Strategic Partners: Managing Gossip-Enforced Barriers to Coordination

Appendices:

- I. Mobbing (from 1999, The Mobbing Encyclopedia)
- II. Other Examples of Partner Networks
- III. Exception that Proves the Rule on Secondhand Brokerage (from 2010, Neighbor Networks)
- IV. Gossip-Enforced Walls Reinforce Outsider Feelings of Inferiority (based on 1965, *The Established and the Outsiders*, and 1950, *Journal of Negro Education*)
- V. Diagnostics Identifying Outsiders



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For reading on this

Neighbor Networks.

session, see Chapter 7 in

Closed networks, typically beginning with good intentions, have long been a popular coordination device in organizations and markets.

The "network" brings together otherwise disconnected people/organizations to share valuable and otherwise difficult-to-obtain information (ie., the network creates bridge relations embedded in a reputation-based, trust-facilitating, closed network such as the alumni Wednesday 10, Les Cunningham's Business Network of home contractors*, Chicago's Commercial Club, Ian McDaniels' China-US Business Council, Mark Twain Bancshares^{*}, Dennis and Donna Joannides' National Business Associates)

PRO: early trustworthy information on benchmark experience and leads (value depends on good information and limited distribution)

CON: risky disclosure of future plans and past mistakes (only protection is reputation cost for disclosure)

Consider Michael McCarthy's experience, quoted in Inc Magazine (November, 1995): Many entrepreneurs worry that they'll outgrow their early relationships with banks. But not Michael McCarthy, CEO of McCarthy Co., a St. Louis construction company. Although McCarthy has grown his business to \$1 billion in sales, he remains close to the local community bank that backed him more than 20 years ago, Mark Twain Bancshares.

"The bigger the bank, the more you're at the whim of a very capricious management situation. You never know when the senior executives of a big bank will suddenly decide that your kind of company doesn't fit in with its new business plan and you'll be out of luck."

"I've continued to do business with Mark Twain Bancshares even when I also needed to borrow larger sums from bigger banks," he says. "And that saved us during one year, seven or eight years ago, when we had unexpectedly large, multiple losses. Our big banks suddenly came up with all kinds of new criteria and required us to pay off our loans, because of our financial problems. Mark Twain stood by us and continued to support us, even creating a new \$7-million line of credit for us."

His conclusion: "Big banks often respond to an entrepreneur and his or her special needs with edicts. If you've built a good relationship with a smaller bank, maintain it. You never know when you'll need that extra level of support."



Adam Aronson in 1985 Co-founded Mark Twain Bancshares in 1970, at age 52, and sold in 1997; also founded several nonprofit organizations dedicated to the arts.



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*See the Stanford GSB case, "Business Networks" for details on the contractor network (also Zuckerman and Sqourev, 2006) and the HBS case, "Mark Twain Bancshares," for details on using the bank-branch board of directors as a business network to identify attractive loans with mid-size companies and high-wealth individuals. Both cases can be found on the HBSP website. Above photo is from video shown in class.



The closure that promotes trust and cooperation inside the network, promotes distrust and exploitation beyond

Observations are averages for intervals on X, with thin tails of X truncated for infrequency. Displayed correlations are computed from the plotted data (log constraint). More/Less success is above/below median profit last year. Dashed regression line goes through hollow dots. Figure B is adapted from Burt, Opper & Holm 2022, "Cooperation beyond the network," *Org Science*).



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A Distinction between Insider and Outsider Can Emerge over the Course of Years.

But the Distinction Can Emerge Quickly for People Accustomed to Living in Closed Networks,





An example is the experiment run in Jane Elliott's third grade class, Riceville Iowa, 1968.

Pictures are from a segment of the 1985 video, A Class Divided.

Especially When Those People Are Concerned or Afraid

so they find security by enforcing the social boundary around people "like us" with witch hunts and mobbing. We define who we are in part by who we are not. The esprit of high-performance teams such as the Data General and Macintosh teams seen in class often comes at the price of designating a common enemy and castigating certain kinds of people as outsiders. More severe oppression of outsiders occurs when insiders are more insecure. Status insecurity, which can result from economic, political, social, even personal factors, is a traditional wellspring for witch hunts, known in contemporary organizations as "mobbing."

From Durkheim's (1893:102) classic study of identity and the division of labor: "Of course, we always love the company of those who feel and think as we do, but it is with passion . . . that we seek it immediately after discussions where our common beliefs have been greatly combated. Crime brings together upright consciences and concentrates them. We have only to notice what happens, particularly in a small town, when some moral scandal has just been committed. They stop each other on the street, they visit each other, they seek to come together to talk of the event and to wax indignant in common." Hoffer (1951: 91) strips away the academic tone: "Mass movements can rise and spread without belief in a God, but never without belief in a devil. Usually the strength of a mass movement is proportionate to the vividness and tangibility of its devil."





Clockwise:

1692 map of Salem town and farms.

Examining accused witch for stigmata.

George Jacobs trial.





