

**CAROL KENNEDY**

# **GUIDE TO THE MANAGEMENT GURUS**

*The most comprehensive and authoritative guide to management thinking*

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## KAREN STEPHENSON

(b. 1952)

### *Mapping and managing human networks*

Professor of management from 1990 to 2000 at the University of California in Los Angeles (UCLA), computer software entrepreneur and 'corporate anthropologist', Stephenson's speciality is the identification and management of human networks, both in and beyond the world of business organizations. Her methodology of social network analysis (SNA) became a hot topic after the terrorist atrocities of 11 September 2001; in her words 'a monumental moment [when] people realized that human networks could undermine anything'.

A highly independent academic who ploughs her own furrow, she has lectured or held visiting professorships at Harvard's Graduate School of Design, the Sloan School of Management at Massachusetts Institute of Technology and Imperial College, London. Her last known offices, typically enough, were above a rambling second-hand bookstore in New York's Greenwich Village.

She is president of her own Web consultancy, Netform, owning patents on software for analysing human networks, and has been a consultant on change and innovation to leading businesses such as J P Morgan and Hewlett-Packard. Since 9/11, she has also been an adviser to the US Defense Department on counter-terrorism. Her body of research on corporate relationships – she harvests confidential information from at least 80 per cent of individuals in any company she studies – now forms probably the biggest databank of business networks in the world.

A former Texas fine arts and chemistry student who took simultaneous degrees and then moved on to study quantum chemistry at the University of Utah, Stephenson's fascination with molecular patterns led her after three years to switch to anthropology and the study of ancient human trading networks. She earned her master's in anthropology (mathematical modelling) studying with two theorists who invented the field, and her paper won her an invitation to become a doctoral student at Harvard. Her interest in anthropological parallels with business organizations was inspired by the famous Margaret Mead and her work among primitive tribes in Papua New Guinea.

'In many ways the executive working for a large corporation is as exotic a creature to study as the member of a primitive tribe,' Stephenson explained to skeptical colleagues at Harvard. She went on to study primate behaviour and identified human equivalents to the grooming practices that encourage cohesion among groups of chimpanzees. Among corporate employees these would include shared experiences, small talk and gossip around the water cooler or coffee machine.

In a major research project for IBM's Advanced Business Unit, she established her now-famous roles of hubs, gatekeepers and pulsetakers within an organization; respectively, individuals who possess information through influential connections; other individuals with access to those hubs (who sometimes form information bottlenecks); and individuals with an insight into the psychology of the organization through their web of cross-functional relationships.

Overlaying these, Stephenson teaches, are six types of knowledge network governing our lives, between which individuals may move, changing roles from, hub in one to pulsetaker in another. Gatekeepers and pulsetakers play a key role when an organization is planning major change because they can be employed to test the water by respectively spreading word of a new work process and reporting on its reception at ground level.

Stephenson's 'quantum theory of trust' argues that trust is the essential lubrication for an organization's knowledge and information to flow at top efficiency: conversely, undermining trust in hubs, gatekeepers and pulsetakers is a useful weapon for weakening a malign network such as al-Qaeda. In this respect, Karen Stephenson's work could turn out to be more powerful against the global terrorist threat than the blunt instrument of military action.

Social network analysis - identifying and managing the hidden networks within an organization - is now, largely thanks to the work of Karen Stephenson, increasingly recognized as a means of leveraging organizational learning, retaining key workers, planning succession, harvesting innovative ideas and managing both the rate and quality of change. This collective capability, Stephenson argues, depends on trusted relationships between individuals and has more power to influence the success or failure of an organization than any managerial hierarchy.

Stephenson calls this the 'quantum theory of trust'. Among its many benefits, a high-trust organization also lowers transaction costs: when people feel able to speak freely about their work and offer suggestions for improving processes within the business, opportunities multiply and time-frames are shortened. Companies can enhance their competitiveness and power to innovate by cultivating a high-trust organization and by enabling the right people to work in conjunction with each other. It is an idea that other management thinkers have explored from their own perspectives, notably the INSEAD professors Kim (qv) and Mauborgne (qv).

