

# Munmun De Choudhury

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# Last class: human social networks have unique characteristic structures

# Formalist Approach

- Concerned primarily with describing the mathematical form of social networks
- Study the effects of forms, insofar as they are effects on the form itself, and the causes of these forms
  - E.g. Watts and Strogatz's small world network formulation
  - E.g., Barabasi's preferential attachment models

- Concerned with how patterns of relations can shed light on substantive topics within their disciplines.
- Structuralists study such diverse subjects as
  - health (Lin and Ensel, 1989; Pescosolido, 1992; Cohen et al., 1997; S. Cohen et al., 2001),
  - work (Burt, 1992; Podolny and Baron, 1997; Ibarra, 1993),
  - community (Fischer, 1982a; Wellman and Wortley, 1990)

A collection of human beings does not become a society because each of them has an objectively determined or subjectively impelling life-content. It becomes a society only when the vitality of these contents attains the form of reciprocal influence; only when one individual has an effect, immediate or mediate, upon another, is mere spatial aggregation or temporal succession transformed into society. (Simmel, 1908 [1971], pp. 24-25)

#### **Georg Simmel**



Georg Simmel

Born 1 March 1858

Berlin, Kingdom of Prussia

Died 26 September 1918 (aged 60)

Strassburg, German Empire

Nationality German

Alma mater University of Berlin

Era 19th-century philosophy

Region Western philosophy

School Neo-Kantianism

Lebensphilosophie<sup>[1]</sup>

**Institutions** University of Berlin

University of Strasbourg

Notable students

György Lukács

Main interests

Philosophy, sociology

Notable ideas

Formal sociology, social forms and contents, the tragedy of culture. [2] web of group affiliation

Defining Key Concepts in Network Terms

Testing an Existing Theory

- Looking at network causes of phenomenon of interest
  - Today
- Looking at network effects of phenomenon of interest
  - Next class

This class: not just your distance from Paul Erdos or Kevin Bacon, but your network position also matters!

# Social structures, creativity, and innovation

# Structural Holes and Good Ideas

# Summary

- Role of social network structure on access to social resources
- Burt's observations:
  - Opinions and thoughts within groups are homogenous
  - People who extend themselves across the 'structural holes' between groups are exposed to diverse ways of thinking
- Brokerage across structural holes between groups can lead to greater accumulation of "social capital" – quantitatively defining the *network constraint* measure, that uses the size, density, and hierarchy measures of an individual's egonetwork
  - Hypothesis is tested with a case study of the network structure of managers in a supply chain company

# Summary

- Managers asked to come up with an idea to improve the supply chain
- Then asked:
  - whom did you discuss the idea with?
  - whom do you discuss supply-chain issues with in general
  - do those contacts discuss ideas with one another?
- 673 managers (455 (68%) completed the survey)
- ~ 4000 relationships (edges)

#### Structural Holes

(Figure 1 from Burt 2004)

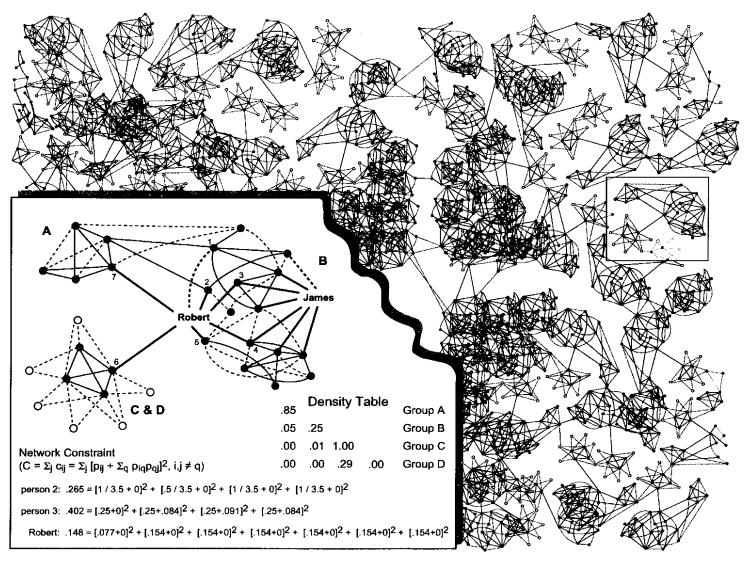


TABLE 1
PREDICTING PERFORMANCE

The results show a strong effect of network constraint on salary, evaluation and promotion, independent of the job/age characteristics related to human capital explanations.