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See Erikson (1966), The Wayward Puritans, Boyer and Nissenbaum (1974), Salem Possessed, on social networks in the Salem witch hunt. See Brokerage and Closure on motivations in gossip (pp. 172-178), and Chapter 7 of Neighbor Networks on distrust of people who deemed not to be "mishpokhe."

In day-to-day business, insider-outsider distinctions occur in casual conversation as gossip-enforced stereotypes about "those people," which undermines the cooperation and coordination needed to harvest the value of brokerage across groups.

A pathology of closed networks is that insiders can find community with one another by jointly denouncing outsiders — kinds of people not "as good as"



insiders (see Appendix I on mobbing). Derogatory stories about outsiders, shared in gossip among insiders, strengthen insider relationships — to the detriment of people deemed outsiders. An organization or market has a diversity problem when proposals are discounted not because of merit, but because of the kind of person or group making the proposal. The youth of the young man in the video proposing FedEx to his older colleagues was an example in our first class session.

How can you identify the problem when you're not getting through to a target audience? Is it me, or is it them discounting people like me? Here are the three indicator metrics, in order of increasing sophistication, used to answer the question:

Quotas (Representative numbers at each grade? journalists)

Returns to Human Capital (Equal pay for equal work? lawyers)

Returns to Social Capital (Equal opportunity for equal work? executives)



Consider a simple illustration. The following how salary changes across job grades in a firm:

 $= \alpha + \beta G$,

where β measures the average increase in salary (\$) associated with a promotion from one grade to the next (G). Here are ordinary least-squares estimates predicting current base salary in the firm:

= 120,299 + 16,277(G),

which shows that salary increases by \$16,277 on average from one grade to the next. The intercept (\$120,299) is the average salary of a manager in grade 10. Now add a diversity variable; $\$ = \alpha + \beta G + \delta F + \lambda FG$, which is equivalent to;

 $\$ = \alpha + (\beta + \lambda F)G + \delta F,$

where F equals 1 if the employee is female, 0 if male. Coefficient β measures the average amount by which women directors are paid

more ($\delta > 0$), or less ($\delta < 0$), than men. Coefficient λ measures the amount by which salary increases for women more quickly ($\lambda > 0$), or slowly ($\lambda < 0$), across grades. Here are the estimates (predictions plotted in the graph above);

Salary (in \$1,000)

= 121,954 + 16,817(G) - 17,266(F) - 4,355(FG),

which shows that female directors make \$17,266 less than men at grade 10, and the difference between men and women increases across grades (salaries increase by an average of \$16,817 from one grade to the next for men; women get less, 16,817 - 4,355 = \$12,462).

These results illustrate the kind of human capital evidence that implies gender bias. The level adjustment for lower salaries among women is statistically "significant" (-5.14 t-test for -17,266 coefficient), as is the slope adjustment for smaller salary increases to women across grades (-5.28 t-test for -4,355 coefficient).

I hasten to add that this useful illustration is also misleading. The gender gap in this firm disappears when age differences between men and women are held constant.







Core Issue Today is Revealed in Returns to Social Capital, not Returns to Human Capital

Recall that trust & reputation are critical to successful network brokers. Every would-be broker is suspect from time to time, so occasional brokerage moves are bound to fail. But a category of people systematically denied returns to brokerage indicates a gossipenforced barrier to coordination, as illustrated by the women and junior men here.



"That's an excellent suggestion, Miss Triggs. Perhaps one of the men here would like to suggest it." (<u>Punch</u>, 8 January, 1988)



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M&A Integration

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Leader Development



General Class of Problems:

Same Test Reveals **Integration Failures** in M&A or Leader **Development**

Former Dean Witter executive on integration after merger with Morgan Stanley: "They treated us like we were the Clampetts. We would have meetings with them, and they would ask to present first and then just leave. They wouldn't stay for us." It is a story that drips with irony: Here is a union engineered by some of the world's foremost experts in the art of mergers and acquisitions. They made huge personal fortunes putting companies together, collecting their fees, then walking away. But this time they had to live with the combination they created. (Fortune, 2005 May 2, Bethany McLean & Andy Serwer [see McLean's Smartest Guys in the Room])

3.0 **Z-Score Relative Compensation** ଚ O 00 \cap 2.0 0 1.0 0.0 0 -1.0 Ο Ο 0 0 -2.0 Acquiring Management r = -.40. t = -4.92. P < .001 -3.0 10 20 30 40 50 60 70 80 90 100 **Network Constraint** 30 40 50 60 70 80 90 100 10 20 3.0 **Z-Score Relative Compensation** 8 0 2.0 0 'n В 1.0 0.0 -1.0 0 -2.0 00 Acquired Management r = .11, t = 1.06, P = .29 -3.0



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a person like you," (2012, L'Impresa)



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Example Network Around a "Below Expectations" Manager



Network Leadership Partners: Managing Barriers to Coordination (page Università Bocconi

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12)



B M Of all 120,000 employees in the organization, a random stratified sample of 284 people was drawn from the 3,500 people in the four job ranks below the top 300. The four job ranks are seen in the organization as involving substantial "political" work in addition to engineering work. 82% of the 3,500 are men.

	to Rank				
Job Rank	Men	Women			
1	38.9	35.8			
2	39.9	37.3			
3	39.8	35.6			
4	41.5	39.9			

Age at Promotion

NOTE – These are mean "age at promotion" to each rank for the sample of 284 people.