Stephenson works within corporations by interviewing or issuing confidential questionnaires to at least 80 per cent of the employees. Questions include who they work with, from whom they seek career advice or creative collaboration, and who they socialize with. She then feeds this data into her network modeling software and produces a series of maps revealing all kinds of possible networks, each of which has 'an intelligence more than the sum of its parts'.

The idea of key organizational roles such as hub, gatekeeper and pulsetaker was not wholly originated by Stephenson, but she has used mathematical techniques, such as algorithms, to track them more precisely and to suggest how they can be used to improve organizational performance. Her mapping technique uncovers the hidden circulatory system of the organization and enables the effectiveness of individuals in various connected networks to be assessed; a valuable tool for succession planning as well as for solving efficiency problems and pushing forward change.

'If I wanted to increase learning in an organization,' she said in a 2002 interview with the US business writer Art Kleiner, 'I would take a gatekeeper in an innovation network and put her or him with a pulsetaker in an expert network. That's an algorithm for facilitating the distribution of knowledge.'

She uses her methodology to solve many different corporate problems. At Hewlett-Packard she advised on ways to foster better innovation, at Merrill Lynch to find out why some of its HR managers were more effective than others, at JP Morgan to help in pre-merger work, at IBM to assist in re-engineering processes and at Steelcase, a large US office-equipment manufacturer, to devise a system for designing space for its clients based on good communication flows.

She believes that in any organizational culture there are at least six layers of knowledge, each reflected in a network of people exchanging different kinds of information. The most basic is the work network, involving routine daily contacts and functional talk, the so-called 'resting pulse' of the organization. Then there is the social network, the people both inside and outside work with whom others discuss what is going on. Third comes the innovation network, people who feel they are sufficiently on the same wavelength of trust to try out new ideas on each other and perhaps challenge accepted ways of doing things in the organization. Fourth is the expert network, people who have a stored knowledge of the organization and to whom others turn for expertise but not necessarily for support in innovation. Fifth is the career guidance or strategic network, mentors or the people to consult about one's future. Finally, the learning network, people who make improvements by bridging the gap between old (expert knowledge) and new (innovation).

This last network crucially involves those one would trust enough to share sensitive information with. It is important enough to stand alone but works better, Stephenson says, in conjunction with other knowledge networks within a culture or community. It often lies dormant until the organization is faced by the need to change: it is then that the learning network in particular comes into its own as a vehicle for driving change through trusted individuals.

When explaining these hidden roles in a change process, Stephenson likens it to invisible laser beams criss-crossing a high security room. A person entering the room without knowledge of where the beams are will set off alarms: SNA guides the change-planners through the invisible maze. Mergers, she points out, are another fraught area where skilful use of gatekeepers and pulsetakers can avoid many damaging uncertainties. In such situations, the best people will want to know what the new setup holds for them; not always in financial terms but also in creative, job-satisfying ones. The networks can tell them more accurately than the architects of the merger, who tend to see the numbers first.\*

In the wider world of marketing and advertising, the study of individuals as information hubs and communicators has been taken up in recent years by populist writers such as Malcolm Gladwell, whose bestseller, *The Tipping Point*, created a new buzzword. A 'tipping point' happens when a mysterious process of public-opinion-forming, largely carried by word of mouth, builds up to become an epidemic-like force in anything from shoe sales to political campaigning.

Stephenson's unique contribution is to bring mathematical rigour to this otherwise fuzzy phenomenon of information and opinion flows and to capture its workings within organizations. Just possibly, it may also help unravel the world's current worst enemy, al-Qaeda and its unpredictable offshoots. Before September 2001, the fanatical Muslim network's existence was barely known outside intelligence circles: in 2005 it suddenly mutated into a new and even more alarming phenomenon, turning ordinary young British-born men into suicide bombers and mass killers. Al-Qaeda's new 'franchise' operatives, apparently linked only by modern technology and antique religion, will be the toughest challenge yet for the young science of social network analysis.

## KEY WRITINGS

Dr Stephenson has contributed to many academic journals, including a co-authored article in the *Journal of Manpower* (1996), 'Managing Workforce Diversity', for which she won an innovation award. But until 2006 her work has been mainly available in the form of videos.

Stephenson, K. (2006) *The Quantum Theory of Trust*, London: Prentice-Hall.

\* *Successful Innovation*, Michel Syrett and Jean Lammiman (Economist Books, 2002).