

**There is no  
first class assignment.**

# Strategic Leadership

The University of Chicago Booth School of Business  
39002 Syllabus, Winter 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.

# COURSE OVERVIEW

Class session abstracts are on the next pages

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>Network Broker 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: Echo and Groupthink</b></p> <p>How it works (bandwidth vs echo): closure, gossip and reputation</p> <p>Implications for building &amp; managing reputation</p> <p>- Milgram: groupthink and the agentic stew</p>	<p><b>Managing Barriers to Coordination: Strategic Partners</b></p> <p>Brokerage mechanism of framing and gossip enforced barriers</p> <p>Diagnosing the problem</p> <p>Working around the problem: reputation borrowed and enhanced</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>
Nothing due. Bring “foundations” handout. (next page for reading)	<b>Network Worksheet.</b> Bring “broker” handout. (next page for reading)	Nothing due. Bring “closure” handout. (next page for reading)	Nothing due. Bring “partners” handout. (pages 3-4 for reading)	Nothing due. Bring “balance” handout. (page 4 for reading)

Session 6	Session 7	Session 8	Session 9	Session 10
<p><b>Midterm Examination</b></p> <p>First half of class: Exam</p> <p>Second half: Reputation disaster (and not sliding into one) via closed-network hubris; Sonnenfeld at Emory</p>	<p><b>Bent Preferences: Network-Induced Motivation</b></p> <p>How social networks bend the preferences that guide behavior</p> <p>Social origin of hubris and jealousy</p> <p>Network fear and risk aversion in closed nets</p> <p>How network buzz works</p>	<p><b>Managers in a Network Organization</b></p> <p>Evidence-based management of an entrepreneurial workforce</p> <p>- Keeping Google “Googley”</p> <p>- Google’s Project Oxygen</p>	<p><b>Network Brokerage Cases</b></p> <p>- Ray Kroc establishes fast food in America</p> <p>- Affymax and Glaxo, brokerage as business model, long-distance, successful acquisition</p> <p>- John Browne builds a learning organization at British Petroleum</p>	<p><b>Network Brokerage Cases</b></p> <p>- John Clendenin at Xerox</p> <p>- Charlotte Beers at Ogilvy &amp; Mather</p> <p>- You in Your Network</p>
Prepare for examination.	Nothing due. Bring “bent preferences” handout. (page 4 for reading)	<b>Network Management Write-Up</b> due by February 27 (see pages 4-5)	<b>Complete INSEAD social capital website entry</b> by March 11 (see page 5).	<b>Personal Network Write-Up</b> due by March 22, the last day of exam week.

# 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 recommended book, *Brokerage and Closure*, however, I advise you to 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. Network Broker Contingencies: Why Advantage Sometimes Isn't (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 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.

## 3. Closure Vicissitudes: Echo and Groupthink

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 ignorant certainty that gossip can create, are discussed in Chapters 3 and 4 of *Brokerage and Closure*.

## 4. Managing Barriers to Coordination: Strategic Partners

In the previous session, we talked about gossip amplifying reputations out of proportion, both positive and negative, and about people deferring to groupthink rather than taking personal responsibility for their opinion and behavior. We talked about how you break out of groupthink, but what if the problem isn't you? What if people cannot accept your ideas or leadership because of gossip-enforced

stereotypes about people like you? Perhaps you're too young, or the wrong gender, or the wrong nationality, or went to the wrong school. This session is about the cure and how it works (discussed in Chapter 7 of [Neighbor Networks](#)).

### **5. 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. Example exam questions are posted on my teaching website and will be discussed in this class.

### **6. Midterm Examination**

The first half of this class session is a multiple-choice and short answer exam. 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 discuss hubris and reputation damage using a video on the curious case of Jeffery Sonnenfeld at Emory University.

### **7. Bent Preferences: Re-Thinking Motivation**

Much of business education is based on the idea that people have personal preferences that guide the choices they make. So viewed, preferences are exogenous to choice. Alternatively, preferences can be analyzed as endogenous, as "bent" by the network around a person. Examples are the relative income hypothesis in economics, social comparison in psychology, and relative deprivation in sociology. Advances in network analysis give us a handle on these concepts so they can be used to guide management. This session is an introduction to the argument, evidence, and application of "bent" preferences - especially with respect to the crippling "network fear" they generate. The session is based on material in Chapters 2, 4, & 8 of [Neighbor Networks](#).

### **8. Managers in a Network Organization (WARNING: Send [Network Management Write-Up](#) to me by email by February 27)**

This session is about managing entrepreneurial activity without crushing it, and getting the managed to buy into their management. Google's Project Oxygen was launched late in 2009 with the goal of answering a question often raised by the company's engineers

and executives: “Do managers matter?” The question generated a multi-year research project that ultimately led to a comprehensive program, built around eight key management attributes, intended to help Google’s managers become more effective. The “Project Oxygen” case shows how companies can use data-driven, evidence-based approaches (often termed “big data” or “people analytics”) to improve the practice of management. By November 2012, the eight attributes had been widely adopted within Google, and the company was able to show significant improvements in manager effectiveness and performance. Booth graduates hired by Google are still going to “Project Oxygen” training today. The brief “Googley” case in the course materials sets the 2008 context for the 2009 Project Oxygen. Also included in the course materials, for general backup reading, is a business article “Management half-truth and nonsense: how to practice evidence-based management.” By the end of February 27, send to me by email your Network Management Write-Up answering the following questions (see page 6 “Deliverables” for further details):

1. How would you describe Google’s culture? What kinds of people work at Google?
2. How were managers viewed before Project Oxygen? What should be the role of HR in such a setting. What should be the role of managers?
3. What is the key bit of evidence in Project Oxygen?
4. Describe three aspects to the execution of Project Oxygen that we have discussed in this course (there are several).

