

Seminar: Foundations and Frontiers in the Network Structure of Competitive Advantage

Ron Burt, Bocconi University, Autumn 2017

22 September (14:30-17:45), 29 September (9:00-12:15), and 13 October (9:00-12:15)

This advanced seminar is for doctoral students considering research related to the network structure of competitive advantage. The goal is to help participants make effective use in their research of developments in network theory and research. We will review foundations for each topic, then move to the frontiers of research and theory — guided by the interests of the people in the seminar.

The pass-fail distinction will be based on participation in the seminar discussion. You will not require mathematical skills, but it would be an advantage for some topics. At minimum, you should be familiar with correlation and regression to understand the arguments and evidence. You do not need to know anything about social networks or network science, but you'll get more out of the course if you have read in the area. Judging from the syllabus for Professor Soda's doctoral seminar, "Social Network Analysis," his seminar would be excellent preparation.

The substance of the seminar will be discussion. I will not assign readings. Much of the frontier work is in working papers. I will summarize key points of argument and evidence on detailed handouts that I will post online for you to download (<http://faculty.chicagobooth.edu/ronald.burt/teaching>). The handouts contain citations to research, typically available for download. Here are the four handouts relevant to the seminar:

1. Foundations: Growth vs Governance, Brokerage vs Closure
2. Brokerage Contingencies: Why Advantage Sometimes Isn't
3. Closure Vicissitudes: Echo vs Bandwidth, Groupthink, and Strategic Partners
4. Coordinating Across the Enterprise: Finding a Balance between Brokerage and Closure

22 September: For the first seminar session, download the first handout and read it through. Do not expect to understand everything from the handout text. The handouts are just lecture notes. Your goal in an initial reading is to get a sense of what is covered, given what you already know about network theory and analysis. Come to the seminar session with one or two questions from the handout, informational questions about something in the handout, or questions about handout implications for future research. I will open the session with a quick overview, then ask for questions to begin our discussion. The more clear everyone is on the first handout, the more quickly we will move on.

29 September: Handouts 2 and 3, and whatever remains of handout 1.

13 October: Handout 4, selected topics, and whatever remains of prior handouts.

Professor Burt's work describes social networks creating advantage. Applications focus on personal networks and the network structure of markets. In addition to computer software and articles in research journals, Professor Burt's last three books are the one that proposed the concept of structural holes, *Structural Holes: The Social Structure of Competition* (1992, Harvard University Press), a broad review of links between network structure and performance, *Brokerage and Closure: An Introduction to Social Capital* (2005, Oxford University Press), and argument and evidence on advantage spillover from affiliation with advantaged others, *Neighbor Networks: Competitive Advantage Local and Personal* (2010, Oxford University Press, which received the 2011 Academy of Management George R. Terry Book Award for the work that most advanced management knowledge in the last two years). Research and teaching materials can be downloaded from his university website at <http://faculty.chicagobooth.edu/ronald.burt>.

Professor Burt's college work at Johns Hopkins University included pre-medical training, physiological psychology, and behavioral science. He graduated from the University of Chicago with a Ph.D. in sociology, then was on the faculty at the University of California Berkeley, SUNY Albany, and Columbia University before returning to join the University of Chicago faculty in 1993. In 1999, he began a leave of absence to learn more about European business as the Shell Professor of Human Resources at INSEAD. In 2000, he began a leave of absence to learn more about practical implementation as the Vice President of Strategic Learning in Raytheon Company. He continues today at the University of Chicago.



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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.