

## ***HIDDEN TREASURE: HOW KEY ACCOUNT MANAGERS CAN PROFIT FROM INFORMAL NETWORKS***

- *Every company has an Org Chart.*
  - *Everybody has a corporate title.*
  - *Everybody knows who reports to whom  
(well, at least they have some idea).*
  - *Groups are organised based on function.*
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Traditionally, this is how Key Account Managers are taught to think about their clients. They are encouraged to spend a lot of time understanding the organisation chart, trying to get introductions to senior people, and developing initiatives that are both introduced and managed from the “top down”.

Yet, key account managers who focus solely on organisational structure may be missing an opportunity to harness skills and integrate better with their clients. Researchers are increasingly fascinated by the hidden, informal networks that operate – largely unacknowledged – in all businesses. Based on characteristics such as skills, trust and communication, these networks are a source of enormous productivity if recognised and utilised. However, left unchecked, they can block communication, undermine morale and damage business success.

### ***Management Structures vs. Networks***

Based on personal relationships rather than organisational hierarchies, networks have been shown to be extremely powerful in adapting to fast-changing market conditions and in meeting customised demands from consumers. In general, research across various industries has shown informal networks to be:

- Flexible
- Responsive
- Creative
- Innovative
- Efficient
- Individually Rewarding

Informal networks are especially useful in accessing real or intellectual resources that a firm may not otherwise be able to "reach". As a result, academics now regard informal networks as equally important as other assets such as human capital and financial strength. This is an important finding in the context of Key Account Management given that the role of a key account manager is to coordinate a relationship across business functions and organisational boundaries.



## ***Types of Informal Networks***

Be aware of the hidden treasure in your key account! Beneath every formal organisation chart is any number of informal networks. Each network is based on a complex set of relationships and coalitions which form around skills and personal characteristics not reflected in the formal business structure. These networks will adapt as business demands change; adaptability is one of the core strengths of informal networks. They are also very efficient and will tend to skip both formal business divides and procedures in order to deliver results.

Three types of network have dominated academic interest:

### 1. Advice Networks

An informal advice network will centre on those people with the strongest technical skills. These people will tend to be analytical problem-solvers and technical experts, knowing how to source scarce resources. Mapping advice networks may reveal whether KAM teams are interacting with the right people on technical and routine client issues and can identify risks to achieving strategic objectives.

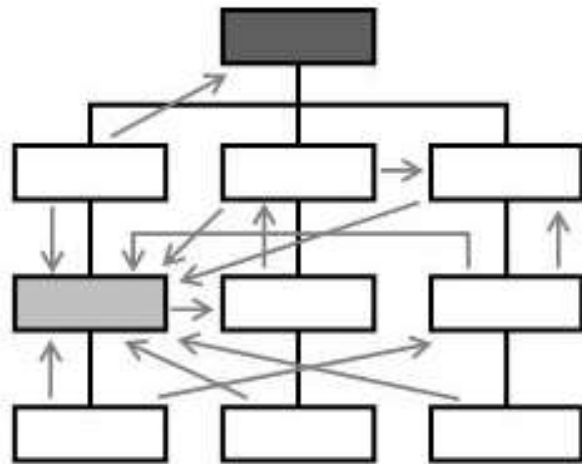
### 2. Trust Networks

One of the least appreciated informal networks of any business, trust networks centre on people who are regarded either as "good people" or as people who can be trusted to "get a job done". They will likely hold sensitive information about the organisation and will be the first call for back-up in times of crisis. By the very nature of these relationships, people at the centre of the trust network are especially important for initiating collaboration and bringing groups to work together. They are especially important when initiating complex programmes that might involve significant organisational change in your customer.

### 3. Communication Networks

Informal communication networks stand in almost direct contrast to formal organisational structures. Formal business structures tend to encourage communication in just one direction, sending instructions down individual business lines and receiving reports and updates in return. There is little dialogue either vertically or horizontally. Communication networks identify exchange points for information based on the quality and transparency of two-way dialogue, rather than simply measuring the frequency of communication. Those at the centre of the communication network are vital to businesses and KAM teams alike as they can promote (and just as easily, subvert) the clear and rapid dissemination of vital information. Additionally, identifying communication patterns in informal networks can highlight blockages or points of over-communication in areas requiring inter-functional communication.

