the formal structure (people are drawn to them by virtue of the

information they hold, the decisions they make, and the resources they dole out) or because of their expertise and leadership qualities (people are drawn to them by virtue of their expertise, institutional knowledge, industry contacts, or general approachability). As shown in Exhibit 3, some highly influential MDs at the bank tended to be sought out for *both* role and personal reasons.

|Editor's Note: Insert Exhibit 3 about here|

If people have become bottlenecks because of their roles, leaders can make network adjustments by shifting decision-rights, information access, and responsibilities to others in the network. In the right instances, this can be extremely effective in reducing a bottleneck while simultaneously developing a high-potential employee who becomes a go-to person. It also is much easier to manage a restructuring around those who are central largely for role purposes because others with similar expertise can step in and be effective. Fundamentally different tactics are required if people are sought out due to personal characteristics – for example, their expertise, their industry contacts, or a history of trust they have developed. In those cases, focusing on mentoring, hiring for specific capabilities, and staffing people to develop trusted ties around these key players can have the desired effect.

The investment bank recognized that some roles—for instance, those that spanned divisions—automatically enabled a person to be well-connected and often put him or her at risk of being overloaded, so leaders focused on reassessing role assignments and structure. For example, strategic relationship managers, who are charged with particular client relationships, come into contact with all businesses that service a given client. Our analysis revealed that many others could not get to these key players in time to capitalize on opportunities. To alleviate this bottleneck, leaders created more strategic relationship managers as well as shared this job among others to systematically reduce network overload around key employees.

The bank also found that well-connected MDs had frequently worked in many parts of the organization and had built strong and trusted cross-division and cross-region ties. As a result, they had become go-to people for those who needed to tap into their broad networks. To alleviate the demands on these managers, the firm began to offer boundary-spanning experiences to more junior professionals. For example, programs were put in place that gave rising stars the chance to capitalize on the potential of cross-divisional roles. Broadly, the bank's talent initiatives began to emphasize the importance of mobility and to incorporate international or cross-functional experience into employees' development plans.

Finally, as seen in Exhibit 3, some highly valued and productive employees had become bottlenecks because of their expertise or leadership qualities. The bank believed that many of these qualities—the ability to mentor junior employees and generate novel financial solutions, for instance—were more widely distributed than people realized. To alleviate this subset of overloaded leaders, the bank put in place initiatives to make sure that all managers' expertise and personal strengths were identified and broadly communicated via technologies and more innovative face-to-face and virtual forums. Coaches worked with some of the most overloaded leaders in this category to define their contributions outside of their role (for example, an ability to generate alternative solutions to problems, coach people through perplexing situations, make introductions to clients, or simply listen to people who needed to vent). Once people identified the strengths the network sought from them, plans were put in place to build these capabilities in others. The ONA helped individual leaders identify the specific strengths that had turned them into bottlenecks as well as people well-positioned in the network who could develop these strengths and thus share the load.

*Hidden stars.* A second group of employees the investment bank needed to identify and attend to are those we call hidden stars—employees who help their colleagues be more productive but, for one reason or another, have not themselves been recognized as high performers or top

talent. Hidden stars remain hidden for various reasons. In some cases, talent management processes are too focused on individual productivity measures. In others, employees are not developing ties up the hierarchy (and so are not well-known to their superiors) but are incredibly supportive of their colleagues. And in still others, individuals develop reputations as specialists that cause their other contributions—such as spanning divisional boundaries or developing junior colleagues—to become less visible.

Regardless of the root cause, hidden stars often represent overlooked and underappreciated assets for the organization. In a range of companies with sophisticated talent-management systems, we have found that there is only a 25% to 40% overlap between the individuals classified as “top talent” by the organization and those who are revealed in a network analysis to be critical enablers of others. Invariably, a number of well-connected employees contribute substantially to the effectiveness of others yet have become disaffected because their contributions are not acknowledged with promotions or compensation increases. Too frequently, these people tend to be among the most likely to leave the organization, resulting in substantial business impact that goes unrecognized. Even more problematic is the fact that other high performers often follow hidden stars out the door. When an organization loses a hidden star, not only is there an immediate hit to network connectivity, but also there are often additional departures 6, 12, and even 18 months later.

The network analysis of the investment bank’s MDs offered a number of surprising insights into hidden stars. For example, one senior leader was renowned for the sheer number of relationships he had developed with clients over the years. What was not clear prior to the analysis, however, was the revenue-producing capacity of these relationships. Because he was not the individual associated with completing deals, the work he did to introduce the right people from the bank to the right people at the client was hard to quantify. The ONA demonstrated the value of

“making the assist” and prompted a strategic discussion about expanding the number of senior executives focused solely on fostering relationships between the firm and key clients.

