

**HUMAN VALUE INTERNATIONAL**

**HR DUE DILIGENCE**

**METHODOLOGY**

**Humanvalue**  
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[www.humanvalue.eu](http://www.humanvalue.eu)

## The power of hidden networks

Within every organization, two inter-personal networks co-exist:

- the formal network, governed by the structure of the organization and its rules and codes (“who do I need to talk to?”)

- an internal informal network of colleagues (“who do I like talking to?”).

This second network has a crucial effect on how the organization functions. This inner system is more diverse and versatile and has more influence over the efficiency of the organization than one might at first suppose.

**Human Due Diligence** can uncover this informal network; it can identify key people and the effect they have on the organization. It can also reveal the structure of cooperation and information flow within and between groups.

As a result of Human Due Diligence analysis, multi-dimension profiles for every colleague and group in the organization can be composed. This information is invaluable in helping define development plans on both an individual and an organizational level – network analysis is a fundamental diagnostic tool of any HR strategy.

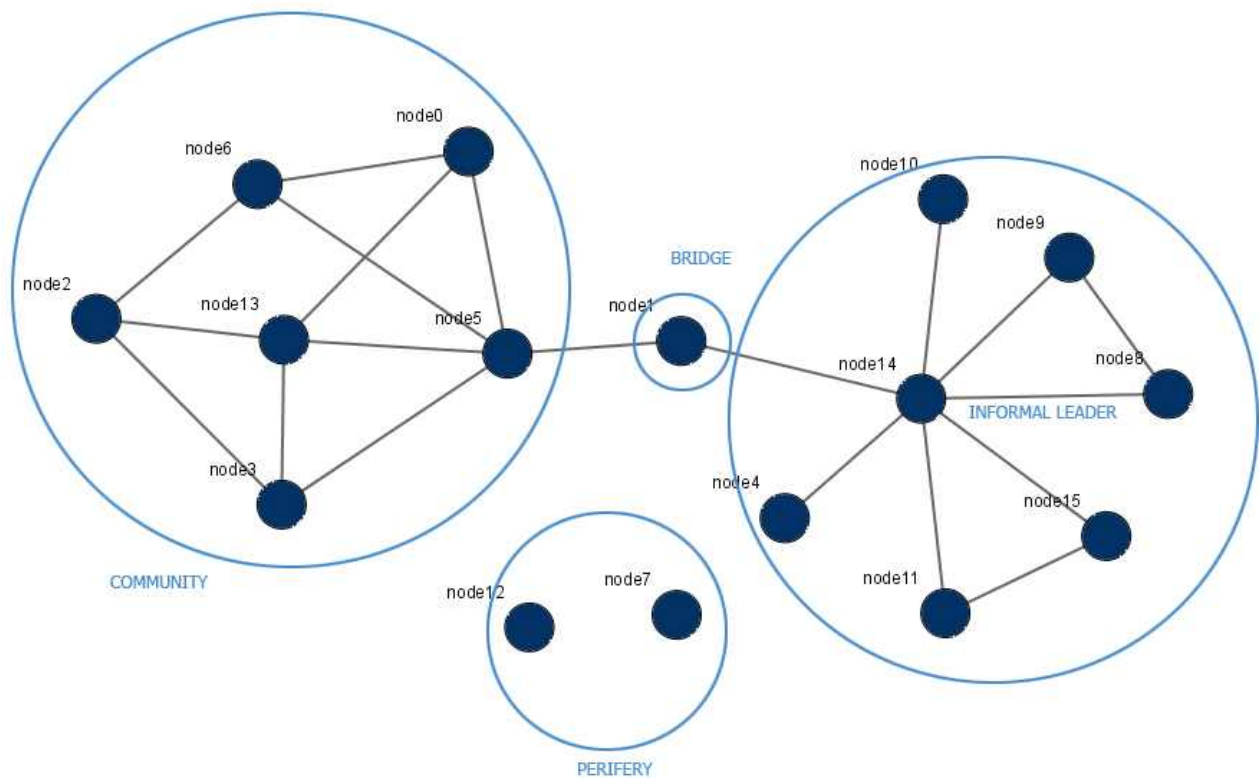


## Organizational network analysis

Network analysis is modelled on biological neural networks, providing it with a strong scientific basis. Organizational networks are analogous to neural networks, whose own components determine people's behaviour.

