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TIE LOSS AND GAIN DURING MANAGEMENT TRANSITIONS

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ABSTRACT

This study concerns tie loss and gain during management transitions. Our contribution is a comprehensive collection of driving factors, including qualities of the relation, the relationship, and the structure. The overall finding is a tendency for actors to seek "balance." Newly promoted professionals will avoid losing high-status contacts (H1), but they don't shed contacts of any rank who bring multiplex resources (H2). They are less likely to lose contacts they trust (H3/H4) and especially embedded ties (H5), but they also pursue efficiency, shedding the most redundant relations (H6). Finally, they are likely to experience greater competence-based trust (but not emotion-based trust) in new relations if they have been situated in less redundant networks, developing discernment through prior relational pluralism (H7/H8).

INTRODUCTION

Service professionals face important transition points, for example being promoted from a consultant or analyst role to a role overseeing and managing a collection of related tasks and project teams (i.e., project management). Newly promoted professionals should be especially concerned with their network development in order to get resources, insights, and political support relevant to their new position (Chua, Ingram, & Morris, 2008). In this paper we examine the changes newly promoted professionals in three service firms experience to their network relations. The most essential changes they will experience are the loss of existing contacts (tie loss) and the gain of new contacts (tie gain).

Little is known about changes to social networks (Burt, 2000a; Martin & Yeung, 2006; Zaheer & Soda, 2009). Research on network dynamics is even less available within business organizations, let alone in the context of management transitions. Few examples include Burt's (2000b; 2002) works on tie loss among investment bankers, and Casciaro and Lobo's (2008) work on tie gain depending on perceived competence and liking. Mixing loss and gain themes, Maurer and Ebers' (2006) qualitative study of new biotechnology firms and how they evolve their relations (or not) found that a lack of novel tie formation will lead to tie inertia.

While the literature on tie loss and tie gains is scarce, the general view emerging across these studies is that three basic factors are at play in predicting network change: properties of the

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nodes (contacts and/or ego), the relationship (dyad), and the structure. Below, we continue by developing hypotheses concerning tie loss in accordance with these three factors. We then turn to developing two hypotheses on tie gain, before explaining our sample and methods in greater detail. Finally, we present our results and conclude with a discussion of the overall picture that these results provide about network change during management transitions for service professionals.

FACTORS IN TIE LOSS AND TIE GAIN

High job rank means greater influence in the form of reward and coercion power (Salk & Brannen, 2000), and connecting to higher ranking brokers has been found to benefit subordinate members (Galunic, Ertug, & Gargiulo, 2012; Sparrowe & Liden, 2005). Similarly, newcomers' level of task mastery and role clarity were positively related to the average hierarchical level of their contacts (Morrison, 2002). In the context of professional service firms, partners are especially prestigious and powerful, because they affect pay and promotion decisions, and only partners make decisions on who else becomes partner. They should therefore be especially prized amongst contacts. Corroborating this view is the finding by Lazega & Van Duijn (1997) that law firm associates tend to seek advice especially from partners.

H1: Newly promoted service professionals are less likely to lose contacts who are partners in their respective professional service firms.

Multiplexity denotes the degree to which actors are linked by more than one type of relationship (Burt, 1983). Contacts who provide a plurality of inputs offer an efficient way for busy professionals to manage their time—multiple information and resources come through a single source. Multiplex ties have been linked with higher quality exchange (Sias & Cahill, 1998) including high trust and reliability (Ibarra, 1995; McAllister, 1995); they are "safer" because they help reduce the likelihood of opportunistic behavior (Brass, Butterfield, & Skaggs, 1998). Similarly, Zou, Ingram, & Higgins (2010) have suggested that a relationship that functions at multiple levels is less likely to suffer from decay. Thus, we propose:

H2: Newly promoted service professionals are less likely to lose contacts who offer multiplex ties.