The ONA also led to revised succession-planning processes. Although geographic and functional boundaries often limit networks, the analysis revealed one MD working in a key overseas market who had connections to every business division in that market as well as to the U.S. headquarters. Yet none of his direct reports was sufficiently networked to replace him. As a result, the bank developed a plan to fill this particular gap. In another example, a young product specialist who was viewed as just that—a specialist with limited leadership potential—was revealed by the network analysis to have formed an astonishing number of ties with people across business divisions. Furthermore, the quality of those ties indicated that he did indeed have leadership ability. In myriad cases like these, the ONA results helped senior leaders develop talent in markedly different ways than they had in the past.

### **Principle #2: Leveraging the Periphery**

Just as we always find overly connected people in a network, we also find employees who are less connected than we would hope. Of course, not all individuals on the periphery are of equal concern. Sometimes low connectivity indicates poor performance or cultural fit, issues that may be resolved only through an employee’s departure. Or there may be a group on the fringe that the organization is actively trying to protect, such as high-end scientists with a great deal of external ties or highly valued employees managing work/life issues. Forcing either of these groups to expand their internal networks may increase the odds of their leaving or diminish the very qualities that made them successful in the first place. Rather than targeting all peripheral employees, successful leaders hone in on two types: newcomers and high performers who have drifted to the fringe of the network.

*Rapidly integrating newcomers.* Most organizations have a difficult time integrating newcomers. The turnover rate among this group is high, and their productivity is always low while they make the transition into the organization. In general, our work suggests that it takes 12 to 18 months for new employees to become well-integrated and productive. At firms with highly relational cultures, it tends to take closer to three years. Yet some leaders are able to manage networks strategically to accelerate newcomers' innovation and productivity. The key is to focus not just on hiring criteria but also on the appropriate placement of new hires in the organization's network.

Leaders who are especially effective at this create initial assignments and encourage behaviors that help integrate people into existing networks more rapidly. As an example, one assessment we did of the investment bank's MDs profiled what we called "fast movers" —MDs who had become connected more quickly than their longer-tenured colleagues (see Exhibit 4). We learned two things from these fast connectors. First were the structural aspects that helped build effective networks. On-boarding practices, initial staffing, rotation efforts, and even various forms of mentoring can slingshot people into productive network positions. Second were the behaviors of the fast movers themselves—the degree to which they reached out, offered help, and made their expertise visible. These behaviors can be encouraged among all newcomers in order to generate more rapid innovation and performance from them.

[Editor's Note: Insert Exhibit 4 about here]

The bank knew that integrating senior lateral hires into the firm was especially challenging and that failing to do so was costly. Historically, over 50% of senior, experienced hires had left the firm after three years, typically because they could not decipher the culture, not because they lacked technical competence. Efforts to integrate lateral hires needed to focus on helping them behave in ways that were consistent with the firm's cultural norms and on connecting them to people who had a vested interest in their success and could serve as role models during the transition period. An

experienced member of the leadership team created and piloted a highly successful process for integrating senior hires that addressed both the cultural and business ingredients necessary for thriving at the firm.

The program began with a one-day event for senior employees who had been at the bank between six and nine months. Small groups of employees performed cultural assessments of the firm and were instructed that no topic was off-limits. The groups were encouraged to discuss “unspoken” norms as well as those that were openly stated. After this discussion, senior leaders addressed the employees and spoke about all aspects of the firm’s culture, strategy, and business divisions. The second component of this program was one-on-one coaching with individual new hires. In advance of these sessions, development professionals identified and interviewed five to ten of the new MDs’ stakeholders. The interviews sought to uncover the stakeholders’ expectations of the MD, the key challenges they thought he or she would face, and how the stakeholders hoped to communicate with the new MD. The interviews also revealed people outside the immediate network that the MD needed to meet. All of this information was fed back to new hires in order to help them better understand their role and to accelerate their ability to form important ties. This information proved invaluable to newcomers. As one MD noted, “I had no idea I needed to meet these people; this saved me months of wasted time.” The program was so successful that it has been rolled out to lateral hires at the SVP level as well.

It’s important to note that efforts to better integrate peripheral members should not be based on building a lot of ties indiscriminately, but on strategically building networks that will improve performance over time. Designing talent processes to identify and build networks of high performers throughout an organization — whether through leadership programs, career management processes, staffing efforts, on-boarding processes, or mentoring relationships — yields a critical performance lever for leaders. Over the years, research has shown that high performers’

networks are often not that large. In fact, many times there is a statistically significant performance detriment associated with having a large network. Instead, high performers tend to distinguish themselves by building networks in three ways.

