
Informal Networks: The Company Behind the Chart

by David Krackhardt and Jeffrey R. Hanson



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Mapping employees' relationships can help managers harness the real power in their organizations.

Informal Networks: The Company



by David Krackhardt and Jeffrey R. Hanson

Many executives invest considerable resources in restructuring their companies, drawing and re-drawing organizational charts only to be disappointed by the results. That's because much of the real work of companies happens despite the formal organization. Often what needs attention is the *informal* organization, the networks of relationships that employees form across functions and divisions to accomplish tasks fast. These informal networks can cut through formal reporting procedures to jump start stalled initiatives and meet extraordinary deadlines. But informal networks can just as easily sabotage companies' best laid plans by blocking communication and fomenting opposition to change unless managers know how to identify and direct them. Learning how to map these social links can help managers harness the real power in their companies and revamp their formal organizations to let the informal ones thrive.

If the formal organization is the skeleton of a company, the informal is the central nervous system driving the collective thought processes, actions, and reactions of its business units. Designed to facilitate standard modes of production, the formal organization is set up to handle easily anticipated problems. But when unexpected problems arise, the informal organization kicks in. Its complex webs of social ties form every time colleagues

communicate and solidify over time into surprisingly stable networks. Highly adaptive, informal networks move diagonally and elliptically, skipping entire functions to get work done.

Managers often pride themselves on understanding how these networks operate. They will readily tell you who confers on technical matters and who discusses office politics over lunch. What's startling is how often they are wrong. Although they may be able to diagram accurately the social links of the five or six people closest to them, their assumptions about employees outside their immediate circle are usually off the mark. Even the most psychologically shrewd managers lack critical information about how employees spend their days and how they feel about their peers. Managers simply can't be everywhere at once, nor can they read people's minds. So they're left to draw conclusions based on superficial observations, without the tools to test their perceptions.

Armed with faulty information, managers often rely on traditional techniques to control these net-

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