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STRUCTURAL HOLES: Shifting Sands of Loyalty
by Kathy Graham

How can you trust a country, an organization, a company, or an individual who today is your ally—loyal and aligned to your interests—yet who tomorrow might be your adversary?

The answer lies in Ana Dutra's July 8, 2019 *Forbes* article "The 3 Flavors of Trust in the Workplace" and also in The University of Chicago Professor Ronald S. Burt's "structural holes" research into the ways that social networks create competitive advantage in careers, organizations, and markets.

WHY LOYALTIES SHIFT

Opportunities occur in markets and organizations where there is an opening for an idea, a different approach...and a country, an organization/company, or an individual(s) seizes that opportunity, filling the "hole" in the structural organization. People—be they a "country," an "organization/company," or "individual(s)," negotiate relations with other people to gain benefits from those relationships that are more beneficial than what they could have alone and are more than what other people have—hence, they are in competition with other people for those valuable productive relationships.

The "structural holes" filled by these countries, organizations/companies, individual(s) may last a long time. The Republic of San Marino has been continuously in existence since its founding in 301 BCE and Nishiyama Onsen Keiunkan, a company founded in 705 AD, is still run by the same family today. More often, structural holes are replaced or absorbed by another opening for an idea, a different approach—a competing structural hole identified and filled by another country, organization/company, or individual(s) with its talented relationships.

"Competition is an intense, intimate, transitory, invisible relationship created between players [people] by their visible relations with others," states Burt in his book *Structural Holes: The Social Structure of Competition*. **Change that structural hole in any way** (one country/company/person walks away to pursue other structural holes offering more benefits or another competitor captures the valuable relationships in a manner that eliminates the other competitors, etc.) **and the people who were competitors may no longer be competitors.**

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Because it's not people that are the source of the competition, but rather the situational competition for those productive relationships,

- Competitors in one field can be—at the same time—loyal allies aligned to each other in other situations. Think sports competitors, politicians, lawyers—after the competitive situation, many are able to work on other opportunities together and enjoy each other's company while respecting the difference in their opinions and/or who won or lost that day.
 - **Your arch-enemy today can be your best ally elsewhere.**
- Former competitors can become allies—think Germany/Japan and the U.S., deadly competitors in World War II, now major allies—which is why the competition for structural holes' productive relationships causes shifting sands of loyalty.
 - **Your arch-enemy today can be your best ally tomorrow.**

Trust is a major component as to whether competitors can become allies, loyal to your interests today in other arenas and tomorrow overall. Dutra explains that there are three flavors of trust:

1. **CHARACTER [HONESTY AND INTEGRITY] TRUST: Can you trust this person to compartmentalize other interests and be a loyal ally to your mutual interests? Base this decision upon facts and past behaviors, not future hopes.** When "lack of trust is rooted in character, you are facing a non-negotiable problem...if you have evidence of any wrongdoing, it is your obligation to take action on the individual at the risk of tarnishing your company or your personal reputation," states Dutra. Many CEOs agree with Dutra, choosing to ban a person from their inner circle if an action results in a lack of trust in that person's character.
2. **ABILITY TO GET THE JOB DONE TRUST: Does the person get the job done on time, on budget, and at the expected quality?** "This situation is more complicated for leaders to handle, since there is an often-unpredictable gap between intention and outcome," explains Dutra. Conversations should shed light on what the real issues are—process, people, newness, other—and then a realignment of whatever needs "fixing" can correct any lack of this type of trust issue.
3. **LACK OF LOYALTY TRUST: Is the person faithful, steadfast in allegiance?** Because of structural holes competition, enduring loyalty is highly unlikely, especially in today's fast-changing world. "Unless you know for a fact that an individual is out there intentionally sabotaging or badmouthing you, expecting supreme loyalty is, at best, unrealistic," affirms Dutra.

Therefore, character trust is most important in the people you choose to work with and for because it can't be easily corrected (like #2 flavor can) if it's missing in a person AND it is important (unlike #3 flavor) because it determines who among your competitors can possibly become allies.

Theoretical economic modeling shows that the amount of trust a person should exhibit to gain the most in transactions is equal to the trustworthiness of the other party. Such trust leads to efficient markets, says S. Braynov and T. Sandhom in their 2002 *Computational Intelligence* article "Contracting With Uncertain Level of Trust. Trusting less means you miss opportunities and trusting more leaves you vulnerable to exploitation.

Trust is an economic lubricant, reducing multi-party transactional costs, and generally furthering business activities, says Zeng, Roehrich, & Lewis' 2008 *Journal of Purchasing and Supply Management* article "The Dynamics of Contractual and Relational Governance."

In a world of changing loyalty, the character trust of the people you choose to work with and for can be a sustainable competitive advantage.