To erode the gender gap in senior management, women are being promoted to the four senior ranks at ages significantly younger than men (test statistic = -4.01, P < .001).



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Discovering Hierarchy

Jane and Karen are in the graphs on page 8, subject to similar levels of network constraint. Only their contacts are included in these sociograms.



from Burt, "Gender of social capital" (1998, Rationality and Society) and Figure 7.3 in Neighbor Networks. See Appendix II for other examples of partner networks.



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Network Metrics Reminder



Network Constraint decreases with number of contacts (size), increases with strength of connections between contacts (density), and increases with sharing the network (hierarchy).

This is a page in Appendix II to the first handout, "Brokerage." That appendix explains size, density, hierarchy, and constraint measures of access to structural holes. Graph above plots density and hierarchy for 1,989 networks observed in six management populations (aggregated in Figure 2.4 in *Neighbor Networks* to illustrate returns to brokerage). Dot-circles are executives (MD or more in finance, VP or more otherwise). Hollow circles are lower ranks. Executives have significantly larger, less dense, and less hierarchical networks.



To keep the diagrams simple, relations with ego are not presented.

Università Bocconi MILANO Three Broad Categories of Networks Can Be Distinguished

> Broker (lower left)

Clique (lower right)

> Partner (top half)

This is Figure 4.8 in Burt (1992), *Structural Holes*.

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Figure 4.8 Constraint, hierarchy, and kinds of manager networks. (The bold horizontal line marks the mean of hierarchy and the bold vertical line marks the mean of aggregate constraint.)

Partnering Is the Active Ingredient that Links Network Constraint with Success Bank Women and for Outsiders



Network Leadership Partners: Managing Barriers to Coordination (page 18)

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from Burt, "Gender of social capital" (1998, Rationality and Society) and Figure 7.4 in Neighbor Networks.



you

Broker Network: Create Value

sparse, flat structure independent relations sustained by you abundant structural holes, low redundancy creates information access and control benefits associated with successful insiders

Clique Network: Deliver Value



In Sum, **There Are** Three **Network Forms** of D = 100.0**Social Capital**

See Appendix III on seeming contradiction between strategic partners and secondhand brokerage.

An asterisk here indicates a page in the initial handout, "Brokerage."

IN - 4
D = 50.0
H = 16.8
C = 68.4

Network Indices

N = 4

D = 0.0

H = 0.0

C = 25.0

N = 4

H = 0.0

C = 76.6

from Burt, "Gender of social capital" (1998, Rationality & Society)

Partner Network: Sponsored Access to Create Value

sparse, center-periphery structure

ties sustained jointly by you and strategic partner

structural holes borrowed from strategic partner mean second-hand information access and control benefits

associated with successful outsiders (and unsuccessful insiders)



(Q233) Building on our discussion of character assassination within closed networks, we discussed witch hunts and office "mobbing" as an effort by insiders to feel a sense of community by:

A. Making an outsider suffer.

B. Sharing their disdain for an outsider.

C. Not promoting outsiders to senior positions.



- D. Underestimating the competence of outsiders.
- E. Overestimating the competence of insiders.



(Q237) We discussed different ways a network can be closed. The displayed sociogram for the focal manager shows a network closed by:





(Q96) What does it mean to say that a person has a "hierarchical" or "partner" network?

A. Connections among the person's contacts are not randomly distributed across contacts.

B. The person's contacts are higher than the person in the company hierarchy.

C. The person has particularly close, trusting relationships with his or her contacts.

D. The person's network is small, but effective.

E. Connections among the person's contacts are concentrated in one contact.



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(Q205) A "partner" network is different from a "broker" network in all of the following ways <u>except</u>:

A. On average, less access to structural holes

B. On average, more exclusive access to structural holes

C. On average, less exclusive access to structural holes

D. On average, higher closure

E. On average, higher density



Università Bocconi (Q220) A "partner" network is different from a "clique" network in all of the following ways except:

A. On average, less access to structural holes

B. On average, more access to structural holes

C. On average, more dependence on one contact

D. On average, lower closure

E. On average, lower density



(Q239) Given trust likely between people within a closed network, cooperation with people outside the closed network is:

A. Also more likely than it would be from someone in an open network.

B. In contrast, less likely than it would be from someone in an open network.

C. Independent of whether a person has a closed or open network.



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(Q143) On average, people know whether they have a good network. **True or false?**

- A. True, because they are the person at the center of their own network.
- B. True, if they have a lot of work experience.
- C. False, because people tend not to know how their network compares to the networks around other people.
- D. False, because social networks are complex and often change from day to day.
- E. False, because people believe they are more similar to their contacts than they actually are.



