How Relationship Managers Synergize Networks

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Research Purpose & Motivation

- What effect does the synergy between formal and informal networks have on RM performance?

- RMs are boundary spanning employees responsible for end-to-end relationships with customers.

- Motivation:
  - RM responsibilities continue to expand
  - RMs need access to information & cooperation—social capital
  - Over reliance on the effects of informal networks alone to explain performance differences
RM Social Capital

Social Capital Sources

- Social Structure
  - Brokerage
  - Density

- Social Relations
  - Formal Network
  - Informal Network

Social Capital Benefits

- Information Access and Control
- Cooperation
Synergistic Network Shapes

- **Brokerage**
  - Non-redundant information
  - Diverse information
  - Early access
  - Control
  - Arbitrage ability

- **Density**
  - Cooperation due to third-party monitoring
  - Social norms & sanctions
  - Mutual obligation

- **Network overlap**
  - Stronger ties
  - Opportunity to evaluate capabilities
  - Different ways to provide support
  - Positive emotional connection
1. **Cross-network synergy: combine benefits**

   Combine brokerage in one network (e.g. informal) with density in a different network (e.g. formal) to enhance performance.
Three Network Strategies

2. **Overlap-network synergy: leverage information**
   - Combine brokerage in one network (e.g., formal) with network overlap to enhance performance.
Three Synergy Strategies

3. Overlap-network synergy: enhance cooperation
   - Combine density in one network (e.g. informal) with network overlap to enhance performance.
Study Methodology

- **Context:**
  - Latin America B2B manufacturer and distributor (equipment, chemical supplies, technical service)
  - 472 employees, including 109 RMs
  - 464 responded, including 101 RMs

- 6-month sales growth is the outcome variable

- **Formal network measurement:**
  - Organizational charts, policy documents, senior HR manager
  - Ties included superiors, subordinates, and peers

- **Informal network measurement:**
  - Whom would you trust to confide your concerns about work-related issues? Whom would you invite to happy hour after a workday?
The Networks

Formal Network Key
1 – Production (3 Groups)
2 – Logistics & Distribution
3 – Accounting & Finance
4 – Marketing & Administrative Support
5 – Division Managers
Results

- Alone formal matters most
- Synergies have largest effects
- Cross Network Synergy
  - 27% higher sales growth comparatively
Results

- Overlap-network synergy: leverage information
  - 18% greater sales growth comparatively
  - 27% greater sales growth comparatively
Results

- Overlap-network synergy: enhance cooperation

- 37% greater sales growth comparatively

![Graph showing sales growth comparison between high and low network overlap.](image)
Conclusions

- A focus on the influence of a single type of relationship or network can prove misleading.
- RMIs should be encouraged to actively combine benefits from multiple networks.
- Managers should assist RMs in developing far-reaching and nonredundant informal ties.
- Multi-relational ties are important for both leveraging information and enhancing cooperation.
- There can be a “dark side” to social capital effects.