

CHAPTER 9

Social Networks and the Liability of Newness for Managers

David Krackhardt
Carnegie Mellon University, Pittsburgh, USA

INTRODUCTION

In his classic piece on organization theory, Stinchcombe (1965) suggested that organizations could be better understood by taking into account the "social structure" in which they find themselves. By "social structure" he meant the broad set of societal variables that remained fairly stable over time and which had a bearing on the life of the organization. In the course of reviewing this broad set of environmental conditions, he noted that young organizations tended to suffer a premature demise (relative to seasoned organizations). This was especially true for organizations that required a new "form", a new way of organizing. He cited four reasons (Stinchcombe, 1965, pp.148-149) for this "liability of newness":

(1) "New organizations... involve new roles, which have to be learned". Old organizations can draw on the experience of their members to deal with the varieties of specific problems, exceptions, and disruptions to routines. New organizations must rely on the generalized experiences of their members, experiences that may not be as relevant to the current organization's problems. Thus, there is a *learning curve disadvantage* suffered by new organizations.

(2) The process of inventing and developing new roles has "high costs in time, worry, conflict and temporary inefficiency". That is, the organizational learning creates its own side effects that themselves are

Trends in Organizational Behavior, Volume 3. Edited by C. L. Cooper and D. M. Rousseau
© 1996 John Wiley & Sons Ltd

*Krackhardt, David

1996 "Social Networks and Liability of Newness for Managers." In C. L. Cooper and D. M. Rousseau (eds.), John Wiley & Sons, Ltd. New York, NY. Trends in Organizational Behavior, Volume 3, pp. 159-173.

costly for the new organization. These side effects may be thought of as *process disadvantages*.

(3) "New organizations must rely heavily on social relations among *strangers*" [emphasis mine]. In particular, Stinchcombe notes, the critical relationship of "trust" is more difficult to obtain when people do not have the history together to be able to predict what colleagues will do in response to any given situation or information (Krackhardt, 1994). Thus, new organizations suffer from a *trust disadvantage* relative to established firms.

(4) Much of the work of an organization, in terms of its inputs from suppliers and outputs to customers, transpires through well-established relationships among those sets of organizations. Customers provide repeat business in part because they are familiar with how the focal organization works, how it handles different orders, and consequently how to get exactly what they need. Familiarity with how the organization fits into the larger system of organizational transactions is a distinct advantage for the older, experienced organization. A new organization, then, suffers from a *systems knowledge disadvantage*, knowledge of how the system of exchanges works around them and how it fits comfortably and profitably into this system.

While Stinchcombe eloquently argued for this phenomenon at the organizational level, it is apparent that the same rationale can be applied to managers who emerge in a new organizational environment, either through hiring or through transfer. In today's world, the rapidly changing technology, the restructuring and downsizing of organizations, and the general mobility of the population make this problem even more salient. Managers frequently find themselves in the unfamiliar territory of new organizations or new organizational subunits. Such managers carry with them role expectations from their prior positions, roles that may not be compatible with the expectations of colleagues within the new organizational unit. It takes time to learn these expectations; thus, managers new to the specific organization experience their own kind of learning curve disadvantage. Collaterally, in the process of learning, changing and experimenting, they are likely to create anxiety and conflict among others in the organization. Moreover, since trust inherently takes time to build (Krackhardt, 1994; Mayer, Davis & Schoorman, 1995), the new manager will often wait before introducing substantial changes that require sincere trust among herself and her new peers, subordinates and superordinates (Gabarro, 1987).

But perhaps the most critical liability to the new manager is the lack of a clear understanding of how the current system of exchanges and relationships works in the organizational unit. Just as within the macro

system of organizations, these relationships are often subtle, not explicit, not formally declared or even admitted to by the participants. That makes them difficult for the newcomer to observe. An established hand, who perhaps rose up through the internal ranks of the organizational unit, has learned this web of ropes through years of experience. The newcomer must try to sail in these uncharted waters without so much as the occasional blink of a dim lighthouse to guide him.

Thus, managers new to an organizational unit suffer from many of the same disadvantages attributed to new organizations. Before they can operate effectively in this new environment, they must get a good handle on how things are accomplished (Krackhardt, 1990). Before they can change the organization, they must know who is likely to benefit, who is likely to resist, and who is likely to support either the beneficiaries or the resisters (Krackhardt, 1992).

These limitations are given. They are the common experience of all managers who have not come through direct promotions from below (Gabarro, 1987). The question I intend to address in this paper is how the new manager can survive this inherent liability of newness. In particular, I would like to show how the new manager can use social network analysis to overcome this liability.

SOCIAL NETWORK ANALYSIS AS A DIAGNOSTIC TOOL

New managers, whether they are transferred or hired from the outside, often are selected because they had success in dealing with similar managerial problems in other contexts. But, their success often involved understanding how their context actually worked. They knew whom they could count on, who the coalitions were, what positions they would likely take, and which battles they could win and which ones were better left unfought. If they introduced change, they would likely know who would accept it, who would fight it, and how to manage that resistance.