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□ Broker network 1.0 0.9 years Clique (closed dense network) Mean Early Promotion Parner network (closed hierarchical) 0.0 (in years) -.3 years **Kinds of Networks Have** -.7 years **Different Consequences** -1.0 for Kinds of Managers (F = 3.77, 5-278 d.f., P < .01)-1.8 years -2.0 -1.8 years Everything considered, my contact network is as effective as any at my level within the company. Percent Managers Say Yes 80% 74% 66% 65% 65% 69% 60% 52% **Regardless**, Managers 40% **Believe That They Have** an Effective Network $(\chi^2 = 6.97, 5 \text{ d.f.}, P = .22)$ 20% (and no association between early promotion and manager's belief that his or her network is effective; 1.63 t-test, P = .20) 0%

1.4 years

The Situation Can Be Difficult To See



Which Is a General Problem with Network Self-Diagnosis

Without network metrics, people rely on self-diagnosis — which is unreliable for various data and ego-preserving reasons. If no one contradicts the assumption that your network is fine, who's to say it isn't?



(Q47) If I only work with people like me, IA. True don't need to worry about strategic partners.True or false?B. False

(Q213) A strategic partner with a closedA. Truenetwork is as useful as a partner with aB. Falsebroker network.True or false?B. FalseB. False

(Q79) People who need a strategic partner
are better served by a partner who is
someone like themselves (e.g., women
sponsor women, Asians sponsor Asians, etc.).
B. False
True or false?



(Q151) For the last few years, the people promoted to senior positions in a company have come from one of two broad business units. The graphs to the right show compensation returns to manager networks within the two business units. Which of the two units would you say is providing the successful 0 4.0 promotions to senior positions, A or B? 0 00

A. Business unit B, because there are more eligible people there.

B. Business unit B, because interpersonal politics matter less there.

C. Business unit A, because manager networks vary more widely there.

D. Business unit B, because the fewer eligibles indicate rigorous pre-selection.

E. Business unit A, because there are more people rewarded for network brokerage.





(Q93) You have been having trouble working as a consultant with a key account. What evidence would you look for to determine whether your contacts in the key account are uncomfortable with you personally as the source of advice?

A. People like you are not among the kinds of people discussed as doing good work.

B. Managers seem to be familiar with the same people and events.

C. Distinctions between us and them are frequent in casual conversation.

- D. Responses A and C.
- E. All of the above.



Network Size Network Density Netw

Network

→ Performance

Network Hierarchy + Co	onstraint	Multiple Correlation	Size	Density	Hierarchy
Identifying the Active Ingredient	Performance Evaluations				
Regress Residual Performance across Components in Network Constraint.	Job performance evaluations, staff function in financial-services company (34 correlation with constraint across 111 senior women, -3.8 t-test)	.39	0.12 (1.0)	33 (-3.4)	10 (-0.8)
These Results Are for People Detected To Be <u>Insiders</u> .	Promotions Early promotion, electronics manufacturer (40 correlation with constraint across 170 senior men, -5.4 t-test, page 8 of this handout)	.49	0.27 (3.8)	43 (-5.7)	23 (-3.0)
Everyone needs a strategic partner sometimes. The question is whether success for certain kinds of people consistently requires a partner. See Appendix V for diagnostics identifying employees deemed outsiders.	Compensation Relative bonus, financial services company (30 correlation with constraint across 147 senior men, -3.7 t-test)	.43	0.08 (1.0)	26 (-3.8)	18 (-2.5)

NOTE — These are standardized multiple regression results (with routine t-tests in parentheses).



from Table 1 in Burt "Network structure of social capital" (2000, Research in Organizational Behavior)

DIAGNOSTICS (continued)		Multiple Correlation	Size	Density Hierard	hy
These Results Are for People Detected To Be	Performance Evaluations Job performance evaluations, staff function in financial-services company (.34 correlation with constraint across 49 senior men, 1.1 t-test)	.45	.01 (0.0)	.22 .39 (1.6) (2.9)	
<u>Outsiders</u> .	Promotions Early promotion, electronics manufacturer (.30 correlation with constraint across 114 senior women and entry-rank men, 2.3 t-test, page 8 of this handout)	.55	14 (-1.5)	.17 .30 (1.8) (3.2)	
	Compensation Relative bonus, financial services company (.24 correlation with constraint across 39 senior women, 1.5 t-test)	.55	.06 (0.4)	24 .61 (-1.8) (4.6)	

NOTE — These are standardized multiple regression results (with routine t-tests in parentheses).





DIAGNOSTIC TEST FOR COORDINATION BARRIERS

Given the results on the previous two pages, what would the results below tell you about how people work together in this European company?

Who are the					
insiders?	Multiple Correlation		Size	Density	Hierarchy
Who are the outsiders?	American Citizens	0.59	0.12 (0.8)	21 (-1.6)	.85 (6.6)
Who benefits from social	German Citizens	0.19	0.13 (0.4)	12 (-1.0)	0.19 (0.8)
capital?	French Citizens	0.59	0.31 (4.3)	27 (-2.3)	66 (-6.2)

NOTE — These are standardized coefficients (routine t-tests in parentheses).