|                       | 1<br>Salar | ry      | 2<br>Salar | ·y      | Evalu             |          | 4<br>Promo |        |
|-----------------------|------------|---------|------------|---------|-------------------|----------|------------|--------|
| Manager 1             | -31,099**  | (2,882) | -35,707**  | (3,498) | 973               | (.678)   | .689       | (.670) |
| Manager 2             | -16,652**  | (2,745) | -19,892**  | (3,479) | 863               | (.631)   | 1.165      | (.648) |
| Manager 3 (reference) |            |         |            |         |                   |          |            |        |
| Sr. manager           | 19,638**   | (3,782) | 15,484**   | (4,143) | .116              | (.843)   | 635        | (.885) |
| Executive             | 65,394**   | (4,522) | 61,930**   | (4,835) | .423              | (1.01)   | .221       | (1.08) |
| Purchasing            | 754        | (1,351) | 1,811      | (1,884) | .410              | (.313)   | .478       | (.345) |
| Age                   | 338**      | (52)    | 300**      | (71)    | 085**             | (.013)   | 084**      | (.013) |
| Bachelor              | 1,610      | (1,003) | 200        | (1,401) | 211               | (.237)   | .118       | (.240) |
| Graduate              | 734        | (864)   | -451       | (1,155) | 208               | (.203)   | .182       | (.204) |
| Hightech              | 3,516**    | (880)   | 3,150*     | (1,189) | .087              | (.209)   | .162       | (.210) |
| Lowtech               | -6,927**   | (1,481) | -6,607*    | (2,375) | 351               | (.342)   | 409        | (.378) |
| Urban 1               | 3,613**    | (1,046) | 3,947**    | (1,456) | .423              | (.247)   | 152        | (.252) |
| Urban 2               | 5,049**    | (1,010) | 5,585*     | (1,427) | 564               | (.238)   | 052        | (.243) |
| Network constraint    | -7         | (25)    | -1         | (38)    | 014* <sup>*</sup> | * (.004) | 022**      | (.006) |
| Mgr2 × constraint     | -19        | (35)    | -47        | (58)    | .004              | (800.)   | 008        | (.009) |
| Mgr3 × constraint     | -47        | (38)    | -159*      | (59)    | 007               | (.009)   | .003       | (.009) |
| SrMgr ×               |            |         |            |         |                   |          |            |        |
| constraint            | -214*      | (75)    | -216*      | (84)    | 005               | (.017)   | .010       | (.019) |
| Executive ×           |            |         |            |         |                   |          |            |        |
| constraint            | -681**     | (124)   | -697**     | (132)   | 011               | (.028)   | .024       | (.030) |
| N                     | 673        | ,       | 398        |         | 67                | '3       | 63         | 8      |

Note.—Coefficients in models 1 and 2 are change in salary dollars with a unit increase in row variable (respectively .80 and .83 squared multiple correlations; network effect plotted in fig. 4). Coefficients in model 3 predict three levels of evaluation for an ordinal logit model (114.8  $\chi^2$  with 17 df; network effects are plotted in fig. 4 holding age constant). Coefficients in model 4 are for a logit model predicting whether the employee was promoted in the year after the network survey or received an above average raise (100.5  $\chi^2$  with 17 df; network effect is plotted in fig. 4 holding age constant). SEs are given in parentheses.

<sup>\*</sup> P<.05.

<sup>\*\*</sup> P < .001.