Trust is a key ingredient for maintaining strong relations (Anderson & Weitz, 1989; Doney & Cannon, 1997; Ganesan, 1994), reflecting the acceptance of vulnerability by the focal actor because she/he holds positive beliefs about her/his contacts (Dirks & Ferrin, 2001). Research has converged on two forms of trust—emotion-based and cognition-based trust—and has found that each can lead to different outcomes (Chua, Ingram, & Morris, 2008; Levin & Cross, 2004; McAllister, 1995; Ng & Chua, 2006). First, emotion-based trust concerns contacts' motivations and willingness to take the focal actor's best interests in mind. It is based predominantly on interpersonal experience, liking, or chemistry (Lewis & Weigert, 1985). High emotional trust relations are also valuable relations, as they promote more extensive knowledge transfer and creation (Hansen, 1999; Reagans & McEvily, 2003; Smith, Collins, & Clark, 2005), both of which are vital for professional service workers.

H3: Newly promoted service professionals are less likely to lose contacts in whom they have established higher levels of emotional trust.

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Cognitive-based trust involves estimations of contacts' competence, dependability, and dedication (through interpersonal experience, but also partly by reputation). While it has been found to be a key criterion for selecting workplace peers (Hinds, Carley, Krackhardt, & Wholey, 2000), Casciaro& Lobo (2008) have found that in the presence of negative affect (disliking someone) even high evaluations of potential alters' competence do not result in new tie formation. Regarding tie loss, however, having already formed a tie, affect levels are likely to be at least neutral if not positive to some degree. Presumably relations with alters who are high on competence, will be more likely to be maintained, because newly promoted professionals can depend upon these relations to complete their mandate and minimize uncertainty (Hinds et al., 2000). In sum, we hypothesize:

H4: Newly promoted service professionals are less likely to lose contacts in whom they have established higher levels of cognitive-based trust.

Network embeddedness is about having close alters who themselves are connected and close (Coleman, 1990). Actors situated in embedded networks are more likely to share common experiences, meanings, and understandings (Uzzi, 1996), conditions that facilitate information-rich interactions and accelerated job or role learning (Morrison, 2002). While network embeddedness begets strong emotion-based trust (Burger & Buskens, 2009; Chua et al., 2008) and makes tie decay less likely, we argue that embedded relations withstand changes, also because of their stability and mutual dependence. Therefore, network embeddedness will have effect over and above trust in the relation. Thus, we propose:

H5: Newly promoted service professionals are less likely to lose a contact who is embedded in common third-party ties.

Transitioning to a new role with greater responsibilities should make efficiency and productivity vital. In particular, service professionals need to know more about company direction, the client landscape, new technologies, and the location and quality of internal resources. That employees should benefit from developing efficient, non-redundant social networks is supported in cross-sectional studies, for better career prospects (Seibert, Kraimer, & Liden, 2001), greater access to new knowledge (Tsai, 2002) and higher individual performance outcomes (Cross & Cummings, 2004). Therefore, newly promoted service professionals may be sensitive to the redundancy of their contacts. This may not mean the complete opposite of embeddedness—which captures a combination of overlap but also closeness. While actors are constrained by closely knitted third parties, they will try to minimize redundancy through actively shedding those who are overlapping—contacts who can be reached through alternative relations."Cutting-off" redundant contacts may not come naturally to some, and may even require conscious effort because of the comfort of embeddedness, yet it can be learned (Burt & Ronchi, 2007). In sum, we propose:

H6: Newly promoted service professionals are more likely to lose contacts who are redundant (i.e., overlap/connected to other contacts).

Newly promoted service professionals also need to gain ties. The pressures for productivity and efficiency in their new roles will mean a premium exists for gaining ties that are responsive, dependable, and competent, and as quickly as possible. Therefore, the focal actor's selection

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criteria for the quality contact will be critical. Trust in the relation is a reasonable indicator for selection, capturing early assessments of competence, commitment, professionalism, dedication, and so on.

The focal actor's social capital will be particularly influential on forming and evaluating trust (Burt, 2000b). The gist is that actors occupying central positions in networks, such as those with better access to non-redundant information, should make more effective or accurate decisions. Accuracy in social perceptions is normally difficult and prone to bias (Kilduff, Crossland, Tsai, & Krackhardt, 2008) and yet it is consequential for greater levels of power and influence (Bielby & Bielby, 1999; Krackhardt, 1990). Generally, core or central members of a group have been linked with greater cognitive accuracy (Freeman & Romney, 1987), as has degree centrality and the accuracy of network perceptions in particular (accuracy in detecting who is linked to who) (Casciaro, 1998). People with networks rich in structural holes are more likely to recognize holes in a new network (Jancik, 1998), and Burt (2002) also reasons that those who maintain bridges successfully over time do so because of their accumulated experience with bridge relationships.