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DIAGNOSTIC TEST FOR COORDINATION BARRIERS

What would the results below tell you about how people work together in the two divisions of this American company?

9		Multiple Correlation	Size	Density	Hierarchy		
	White Males	0.08	0.18 (1.1)	08 (-0.5)	20 (-1.6)		
	Other	0.12	0.23 (0.9)	13 (-0.5)	0.10 (0.5)		
9		0					
		Multiple Correlation	Size	Density	Hierarchy		
	White Males	0.28	0.22 (3.2)	27 (-3.9)	23 (-3.8)		
coefficients	Other	0.24	0.22 (2.3)	18 (-2.0)	30 (-4.0)		

DIVISION ONE

Who are the insiders?

Who are the outsiders?

NOTE — These are standardized (routine t-tests in parentheses).



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(Q94) The below table displays results predicting manager performance from manager networks in an organization you are thinking about acquiring. **Does the organization have an issue** with management segregated into insiders and outsiders?

A. No.

B. Yes, with Stockholm employees the outsiders.

C. Yes, with Munich employees the insiders.

D. Yes, with Helsinki employees the insiders.

E. yes, with Helsinki employees the outsiders.

Employees in:	Multiple Correlation	Size	Density	Hierarchy
Stockholm	0.59	0.37	41	32
Office		(4.1)	(-3.7)	(-2.6)
Munich	0.19	0.13	12	0.19
Office		(0.4)	(-1.0)	(0.8)
Helsinki	0.59	0.12	0.07	.73
Office		(0.8)	(0.3)	(6.2)

NOTE — These are standardized coefficients (routine t-tests in parentheses)



Università Bocconi (Q217) The results displayed in the below table are from a postmerger analysis of how well a Chicago investment consultancy has been integrated into a London-run, Geneva-operated acquirer. **Who ended up being outsiders post-merger?**

A. London employees

B. Geneva employees	Employees in:	Multiple Correlation	Size	Density	Hierarchy
C. Chicago employees D. London and Geneva employees	London HQ	0.60	0.31 (4.3)	43 (-5.6)	12 (-2.1)
E. London and Chicago employees	Geneva Acquiring Fin	0.51 m	08 (0.3)	12 (-1.0)	0.63 (5.7)
	Chicago Acquired firm	0.58	0.32 (2.1)	35 (-4.5)	73 (-5.1)

Note — These are standardized coefficients (routine t-tests in parentheses).



Università Bocconi MILANO (Q1) In the short run, what do you have to pay for the help of a strategic partner?

A. Sincere loyalty to partner

B. Dinner at a quality restaurant

- C. Good work on partner-sponsored project
- D. Visible deference to partner
- E. Counteract negative gossip about partner





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(Q169) What are some career costs of relying on strategic partners long-term?

A. Your skill with network broker breadth, timing, and arbitrage can atrophy from avoiding ideas or actions for which you do not have partner support.

B. You can come to believe the stereotypes about outsiders like you from biased exposure to insider stories about outsiders like you.

C. You can lose confidence in your worth and ability.

D. You can be exploited by insiders who feel that you are lucky to be in the organization, so they feel no debt to you for favors.

E. All four of the listed career costs have occurred.



What if insiders are right about people like you? (See Appendix IV on outsiders coming to believe the insider stereotype of outsiders, and HBR paper by Kets de Vries, "The dangers of feeling like a fake.")



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Three Summary Points on Strategic Partners

Insiders, Outsiders, and Gossip-Enforced Barriers to Coodination

A pathology of closed networks is that insiders can find community with one another by jointly denouncing outsiders — kinds of people not "as good as" insiders. Derogatory stories about outsiders, shared in gossip between insiders, strengthen insider relations (previous session). When outsiders try to be network brokers, they rise above their station and are punished — receiving fewer rewards rather than more. Empirically, outsiders can be identified by their negative returns to brokerage, and the more closed the network, the more likely insiders make some kind of distinction between insiders and outsiders. Examples raised in class involved outsiders defined by age, gender, nationality, supervisor and legacy organization (also eye color, geographic location, and just being difficult).

Work-Around: Borrow the Insider Network of a Broker

The barrier to outsiders can be overcome by borrowing the network of an insider. The insider's reputation makes the outsider "not like" other outsiders. It is important that the insider is a network broker. Affiliation with a broker creates a partner network, which means you have access to structural holes bridged by the broker's network. Outsiders who borrow closed networks do not have access to structural holes and do not show the advantages associated with borrowing a broker's network. In other words, advantage continues to be a matter of access to structural holes and effective network brokers face a make or buy decision: <u>make</u> (your own network) to forage where you are an accepted insider, <u>buy</u> (more specifically, borrow) a partner's network to forage in someone else's domain.

IMPLICATION: Optimum Networks

No one network structure is optimum for all tasks. Pick a network for what it can do, not for the kind of people who have picked it. Build a broker network for creating value when you are an insider looking for growth, a closed (clique) network for aligning others to deliver value through efficient operations, and a partner network for creating value when you need support from sources leery of people like you.