The first is *structural*: High performers have a tendency to position themselves at points in a network that bridge otherwise disconnected clusters of people. As a result, they fight off the insularity that diminishes innovation over time and are better able to see and take action on opportunities that exist in the “white space” of the organization. The second is *relational*: High performers tend to invest in relationships that extend their expertise and help them avoid learning biases and decision traps. The high performers we have studied were no different than average or low performers in terms of the number, or strength, of ties to those with different demographic characteristics. Rather, they were distinguished by having people in their network who provided complementary (rather than similar) expertise and created bridges across aspects of formal structure – particularly across functional lines and hierarchical levels. The third is *behavioral*. High performers engage in behaviors that lead to high-quality relationships – not just big networks. Rather than display the superficial behaviors advocated by most self-help networking books, high performers do the opposite by building strong relationships before they are needed.

To learn how senior leaders use their networks, the investment bank surveyed its most highly compensated MDs. Not surprisingly, these professionals had, on average, nearly 20% more ties than lower performers. They also had significantly more ties that spanned divisional and geographic regions and, as illustrated in Exhibit 5, connections that served a variety of purposes. MDs used their relationships to tap into expertise, make decisions, and solve problems. Individual network profiles were created for each MD and then used in a range of development activities. For example, the aggregate data were presented in group sessions to demonstrate the importance of

networks in senior roles and their connection to career outcomes; individual profiles were used as the basis of one-on-one coaching sessions.

| Editor's Note: Insert Exhibit 5 about here |

For the most senior people, executive committee members and their direct reports, these coaching sessions were designed to raise awareness about how they were spending their time. Each profile had to be interpreted differently. For one MD, having lots of decision-making ties might be perfectly acceptable; for another, it might indicate the need to delegate more aggressively. Regardless, the profiles allowed senior leaders to make more deliberate choices about how to manage their time and their networks. For slightly less senior people, the profiles let them see how their networks compared with those of the leaders above them. They could then use this data to change their network profile in strategic ways—for example, by developing connections across regions or functions.

*Re-engaging underutilized high performers.* Throughout our work, we have found that more successful leaders tend to have far fewer high performers who are on the periphery of the network. Of course, every leader wants the whole of their organization to be greater than the sum of its parts. However, this can happen only when high performers use their expertise to help others be more effective than they could be on their own. Our typical benchmark is to find that roughly 30% of the employees considered as top talent – those on high-performer lists or in the top 20% performance category – have migrated to the fringe of the network.

At the investment bank, we found a subset of MDs who had become peripheral and were not allowing the organization to get sufficient leverage from their abilities and contacts. Although their individual metrics looked great, these MDs were not utilizing the network around them to allow their contribution to be delivered broadly. This clearly concerned leaders. We found that the reasons that these top performers had migrated to the periphery were very idiosyncratic and had to

be addressed on a case-by-case basis. Some were new to their current role and had not had enough time to build their networks. In these instances, simply facilitating the appropriate introductions was helpful. One MD lacked time-management skills; another had become overloaded with paperwork. As a result, both had cut back on their interactions with others. Delegation and scheduling strategies helped reengage these professionals. Still other remedies included clear discussions about performance issues, moving the person to another division where the network would be easier to engage, and counseling the individual on how to build an effective network.

### **Principle #3: Selectively Bridging Collaborative Silos**

One of the root causes of most organizations' collaborative failures is the underpinning philosophy that more collaboration is the solution. Of course, most of us are already overloaded, and the last thing we need is another meeting, telephone call, or technology that can make us more accessible to everyone else. The strength of the network ideas at a unit level is that it allows us to see more precisely how to connect not everybody but only the four, five, or six junctures that can allow the organization to differentiate itself strategically. We generally find breakdowns across four aspects of organizational structure that almost always divide networks at points that affect performance: 1) functional or divisional boundaries; 2) physical distance (even floors in a building); 3) hierarchical levels; and 4) project or key account team lines.

At the bank, breakdowns across geographic regions were particularly noticeable. Professionals working in the same business and with the same clients, but located in different regions, often had few connections to one another. These breakdowns had several origins. The first was a shift in the relative importance of overseas markets. Historically, the majority of the bank's clients and expertise had been based in the United States. As a result, U.S.-based professionals often did not find it necessary to form close ties with their colleagues in other locations. Over time,

however, regions such as Europe and Asia had grown in importance, and more of the firm's top talent was working internationally. Nevertheless, patterns in behavior and communication had been slow to adjust, with many U.S. professionals depending excessively on domestic ties. Trust was another key barrier. Professionals devoted a tremendous amount of time and effort to building and maintaining client relationships. Even though a colleague in another part of the world might possess helpful expertise, people were often concerned about exposing their clients to colleagues they did not know well for fear of jeopardizing a hard-won relationship. Finally, some measures that could have arguably improved information flow, such as comprehensive client databases, were simply not feasible given regulatory restrictions. For many of these same reasons, the bank found that connections across functions were often sparse as well.

Despite these challenges, the bank undertook a number of initiatives to improve connectivity across regions and functions. For example, Strategic Relationship Managers began to play an increasingly important role in bridging divisions. After network analyses revealed the way in which these pivotal roles integrated the firm, senior leadership set out to leverage these roles by filling them with top performers. To promote collaborative ties across boundaries, development events began to include employees from diverse businesses and regions. Databases were also developed to centralize information so that it could be shared more easily across divisions.

