

FORETHOUGHT INNOVATION

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## Managing Corporate Social Networks

by Adam M. Kleinbaum and Michael L. Tushman

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Big companies are good at innovating within silos, but woefully bad at combining creative energies across divisions to build new businesses. As the Merrill Lynch analyst Jessica Cohen once asked, How is it possible that Time Warner owned both Warner Music and AOL and *didn't* create something like iTunes? The problem, we believe, is structural: Business-unit boundaries exist precisely because they create efficient structures for executing strategy. But silo focus and ruthless efficiency come at the cost of cross-divisional collaboration, so some innovation opportunities are either poorly executed or not seen at all. The solution, we think, lies not in reorganization but in informal communication through the social networks that exist throughout the company. These networks must be shaped and cultivated to efficiently find and exploit innovations.

Social networks, of course, form and evolve organically in organizations. They can foster the serendipitous mixing of talent and ideas that fuels innovation. But after surveying 30 years' worth of organizational network literature and conducting extensive research at a large IT services firm on how networks influence innovation, we concluded that when left unmanaged, informal networks tend to inhibit innovation more often than they enable it. The very aspects that are beneficial at the exploration phase of innovation may hinder progress at the implementation phase, and vice versa. Thus company executives shouldn't expect informal, interdivisional networks to spontaneously produce innovations; they must consciously manage the structure of these networks to promote innovation at all its various stages.

Our work suggests that ideas for productive collaboration will most likely come from "idea brokers." These people maintain broad networks throughout the organization and are thus uniquely able to draw connections between—and recognize collaborative opportunities for—technologies, markets, or

people that might otherwise never come into contact.

Although they are well suited to discovering new opportunities, idea brokers are rarely able by themselves to mobilize the organizational support and resources necessary for execution. Like bees, they specialize in cross-pollination; spending a bit of time in a large number of places, they develop a unique, pan-divisional perspective on innovation. As a result, they usually have not developed enough deep relationships to bring together the various divisions that need to collaborate. The ideal network structure for effectively marshaling resources and securing the participation of stakeholders who may have very different incentives is marked not by brokerage but by dense webs of strong interpersonal relations. These enable the exchange of fine-grained and tacit information, help actors navigate the unfamiliar terrain of partner divisions, and allow cohesiveness to build within the network, increasing trust and reducing intergroup rivalry.

If one kind of network helps to recognize opportunities and another helps to implement them, what are executives to do? We suggest a two-pronged approach.

First, invest in both idea brokers and strong cross-divisional ties. You can encourage the former by systematically promoting serendipitous meetings between people from different parts of the organization at conferences, off-sites, and training programs. To paraphrase Louis Pasteur, chance favors the prepared organization. You can encourage the latter with executive rotation, broadening the experience of young executives as they forge new ties and bring their old ones to bear in new contexts.

Second, become adept at deploying and overseeing informal networks. It is not enough to have both types of network; executives must proactively manage the transition between discovery of a collaborative opportunity and execution of a cross-divisional project. They can do this by selecting people

for important positions on the basis of not only their skills and prior experience but also the nature of their social networks.

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