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Appendix Materials

Appendix I: Mobbing

(from a 1999 page in The Mobbing Encyclopedia, © Heinz Leymann; http://www.leymann.se/English/00005E.htm)

What is meant by "mobbing" or "bullying"? These words refer to a situation in which one or more people at the workplace show hostile behavior toward (1) most often, only one employee (2) very often and (3) over a very long period of time (months or years), thereby victimizing him or her.

What is the difference between a conflict and mobbing/bullying? One difference is that a conflict occurs between equally strong people. In a mobbing/bullying situation, the hostility is directed by one or more strong people towards a weaker individual who has become the underdog. This person is further weakened because of the immense pressure caused by the frequency and the duration of the attacks.

What happens when a person is mobbed/bullied? The attacks aim at destroying or sabotaging the mobbed person's reputation, disturbing or destroying communication to or from the mobbed person; or, manipulating his or her work performance or work assignments.

Do the mobber's or victim's personality traits play a part? No personality traits shared by victims have thus far been detected in research. The causes of mobbing are to be found in the social structures dominant in the workplace organization.

Why, then, does it happen? In analyses of mobbing/bullying cases, research thus far has always detected serious organizational problems. Organizational disorder and poor management automatically cause conflicts. Some of these conflicts exaggerate opposing views, and end up by designating a scapegoat.

Why don't people leave the workplace and take other employments? People do move to other workplaces. In quite a few cases, the individual chooses unemployment rather than remain in a mobbing/bullying situation, and thereby ruins his or her own social and financial situation.

What is the cost to the victim? In the end, the cost to the victim may be enormous: his career may be destroyed as well as his social and financial situation, along with his health.

What is the cost to the employer? The employer pays, at least for a certain period of time, full salary to a victim who no longer is able to perform very well. Mobbing also destroys the psychosocial work environment and its psychological climate, infecting the morale of other personnel badly as well.

Does society also pay? Society takes over the costs by paying insurance and health care, etc.



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Appendix II: Other Partner Networks

And two others who need a partner: Met with student last week from AXP. He asked to move into an M&A role, and US HQ'd company said ok. He is the only Asian in the M&A unit. However, he has received a "no" decision on every acquisition he has suggested, and he has learned that he is not included in any discussions with the M&A team in Chicago. Another AXP student works in M&A for a San Diego gene sequencing company. He just spent 8 months in San Diego trying to meld with the team. He's having a heck of a time getting any time with the US folks, and when he approaches companies for potential acquisition, they always ask to speak to the US-based



network constraint = 37.0, network size = 9 contacts, network density = 33.3, network hierarchy = 20.0

network constraint = 38.4, network size = 9 contacts, network density = 38.9, network hierarchy = 20.0

from Figure 7.5 in Neighbor Networks.

A Local Partner Network

This is the "focal" manager's network. She received her company's top performance evaluation last year. The supervisory manager is a "partner" in the network. Corporate divisions are distinguished by color. Note how the supervisory and focal managers have connections to the same people in other divisions.





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Consider Charlotte Beers in her role as CEO of Ogilvy & Mather:

1. Does she need a strategic partner? Why?

2. Why is Beers putting up with the situation? Why not find a different position?

3. Who was or were Beers' strategic partners? Were the partner interests served?

4. Could Beers' course of action succeeded without the partners?







Università Bocconi For exactly the same reasons of gossip-enforced walls, worked around in exactly the same way, organizations can require a strategic partner

For example, read the text on the next page and explain Corning's joint venture with Asahi in 1988.

- share risk?
- acquire new competence (speed down new learning curve)?
- take advantage of complementary assets (to lower cost, increase odds of success, or move faster)?
- other?



Proposal: sell 49% of Corning's 1988 US television glass business to Asahi

The color television industry [in 1988] was increasingly dominated by the Japanese, who had developed superior technology and lower cost manufacturability. As the consumer electronics industry became more concentrated and fully integrated, competition among television glass suppliers also intensified.

In Asia, Corning was collaborating with Samsung to establish a substantial presence in the television glass business. But there were some differences between the partners on the eventual size and scope of the alliance.

In Europe, Corning and Schott were competing for business from two major customers, Philips and Thomson, both of whom were looking to integrate back into TV glass making. Feeling that too much investment would be needed to sustain a low-cost manufacturing position in Europe, Corning had offered to sell 80% of its European business to Thomson.

Meanwhile, Japanese TV manufacturers began setting up facilities in the US in the 1980s, and the US-based TV manufacturers began folding up one after the other in face of the competitive onslaught. In the same period, Corning closed three television glass factories in the US, and by 1988, it had only one remaining domestic plant in this once prized core business.

Following the Japanese TV manufacturers, NEG, one of the two giant Japanese glass companies, entered the US market by acquiring substantial sharehold in Owens Illinois, Corning's traditional domestic competitor in television glass. Asahi, the other Japanese glass company, had been a refractory materials licensee of Corning since the 1930s. Links between the companies were

severed during WWII, but when the war ended — in a move emblematic of their close relationship — Asahi unilaterally gave Corning the meticulously calculated license fee for refractory sales made during the war years.