The common factor in each type of informal network is that linkages and communication paths rarely coincide with the formal organisational structure. Those people who are well-regarded based on their competence will not be the same as those who anchor the trust network. The people who channel communication may actually appear in the middle of the organisation chart. Most importantly, informal networks will feature a web of vertical, horizontal and diagonal social ties spanning the entire business.



Here's some food for thought: key account managers rarely have a specific plan for connecting with the informal networks of their key accounts. So, technical advice might be sought from the wrong people (missing the advice network). Implementation of change in the relationship may falter (missing the trust network). Or, communications blockages may hinder the delivery of key information (missing the communication network). All of this could severely dilute effective delivery.

## ***Benefits of Using Informal Networks***

Researchers have identified a string of benefits for managers who consciously try to understand and manage informal networks:

- Re-energising stalled projects
- Meeting tight deadlines
- Customising client solutions
- Enhancing business performance
- Developing product creativity
- Creating consistent standards
- Facilitating inter-functional coordination
- Encouraging effective collaboration
- Building customer loyalty

Clearly, informal networks could be very useful for Key Account Managers both inside their own organisation and when managing relationships at a major client.

## ***How to Map Informal Networks***



While many Key Account Managers believe they already know the important relationships of trust and communication within their own firm and across their major accounts, research has shown that this is rarely the case – especially beyond their first few points of contact. One tool that Key Account Managers may find useful in mapping internal networks is a Network Diagram. Although the results will be messy, sketching out the many intertwined relationships on a Network Diagram may be the only way to locate the centres of informal networks.

Network Diagrams highlight the differences between each individual attribute (competence, trust and communication) and contrast these with the official organisational structure. They also allow you to identify the most important people in your organisation and across your clients – based not on title but on influence and impact. This could add enormous power when addressing complex customer needs. Only by mapping these hidden networks can a KAM team efficiently manage its interactions with a target client and, therefore, maximise the impact of any resources or initiatives devoted to the relationship.



The process of mapping an informal network falls into four broad stages:

## Step 1: Determine the key strategic issues and identify the audience

- Network mapping begins with identifying the key business objectives for the tasks ahead. It could be communication mapping we are after, or mainly trust or advice networks.
- Define how broadly your team is constructed, and if you want to apply it solely to internal cross-functional teams or cross boundaries.

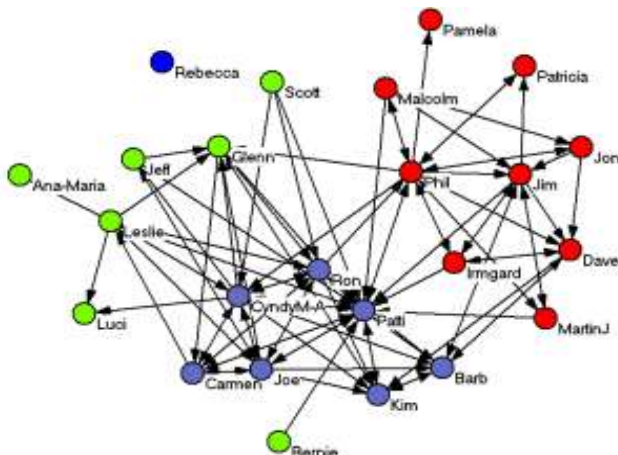
## Step 2: Gather information

- Now, start asking: where does your customer contact go for advice? (advice networks). Where does your customer contact go, to get things done? (trust network). Where does your customer contact go, to find out the latest gossip in their company? (communication network). Or, ask the same questions inside your own company.
- If you want free software to help you analyse social networks, try UCINET, NETDRAW, or Visone.
- Where you can, put actual names on your network maps.
- Some other questions that could help you map a network are:
  - How often do you talk with [the following people] regarding <X>?
  - How likely are you are to turn to [the following people] before making a decision about <X>?
  - Tell me some of the people you regularly communicate with to develop <X >; Who do you talk to on a daily basis about <X>
  - Whom would you trust to keep in confidence your concerns about <X>

## Step 3: Analyze & Interpret the Data

The network diagram could show you:

- Network Density- the degree of connectivity that exists in a network. The denser the network, the more effective it is.
- Degree Centrality- How far a person occupies a central position in the network. The closer your contact is to the centre of the network, the more influence they have on that network / over that issue.
- Cohesion- Average number of ties that are traversed from any person in the group to the other. The closer they are, the stronger the network.



