

## **Networking is key to value creation. V3**

### **What is the purpose of this article?**

Enable business leaders to have a discussion about networking and its role in value creation.

This article does not provide tax, legal or financial advice.

You must do your own research and fact-based analysis using current and relevant information.

### **What are the critical learnings in this article?**

- 1) All of your networks together can have a total of 150 people.
- 2) With each person in your network, you have a mutual relationship, with varying degrees of trust, support, willingness to help, emotional, and social connection.
- 3) Over time, people will enter and leave your networks and move between levels.

### **Research show that CEOs with diverse networks create higher firm value.<sup>1</sup>**

How do diverse networks impact value creation?

- 1) CEOs obtain diverse knowledge, leading to innovation
- 2) Multi industry and multi country relationships lead to more business opportunities.
- 3) Connections with people having different cultural background, knowledge, and experience help with building a diverse workforce. Value creation requires drawing talent from many different places.
- 4) Provides CEO with early warning of new and changing: customer needs, competitors, workforce needs, technology, etc.,

Basically, the network provides the CEO with a broad understanding of the world around them and their company.

### **What are some of the potential networking benefits to the CEO?**

Networking can provide value to the CEO, the CEO's organization, and to society. This can be part of the CEO's life-long learning and un-learning.

- 1) Exchanging ideas and getting fresh ideas.
- 2) Sharing and gaining new knowledge.
- 3) Sharing and gaining different perspectives.
- 4) Figuring out and getting answers to a question.
- 5) Being able to find other people who can help e.g. if the CEO wants to learn about taking a private company public and wants to find others who have done this.
- 6) Meeting their purpose in life and values by helping others when there is no personal or company benefit e.g. mentoring MBA students.

### **What are the benefits to people for being in the CEO's network?**

These benefits are aligned with the benefits to the CEO.

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- 2) Sharing and gaining new knowledge.
- 3) Sharing and gaining different perspectives.
- 4) Figuring out and getting answers to a question.
- 5) Being able to find other people who can help.

### **What is your network?<sup>2</sup>**

- 1) Your network is your set of relationships with people.
- 2) The characteristics of a network include: trust, support, willingness to help, emotional, and social connection.
- 3) You can have 150 people in your network, with whom you have some degree of mutual trust, support, willingness to help, emotional and social connection. 150 is a cognitive limit, determined by your psychology, your mental ability, and energy to create and maintain your network. The 150 number is known as Dunbar's number, determined by Robin Dunbar, a British anthropologist and evolutionary psychologist famous for his work on human social networks.
- 4) You may have more than 150 people in your network which means that your relationships are not as deep.

### **What are the different kinds of people in your network?**

- 1) Your network may include: family, friends, neighbours, those you have hobbies with, your church, your charities, etc.
- 2) Your network may also include people from your business world: colleagues, employees, customers, suppliers, regulators, shareholders, etc.
- 3) In total, you can have 150 people with whom you can have some degree of mutual social relationship.

### **What are the different layers in Robin Dunbar's overall network?**

Note that the total number of relationships is 150.

- 1) 150 people in broader social network. Trust is more limited and based on social norms rather than personal relationships. Limited sharing of confidential information. Support is more about advice and information sharing than emotional or financial help. There is some willingness to help, but based more on social norms rather than personal relationships. Limited emotional connection.
- 2) 50 of the 150 are friends. Trust is more limited and may be based on a specific context e.g. work. Confidentiality is still respected. General willingness to help, but requires specific request and depends upon the nature of the request. There is still some degree of emotional connection.
- 3) Up to 15 of the 50 are good friends. Trust is high but not unconditional. Emotional support is still available, but to a lesser degree than for 5 people. You're still willing to help, but more often need to be asked. You still have emotional connections, often based on shared interests and experiences.
- 4) Up to 5 of the 15 people in your innermost circle. Trust them the most – perhaps unconditionally. You support the most, which may include financial and emotional. You are willing to help and often help without asking. You have a deep emotional and social connection, which may include love.

### **What do the layers look like in your business network?**

- 1) 1,500 people (Professional recognition) There is no ongoing relationship. You may know their names, faces, and professional position but you have no ongoing relationship.
- 2) 150 (General Business Acquaintances) These relationships result in introductions, referrals, collaborations, and opportunities. Tend not to be deeply personal.
- 3) Up to 50 of the 150 (Extended professional network) Not a shared deep personal bond. Valuable for information exchange, etc.
- 4) Up to 15 of the 50 (Key professional contacts). A close relationship with a mutual respect and professional support. May include key customers, advisors, and colleagues.
- 5) Up to 5 of the 15 (Closest professional confidants). You have deep trust with them. They provide critical advice, emotional support, and are often involved in strategic decision making. They may include: advisors/mentors, business partners, or close colleagues

### **How do you stay in touch with your business network?**

- 1) 1,500 people (Professional recognition) You share your insights, learnings, and thought leadership content. You speak at events and publish.
- 2) 150 (General Business Acquaintances) You use general emails to share important news and updates to ensure you stay on people's radar. You participate or host industry events to enable engaging with multiple people.
- 3) Up to 50 of the 150 (Extended professional network) Your monthly or quarterly newsletters provides your updates and thought capital. You share achievements and insights on LinkedIn and engage the 50 on LinkedIn.
- 4) Up to 15 of the 50 (Key professional contacts). You have regular video or coffee meetings, perhaps quarterly. You send personal emails.
- 5) Up to 5 of the 15 (Closest professional confidants). Your deep personal engagement and mutual support is enabled by regular one-on-one communication. You share personal experiences, insights, and potential opportunities.