The traditional approach to organizational diagnosis assumes a hierarchical concept whereby different entities are subordinate of one another within the organizational structure. Organizational diagnosis identifies schemes representing hierarchy and functionality within the framework of the organization's branches, departments, divisions, workgroups etc. It is a static approach that visualizes the formal human relations within an organization.

The **value network** is a new and novel business method that describes the social and technical resources within an organization. The nodes in a value network represent people and the roles that they play in the organization. The nodes are connected by interactions that take the form of knowledge, information, financial or other value. Value networks constitute **the informal organizational structure** within an organization and these highlights **the interdependence** of people within the organization.



Organizational network analysis has several major advantages over the traditional approach:

1. It can find solutions to complex problems.
2. It can be automatically configured for future changes and training programs.
3. It is a rapid measurement and diagnostic tool.
4. The outcomes are verifiable and reliable in a short time period.
5. It ensures information security as localizes traffic zones in and between groups.
6. It has strong prognostic power.

## WHAT CAN WE SHOW YOU

### 1. Network of professional knowledge accessibility – integration of professional masters

In any company, network loops can be found which separate some of your most valuable colleagues from the others in the informal relational network. Their high-value expertise is not often utilized to its full potential. We can identify who these individuals are and how best to integrate them into the organization.

### 2. Key employees

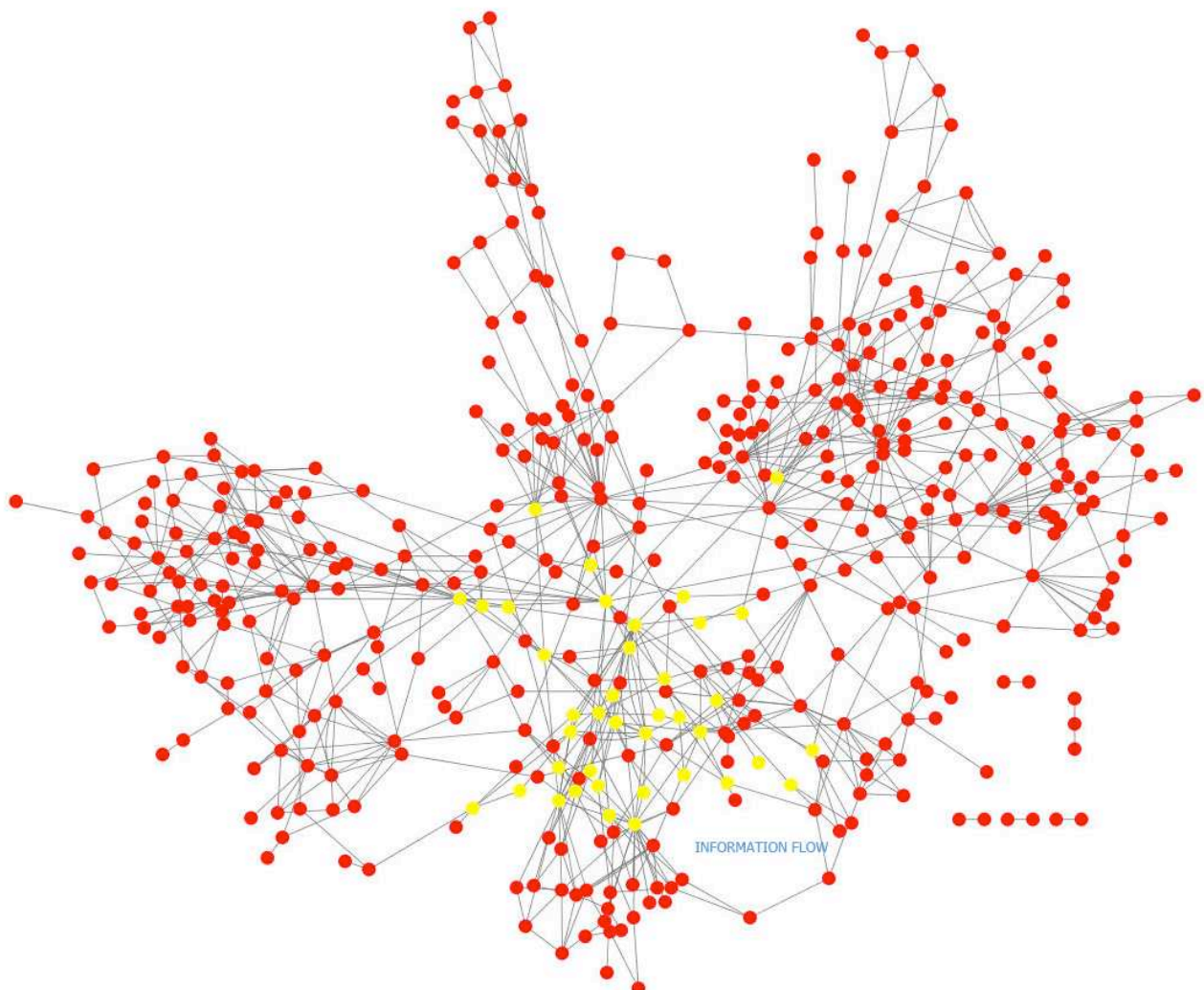
In every organization there are informal key “players” who have the greatest influence on the way the company is organized. Knowing how influential members of your team are likely to react to organizational changes is an invaluable insight.