In similar line, we further argue that spotting and recognizing the best people to connect with should benefit from the focal actor having been in a sparse, non-redundant network position. Newly promoted service professionals will particularly want to develop dependable and competent networks, and prior hole-abundant networks are more likely to offer them a greater variety of views and information that they can "triangulate" and so come up with better decisions on new relations. This greater discernment should boost the selection of both higher cognitive-trust relations and higher emotional-trust relations. Thus, we propose:

H7: Service professionals with sparse, non-redundant networks in time 1 will be more likely to gain alters high in cognitive trust at time 2

H8: Service professionals with sparse, non-redundant networks in time 1 will be more likely to gain alters high in emotional trust at time 2.

DATA AND METHODS

Our sample are recently promoted individuals from three professional service firms –a consultancy, an auditor, and a law firm– located mainly in Europe and North America. Available respondents were all moving into the role of "project managers" for the consultancy and auditor. For the law firm, the promotions were 2/3rd to associate level and 1/3rd to newly promoted partners. We randomly chose a representative sample (age, gender, time with firm, professional area, etc.) from each firm, targeting, finally, 101 respondents. We surveyed the respondents in two waves with an interval of roughly 1½ years for the network questionnaire asking to list contacts according to six different network categories (but not mutually exclusively): task advice, innovation, political buy-in, professional growth, social support (friendship), and external. However, twenty respondents exited their firms in the meantime, and two respondents failed to respond. Hence, our sample consisted of 79 respondents eligible for our final analysis (37 auditors, 18 consultants, 24 lawyers). For our analysis, we used ego-contact dyadic level observations generated by our sample egos for tie loss analysis (N=1084), as well as tie gain analysis (N=506).

Dependent variables For the tie loss, our dependent variable *tie loss* equals one if the contact is lost from the second network survey, having been present in the first, zero otherwise. For the tie gain models, the dependent variable is the average score for cognitive trust (*tie gain cognitive trust*) and emotional trust (*tie gain emotional trust*) for each newly gained contact.

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Independent variables Comparing the job descriptions across firms, we coded contact's job rank as *Partner*, *Manager* (including Project Managers or Associates: a baseline category), *Entry* level, and *Staff* level (all those who support core functions and are not on partner track), and finally the *External* category (those who are outside the firm). We measured trust by asking the respondents 10 Likert-type questions (5-point scales): five items for *cognitive trust* and five for *emotional trust* based on existing trust scales (McAllister, 1995; items are available from the authors upon request). We formed *cognitive trust propensity* and *emotional trust propensity* by taking the average of ego's respective trust scores across his/her alters, their trust "anchor." Then, for each contact, we coded *relative cognitive trust* and *relative emotional trust* as standardized z-scores. *Tie multiplexity* measures the number of different network categories a contact spans. *Network embeddedness* follows Burt's (1992: 54) alter specific constraint measure. *Network efficiency* captures whether contacts in ego's network are non-redundant. *Proportional density* (Podolny & Baron, 1997) is the number of ties among ego's alters divided by the maximum possible number of ties. We also constructed an alternative way of measuring efficiency by counting the number of third persons who connect both ego and alter and named *network overlap*.

Controls For tie loss models, we controlled for the service professional's *age*, *foreigner*, *gender*, marital status (as *single*), *tenure at firm* and *tenure in job*, *network size* and the number of *ties gained* (at time 2).We also controlled for *location homophily* by creating a dummy for working in the same office, and *expertise homophily,* by creating a dummy for being in the same expertise group as ego. Finally, we also control for *tie longevity* (in months) and *tie frequency* (1=a few times a year while 5=daily). Finally, we controlled for each service profession type (the consultancy is the base category). For our tie gain models, we control for the number of *ties gained* and the *network size* at time 2, as well as for the number of *ties lost* from time 1, along with ego's *age, foreigner, single, tenure at firm,* and *tenure at job*. We also control for *tie longevity, location* and *expertise homophily*, *tie frequency, network embeddedness*, *network efficiency*, and *tie multiplexity,* all at time 2. Finally, we controlled for alter's job rank and for *cognitive* and *emotional trust propensity* from time 1.

