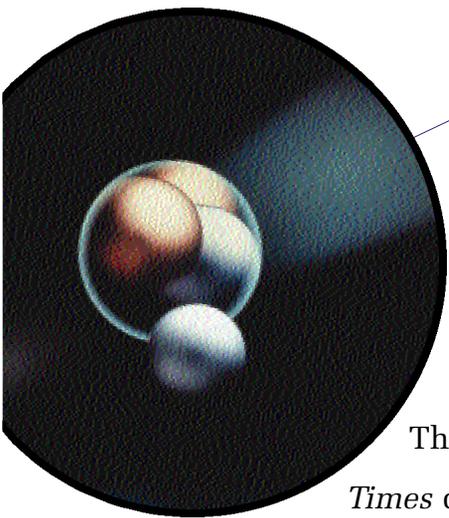


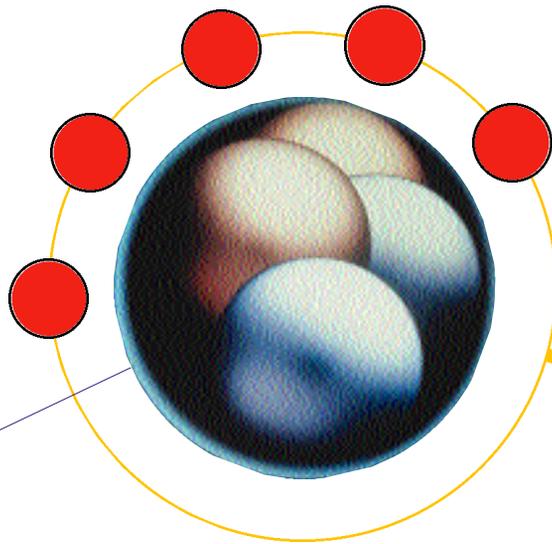
Don't Merge Without a Map

Dialogue talks with Karen Stephenson



The *Financial Times* calls Karen

Stephenson “a student of networks.” With a doctorate in anthropology from Harvard, she spent 15 years in the corporate world before joining UCLA’s Graduate School of Business in 1990. She has since assembled the world’s largest database of corporate networks—and gained an international reputation as a management consultant specializing in network analysis. She is also the co-founder of NetForm, Inc., a developer of network mapping software. A Gensler collaborator and a featured speaker at our recent Workplace Conference, Professor Stephenson has been profiled in the *Economist*, *Fast Company*, *Forbes*, and *Zurich Financial’s Focus*. We talked to her in New York.



Most organizations document their hierarchies and procedures. Is that enough to plan a merger?

Organization charts tell you about lines of authority, not the lines of work, or how things really get done. You only learn the rules from a set of procedures, not the ropes. Very little of the working knowledge you need to make products or deliver services lies in the formal rules, procedures, or policies of an organization. So you need a “map” that reveals the ropes, the informal structure or network of trust relationships that cut across hierarchy. Tacit knowledge, the real source of innovation in organizations, is a unique byproduct of these relationships.

Network “maps” also reveal the disconnects. For example, I did a study of the Los Angeles Philharmonic, and found that its development and marketing groups—which needed to work in tandem—were inadvertently ignoring each other. Because one group was experienced and established, and the other was young and new, they never really connected. You see a similar problem in mergers—the innovators in a merger fail to connect with the experts. These two groups have very different behaviors; experts dismiss innovators as “off the wall,” while innovators dismiss the experts as “hopelessly out-of-date.” They form separate tribes, each to its own and each in its own network. In a period of rapid change, like a merger, they must connect or the merger will break down. The “map” alone won’t solve this problem, but it can tell you how and with whom to intervene.

So different networks won’t necessarily merge on their own?