# Four levels of brokerage

- Level 1
  - Make people on both sides aware of the interests and difficulties in the other
- Level 2
  - Transferring best practices from one group to another
- Level 3
  - Draw analogies between groups ostensibly irrelevant to one another (difficult for people who have spent a long time in a group because they use differences to justify continuing their behavior on the basis that the other group is a different context)
- Level 4
  - Synthesis
- A setting dependent on formal chains of command for communication is a setting rich in opportunities to coordinate directly across the formal chains

#### **Network Constraint**

- Measure of the extent to which the people a respondent knows are tied to each other
- High constraint means the network is redundant and recycles information
- Low constraint = bridging between groups = good ideas

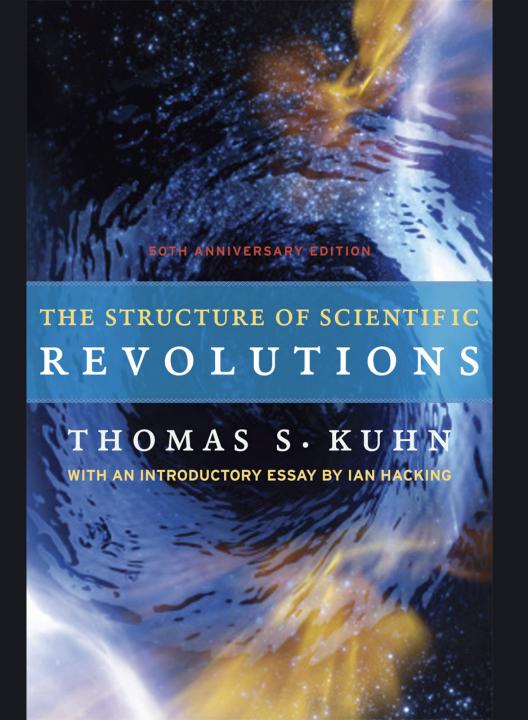
# Summary

- Main finding interconnected groups give rise to "better ideas" compared to densely intra-connected groups
- Other findings
  - 1) organizations that collaborate with partner firms show greater financial growth;
  - 2) higher ranked, high tech, and managers in urban settings came up with better ideas;
  - 3) managers who brokered connections across structural holes were rewarded for brokerage in terms of compensation, performance evaluations, and promotions

To what extent are the findings on the importance of brokerage and structural holes affected by the case studies considered?

What are some of the variables that should have been considered/controlled for in the study?

Can a structure (and related structural holes) be too large or small to realize the benefit of brokerage?



"Almost always the men who achieve these fundamental inventions of a new paradigm have been either very young or very new to the field whose paradigm they change. And perhaps that point need not have been made explicit, for obviously these are the men who, being little committed by prior practice to the traditional rules of normal science, are particularly likely to see that those rules no longer define a playable game and to conceive another set that can replace them."

—Thomas S. Kuhn, The Structure of Scientific Revolutions

"Why should a change of paradigm be called a revolution? In the face of the vast and essential differences between political and scientific development, what parallelism can justify the metaphor that finds revolutions in both?

One aspect of the parallelism must already be apparent. Political revolutions are inaugurated by a growing sense, often restricted to a segment of the political community, that existing institutions have ceased adequately to meet the problems posed by an environment that they have in part created. In much the same way, scientific revolutions are inaugurated by a growing sense, again often restricted to a narrow subdivision of the scientific community, that an existing paradigm has ceased to function adequately in the exploration of an aspect of nature to which that paradigm itself had previously led the way. In both political and scientific development the sense of malfunction that can lead to crisis is prerequisite to revolution."

—Thomas S. Kuhn, The Structure of Scientific Revolutions

#### THINK TANK; Where to Get a Good Idea: Steal It Outside Your Group

By MICHAEL ERARD MAY 22, 2004











Got a good idea? Now think for a moment where you got it. A sudden spark of inspiration? A memory? A dream?

Most likely, says Ronald S. Burt, a sociologist at the University of Chicago, it came from someone else who hadn't realized how to use it.

"The usual image of creativity is that it's some sort of genetic gift, some heroic act," Mr. Burt said. "But creativity is an import-export game. It's not a creation game."

