

**There is no  
first class assignment.**

# Strategic Leadership in Management Networks

The University of Chicago Booth School of Business  
39005-39802 Syllabus, Summer 2017

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Download syllabus and main handouts here: <http://faculty.chicagobooth.edu/ronald.burt/teaching>.

Whatever the endeavor — business, nonprofit, government, the arts, the military — people are organized formally and informally. Formally, people report to someone, a boss, and supervise some number of others. We derive much of our identity from our title and position in the formal organization. But the bulk of what we get done is through the informal organization. The informal organization is composed of colleagues, friends, and strangers with whom we cajole, entreat, pressure, and generally collaborate to get things done. Formal is the skeleton. Informal is the flesh. Together they to define the social network around you.

This course is an introduction to the ways certain people and groups have a competitive advantage because of their social network. The advantage stems from the way one engages the diversity of information in organizations and markets. Half the puzzle is production: Certain people have an advantage in recombining information to produce and promulgate good ideas. The other half of the puzzle is governance: Certain people have an advantage in being accepted as a source of proposals. This course is about how the two network mechanisms operate, and ways to enhance and maintain individual and group advantage.

# COURSE OVERVIEW

Session 1	Session 2	Session 3	Session 4	Session 5
<p><b>Foundations</b></p> <p>Bridge and cluster structure to business networks</p> <p>Closure: trust, reliability, and reputation</p> <p>Brokerage: breadth, timing and arbitrage in Innovation, growth, and clearing information markets</p>	<p><b>Brokerage Contingencies</b></p> <p>Why do some benefit from a level of network advantage that provides nothing to peers?</p> <p>Productive accidents, personal engagement, active vs passive holes, collateral brokerage, reputation</p>	<p><b>Closure Vicissitudes</b></p> <p>Bandwidth vs echo: closed networks create ignorant certainty</p> <p>Implications for building &amp; managing reputation: groupthink and strategic partners to work around gossip-enforced barriers</p>	<p><b>Coordinating Across The Enterprise</b></p> <p>Optimizing case-by-case, then the general case for optimizing “where,” then the general case for optimizing “when”</p> <p>Network oscillation and managing change</p>	<p><b>Examination and Closing</b></p> <p>First half of class: Exam</p> <p>Second half: Exam review, or reputation disaster (and not sliding into one) via closed-network hubris; Sonnenfeld at Emory</p>
Nothing due, Bring “foundations” handout (below for reading)	Nothing due, Bring “brokerage” handout (next page for reading)	Nothing due, Bring “closure” handout (next page for reading)	Nothing due, Bring “balance” handout (next page for reading)	Prepare for examination.

## The SESSIONS

### 1. Foundations: Growth vs Governance, Brokerage vs Closure

The shift to less hierarchical companies and global markets has triggered a shift from vertical chains of command to horizontal lines of cooperation. Business leaders have a choice between two network strategies for adding value: Brokerage is a strategy for creating value, closure is a strategy for delivering on a known value stream. This session is about successful leaders who read organizations and markets to figure out what to do, and who to involve in getting it done. Such leaders have social capital. This session is about what it means to have social capital and the fundamental tension between brokerage and closure. There is nothing to prepare for this first session. The session argument and much of the evidence is discussed in Chapters 1, 2, and 3 of the course book, *Brokerage and Closure*, however, I recommend that you wait until after the session before reading the book. This advisory applies for each of the sessions. The book is written as back-up to class discussion.

## **2. Brokerage Contingencies: Why Advantage Sometimes Isn't**

Getting to a position in which you have network advantage does not ensure benefit from the advantage. A great many people and groups with network advantage show no benefit at all from their advantage. This session is about some of the reasons why. Among the contingencies to discuss are framing and productive accidents, the importance of personal engagement, active versus passive structural holes, positive anchors, managing versus eliminating holes, collateral brokerage, and reputation. We'll discuss these contingencies with respect to examples, and time allowing, video cases to be shown in the session.