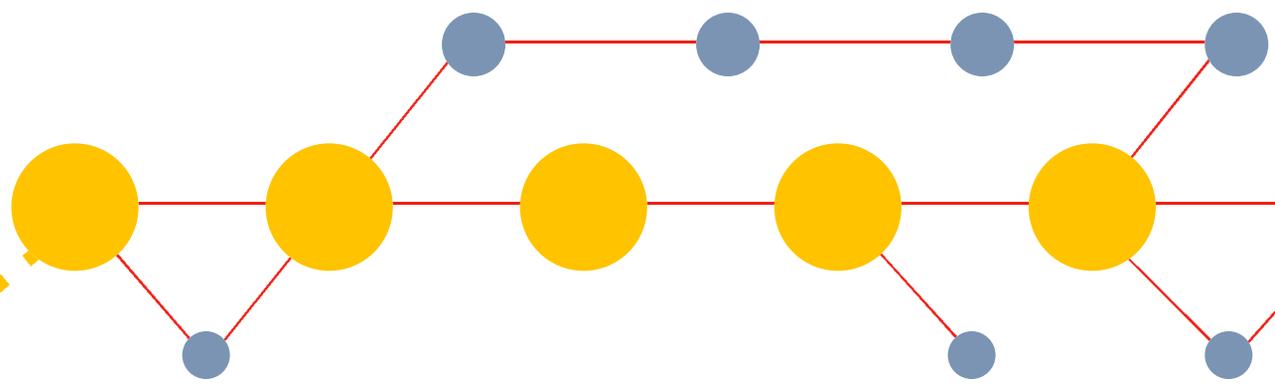
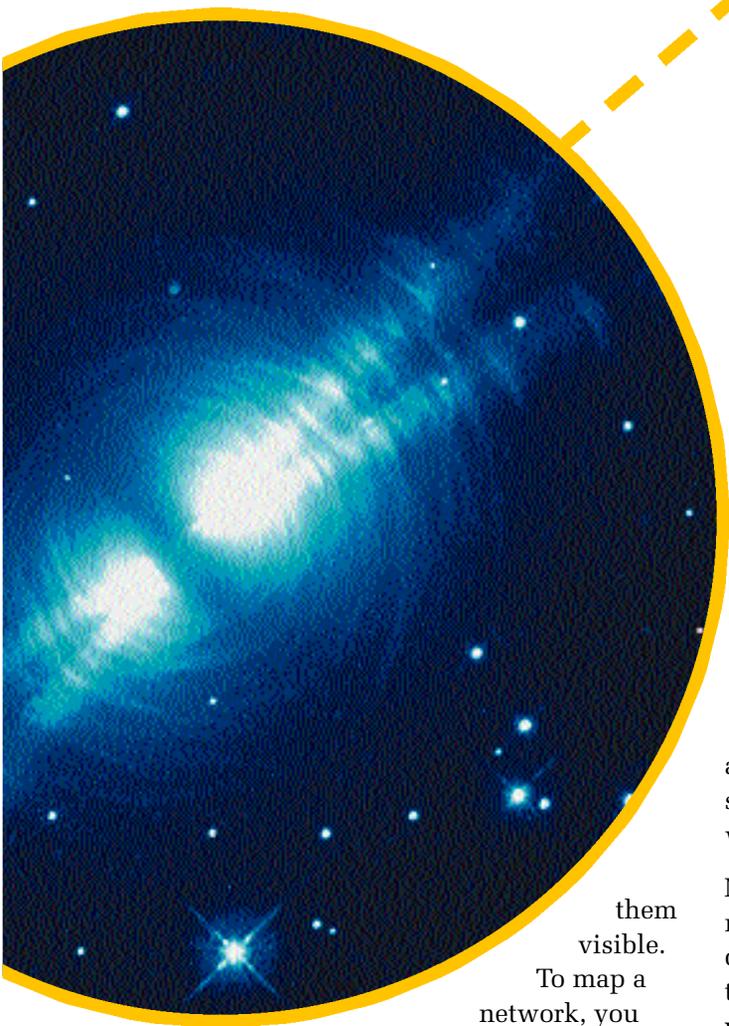
That’s right. Networks are based on trust—and people trust the people they know. Those who don’t fit the profile have a harder time fitting in, if they fit in at all. Both mergers and rapid globalization are causing this problem to surface now in business. Without intervention, networks will often resist outsiders in situations where their embrace is what’s needed.

In stable organizations, networks and hierarchies complement each other and provide a healthy tension across the organization. The hierarchy promotes people based on their qualifications to assume authority, not who they know, so they balance the network’s tendency only to recognize its own. It’s the rule of law versus the relationship of trust—contracts versus tribal affinities. Organizations need both to function.

Hierarchies promote evolutionary change, while networks spark revolutionary innovation. Networks can accelerate change dramatically—or resist it obstinately and invisibly. A big problem in mergers is that hierarchies can be engineered to fit together, but it’s the networks that drive cultural differentiation and separatism, and represent a challenge to merging successfully.

How do you “map” a network?

Social networks are patterns of interaction that persist across organizations and cultures. The first big problem with them is to make



them
visible.

To map a
network, you
ask people with

whom they communicate the most. Ask enough of them, and you can identify the key players, the “culture carriers”—people, by the way, who are often invisible or inconsequential to the hierarchy. Who are they? The “Hubs” are those who are directly connected to the most people in the network. “Gatekeepers” connect different parts of the organization—they can help information flow or not. “Pulse takers” have the most indirect ties in the network. They’re unseen but all-seeing.

Note that the culture-carriers engage in two-way communication. You have to weed out the busy-bodies and know-it-alls—one-way communication that goes nowhere.

Why is an understanding of networks crucial to a successful merger?

Companies that merge as true equals usually hope to achieve efficiency and synergy. In other words, they hope to be both less and more than the sum of their parts. Networks are the key to this transformation. They exist

in large part to cope with unpredictable change. That’s their strong point—they’re highly adaptive and agile, and they can push innovation through and around all kinds of apparent obstacles. They also have efficient structures which enable them to scale up without adding bulk.

Networks are like strands of DNA. That’s why mapping them is so critical to a successful corporate marriage. Once you understand them, you can harness their power—so they’re working for you, not against you. When companies merge, they empower high-performance teams to work their transformation. Network analysis suggests that you should lace these teams with culture carriers. You need Hubs to announce the changes, Gatekeepers to support them, and Pulse takers to let you know that they’re working.

There’s more to it than that, however. Like a good marriage, a successful merger begins with a shared purpose and values. The leaders of the combined company have to communicate this clearly and compellingly. Their real task is to create a context of trust throughout the organization. They can do this directly through the hierarchy or indirectly through the network.

How does “place” contribute to this process?

The physical settings of the newly merged and minted organization can help or hinder the process of establishing trust among key individuals and joining networks.. Proximity—physical closeness—is often critical to breaking down the normal barriers between

“tribes” like experts and innovators. In the distant past, networks began as face-to-face encounters and conversations. We still carry that legacy with us today.

Virtual teams, telecommuters, and employees who “hotel” represent a special challenge. You have to create places and reasons for them to encounter each other. Learning centers are an example of a “meeting ground” that can help these people connect with each other. This issue goes beyond mergers, of course ñ every company with a virtual component has the same problem. Corporate hearths, telecommuting centers, drop-in offices ñ these are examples of settings that support face-to-face communication among people who normally connect electronically. Their real purpose is to build a sense of trust and community. Physical settings must invite dialogue, not dictate it. The ancient art of managing networks around the hearth is making a comeback today precisely because we are faced with the challenge of working virtually. Deep in the heart of the art of network management, there is science.

Additional information on Professor Stephenson’s work and network analysis software can be found at www.netform.no