Individual leaders also became champions of improving connectivity across their business units. For example, the head of one product group, who was particularly well-connected even before he assumed this leadership position, sought to better leverage his own network, as well as the networks of those on his team, by addressing breakdowns not only across geographic boundaries but also between subgroups operating in the same location. Further, this leader's direct reports were far less connected than he was, raising concerns about succession planning. Just the awareness of these issues stimulated many professionals to take action; however, this MD also modeled the

techniques that had enabled him to develop his network at the firm. In particular, he emphasized the importance of traveling to attend international meetings and being available and responsive to colleagues throughout the firm.

Other initiatives to manage the “white space” between divisions are still in their infancy but are viewed as critical to serving clients that require integrated, global solutions. Network analyses have been undertaken to show unit heads how they are connected across regional and product groups. The objective is to provoke thinking about whether the breakdown of relationships with other divisions is congruent with an MD’s view of his business and how it generates revenue. Similar conversations have been started at even higher levels of the firm. For example, a network analysis of the firm’s regional CEOs indicated that all three spent a disproportionate amount of their time interacting with professionals in one division – yet that division produced relatively little of the firm’s revenue. This was one of several examples where the CEOs needed to reallocate their time in order to be more effective at identifying and brokering opportunities across all of the divisions for which they were responsible.

Recent findings about the value of cross-unit collaboration are also slowly changing the way the firm thinks about job assignments and rotations. To date, positions have been filled largely on the basis of revenue-generating capabilities rather than softer management skills. However, the ONA revealed the relationship between networks and revenue generation, as well as the disruptions to both that are associated with a move to a different product or regional group. The bank’s initial response has been to offer one-on-one coaching, similar to that given to lateral hires, to executives new to their positions. For example, the bank has found that when executives are assigned to a position in a new geographic market, they continue to rely heavily on the network they developed in their former division. Using network analysis, executives can be shown how to replicate important ties (such as to other product groups) in their new location. Similarly, there may be individuals

outside of an executive's immediate network who are critical to their success in a new assignment. The bank has found that by explicitly highlighting the importance of such ties, executives can more quickly move to develop and strengthen them.

Gradually, the ability to build and maintain broad networks is being considered alongside other criteria when matching executives to their positions. This was certainly true when selecting an MD for a key overseas assignment. The bank's leadership realized from the outset how critical a diverse network would be in effectively managing this region's rapidly changing business. As a result, they picked an executive who had a track record of building relationships across regional and functional lines. More attention has also been given to assigning individuals with these skills to positions that bridge divisions. These positions naturally facilitate cross-boundary networks, and the firm wants to see the individuals best able to capitalize on such relationships given these powerful assignments. In the future, the bank hopes to be even more strategic by, for example, moving top performers with specific network profiles from one division to another in response to client demands for solutions that bridge those product groups.

Finally, recognizing the value of cross-divisional ties has raised questions about whether the bank should do more to create a culture of mobility and instill in even junior employees the expectation that success depends on serving in multiple regions or functional areas. A "mobility team" has recently been created to spearhead this initiative. Its efforts to date have focused on internal recruiting to fill key positions and on creating incentives for managers to encourage junior employees to seek positions in other parts of the firm.

#### **Principle #4: Developing the Ability to Surge**

When we assess information-seeking networks, we typically get a snapshot of collaboration, a sense of who is connected to whom based on the current set of projects. In dynamic settings such as

professional services, software development, or health care, information-seeking networks should shift when new projects demand different kinds of information and expertise. Ideally, these networks are able to “surge”: to sense opportunities or problems in one pocket of a network and rapidly tap into the expertise of others in the network to coordinate an effective response. This is not accomplished by pushing information onto employees. Rather, as new opportunities arise, employees need to know who has relevant expertise that can be helpful; they need to have a sense of who knows what in the network.

The bank took a number of steps to build this awareness of expertise as a distinct enabler of the one-firm culture. One example was the workshop we held leading up to Bill Clinton’s keynote. In most all-hands meetings like this, each person would come in and sit with those whom they already know, thereby entrenching networks. But armed with the network results, we did things dramatically differently to help spur connections and an understanding of the expertise of functionally and geographically dispersed colleagues.

For example, tables were staffed, and breakouts run throughout the day, in ways that paired people who had unique opportunities to integrate on client and product solutions. Similarly, each table included one of the top brokers in the network, thereby rapidly enabling people to connect with those who best integrated the whole network. We even outfitted each person with an electronic nametag that communicated with every other tag in the room. As people milled about and passed by people they did not know and who were working on complementary offerings or who had contacts at similar clients, their tags would broker that introduction. This simple technology helped generate sales with existing clients that simply would not have materialized if people had not become aware of each other’s contacts and expertise in this targeted fashion.