As Corning tried to revitalize its US television glass business, executives from the speciality materials sector made an intriguing proposal to Corning's senior leadership team — to sell 49% of Corning's US television glass business to Asahi for about \$100 million and channel the proceeds into developing glass for liquid crystal displays.

A senior executive explained: "Rather than fight on our own in an increasingly hostile environment in which capital and R&D costs are becoming prohibitive, we could convert our US operations into a joint venture with Asahi. On their side, Asahi would gain access to the US market, and also, to our melting, systems, and finishing technologies. We would gain access to Asahi's expertise in large-size television bulb and HDTV technology, especially the glass delivery systems and forming technology. And most importantly, we could benefit from their established relations with the Japanese TV manufacturers setting up facilities in the US."

"When our salespeople began calling on the Japanese TV manufacturers, we felt as if a veil came over them when they dealt with us. Their relationships with their Japanese suppliers ran very deep, while they were very distant with us. Last week, Asahi people escorted me to a meeting with the worldwide TV tube manager of a large Japanese company and introduced me properly to him. We had an extremely fruitful conversation. I wouldn't have even been able to meet him, let alone talk, if it were not for the Asahi connection."

An alliance with Asahi would significantly alter the interweaving of relationships across companies in the tightly knit television glass and set assembly industries. As competition among European, Japanese, and Korean consumer electronics companies was intensifying, these companies developed an increasing concern about protecting proprietary knowledge. In many cases, this put pressure on television glass suppliers to ensure the security of competitive information about downstream customers.



Appendix III: Exception that Proves the Rule on Secondhand Brokerage

The below graphs show no returns to insider affiliation with network brokers. This session has been about outsiders benefitting from affiliation with a network broker as a strategic partner. Does the evidence on strategic partners contradict the evidence of no returns to insider affiliation with network brokers?



Indirect Network Constraint on the Manager via Colleagues

Each dot is a population average on the Y axis and X axis for a 5-point interval on the X axis (for the analysts, bankers, HR officers, product-launch employees, and supply-chain managers). Test statistics are estimated across individual observations (with correction for repeated annual observations of the analysts and bankers).



Appendix IV: Gossip-Enforced Walls Reinforce Outsider Feelings of Inferiority

The study site is two suburbs in 1960s England. The two suburbs were similar in socioeconomic status (working class & housing), but different in history and self-esteem. (1) The Village was settled a generation before the Estate, so social ties within the Village were more dense and developed. (2) People in the Village felt that they were a better class of people than the Estate residents. Surprisingly, people in the Estate also see themselves as socially inferior.

The explanation lay in the community social network (Elias and Scotson, 1965:94): "In the closely-knit neighborhood of



the Village gossip flowed freely and richly through the gossip channels provided by the differentiated network of families and associations. In the loosely-knit and less organized neighborhood of the Estate the flow of gossip was on the whole more sluggish." Stories about people in the Estate — about their domestic abuse, excessive drink, lost jobs, unruly and wayward children — were a staple in Village gossip, reinforcing Village social cohesion with vivid illustration of Village superiority over people in the Estate. Estate residents seemed unable to escape the stigmatizing effect of Village gossip (Elias and Scotson, 1965:101): "A good deal of what Villagers habitually said about Estate families was vastly exaggerated or untrue. The majority of Estate people did not have "low morals"; they did not constantly fight with each other, were not habitual "boozers" or unable to control their children. Why were they powerless to correct these misrepresentations?" Elias and Scotson attribute Estate acceptance of their second-class citizenship to four factors: (a) Estate residents had continuing contact with Village residents, (b) were undeniably residents of the Estate by dint of where they lived, (c) shared the values of the Village in terms of which it would be shameful to behave in the manner described in the gossip about certain Estate people, and (d) were, because of their exclusion from the Village gossip network, more familiar with people in the Estate who fit the gossip stereotypes than they were familiar with Villagers who fit the stereotypes. As Elias and Scotson (1965:101-102) explain: "The majority of the Estate people could not retaliate because, to some extent, their own conscience was on the side of the detractors. They themselves agreed with the Village people that it was bad not to be able to control one's children or to get drunk and noisy and violent. Even if none of these reproaches could be applied to themselves personally, they knew only too well that it did apply to some of their neighbors." Elias and Scotson's four factors should be familiar to anyone proud of their heritage who has spent time living as an outsider among insiders.



Which Can Be Powerful Evidence in Policy Decisions,



In an interview on the award-winning PBS documentary of the Civil Rights movement, "Eyes on the Prize," Dr. Kenneth Clark recalled: "The Dolls Test was an attempt on the part of my wife and me to study the development of the sense of self-esteem in children. We worked with Negro children—I'll call them black children—to see the extent to which their color, their sense of their own race and status, influenced their judgment about themselves, self-esteem. This research, by the way, was done long before we had any notion that the NAACP or that the public officials would be concerned with our results. In fact, we did the study fourteen years before Brown, and the lawyers of the NAACP learned about it and came and asked us if we thought it was relevant to what they were planning to do in terms of the Brown decision cases. And we told them

it was up to them to make that decision and we did not do it for litigation. We did it to communicate to our colleagues in psychology the influence of race and color and status on the self-esteem of children."

