

# ***Network Success Factors and the role of the Network Broker***

*This guide is divided into two sections - an examination of the key success factors in Networks and a review of the role of the Network Broker. Both sections are complimentary but deserve separate attention. The term 'broker' can be taken to mean a specialist consultant, or a person employed by the network members for this purpose, or a company within the network itself, or a business association, chamber of commerce or official of a state agency. The terms 'broker', 'consultant', 'co-ordinator' and 'network manager' are used interchangeably.*

## The Key Success Factors in Networks

The core message coming from both the research and the Irish examples is that successful business networks do not develop of their own accord. They require a significant investment of time, expertise and resources - regardless of what the goal or purpose of the network is.

Basics Required for Successful Collaboration<sup>1</sup>

**Compatibility:**

The corporate style of a firm affects its ability to collaborate.

**Control:**

A firm must feel it has adequate control over a proposed project.

**Commitment:**

Collaboration requires support from management in the firms. ..

**Contracts:**

There must be a level of flexibility between formal agreements and informal operations.

**Common Aims:**

Need to be defined and agreed.

**Contingencies:**

Appropriate arrangements must be agreed in case the situation changes.

**Conclusion:**

Each firm needs a clear idea of its expectations of the project.

## The Fundamentals of Effective Networks

The following factors need to be in place to facilitate the effective performance of networks:

- group vision and goals to create a common purpose and strategic, orientation for the network . trust and inter-dependency between member firms, supporting each other, and the group as a whole, involving business behaviours of honesty, openness and flexibility
- commitment of senior management
- a culture supporting organisational and operational change as circumstances change . problem solving and decision making processes
- formalised and documented governance rules and relationships . clearly defined operational roles and responsibilities
- business development policies in all areas of the network.

### Flexibility

The Australian Networks Programme found that flexibility in networking means:

- abandonment of old work habits that are no longer relevant;
- open, honest, frank communication;
- a collaborative mindset;
- continuous learning and adaptation of how to make it work;
- confidence in each others abilities, and capabilities;
- adaptability of the business approach.

## Key Success Factors

It is possible to summarise the research and the experience of Irish networks in terms of key success factors as follows:

- Strong networks are those with strong facilitation. Invariably this means that a network broker or co-ordinator actively facilitates the network.
- Participants must have a compelling need to achieve some business-related objective as a consequence of their participation in the network. Network support services, including training, that do not explicitly link themselves to compelling business needs are likely to fail.
- The network is member-driven in terms of participation and decision making<sup>2</sup>.
- Networks that foster openness and trust gain the confidence and support of their members. Strong trust between the parties to a network is a critical factor in its success. This is encouraged by a shared socio-cultural identity and facilitated by close face-to-face interaction. Trust is the mutual confidence that no party to an exchange will exploit the other's vulnerability. If trust is absent no-one will risk initiating an arrangement and everyone will sacrifice potential co-operation gains to the pursuit of self-interest<sup>3</sup>.
- Successful networks are focused networks - with goals that are understood, agreed and shared by all the members (which may take time).
- Firms stay in networks that have clear and measurable economic benefits for the participating firms.
- Good networks are long-term networks. A minimum of two years is considered essential to bed-down a network and a three to four year time frame is desirable for the network to gain real benefits for the members. Firms are more likely to join if they know the network is going to be there for the long haul.
- Networks, at least initially, need pump priming by way of funding or other incentives.
- The participation and commitment of top management to the network concept is absolutely essential. As with any meaningful relationship firms must consider what they are giving as well as what they can get. The level of participation in the network by the member firms, their commitment to the common ideal, and the relative absence of "laggards" are important factors in network success<sup>4</sup>.
- Successful networks involve a high level of interaction between the member firms at all levels of the firm (not just the managerial level).
- Strong networks have agreed formal structures, established operating procedures and agreed norms of behaviour.
- Networks provide great scope for organisational learning and the best learning comes from networks, involving competitor firms. This requires top class facilitation by the network broker/co-ordinator to overcome the initial resistance of firms and help to build trust between them.
- Similarities in organisational culture between participating firms assist in network development. Wide cultural differences are hard to reconcile and make it difficult to consolidate networks.

- While networks can develop successfully with partners from different sectors, different geographic areas, and different stages of development; it is helpful if firms are roughly at the same stage of business development.
- Early achievement promotes success. Like any business, the success of a network is related to its results. When tangible results are achieved early on, the network develops its own image and culture more quickly.
- The social element is as important as the business element.
- The network has an effective information system. Members monitor the progress of network activities by means of regular reporting and revision of cooperation agreements as needed.