Overall, the bank’s decision to include participants from various business units in all developmental programs fostered relationships and awareness of others’ expertise. At the MD level,

this approach has produced strategic, career, and financial benefits for participants and the firm as a whole. For example, a senior manager from the United States was assigned to lead a cross-divisional initiative in an overseas market. Aligning the two units required working closely with the existing leadership to produce rapid changes and therefore could have been politically difficult. As it turned out, the senior manager had already met one of the unit heads at a development event earlier in the year, and they had participated in a breakout session together. Even though they were from different areas of the firm, this experience created a foundation of mutual respect and trust that greatly facilitated both their speed and effectiveness in executing the strategic realignment initiative.

This foundation of trust has also encouraged colleagues from different units to make client introductions, a behavior that can be difficult to achieve because professionals are highly protective of these hard-won relationships. After one development program, a senior executive was invited on a client sales call by colleagues in another division. This initial client contact led to a stream of business that the bank would otherwise not have received. Connections formed at development events have also yielded career benefits. One senior manager moved into a different business group after learning of the opening from colleagues he met at a networking session. The opportunity to build such connections creates awareness of expertise throughout the firm and thereby allows employees' interests, contacts, and skills to be more fully engaged.

### **Principle #5: Minimizing Insularity**

Of course, critical networks do not simply stop at the edge of the organization but continue externally to clients, sources of expertise, and resources. For organizations to innovate effectively and efficiently, it is no longer possible to own all competencies and technical expertise. A network perspective allows management to identify gaps or inefficiencies in sourcing strategies.

In professional services, understanding touch points with key customers is a critical network view. We typically find that the difference between high- and low-performing account teams in an organization is not a result of product knowledge, sales behaviors, or more traditional account planning practices. Although individual competency and training can keep teams from landing in the bottom 20% of performers, it is almost always networks that turn out to be key predictors in distinguishing the top 20%. In most organizations, key account teams have the same training and avail themselves of the same technologies. As a result, team-building or sales-training interventions often pale in comparison to the improvement potential uncovered by visualizing network drivers of account team success. In general, three kinds of connections distinguish high from low performers:

- 1) **Quality of relationships between the account team and client.** The *appropriate* level of high-quality client connections across relevant team members allows for better client service, discovery of cross-selling opportunities, and decreased susceptibility to the departure of key individuals on both sides of the relationship.
- 2) **Quality of relationships within the account team.** A team fluidly connecting key expertise and roles is much more efficient and effective in identifying and capitalizing on sales and delivery opportunities.
- 3) **Quality of relationships connecting the team with the host organization.** A broad network of connections back into the organization allows an account team to leverage scale in a large organization and so materialize the right products, services, and expertise for clients in a timely and efficient fashion.

The investment bank in this case had always prided itself on its client focus, and senior leaders consider this capability to be at the heart of their business. As a result, forging new client relationships and strengthening existing ones are top priorities. External connectivity is emphasized

through formal relationship-management programs and the firm's incentives and structure. One notable program, rolled out to over 3,500 client-facing professionals, focused on the relational aspects of the sales process. Over several days, managers attended a variety of sessions that addressed how to establish relationships and build trust with key clients. Data on each professional's level of client focus were also collected during the firm's annual 360-degree review process, providing additional opportunities for follow-up feedback and coaching.

The bank's incentive structure also seeks to reward these behaviors by tying compensation directly to the amount of revenue a manager generates. However, this system is imperfect because although many people contribute to efforts to service clients and win new business, generally only one individual is credited with the resulting revenue. Believing that such contributions needed to be more broadly rewarded, the bank tried several ways of identifying individuals working "behind the scenes." For a number of years, there was an incentive scheme designed to reward executives who facilitated client introductions. To receive "credit," professionals were required to submit formal proposals outlining their cross-selling activities. Unfortunately, these reports proved cumbersome to process and evaluate. More recently, network analysis has made it easier for the senior leadership to identify and reward individuals who participate indirectly in revenue generation. A new competency model has also been developed that outlines and evaluates specific customer-focused behaviors across professional levels.

Databases are yet another tool the firm uses to promote external connectivity by building awareness of the many points of contact with a single client. Historically, these databases have existed within divisions, but more recent efforts have focused on developing databases that provide information across units. Despite these efforts, the bank has still found that personal networks are most often employed in searching for expertise or avenues to connect with a particular client. As a result, Senior Relationship Managers, professionals responsible for a given set of client relationships,