(from Wikipedia entry on the Clark's) The Clarks' doll experiments grew out of Mamie Clark's master's degree thesis. They published three major papers between 1939 and 1940 on children's self-perception related to race.* Their studies found contrasts among African-American children, ages three to seven, attending segregated schools in Washington, DC versus those in integrated schools in New York. The doll experiment involved a child being presented with two dolls. Both of these dolls were completely identical except for the skin and hair color. One doll was white with yellow hair, while the other was brown with black hair. The child was then asked questions inquiring as to which one is the doll they would play with, which one is the nice doll, which one looks bad, which one has the nicer color, etc. The experiment showed a clear preference for the white doll among all children in the study. These findings exposed internalized racism in African-American children, self-hatred that was more acute among



children attending segregated schools. Chief Justice Earl Warren wrote in the Brown vs. Board opinion, "To separate them from others of similar age and qualifications solely because of their race generates a feeling of inferiority as to their status in the community that may affect their hearts and minds in a way unlikely to ever be undone".



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and Felt Lack of Control Erodes Confidence.

As proposed by Ellen Langer with a series of now well-known experiments, the illusion of control refers to feelings of control that cause unrealistic expectations of personal success. Langer shows that feelings competitive advantage, choice, familiarity, and involvement "introduced into chance situations cause individuals to feel inappropriately confident." For example, a Superbowl lottery was run in two Long Island companies during the early 1970s, 27 people in one office, 26 in the other. People were offered lottery ticket for \$1. The drawing was before the game. The winner would get everyone's money (~ \$50). Random assignment to two conditions:

no-choice: you are handed a ticket from experimenter's stack of tickets, or

choice: you pick your ticket from a box of tickets.

On the morning of the drawing, the experimenter approaches each ticket holder individually and says: "Someone in the other office wanted to get into the lottery, but since I'm not selling tickets any more, he asked me if I'd find out how much you'd sell your ticket for. It makes no difference to me, but how much should I tell him?" How much does one has to pay to get

ticket away from person? See graph: \$8.67 in choice condition, \$1.96 in no-choice condition (t = 4.33, P < .005). Side conditions: 15 initially said they wouldn't sell: 10 in choice condition, 5 in no-choice (p < .10, no effect). Effect stronger on familiar issues: Females less familiar with football; males wanted \$5.89 for their tickets, fems 1.33 (t = 2.14, p < .05).

Moral: People exercising choice become more confident in their odds of success (in this case, inappropriately).

*Experiment 2 in Ellen J. Langer, "The illusion of control," (1975 Journal of Personality and Social Psychology)





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Appendix V: DIAGNOSTICS Identifying Outsiders There is an Unobtrusive Diagnostic in Variable Returns to Brokerage

Three broad steps in testing for barriers to coordination:

(1) DATA. Have performance measure(s), network metric(s), and background controls for why managers differ in performance (e.g., job rank, age, education, work, location, etc.).

(2) TEST FOR DISCRIMINATION AGAINST TARGET CATEGORIES OF PEOPLE. For example, are former employees of the acquired company discriminated against in my management population? Estimate returns to brokerage for the management population as a whole to make sure that networks are a performance factor in your population, and to identify performance-relevant controls. Then re-estimate returns, testing whether returns for target categories of employees are significantly lower than the returns for other employees (e.g., gender, race, age, legacy organization, etc.).

(3) DISCOVER CATEGORIES OF PEOPLE FOR WHOM DISCRIMINATION IS AN ISSUE. Map employees into the three kinds of networks (broker, clique, partner). Look for categories of employees for whom partner networks are a significant advantage (those categories contain the people discriminated against). Or, identify employees for whom network hierarchy enhances performance: For insiders, hierarchy is just another form of closure, which should have a negligible or negative association with performance. For outsiders, a positive association with hierarchy indicates the need for a partner.



Deeper Search



(1) Rank order people by contribution to brokerage effect on performance, then compute a subsample correlation for each person between residual performance and network constraint to get the graph to the lower left. Subsamples here contain each person plus 10 to the left and 10 to the right in the rank order on the horizontal axis.

(2) Subsample correlations should be random. Outsiders are indicated by attributes linked with positive subsample correlations. In this organization, the distributions above the subsample graph show two attributes that mark outsiders (each letter represents a person). Women and entry-rank men are concentrated to the right in the graph, where network constraint increases performance (respective t-tests of 3.32 and 3.38). Race is not an outsider attribute in this organization (-.08 t-test). Men in the three more-senior ranks are concentrated to the left, where network constraint erodes performance (-5.65 t-test).

(3) Regress performance over size, density, and hierarchy to see if outsider performance increases with partnering as displayed in handout.

from Figure 7.5 in Neighbor Networks.

