

**There is no  
first class assignment.**

# Social Networks and Strategic Leadership

The University of Chicago Booth School of Business  
39802 Syllabus, Summer 2019

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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, including the option of a diagnostic analysis of your current network.

# COURSE OVERVIEW

August 5	August 6	August 7	August 9	August 10
<p><b>Network Brokerage and Competitive Advantage</b></p> <p>Network bridge and cluster structure</p> <p>Network brokers are more creative, receive higher evaluations, higher compensation, and more likely promotions.</p>	<p><b>Brokerage in Practice</b></p> <p>Why do some people benefit from network advantage while others with similar networks do not?</p> <p>Hints and cautions for getting value from network brokerage.</p>	<p><b>Closure, Trust, and Reputation</b></p> <p>Closed network bandwidth versus echo</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 Close</b></p> <p>Exam is first half of session.</p> <p>Second half is exam review, or network diagnostics, or disaster via closed-network hubris (Sonnenfeld at Emory)</p>
<p>Nothing due, Bring “brokerage” handout (below for reading)</p>	<p><b><u>Network Worksheet.</u></b></p> <p>Bring “practice” handout. (next page for reading)</p>	<p>Nothing due, Bring “closureEMBA” handout (next page for reading)</p>	<p>Nothing due, Bring “balance” handout (next page for reading)</p>	<p><b><u>Prepare for the examination.</u></b></p>

## The SESSIONS

### 1. Network Brokerage and Competitive Advantage: First Two Rules of Social Capital

The shift to less hierarchical companies and global markets 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. These leaders are more creative than peers, receive more positive evaluations, higher compensation, and are more likely promoted to senior rank. There is nothing to prepare for this first session. The session argument and much of the evidence is discussed in Chapters 1 and 2 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 was written as back-up to class discussion.

## 2. Brokerage in Practice: Hints and Cautions (WARNING: Network Worksheet due before second session)

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 behavioral contingencies discussed are framing and productive accidents, the importance of personal engagement, managing versus eliminating structural holes, culture, personality, active versus passive structural holes, embedded holes, and collateral brokerage.

## 3. Closure, Trust, and Reputation

Where brokerage is a strategy for top-line growth, closure is a strategy for bottom-line growth. Closing the network around group facilitates trust and cooperation by creating a reputation cost for deviant opinion and behavior, all of which increases the odds of the group moving down a learning curve of efficient production. At the same time, the dense connections within a closed network 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 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. 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 final class session is a multiple-choice exam. In the fourth class session, I’ll show you example questions (posted on my teaching website). The second half of the class will be a closing discussion on a topic to be determined by the preferences of people in the course. I will do a review of the exam, diagnostics of the networks of interested people in the course, or discuss hubris and reputation damage. There is no assignment for the second half. Your task for this session is to prepare for the examination.

## 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.

**Network Worksheet (5%):** Complete last page of first handout and return to me at beginning of second class or scan & return by email before second class.

### Examination (75%)

The exam will be limited to what was discussed in class. The exam will involve no books, notes, or computers; just you and an exam. 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, 5% the network worksheet, and 75% 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.