Mr. Burt has spent most of his career studying how creative, competitive people relate to the rest of the world, and how ideas move from place to place. Often the value of a good idea, he has found, is not in its origin but in its delivery. His observation will undoubtedly resonate with overlooked novelists, garage inventors and forgotten geniuses who pride themselves on their new ideas but aren't successful in getting them noticed. "Tracing the origin of an idea is an interesting academic exercise, but it's largely irrelevant," Mr. Burt said. "The trick is, can you get an idea which is mundane and well known in one place to another place where people would get value out of it."

Mr. Burt, whose latest findings will appear in the American Journal of Sociology this fall, studied managers in the supply chain of Raytheon, the large electronics company and military contractor based in Waltham, Mass., where he worked until last year. Mr. Burt asked managers to write down their best ideas about how to improve business operations and then had two executives at the company rate their quality. It turned out that the highest-ranked ideas came from managers who had contacts outside their immediate work group. The reason, Mr. Burt said, is that their contacts span what he calls "structural holes," the gaps between discrete groups of people.

### Class Exercise I

Burt says: ""Good" will take on specific meaning with empirical data, but for the moment, a good idea broadly will be understood to be one that people praise and value."

What would be some examples of good ideas beyond ones discussed in the paper, where you expect structural holes and network positions to play a role? How do you define/operationalize "good"?

|                    | Unstan   | dardized Coeffic | cients_ |                 | Unstand | ardized Coeffici | ents                |          |
|--------------------|----------|------------------|---------|-----------------|---------|------------------|---------------------|----------|
|                    | В        | Std. Error       | Adj. R² | Sig. F $\Delta$ | В       | Std. Error       | Adj. R <sup>2</sup> | Sig. F ∆ |
| (Base Model)       |          |                  | 0.40    |                 |         |                  | 0.19                |          |
| Size Struct. Holes | 13770*** | 4647             | 0.52    | .006            | 7890*   | 4656             | 0.24                | .100     |
| Betweenness        | 1297*    | 773              | 0.47    | .040            | 1696**  | 697              | 0.30                | .021     |

Bridging diverse communities is more significant for *landing* new contracts.

Being in the thick of information flows is more significant for contract *execution*.

| Unstandardized Coefficients       |              |            |         |          | Unstandardized Coefficients |            |         |          |  |
|-----------------------------------|--------------|------------|---------|----------|-----------------------------|------------|---------|----------|--|
|                                   | В            | Std. Error | Adj. R² | Sig. F Δ | В                           | Std. Error | Adj. R² | Sig. F ∆ |  |
| (Base Model)                      |              |            | 0.40    |          |                             |            | 0.19    |          |  |
| Best structural pred              | . 12604.0*** | 4454.0     | 0.52    | .006     | 1544.0**                    | 639.0      | 0.30    | .021     |  |
| Ave. E-Mail Size                  | -10.7**      | 4.9        | 0.56    | .042     | -9.3*                       | 4.7        | 0.34    | .095     |  |
| Colleagues' Ave.<br>Response Time | -198947.0    | 168968.0   | 0.56    | .248     | -368924.0**                 | 157789.0   | 0.42    | .026     |  |

Sending *shorter* e-mail is positively related to both new contracts and contract execution.

Faster response from colleagues is positively related to contract execution revenues.

Source: M. van Alstyne, S. Aral. Networks, Information & Social Capital (formerly titled 'Network Structure & Information Advantage'), http://papers.ssrn.com/sol3/papers.cfm?abstract\_id=958158

|                 | Revenue \$ | \$ for<br>completed<br>searches | •       | Multitasking | Duration | Duration<br>controlling<br>for<br>multitasking |
|-----------------|------------|---------------------------------|---------|--------------|----------|--|
| Size of rolodex | -10.2      | -22.9                           | 0.000   | 0.000        | -0.013   | -0.013   |
| (Q50)           | (60.3)     | (32.6)                          | (0.001) | (0.001)      | (0.021)  | (0.016)  |

<sup>\*</sup> p < 0.10, \*\* p < 0.05, \*\*\* p < 0.01, Standard err in paren.