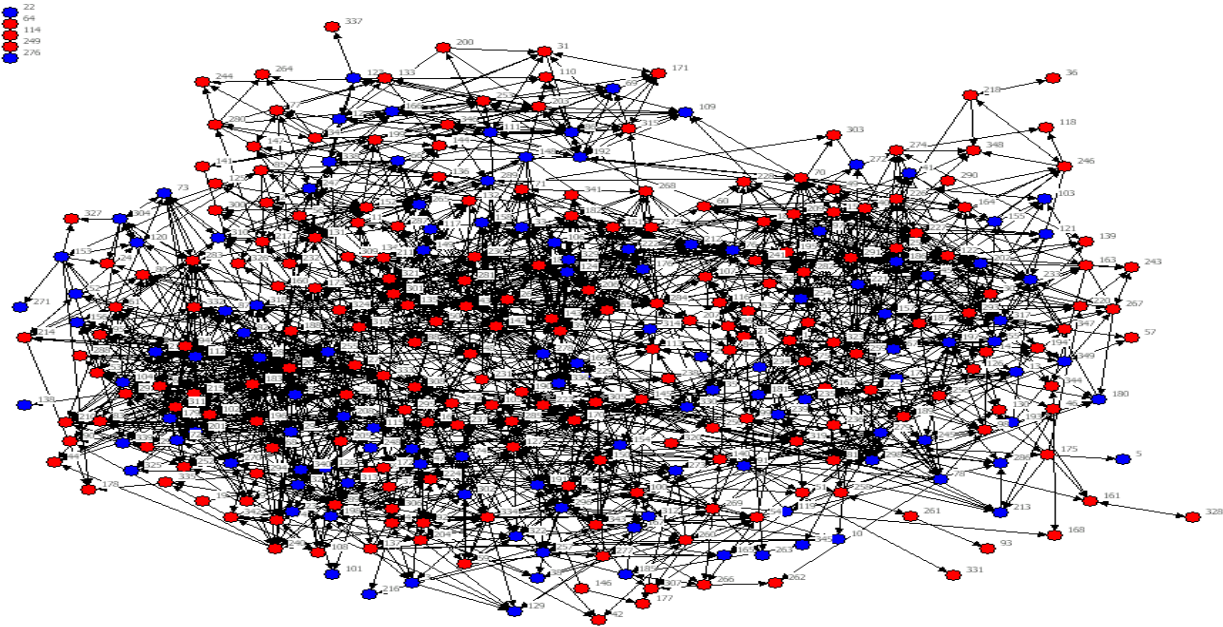
continue to play a vital role in brokering connections across divisions and regions. The bank has found this role to be so successful in building strong external connections that there is talk of expanding the number of positions even further.

## **CONCLUSION**

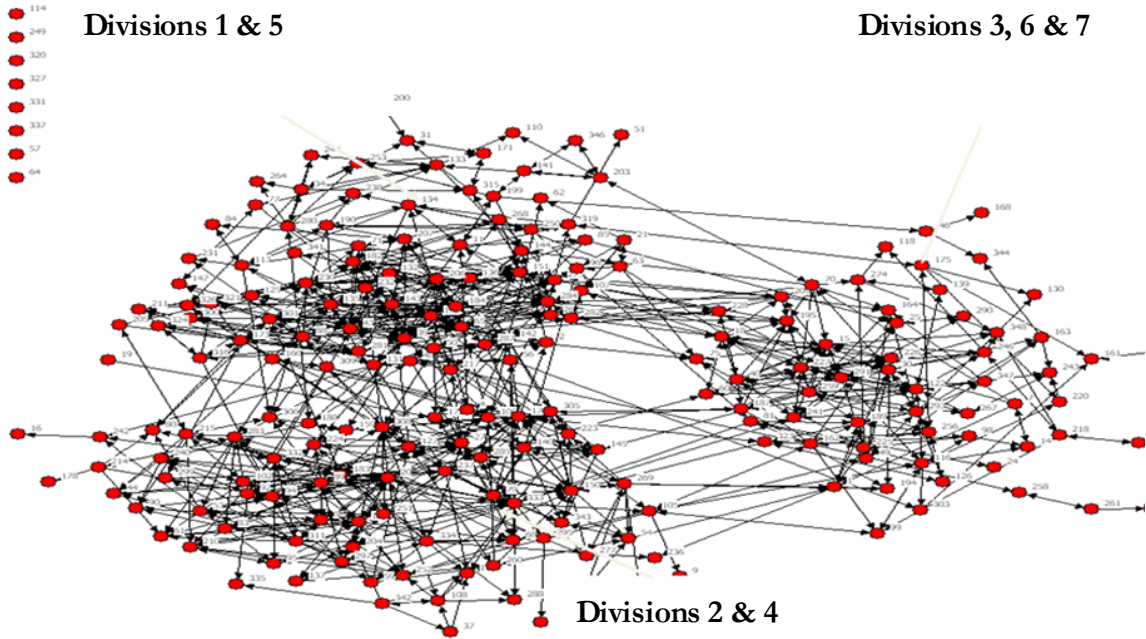
Effectively leveraging human capital is a key success factor for virtually all organizations, and yet as businesses expand, grow more complex, or become geographically dispersed, this task is increasingly difficult. Leaders have struggled with how to tap into employees' knowledge and skills, and ensure that they are deployed in ways that drive innovation and organizational performance. Matrix structures and communication technologies have been used to facilitate connections within organizations, but the result is often large, unwieldy networks that overload employees and consume valuable time. In this article, we have shown how leaders who are most successful in obtaining a multiplier effect on their organization's talent manage networks in a far more strategic way. Rather than simply focusing on building ever larger networks, they are targeted in their efforts to develop productive networks. Like other efforts to promote collaboration and communication, these efforts are not without cost. However, their tight coupling to strategic goals and distinctive organizational competencies means that they yield far superior performance payoffs.

