



How Your Network Can Help and Hurt You

Your performance is dependent on the type of network you have.

Working for investment banks is not for the faint of heart. Workweeks of 100+ hours involving all-night sessions and meals at desks in order to complete heavy loads of difficult work have long been the lot of this industry's professionals.

To thrive and not merely survive, however, junior investment bankers have to earn the trust and respect of colleagues and clients if they are to be given the chance to trade important stocks or to have their own customers.

A strong support network is vital in helping junior employees excel at their work and curb the risks of making mistakes as they learn on the job in a fast-moving business environment. The importance of this network is apparent in the career advice of a former head of proprietary trading at Bank of America Merrill Lynch: "Ask every single other person on the planet for help before you go back to your manager."

In my paper "**Homophily and Individual Performance**", published in *Organization Science*, co-authored with Charles Galunic of INSEAD and Gokhan Ertug and Tengjian Zou of SMU, we find that building a support network of people like you can enhance your performance in such an environment.

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Banding together

We call this "homophily", a term cobbled from the ancient Greek words of "together" and "friendship". Coined by sociologists Robert Merton and Paul Lazarsfeld, homophily refers to the tendency of individuals to associate with others who share similar characteristics such as nationality, race, gender or religion.

Our research is based on data from the equity sales and trading division of a major international investment bank. The data included bankers of ascending seniority – associate directors, directors, executive directors and managing directors. All of them were eligible for bonuses, a key indicator of their individual performance.

The bank considered peer evaluations to determine bonus payments. It asked bonus-eligible bankers to identify colleagues with whom they had substantial business interactions in the previous year and to evaluate these colleagues on their real contribution to their business, not their reputation, popularity or perceived contribution to the bank in general.

In addition, the bankers could only evaluate colleagues in operational units that were likely to have regular business interactions.

In deciding bonus payments, the bank considered the number of people who evaluated a banker and the average rating the banker received. We used nationality, gender and age as markers of homophily, but only nationality was a strong driver of affiliations between similar people in this context.

Associate directors, the most junior members of the study group, may struggle to master their business and thus may not be regarded as “legitimate” players by their seniors. But by relying on colleagues from their same nationality, they can raise their game by gaining information and resources that might otherwise be unavailable to them.

Even for poor-performing junior bankers who are driven to rely on their peers for help, our findings suggest that the more they do so, the better their performance becomes. It can be an effective strategy for survival, which could pave the way for future success.

Going our separate ways

But there is a twist. Our findings also show that homophily adversely affected senior bankers, By continuing to rely upon bankers from their same nationality when this was no longer necessary, these senior bankers significantly reduced the diversity of information and knowledge they could access, which ended up hurting their performance.

As our findings show, senior bankers who had significant ties with colleagues of the same nationality (or, to a lesser extent, gender) received bonuses smaller than those of their peers who relied on more diverse networks.

Expanding your network

While a strong support network of peers helps junior bankers to survive at work, it is not sufficient to ensure career success. As they gain the trust and respect of their superiors, junior bankers are given more significant business and management responsibilities. The decisions they have to make become more complex, necessitating access to even more diverse information.

As such, junior bankers have to build a diverse network of supporters across the organisation in order to expand their knowledge of it and the business. It becomes imperative for them to seek opportunities to add value to others and build relationships.

In looking at whether homophily affects male and female bankers differently, our research found that female bankers associated more with colleagues of their own gender than male bankers did with theirs.

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But there was considerable difference among female bankers in the extent to which they built close ties with other female colleagues.

Associating with other female bankers made it easier for women to find support in the tough and macho environment of the bank’s sales and trading operations.

However, female bankers’ lack of access to senior male colleagues seemed to offset the benefits of having the support of other female bankers. Of the 270 female bankers at the bank, only 10 of them were managing directors.

This suggests that women bankers have to make an effort to expand their support network in order to advance their careers, especially in a macho industry in which men dominate. They have to find ways to break into men-only networks.

A London-based female banker I met did just this. She was not comfortable with the City’s culture of drinking with colleagues after work. Feeling excluded from socialising with her colleagues because she did not drink, the banker came up with an interesting strategy.

She decided to organise group outings to theatres. She invited a group of colleagues to a play, bought the tickets, and they paid her back. This creative idea thus enabled her to build a diverse support network of her own. The key takeaway is flock with birds of a feather to build support in a junior position but spread your wings once you move upwards.

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