
Informal Networks: The Company Behind the Chart

by David Krackhardt and Jeffrey R. Hanson



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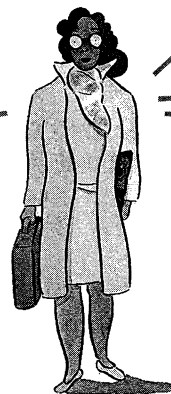
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Mapping employees' relationships can help managers harness the real power in their organizations.

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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Behind the Chart

works. Some managers hope that the authority inherent in their titles will override the power of informal links. Fearful of any groups they can't command, they create rigid rules that will hamper the work of the informal networks. Other managers try to recruit "moles" to provide intelligence. More enlightened managers run focus groups and host retreats to "get in touch" with their employees. But such approaches won't rein in these freewheeling networks, nor will they give managers an accurate picture of what they look like.

Using network analysis, however, managers can translate a myriad of relationship ties into maps that show how the informal organization gets work done. Managers can get a good overall picture by diagramming three types of relationship networks:

- The advice network shows the prominent players in an organization on whom others depend to solve problems and provide technical information.
- The trust network tells which employees share delicate political information and back one another in a crisis.
- The communication network reveals the employees who talk about work-related matters on a regular basis.

Maps of these relationships can help managers understand the networks that once eluded them and leverage these networks to solve organizational

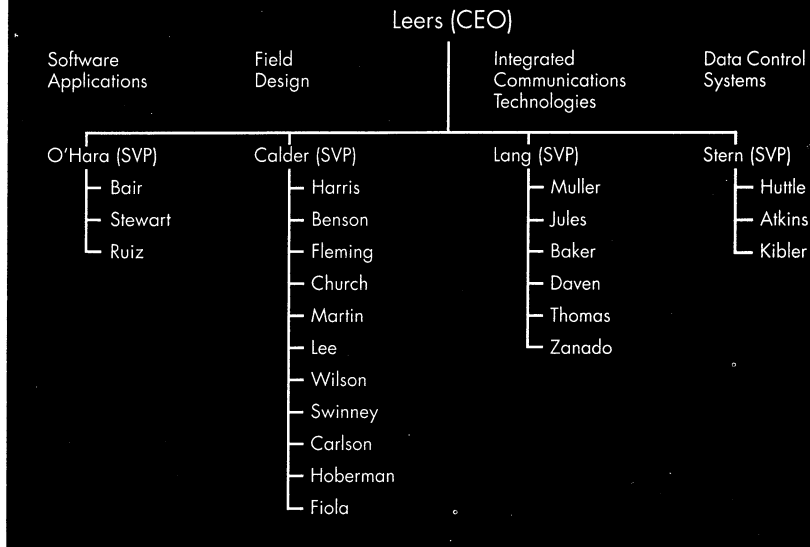
problems. Case studies using fictional names, based on companies with which we have worked, show how managers can bring out the strengths in their networks, restructure their formal organizations to complement the informal, and "rewire" faulty networks to work with company goals.

The Steps of Network Analysis

We learned the significance of the informal network 12 years ago while conducting research at a bank that had an 80% turnover rate among its tellers. Interviews revealed that the tellers' reasons for leaving had less to do with the bank's formal organization than with the tellers' relationships to key players in their trust networks. When these players left, others followed in droves.

Much research had already established the influence of central figures in informal networks. Our subsequent studies of public and private companies showed that understanding these networks could increase the influence of managers outside the inner circle. If they learned who wielded power in networks and how various coalitions functioned, they could work with the informal organization to solve problems and improve performance.

The Formal Chart Shows Who's on Top



Mapping advice networks, our research showed, can uncover the source of political conflicts and failure to achieve strategic objectives. Because these networks show the most influential players in the day-to-day operations of a company, they are useful to examine when a company is considering routine changes. Trust networks often reveal the causes of nonroutine problems such as poor performance by temporary teams. Companies should examine trust networks when implementing a major change or experiencing a crisis. The communication network can help identify gaps in information flow, the inefficient use of resources, and the failure to generate new ideas. They should be examined when productivity is low.

Managers can analyze informal networks in three steps. Step one is conducting a network survey using employee questionnaires. The survey is designed to solicit responses about who talks to whom about work, who trusts whom, and who advises whom on technical matters. It is important to pretest the survey on a small group of employees to see if any questions are ambiguous or meet with resistance. In some companies, for example, employees are comfortable answering questions about friendship; in others, they deem such questions too personal and intrusive. The following are among the questions often asked:

- Whom do you talk to every day?
- Whom do you go to for help or advice at least once a week?
- With one day of training, whose job could you step into?

Whom would you recruit to support a proposal of yours that could be unpopular?

Whom would you trust to keep in confidence your concerns about a work-related issue?

Some companies also find it useful to conduct surveys to determine managers' *impressions* of informal networks so that these can be compared with the actual networks revealed by the employee questionnaires. In such surveys, questions are posed like this:

Whom do you think Steve goes to for work-related advice?

Whom would Susan trust to keep her confidence about work-related concerns?

The key to eliciting honest answers from employees is to earn their trust. They must be assured

that managers will not use their answers against them or the employees mentioned in their responses and that their immediate colleagues will not have access to the information. In general, respondents are comfortable if upper-level managers not mentioned in the surveys see the results.

After questionnaires are completed, the second step is cross-checking the answers. Some employees, worried about offending their colleagues, say they talk to *everyone* in the department on a daily basis. If Judy Smith says she regularly talks to Bill Johnson about work, make sure that Johnson says he talks to Smith. Managers should discount any answers not confirmed by both parties. The final map should not be based on the impressions of one employee but on the consensus of the group.

The third step is processing the information using one of several commercially available computer programs that generate detailed network maps. (Drawing maps is a laborious process that tends to result in curved lines that are difficult to read.) Maps in hand, a skilled manager can devise a strategy that plays on the strengths of the informal organization, as David Leers, the founder and CEO of a California-based computer company, found out.

Whom Do You Trust?

David Leers thought he knew his employees well. In 15 years, the company had trained a cadre of loyal professionals who had built a strong region-