# Exhibit 1

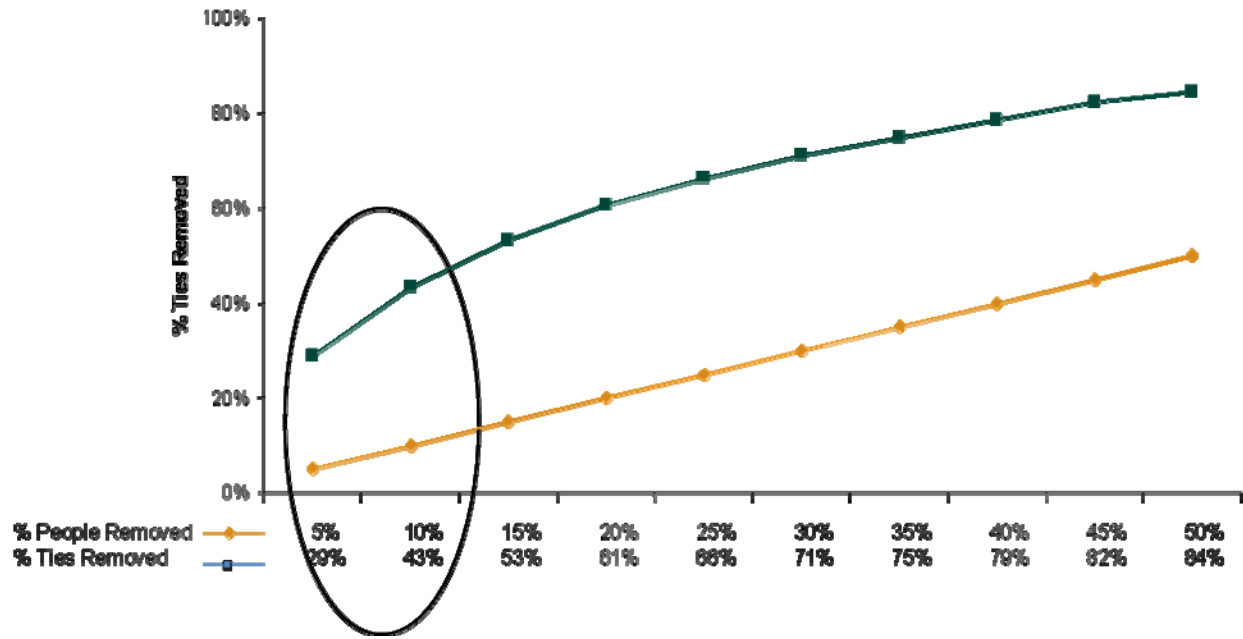
## Network with Newly Promoted Senior Vice Presidents



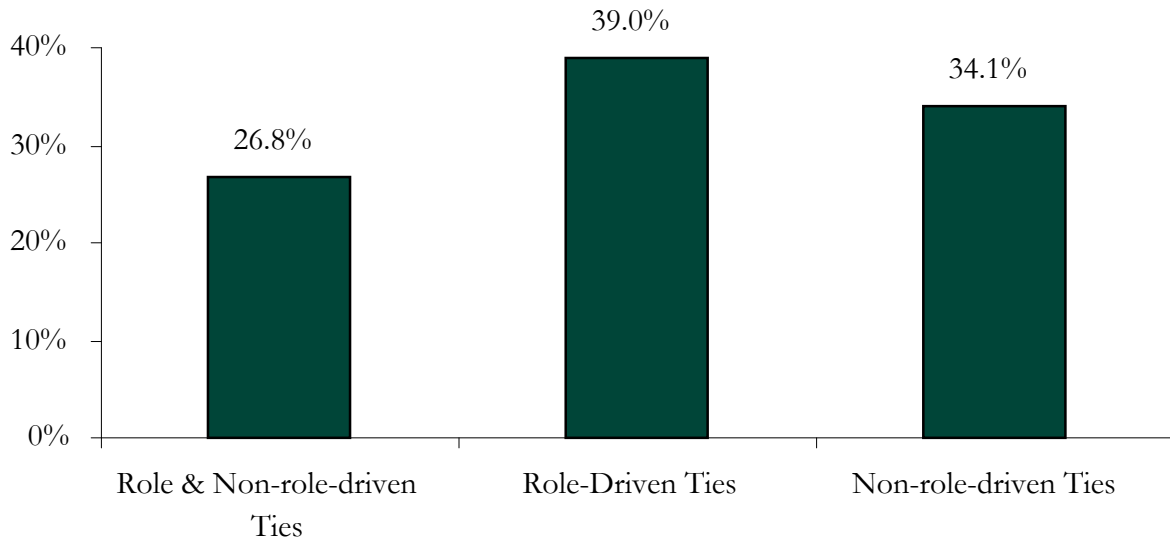
## Network without Newly Promoted Senior Vice Presidents