## Step 4: Create Recommendations for Action

- Once you understand the strengths and shortcomings in an informal network, you could look again at your communication plan for this key account. Are you planning to talk to the right people? Have you missed anyone influential?

## ***Costs of Ignoring Informal Networks***

You might think that there is little cost to ignoring informal social networks. By their nature these networks are elusive and constantly shifting; the cost of not managing them is difficult to assess. Yet research has shown that these costs can range from lost opportunities and business inefficiency, through to failed strategic initiatives and even the (deliberate) sabotage of business goals.

Informal networks left unmanaged can lead to an enormous range of problems including: communication blockages; frustration; declining productivity; information warehousing ('I know this, but I'm not telling *them*'); cultural divides; loyalty to individuals rather the firm; political infighting; and, perhaps most disturbingly, poor customer satisfaction.

## ***Why Informal Networks Matter in KAM***

Key Account Management is concerned with developing deep understanding of, and strategic partnerships with, key customers. In this context, internal networks are important in two ways.

First, understanding your own firm's informal networks will help you to respond to the needs of your key customers in an effective and timely way. Understanding networks will allow you to involve the people who anchor informal networks of expertise, trust and communication from the outset. Research has shown that this can smooth internal conflict and lead to the right people and teams being recruited for unusual and complex requests. The result will be that internal obstacles are overcome, high-quality solutions delivered and tight deadlines met.

Second, KAM teams can gain a much better understanding of their customers' expectations, needs and levels of satisfaction by communicating directly with people at the centre of the customer's informal networks. Dialogue with these key stakeholders will provide a more open and current assessment of business conditions and will allow for messages to be communicated across your customer's organisation more efficiently.

## ***Profiting from Informal Networks: THE 3 Ms***

*Being cross-divisional, multi-faceted and adaptive, KAM teams can be a major beneficiary of managing internal networks if they use the 3Ms: Map, Mingle and Manage.*

## **MAP**

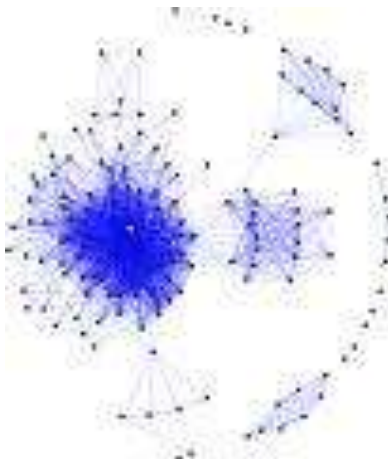
- Explicitly map the firm's informal networks
- Identify both key employees and organisational weaknesses
- Look for disconnects in expertise, trust and communication between your KAM team and the broader business
- Understand your business hierarchy in terms of informal networks
- Align your formal structure with your informal networks
- Think about your clients as webs of informal relationships

## **MINGLE**

- Internal networks are built on social ties .... So socialise!!
- Provide occasions for cross-divisional mingling
- Interact with your KAM clients at all levels: centres of trust and communication may be well below the top of the Org Chart

## **MANAGE**

- Do not ignore or underestimate the strength of informal networks
- Manage to the structure of informal networks perhaps even more than to the formal organisational structure
- Incorporate those at the centre of informal networks to head initiatives ("expertise" for routine changes, "trust" for structural change and "communication" for productivity-based projects)
- Identify communication holes and dependencies
- Manage your business, your team and your KAM clients by relying less on authority and more on relationships



Adapted from:

Krackhardt, D. & Hanson, J.R. (1993) "Informal Networks: the Company behind the Chart" *Harvard Business Review*, Jul/Aug, vol. 71 Issue 4, pp.104-111

Cross, R. et al., (2008) "Managing Collaboration: Improving Team Effectiveness Through a Network Perspective" *California Management Review*, vol. 50 No. 4, pp.74-98

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