### 3. Newcomers adjustment

Working with an IT company, we discovered that the vast majority of the new colleagues were isolated from the old ones, and primarily had relations only with each other. By highlighting this problem, the company was able to react by initiating a mentor system that now supports the integration of newcomers and their access to professional and organizational knowledge.

### 4. Organizational information flow

In a manufacturing firm, we found out that the top two management levels had no connection with the managers working in the factories. We revealed to the management who the key information brokers were and recommended that they should be connected together in order to enhance the flow of information and to prevent the spread of uniformed gossip through the organization.



### **5. Competency profile**

We can make a profile of every employee that enables you to identify training, coaching and other developmental areas. When combined with a development plan for each employee, areas for improvement become clearer. The routes by which an employee may become a professional expert or step up to a higher managerial level are identified.

### **6. Cooperation between front and back office**

Cooperation between colleagues who are working on bringing business to the table and those who carry out the actual work is essential to any business. When acting on behalf of an IT-corporation, we highlighted discrepancies between the sales group and the group of developers. As a result, company leaders stepped up efforts to enhance the cooperation between these groups, contributing to the success of future projects.

### **7. Planning leader recruitment**

A Hungarian-owned company went through a significant expansion in one year: lots of new colleagues joined the group. Organizational and co-ordination problems started to surface. Organizational network analysis measured individual manager's leadership skills; we were also able to assess their acceptance as leaders by different groups in the company.

### **8. HR Security**

Using organizational network analysis, we can identify employees who might pose a potential risk to the company. We can also find so-called "cohesive groups" that have strong ties to each other but weaker relationships with other teams or organizational units.

### **9. Reducing staff turnover**

We recognize that rates of staff turnover are higher in those departments with smaller group cohesion. Employees positioned at the periphery of the informal network are likely to leave the company on short notice. We can help to identify who these colleagues are and what can be done to integrate them.

### **10. Decision network**

By analyzing the decision network of a company, we can identify those key employees who colleagues ask for advice when making a decision. We can analyze the decision-making pattern on different managerial levels and find where impediments to decision making are located.

### **11. Project effectiveness analysis**

During the analysis of project teams, we are able to show communication gaps and missing cooperation links between employees who are supposed to be work together closely on a project.