**Exhibit 2**  
Locating Key Players in the Revenue-Producing Network



**Exhibit 3**  
Working through Key Players in the Revenue-Producing Network



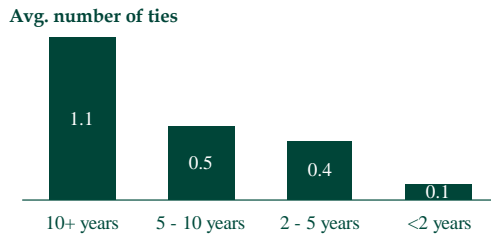
## Exhibit 4 Locating “Fast Movers”

### Least Tenured Top Connectors

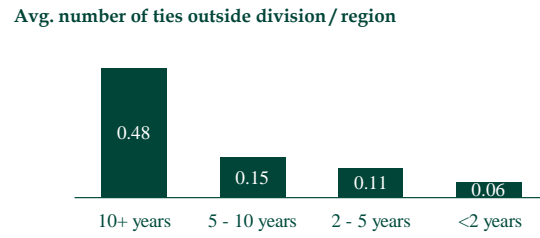
*<1 year at firm; excludes re-hires*

Name	Ties	Division	Region	Primary Benefits
Alfred	5	Div 1	Americas	Idea generation
Bob	4	Div 2	Europe	Product expertise
Charles	3	Div 3	Europe	Client introduction
Daniel	2	Div 4	Europe	Expertise
Evan	2	Div 1	Americas	Expertise; inspiration
Frank	2	Div 2	Asia	Expertise; coaching
Gary	2	Div 2	Europe	Expertise; decision-making
Heath	2	Div 1	Asia	Expertise; client introductions
Jason	2	Div 5	Americas	Expertise
Kevin	2	Div 1	Asia	Inspiration; discuss issues
Lester	2	Div 4	Europe	Client introductions; decision-making
Matthew	2	Div 4	Europe	Expertise; client introductions
Nick	2	Div 2	Europe	Expertise; discuss issues
Patrick	2	Div 2	Americas	Expertise
Rick	2	Div 1	Americas	Idea generation
Scott	2	Div 4	Europe	Expertise

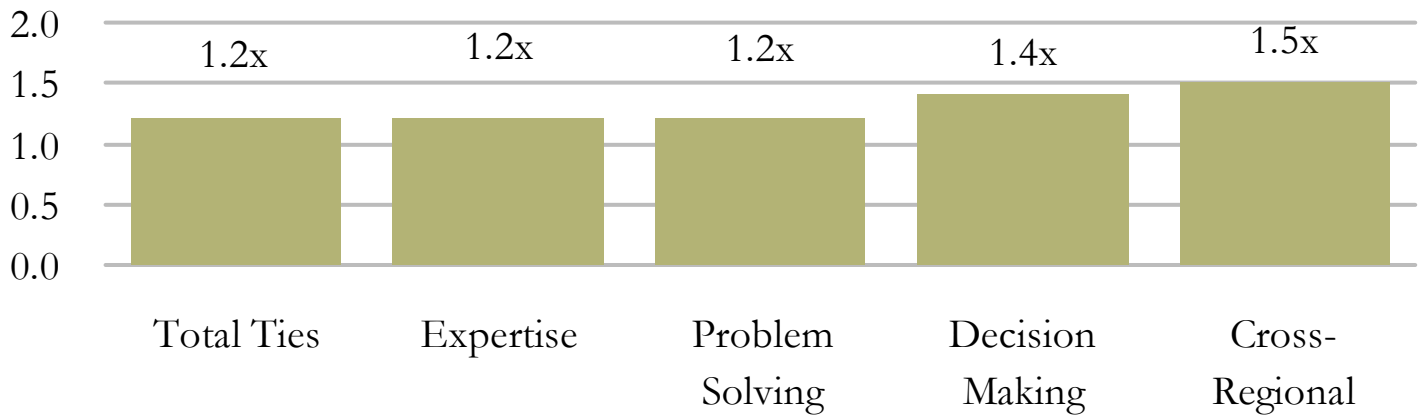
#### Ties By Tenure



#### Cross-Divisional And Cross-Regional Ties By Tenure



**Exhibit 5**  
Profiling High-Performing Managing Directors



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