## **3. Closure Vicissitudes: Echo versus Bandwidth, Groupthink, and Strategic Partners**

Dense connections within cohesive groups provide a deluge of information, especially on common enemies who so often help define such groups, and improper response leads to colleagues correcting, cautioning, or ostracizing the offending party. People turn to one another for quick, "appropriate," interpretations of events. In their social construction of events, people drag one another into groupthink, dependence, and rigidity, which creates the need for strategic partners. This session is about how it happens, its potentially terrible consequences for businesses as well as individuals, and how to manage it. The trust and reputations created by colleague gossip, and the rigidity and ignorant certainty that gossip can create, are discussed in Chapters 3 and 4 of *Brokerage and Closure*.

## **4. Coordinating across the Enterprise: Finding a Balance between Brokerage and Closure**

The leadership associated with brokerage and closure were introduced separately because they involve such different social mechanisms. Now that the two network mechanisms are introduced, we can get down to managing both mechanisms simultaneously. People are neither Robert nor James, but a mix of both. How that works is the topic for this session. I will use knowledge management as a vehicle for class discussion. Knowledge is information in social context. In contexts where information adds no value, it is noise (Lord Chesterfield: "Dirt is matter out of place"). Where it adds value, we call it knowledge, and much of this course is about leaders moving information from places where it is routine to places where it is valuable. This session is about moving knowledge across market and organization boundaries — a core competence in the strategic leader's skill set.

## **5. Examination and Closing**

The first half of this class session is a multiple-choice and short answer exam. Example questions will be discussed in class in the fourth session. The second half of the class will be a closing discussion of hubris and reputation damage. There is no assignment for the second half. Your primary task for this session is to prepare for the examination. My challenge for the second half is to do something

valuable when people are post-exam numb. I will either do a review of the exam, or discuss hubris and reputation damage. If the latter, I'll present a video on the curious case of Jeffery Sonnenfeld at Emory University.

## DELIVERABLES

### Class Participation (20%)

Research shows that participation in this course significantly improves the career benefit (see first handout). You are expected to participate in class discussion of concepts, evidence, and illustrative cases. To assist you, handouts are online for each class session (URL on first page of syllabus). I encourage you to contribute to class discussion throughout the course with clarifying questions, personal experiences related to the class material, and critical evaluations of arguments or evidence under discussion. Constructively evaluate positions taken by your classmates. It is not likely that everyone will participate in a significant way in every case discussion. Nevertheless, you are expected to be able to participate. I will cold call on students in class.

### Examination (80%)

The exam will be limited to what was discussed in class. The exam will involve no books, notes, or computers; just you, an answer sheet, a blank sheet of paper (if you wish), and a #2 pencil. The Chicago Booth Honor Code should be borne in mind. Example exam questions will be displayed in the fourth class session. The exam only covers four class sessions, so there is no review session.

## GRADES

Your grade will be based 20% on class participation and 80% on the exam. Grade components will be converted to z-scores before they are combined (i.e., mean of zero across students and standard deviation of one) and, in accordance with Chicago Booth policy, the maximum average grade-point for the course will be 3.33. Thus, your final grade is based on your performance relative to other students.

## HONOR CODE

Students are expected to adhere to the standards of conduct in the Chicago Booth Honor Code and Standards of Scholarship. In my experience, Honor Code violations most often involve time-pressed students crossing a line in the amount of material they borrow from published or colleague work. Copying material from other people, either current students or graduates, is a clear violation of the Honor Code. Submitting someone else's answers to questions as your own answers is a clear violation of the Honor Code. To prevent students from worrying about their class comments becoming public, and to avoid intellectual property complications, there will be no recording during the class. Recording class discussion will be treated as a violation of the honor code. Thank you for bearing the Chicago Booth Honor Code in mind.

## DISABILITIES

If you have an approved accommodation from Student Disability Services that you plan to use in this course, please contact Academic Services as soon as possible ([AcademicServices@lists.chicagobooth.edu](mailto:AcademicServices@lists.chicagobooth.edu)). Academic Services will provide support to you and your instructor, and coordinate the details of your accommodations on your behalf.