### **12. Identifying key organizational values**

If you are aware which values affect your organization the most, you have the opportunity to influence and reinforce them.

### **13. Co-operation of managers**

When analyzing the organizational network of a division of a financial company, we observed that middle managers connected well to each other well, creating created a strong inner core. In contrast, the Head of the Division did not have this kind of connection with these managers. After the results of the analysis were fed back to the division, steps were devised to develop relations.

### **14. Group metrics**

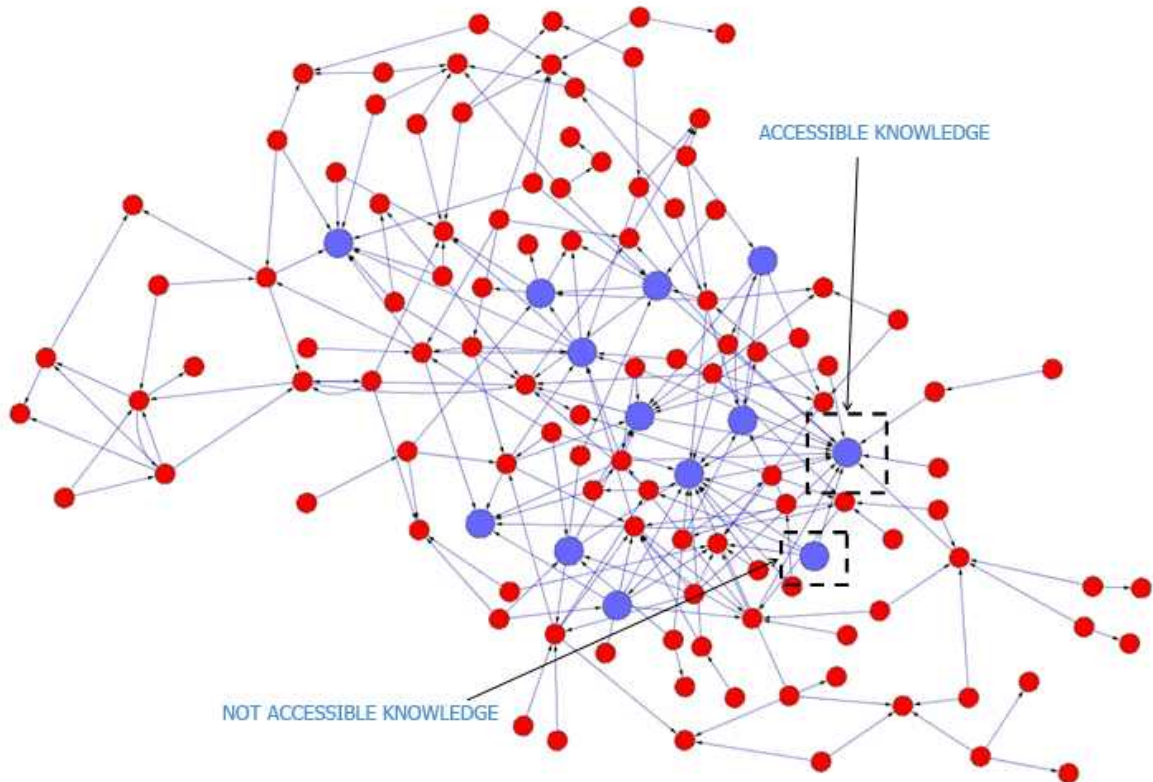
There are several measures, which can be used to indicate the level of cooperation in a group (for example, cohesion, density, symmetry). While working with an IT department, we found out that all but one of their work groups cooperated well with each other. Following intervention, the Head of Department was able rectify this situation.

### 15. Identifying potential project team members

Using organizational network analysis we can identify those colleagues who are most likely to cooperate well with each other and produce great results together.

