



MAXIMIZING YOUR COMPANY'S PERFORMANCE

Building the Right Networks

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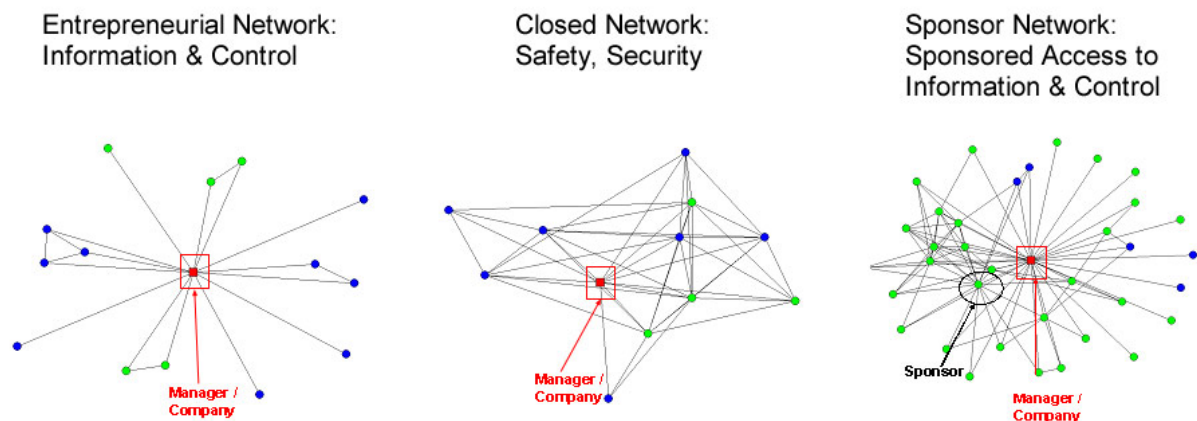
In business, relationships or networks are important. But did you know that different networks are more or less effective in different situations? How can you maximize your network results depending on your environment and goals?

Business networks

Managing business networks is an important part of successful international business. Research focusing on two business segments in 42 countries of a multinational company helped to understand the relationship between networks and performance in foreign investments. Results indicate that having the right network does matter.

Different network types

There are three basic types of network structures



- **Entrepreneurial:** Fewer people are connected to each other; one person or group in the middle controlling to whom information flows.
- **Closed networks:** Everyone in the network is tied together, establishing safety and security, increasing trust.
- **Sponsor networks:** An individual or group is linked closely to a sponsor having access to information and control.

Building the best network structure

Better performance depends on your reputation and business environment. Assess your company's situation and then consider which type of network structure you need to succeed.

If you need to establish your reputation in a market, a sponsor network is a good choice – build around a person or company with an established reputation.

For a country business unit with a good reputation, results indicated that the best network structure depended on the complexity of the business environment. In a less complex business environment, an entrepreneurial network was related to a higher operating margin while in a more complex business environment, a closed network was related to a higher operating margin.

Who is in your network?

“Who” is in the network had the strongest relationship with operating margin. Having a larger percentage of customers and key account contacts in the network corresponded to greater profitability. If your objective is new information for innovation, your network should contain people outside your traditional circle, maybe academics, journalists or other industry sources. Make sure that a majority of your network contacts are people who can provide information that contribute to reaching your objectives.

Ask yourself:

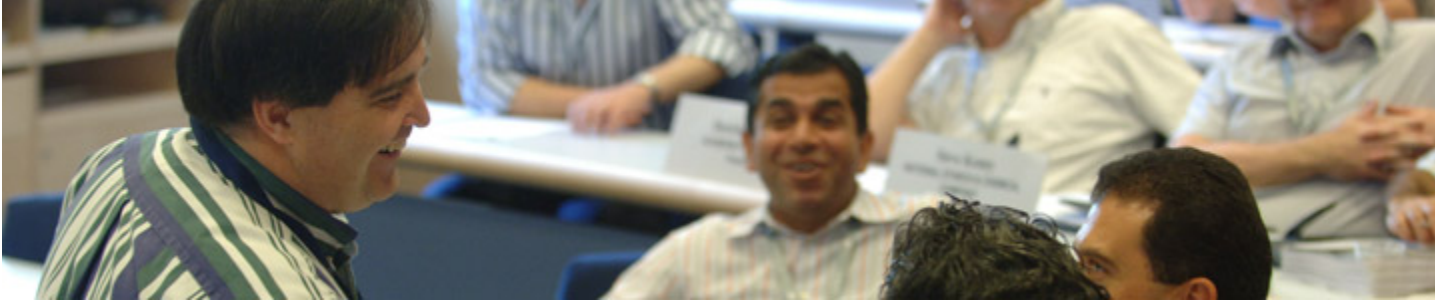
What is the reputation of your company? Do you need a sponsor network to establish your reputation?

How complex is your business environment? Do you need an entrepreneurial network for a less complex environment or a closed network for a more complex environment?

What is the objective of your unit: Profitability? Innovation? Market share? Which types of contacts outside your company can give you information and advice relevant to your goals?

Professor Martha Maznevski is director of the Program for Executive Development and the Strategic Leadership for Women program.

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