Across all 1,500 people you maintain a consistent brand about who you are. You always look for ways to provide value e.g. knowledge, offering help, and connecting people with each other and with opportunities

### **How do you grow your network of professional relationships?**

- 1) Your network members proactively do introductions.
- 2) You ask your network members for introductions.
- 3) You meet people at events and have a follow-up meeting.
- 4) You do "cold call" requests for connecting.
- 5) You respond to "cold call" requests for connecting.

Read appendix A "The difference between a business introduction vs a referral"

### **What are the greatest challenges to getting value from professional networking?**

- 1) You don't believe that networking is valuable.
- 2) You don't believe you need to keep learning on both a broad spectrum as well as new deep domain knowledge.<sup>3</sup>
- 3) You are not comfortable talking about your issues and challenges.
- 4) You don't know who to network with.
- 5) You don't take notes during networking discussions and meetings.<sup>4</sup>

## **The greatest challenge to networking is deliberately allocating time to networking.**

Individuals are overwhelmed with electronic information. 2009 University of California, San Diego study estimated that the average American was receiving 100,000 words a day, about 34 gigabytes of data.<sup>5</sup> A McKinsey Global Institute study in 2012 also estimated 100,000 words a day.<sup>6</sup>

People don't have the time to:

- 1) respond to every email, text, LinkedIn msg, etc.,
- 2) read all the articles
- 3) respond and connect with every connection request
- 4) have regular coffee or Zoom calls with everyone they know.

You're already swamped by the time needed for all your other networks.

In today's hypercompetitive world, the work challenges and issues can become all consuming.

### **What are your next steps for your business network?**

- 1) Define your own definitions and criteria for networking.
- 2) Go through your existing network of relationships, including business names, and assign them to a level e.g. 5,15,50,150,1500
- 3) Analyze the results. You may need to reallocate levels across your various networks. Consider how your business network supports your value creation. You may discover weaknesses in your business network, reallocate levels, and seek to grow certain levels.
- 4) Create a structured process for creating and maintaining a network of business relationships. Your process will recognize that people will enter and leave your network and that the degree of closeness and engagement with individuals will change over time. This process will be supported by your CRM.

### **Footnotes:**

<sup>1</sup> Yiwei Fang, Bill Francis, and Iftekhar, "Research: CEOs with diverse networks create higher firm value", *Harvard Business Review*, April 10, 2018

<https://blog.hubspot.com/blog/tabid/6307/bid/5057/tips-from-chrisbrogan-on-how-to-beat-dunbar-s-number.aspx>

<sup>2</sup> Robin Dunbar, "Dunbar's Number", *New Scientist*

<https://www.newscientist.com/definition/dunbars-number/#:~:text=The%20rule%20of%20150&text=This%20is%20what%20is%20known,basic%20military%20unit%2C%20the%20company.>

<sup>3</sup> Exhibit 3 on page 5 of this McKinsey article illustrate the need to continue to learn new deep domain knowledge into your late 70s and even early 80s.

<https://www.mckinsey.com/business-functions/organization/our-insights/seven-essential-elements-of-a-lifelong-learning-mind-set>

<sup>4</sup> Notetaking is key to value creation

<http://koorandassociates.org/creating-business-value/note-taking-is-key-to-value-creation/>

<sup>5</sup> University of California, San Diego "UC San Diego Experts Calculate How Much Information Americans Consume" Dec 9, 2009

<https://qi.ucsd.edu/news-article.php?id=1630>

<sup>6</sup> Daniel H. Pink, *To sell is human*, (New York: Riverhead Books, 2012), page 159

### **Further reading**

Herminia Ibarra and Mark Lee Hunter, "How leaders create and use networks", *Harvard Business Review*, January 2007

If you're going to ask someone to do an introduction

<http://koorandassociates.org/creating-business-value/if-youre-going-to-ask-someone-to-do-an-introduction/>

### **Appendix What is the difference between an introduction vs a referral?**

#### **What is a referral?**

- **Purpose:** A referral is made with the explicit intention of recommending a business, product, or service to fulfill a specific need or requirement. Referrals are based on trust and often come from previous positive experiences with the service or product being recommended.

- **Endorsement Level:** Referrals carry a higher level of personal endorsement and trust. The referrer is essentially vouching for the quality, reliability, and suitability of the business or individual being referred. This involves a certain degree of risk to the referrer's reputation if the recommendation does not meet expectations.
- **Expected Outcome:** The expected outcome of a referral is more concrete than an introduction. There is an anticipation that the referred party will provide a product or service that meets the needs of the party receiving the referral, potentially leading to a business transaction or professional engagement.

#### What is an introduction?

- **Purpose:** The primary aim of a business introduction is to make two parties aware of each other's existence and to highlight potential areas of common interest or benefit. It's a way of expanding one's professional network.
- **Endorsement Level:** An introduction carries a lower level of personal endorsement. The person making the introduction may simply be acknowledging that the two parties might benefit from knowing each other, without making any specific claims about the value of their products, services, or professional capabilities.
- **Expected Outcome:** The outcome of an introduction is generally the beginning of a dialogue or a relationship between the introduced parties. There is no explicit expectation of a transaction, partnership, or specific action as a direct result of the introduction.

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