## 2. The Network Broker

The role of the person, or organisation, which facilitates, co-ordinates or 'brokers' the formation and development of a network is absolutely critical.

Martin<sup>5</sup> found that network members attached much importance to "having a broker who is well known and respected by the members of the network. Firms are more likely to enter a network where the broker is seen to be impartial and trustworthy. If the broker is seen to have a vested monetary interest in the network, then gaining the trust and cooperation of the partner firms will be more difficult." .

### **Suitable brokers**

- State agencies (Irish examples include: Enterprise Ireland and FAS);
- Business Associations (Irish examples include: IBEC and Chambers of Commerce);
- Academic Institutions (Irish examples include: Cork and Tallaght IT's);
- Private Consultants.

### **Role of the Network Broker**

- Network promotion and awareness-building activities;
- Explain the benefits of the network to prospective members;
- Membership Recruitment;
- Negotiation for Funding;
- Group Facilitation;
- Helping the network agree common goals;
- Helping the network to deliver a programme of activities.

### **Skills of the Network Broker**

- Strong Interpersonal skills; .
- Management skills; .
- Marketing skills;
- Group Facilitation skills.

## Specific Tasks a Broker Can Perform

### **Identifying Potential Members**

While companies may know of suitable network participants within their general area, the services of a broker may be crucial in identifying a wider base of firms from which to recruit members.

### **Acting as a Neutral Party**

Contracting an independent business consultant, business association or chamber of commerce, as a network broker can assist the development of a network. The consultant acts as a neutral party in bringing various members of the network together.

### **Promotion**

Generating interest and excitement about the network. Promotion of the very concept of networks is an important role for the broker. SMEs usually don't realise that there is something wrong in their process and may not perceive the need for change. Brokers need to be aware of this and devise means of informing SMEs of the benefits of networks and motivating them to take part. This issue of promotion was at the very heart of the Danish Networks Programme.

### **Scouting for Business Opportunities**

Identifying opportunities that can be captured by firms working collaboratively and referring them to others for implementation.

### **Brokering**

Acting as an architect or developer of collaborative enterprises. Working directly with firms to meet common needs and capture business opportunities.  
Orchestrating and managing conditions which encourage collaboration among firms.

### **Facilitating**

Catalyzing action by the members.

### **Policy Making**

Designing policies for network programs and projects and assisting the network to obtain support and funding for them from public and private agencies.

### **Adding Value**

A broker should be much more than just a group facilitator or effective administrator. To gain credibility with network members and to bring real value to the network the broker should be competent and capable of addressing market, technical, managerial, HRD, and environmental and other specific issues of relevance to the network.

## **The Network Environment and The Broker**

Rosenfeld<sup>6</sup> identifies the ideal network-creation environment:

- Brokers in search of networks: Broker led, incentive driven strategy that teaches and entices firms to collaborate;
- Networks in search of brokers: Social capital based strategy that builds trust and creates
- opportunities for firms to meet and make deals;
- Brokers are essential, but they can be internal to the network.

## Network Broker Models

Of key importance to the success of the Danish Networks Programme was the appointment by of "Network Brokers". These were local professionals, lawyers, consultants or engineers (who committed 25 per cent of their working time to the programme) and whose job was to create networks of firms, colleges, local authorities, enterprise agencies and so on. They initiated discussions and advised on aspects of co-operation. They were given a nine month training programme. These networks then bid for grants from technology programmes aimed at product and process innovation, quality improvement, product differentiation, and design.

In the Australian Business Networks Programme, which was modelled on the Danish programme, brokers were also used. A 1997 Seminar in South Australia to examine the Programme, attended by participants and employer bodies, concluded that the Network Broker played a valuable role, to broker

agreements between participating companies and facilitate business development strategies. "Facilitating consultants bring in broader and disinterested' expertise, and knowledge to the development of the new business network."

In the US, Provan and Human<sup>7</sup> found that the role of the network broker in networks of SMEs was crucial in facilitating inter-organisational learning. They found that two functions of the network co-ordinator, or broker, were important: developing network membership and facilitating member exchanges.

The implications for the broker role in the Irish context is to ensure that brokers are competent and able to carry out the multiplicity of roles and tasks which they may be called upon to perform. These include, but are not limited to: administration, oral and written communication skills, member recruitment, group-work facilitation, member exchanges, company and opportunity 'matchmaking', use of IT, high level of general (and sector specific) business knowledge and information, and management skills. I

## End Notes

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