### 9. Organization Cases (WARNING: **Complete the INSEAD social capital website entry** by March 11)

I will send a URL to you by email where you can begin the task of entering your network into the INSEAD website so that a social capital report on your network will be available to you for the next class. The March 11th deadline for completing this task is necessary because I cannot generate anyone’s report until everyone to be considered has entered their network (individual reports contain comparisons to the class as a whole so you have a better sense of your own network).

In this class session nine, we’ll discuss brokerage as a company competitive advantage. The first case is about Ray Kroc and the McDonald brothers establishing fast food in America. The second case is the successful biotech company, Affymax, and its acquisition by Glaxo Wellcome in 1995. The third case is about British Petroleum practices underlying the striking company turnaround in the 1990s. There is a BP case in the course materials that would be helpful for the session, but is not necessary. For those interested, here are central questions in the BP case: How do “peer assists” contribute to BPX’s ability to learn? How is a peer assist an act of network brokerage? How do “peer groups” contribute to BPX’s ability to learn. In particular, what incentives are in place to encourage managers to transfer knowledge? How would you move BPX’s learning capabilities to other parts of BP, or to other companies? Note that these questions are offered as helpful guidance to reading the case. They are not an assignment.

## 10. Individual Manager Cases (WARNING: Send your **Individual Network Write-Up** to me by email by March 22)

In this final class session, we'll discuss two video cases that illustrate the skilled use of brokerage, and close with a discussion of individual social capital reports such as the one you have on your own network. John Clendenin is a middle-manager at Xerox in the 1980s. Against shrinking budgets everywhere, John manages to build an exceptionally successful group. How he does it is our interest. Charlotte Beers is CEO of the advertising company Ogilvy & Mather in the 1990s. In a dramatic turn-around, she takes the company from dying to industry leader. How she does it is our interest. There is a Charlotte Beers case in the course materials that could be helpful for the session, but definitely is not necessary. For those interested, here are central questions for Charlotte's turn-around strategy: How would you describe the market in which Ogilvy & Mather operates when Beers takes over the company? How would you describe the condition of Ogilvy & Mather when Beers takes over? What is Beers' vision for revitalizing Ogilvy & Mather, and how does it address the market and organization pressures on the company?

## DELIVERABLES

### Class Participation

You are expected to participate in class discussion of concepts, evidence, and illustrative cases. I will distribute handouts in class for the lecture sessions so you can note issues on which you have ideas or questions. Beyond study questions, try to constructively evaluate positions taken by your classmates. Also, 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. It is not likely that everyone will participate in a significant way in every case discussion. Nevertheless, you are expected to be prepared to participate from time to time. I will cold call on students in class.

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

### Midterm Examination

The sixth class session will begin with a midterm examination on topics covered in the first five sessions. The exam will be limited to what was discussed in class. (You don't need to worry about slides that were not discussed in class.) The exam will involve no books, notes, or computers. The Chicago Booth Honor Code should be borne in mind. The goal with the exam is to ensure that you can discuss the course concepts without having to look them up on a crib sheet. Example exam questions are posted on my teaching website and will be discussed in the fifth class session.

### Network Management Write-Up

Send to me by email your written answers to the four Google study questions on page 5 of this syllabus. This is an individual assignment, only accepted before the end of February 27. Your submission should not exceed five pages, and your response to Question 4 should be a full one of the pages.

### Individual Network Write-Up

This is an opportunity to reflect on issues and opportunities provided by the network around you in your current, or most recent job of interest. I will have INSEAD send a URL to you by email where you can begin the task of entering your network into the INSEAD website so that a social capital report will be available

to you for the last class. You will receive a password from the INSEAD website to ensure that no other student can see your confidential social capital report. You need to complete the network survey at the INSEAD website by March 11 so that I can generate your social capital report for the last class (individual reports contain comparisons to the class as a whole so you have a better sense of your own network). Once the data are in, I'll run the reports and you'll receive an email message letting know that your report is ready for you to download. The last item in our final class is a discussion of some of these reports (don't worry, yours will not be discussed unless you are asked and say it is ok). I recommend that you print your social capital report and bring it with you to the final class session so you can make comparisons to the ones discussed in class. Your final assignment is to write up your own network by answering the questions I'll distribute during the last class. Send to me via email your individual network write-up of 5 pages or less by March 22, the Friday of exam week.

## GRADES

Your grade will be calculated as follows:

- 20% Class participation
- 5% Network Worksheet
- 40% Midterm Examination
- 15% Network Management Write-Up
- 20% Individual Network Write-Up

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. Any requests for re-grading must be submitted in writing within one week of the receipt of the grade. The request must include an explanation of why you believe the grade to be in error. Grades can go up or down after a re-grade. Class participation grades are not open to re-grading.

## 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 require any accommodations for this course, as soon as possible please provide your instructor with a copy of your Accommodation Determination Letter (provided to you by the Student Disability Services office) so that you may discuss with him/her how your accommodations may be implemented in this course.