While such are keys to successful change management, this knowledge is specific to the context in which the manager is operating. It takes time to find out who the key actors are and what positions and actions they are likely to take. Such political knowledge, however, is essential if the manager is to accomplish anything more than maintain the status quo.

Social network analysis has been used primarily as an analytic technique for academic organizational researchers (Wasserman & Galaskiewicz, 1994; Krackhardt & Brass, 1994; Mizruchi & Galaskiewicz, 1994). While some attention has been paid to how managing extant networks can be profitable for the manager (Baker, 1994), very little has been written on how these powerful techniques can be used to diagnose organizational problems.

To this end, I will present two cases wherein a new manager, faced with "liability of newness" problems, was enabled with network analysis to diagnose and successfully introduce organizational changes. The first case illustrates how simply knowing the social network can help the manager identify who the important political players are. The second case illustrates how network analysis can identify the problem itself as well as who must be involved in the solution.

THE CASE OF THE TRANSFERRED AUDIT MANAGER

The firm, Halifax,¹ was a large defense contractor on the west coast. One division of Halifax, the aircraft engine manufacturing division, had several plants that were subject to an extensive auditing routine to comply with federal mandates. The group of interest here is the internal auditing staff of this division, composed of 14 employees. They had fallen behind in their auditing schedules, and top management expressed some concern that this could jeopardize Halifax's relationship with the Department of Defense, upon whom Halifax depended for more than half its business.

Normally, management vacancies in Halifax were filled, to the extent possible, by promoting from within the units. This policy kept morale high and drew on the knowledge and experience of those within those units. But, when Bob Kramer, the manager of this auditing unit, chose to move on, Sheila Jackson, the Comptroller of Halifax, decided that his successor should not come from within the local unit because she was afraid that this would perpetuate the problems that this unit was experiencing. Instead, she selected a successful auditing manager, Manuel, from another manufacturing division. Manuel had been instrumental in reorganizing the auditing group where he currently worked, the results of which had decreased turnover and increased auditing output without adding to the staff.

Manuel assumed his new assignment with considerable confidence. As he saw it, the problems the aircraft auditing group faced were similar to those in his prior auditing group, and most of these problems stemmed from a lack of coordination between the auditors and the secretarial staff.

The work of this auditing group was fairly routine. Audit teams of one to three auditors would visit a manufacturing plant, often spending up to a week at the site collecting and cross-checking the financial records.

¹ All names and other specific identifying remarks in this paper are disguised to protect the anonymity of the site.

The auditors would return home with a satchel full of forms and supporting working papers. These papers were then given to the supervisor of the wordprocessing center (Donna), who in turn assigned the task of processing the forms to one of the four members of the secretarial pool. After the forms were processed, the finished product was returned to the auditor.

The formal organizational chart for this group is provided in Figure 9.1. The four managers are represented by ellipses; the staff auditors are represented by diamonds; and the secretaries are in boxes. Stuart and Charles, the two audit supervisors, often accompanied the auditing groups to the sites. Each audit team (teams were recomposed for each audit) had a leader who was responsible for getting the forms to Donna in a timely manner. Once the audit forms were in Donna's hands, the turnaround time was under the control of the secretarial pool.

Manuel's first task was to find out why the audits were taking an inordinate amount of time (the average audit was taking 28% longer than comparable audits in other parts of Halifax). He interviewed each supervisor and each auditor individually and the secretaries as a group. From these interviews and from audit records on file, he determined several things. First, morale among the staff was not a particular problem. Kramer had been a low-key manager, protecting his group from the eventual criticisms that would emerge from higher in the organization. For the most part, everyone was doing their part with diligence, if not efficiency.

Second, he determined that while most auditors were completing their visits to sites in a timely manner, certain exceptions could be explained by particularly difficult circumstances at the site. Where audits seemed to take somewhat longer for no apparent reason, he found that the

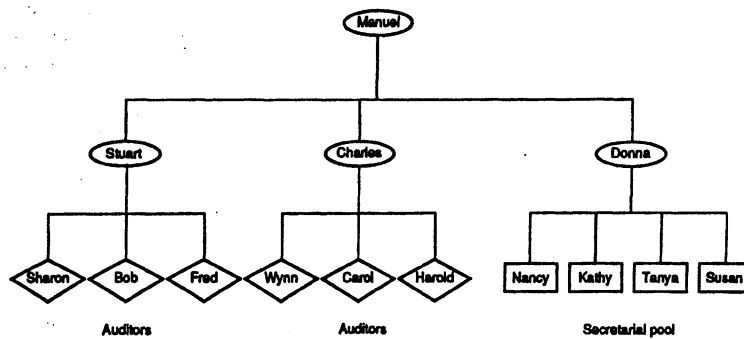


Figure 9.1 Formal organizational chart for auditing group