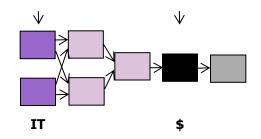
Instead, a larger private rolodex is associated with:

- Less information sharing
- Less DB proficiency
- Lower % of e-mail read
- Less learning from others
- Less perceived credit for ideas given to colleagues
- More dissembling on the phone

Recruiters with larger personal rolodexes generate no more or less output

| Bookings   | Coeffic     | cients <sup>a</sup> |         |      | Billings | Coefficients <sup>a</sup>  |       |             |
|--|-------------|---------------------|---------|------|----------|--|-------|-------------|
|  | Unstandardi | zed Coefficie       | ents_   |      | Unstanda | rdized Coefficients  |       |             |
|  | В           | Std. Error          | t       | Sig. | В        | Std. Error   | t     | Sig.        |
| (Constant)   | -227802     | 185001              | -1.23   | .223 | 523237** | * 121745   | 4.30  | .000        |
| Size of Structural Holes   | 12795**     | 5705                | 2.243   | .032 | -6988*   | 3988   | -1.75 | .089        |
| Partner Dummy  | 148887*     | 74581               | 1.996   | .054 | -87118*  | 51235  | -1.70 | .098        |
| Num External E-Mail<br>Sent (per day)  | -3316       | 9132                | 363     | .719 | 17137**  | * 5856   | 2.93  | .006        |
| Concentration Internal Se  | ent 565088  | 735771              | .768    | .448 | -455568  | 475974   | 95    | .345        |
| <ul> <li>a. Dependent Variable: BO</li> <li>b. Adjusted R<sup>2</sup> = .45 with or</li> </ul> |             | OR, %_CEO, YF       | RS_EXP. |      | h .      | ent Variable: <b>BILLINGS</b> R <sup>2</sup> = .51 with controls |       | OR,CEO, and |

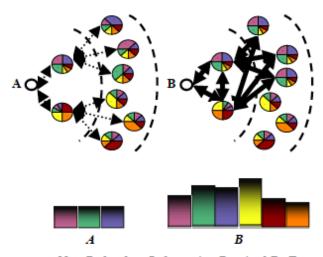
- •Larger structural holes helps generate business but can hurt job execution.
- •Sending more email helps job execution but has no measurable effect on generating business.



#### Social Networks have different effects depending on job role

# Networks of higher degrees drive performance by providing access to novel information

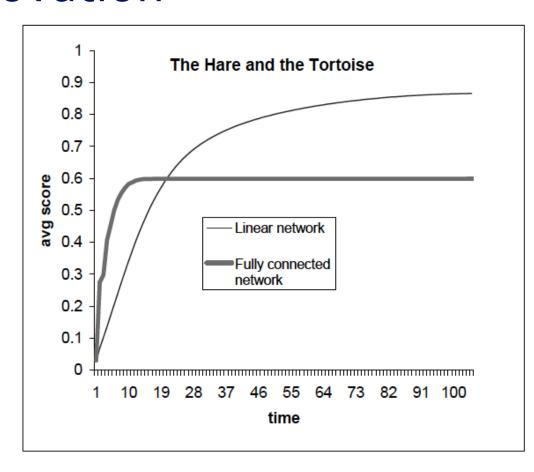
- network structure (having high degree) correlates with receiving novel information sooner (as deduced from hashed versions of their email)
- getting information sooner correlates with \$\$ brought in
  - controlling for # of years worked
  - job level
  - ....



Non-Redundant Information Received By Ego

#### Networks and innovation

- fully connected network
   converges more quickly on
   a solution, but if there are
   lots of local maxima in the
   solution space, it may get
   stuck without finding
   optimum.
- linear network (fewer edges) arrives at better solution eventually because individuals innovate longer



#### Class Exercise II

Brokerage led to promotions, salary hikes, and positive performance evaluations of managers. If brokerage improves "performance" in an online setting, what form of "performance" can it be? On a related note, what would it mean to replicate Burt's findings in online social networks?

Cite a case example where the structural hole phenomenon can explain a specific characteristic of online social networks.

# **Extras**