### 16. Innovation diffusion in the organization

Unfortunately, in some corporations, the best ideas do not reach the people who have the power to make them work. By examining the way in which innovative ideas spread through an organization, we can show where and why these ideas get blocked



### 17. Participant recommendations

Using organizational network analysis, we can identify groups of employees that have the biggest influence on the flow of organizational and professional information in a company. The company's management should invite these informal opinion leaders to discuss planned changes. With this approach, the flow of information is streamlined, and the spread of gossip and rumor based on incomplete information can be prevented through information transparency.

## ABOUT THE METHODOLOGY

**HUMAN DUE DILIGENCE IS A QUANTITATIVE, EMPIRICAL METHOD FOR MODELING ORGANIZATIONS AS INTERLOCKING NETWORKS OF PEOPLE, TASKS, RESOURCES AND KNOWLEDGE. IT CAN ALSO BE USED AS AN AID IN ALL DECISIONS THAT HAVE AN EFFECT ON THE INFORMAL STRUCTURE OF THE COMPANY.**

## PREPARATION OF THE SURVEY

### Preparation

The process starts with collecting basic employee attributes, such as status, reporting lines, organizational structure, start dates etc. Alongside this employee data collection, we define the dimensions of the analysis in collaboration with our clients

### Survey

During the next step employees in the organization or within a group respond to an online questionnaire containing questions such as:

Who do you turn to most often when you have questions about your work?

Which of your colleagues is the first to tell you informally about organizational changes?

Which of your colleagues has the most professional knowledge and experience?

### Analysis

After the survey we perform a statistic analysis, on the basis of which we create data files that generate network images, which provide information feedback for the client.

### Interviews

Based on the result of the study and the accompanying presentation we run face-to-face interviews with key people identified in the study regarding further challenges. During these interviews our psychologists can reveal hidden motives and the personal characteristics of these key people.

### Consultation

During the consulting phase we set up an action plan together with our client based on the results of the network analysis.

## And our answers...

1. Who should I include in an **effective project team**?

We are able to show which employees can cooperate effectively and have the professional competence needed to successfully complete a project.

2. Who needs to be involved so that any anticipated important changes within the organization can be effectively **communicated**? How can I avoid the spread of gossip?

We can identify key players in the organization's information network. These are the people who have the greatest effect on spreading information and the acceptance of changes.

3. Which employee should receive further professional training? **For whom are training worthwhile** and what skills need to be focused on?

We can show you who should be trained so that the organization benefits the most, and in what fields they should be trained.

4. Could **cooperation** between leaders **be improved**?

We can find out to what extent leaders can be mobilized for collective performance and whether those leaders whose cooperation is most important are currently working together.

5. To what extent do **teams cooperate**?

We can show whether the teams that should be working together most closely are cooperating or not.

6. Is there potentially useful **knowledge** within the organization to which the organization has no access? We can reveal the knowledge centres within the organization whose knowledge is not used or is not accessible to co-workers.

7. How can I **measure** the **success of development plans** and the effects of organizational changes? We can indicate how the sociometric profile of employees and groups has changed due to development plans and changes.

8. In which areas could my managers improve as leaders? We can measure the acceptance of leaders within their groups (in terms of trust, professionalism, information exchange, decision making, etc).

### COMPLETING THE ONLINE QUESTIONNAIRE

Participants can easily fill out the questionnaire by visiting our website hosted by Human Value International. Everyone receives a password for the site via email. In the online questionnaire, participants can select co-workers from a drop-down list (eg. Whom do you turn to with professional questions?)

The questionnaire is user-friendly and can be completed quickly in around 20 minutes. As the system records any choices made in a database, it is possible for an employee to complete the questionnaire at different times.

### SOME DIMENSIONS THAT CAN BE EXPECTED

1. Professional knowledge accessibility network
2. Key players: high social capital holders, professional masters, information couriers, decision influencers
3. Integration of newcomers
4. Organizational information flow analysis
5. Sociometric profiles of leaders
6. HR security
7. Decreased staff turnover
8. Decision-influence network
9. Project efficiency analysis
10. Identifying values within organization
11. Cooperation of Management
12. Group index: mobilization, cohesion and cooperation of teams
13. Choice of project members
14. Spread of innovative ideas within the organization
15. Choice of members for company events and off-site events

## SOME QUESTIONS THAT CAN BE EXPECTED

**Cooperation:** If you had to complete a task as a team, whom would you choose to work with?

**Professional:** Whom do you turn to most often about professional questions?

**News about the organization:** Who is the first to informally provide you with information regarding changes in the organization?