Analysis For tie loss, we estimated logit regression with clustered standard errors by ego, because ego characteristics are shared by many observations (ties) which may create heteroskedasticity problems. For the tie gain models, we ran two OLS regression estimations with clustering by ego, each on cognitive trust for gained ties and emotional trust for gained ties. To test for H7 and H8, we used proportional density at time 1.

RESULTS

Our logit regression results used proportional density (first models) and network overlap (second models). Both models are statistically significant. The results support **H1**; partner level alters are less likely to be lost compared with manager level alters (**p<.01). **H2** is also supported—more multiplex ties are less likely to be lost (**p<.01). Supporting **H3** and **H4**, results show that both relative cognitive trust (**p<.01) and relative emotional trust (*p<.05) reduces the likelihood of losing that contact, and cognitive or emotional trust propensity shows no effect, meaning that the effect was unlikely to be a general trust attribute of the subject. This result implies that it is the relative trust levels that count in the dynamic of changing ties, but not general propensity to trust. **H5** is also supported; the effect of network embeddedness remains after relational trust is controlled for (*p<.05). Finally, each model supports **H6** with different network efficiency measures; professionals seek efficiency in their networks, even while retaining bonds to certain highly trusted and embedded ties (*p<.05).

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Regarding the two tie gained models the OLS regression result on cognitive trust for gained ties supports **H7.** After including all the control variables, the coefficient estimate for proportional density at time 1 shows that an increase in proportional density (i.e., dense network) is associated with a decrease in cognitive trust for the newly gained ties (**p<.01). However, the regression result of emotional trust for gained ties on proportional density has no significant effect, showing no support for **H8** (the full regression tables are available from the authors upon request).

DISCUSSION AND CONCLUSION

During transitions into new roles, existing relations may no longer be as critical and so fade away, while valuable new relations may have to be formed, in order to create robust channels for resource exchange and support. This study finds that all three of the major categories (i.e. features of the contact, the relationship, and the network structure) help explain relational change, but with twists. The overall impression is of balance or equilibrium seeking even while making changes in relations. Newly promoted service professionals are efficiency oriented, so that they are more likely to keep high quality contacts who are partners (H1) and/or provide multiplex resources (H2). The later finding implies that plurality in social relations is not just an epiphenomenon of network dynamics (Gulati & Gargiulo, 1999), but an important source of network persistence. While newly promoted professionals are inclined to keep trusted contacts, it is relative trust compared with other contacts, rather than the overall propensity to trust, that matters (H3 and H4). Furthermore, our study revealed a more balanced approach to how actors react to embeddedness (H5) and pursue efficiency (H6). As Kilduff, Tsai, and Hanke (2006) argued, network as a complex adaptive system exhibits *both* a tendency for persistence, but also modification in the face of change.

Our study also looks at gained ties, whereby we measure the levels of trust in new relationships—something newly promoted managers should desire and benefit from. Our results show that prior social structure, especially for sparse and non-redundant network, helps you choose more "rationally," but it has no impact on emotional wisdom. Presumably, emotional trust may take longer to build. It may also be the case that building new ties that are strong in emotional trust may be less of a priority in the first year of a new role, and which are accomplished (only) with time, than building cognitive trust in new ties.

Our results have limitations, such as ego's potential misperception on second-order ties (Kilduff et al., 2008) and ego's potential psychological differences (Sasovova, Mehra, Borgatti, & Schippers, 2010). They do however suggest that professionals undergoing transitional periods aim to balance two alternative motives: trust and efficiency. While newly promoted professionals are constrained by their prior embedded network, they also try to trim their network. Furthermore, those with non-redundant networks have an advantage in developing relations with competent contacts.

REFERENCES AND RESULTS TABLES AVAILABLE FROM THE AUTHOR(S)