**Decisions:** Whom do you most often consult with when making you make decisions?

## What we provide...

### Diagrams

- Cooperation maps (between co-workers/leaders/ units)
- Decision-making networks (based on who-influences-who choices)
- Knowledge networks (who turns to whom with professional questions? Where can inaccessible knowledge be located?)
- Information flow route map (How do co-workers receive information about changes? In which directions does information flow?)

### Results:

#### 1. List of key players and their roles within the organization or within the teams

- Social capital holders
- Professional mentors/teachers
- Opinion leaders
- Decision influencers
- Information brokers
- Potential leaders

#### 2. Sociometry indices that characterize team mobilization potential and the common value system of groups:

- density (the density of ties within the group)
- reciprocity (how mutual the choices between the members are)
- block index (how many sub groups there are)

#### 3. Cooperation matrices

- Degree and quality of cooperation between units/organizational levels/groups.

### All leaders receive feedback:

#### 1. About their role among other leaders:

- Professional recognition and accessibility
- Decision-making influence
- Cooperation potential
- Role in the information network
- Network position (centre, periphery, subgroup, clique)

2. How could their role within the group become more useful? For instance, in which areas should they improve or what personal/professional characteristics do they need in order to become more visible to others?

3. What improvements could make them a better leader or member of the organization?

How can the cooperation be strengthened and in what ways?

## FREQUENTLY ASKED QUESTIONS

### **Why is knowing the informal network is important?**

- Knowledge of the informal structure helps us make decisions that enhance communication efficiency and the mobilization of teams for higher productivity, as well as business performance.

### **Doesn't the analysis of employees' informal network raise privacy issues?**

- No, as completion of the questionnaire is voluntary, anyone can choose not whether to fill out the survey or not to answer certain questions.

### **Are there negative questions within the questionnaire?**

- No. The questionnaire only includes only positively formulated questions (eg. which of your co-workers has the most professional knowledge and experience?)

### **Is the completion of the questionnaire anonymous?**

- We have to know who has filled out the survey in order to generate networks. Using anonymous answers, we can only provide a statistical analysis but does not enable us to use the network approach.

### **What do leaders use the results for?**

- They use it in order to improve communication within the organization, to set up project teams, to retain key players, to optimize cooperation among teams, to identify potential leaders, etc.

### **Who can see the results?**

- The top leaders can see the whole network including people's names. Employees working on the same level only have access to their personal results (how many times people have chosen them, what is their position in the network). We present the general tendencies (eg. where the information gets lost, how dense the network is) to the entire company.

### **Can the employees manipulate the results?**

- One of the method strengths of the analysis is that it is hard to be manipulated. During one of our analyses in a bank, those in the IT department wanted to show how good their cooperation was, so they discussed together who should be chosen by whom in the questionnaire. The Head of IT thought that they had manipulated the results. We told them that a team that can work together that well on a given task would look exactly the same on the team's network image. All information during the research process can be analyzed.

### **What happens if somebody does not fill out the questionnaire?**

- The response rate is as important as the findings themselves because it shows how much the employees trust the leaders to use the results appropriately and also how well they accept tasks handed down from management. Typical response rates are 70-90%.

### **Doesn't the informal structure change with time?**

- Of course. The structure of relationships within an organization can change significantly within a 3-4 months time scale. This is exactly why it is important for leaders to have the whole picture of the current network so that they can make plans about which areas they want to improve and change.

### **How much work time does this take for the company?**

- During the preparation phase, we must make a list of employees and inform leaders about the process. After the analysis, decisions need to be made about possible improvements. Filling out the questionnaire takes about 20 minutes, but can be done over more than one occasion, as the system records the given answers.

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