

# Building Referral Networks

by Paul Eldrenkamp

Until recently I'd never really thought much about my social networks — the intricate web of friends, colleagues, and acquaintances around me. I always pretty much let these contacts happen by themselves, although I often marveled at the interconnected chain of events they spawned.

As an example, consider this sequence of events. Not long ago, I was best man at the wedding of a college roommate of mine who married the daughter of the dean at a local university. I sat at the head table, and I hit it off with the bride's parents. A professor at the university subsequently mentioned to the dean that he needed his front fence restored; the dean gave him my phone number, and I did the work. One day, a neighbor walked by the fence job and saw our work. She needed her front porch rebuilt, so she asked the professor about us, then hired us for the job.

Connections like these always seemed coincidental to me. It never occurred to me you could do any "network engineering" until I recently read a 1974 study by Mark Granovetter titled "Getting a Job." This study documents how people who found work through personal contacts stayed at their jobs longer and had a higher degree of job satisfaction than people who found work through any other means, including help wanted ads. It started me thinking about how networks bring in new work and that helps us find our best employees. Specifically, I wondered if the social connections I'd always thought were coincidental could be actively and deliberately arranged. After some trial and error, I decided that there are ways to cultivate and manage social networks, rather than rely on them to take care of themselves.

**Strength in weak ties.** One of the theories that came out of the job study is "the strength of weak ties." Simply put, this means that acquaintances are more valuable than close friends in cultivating networks. This may seem backwards at first, but it makes sense the more you think about it. Friends tend to have a large overlap of interests and common connections — they hang out with the same people in the same places. This is fun for them, but it's not helpful if you're trying to make a connection with people you don't know. For that you need a broad range of activities and acquaintances.

Think of it this way: You almost never know the person who calls you to do a project, but you know someone they know. Sometimes, in fact, they're two or more steps removed: You know someone who knows someone they know. More important, the person you know in common is usually not a good friend but an acquaintance. No surprise here, because we all have a lot more acquaintances than friends. Obviously, acquaintances should be treated with integrity and care because they're better business contacts than your friends. (This does not mean, however, that I am recommending you treat your friends badly.)

**Business or pleasure?** How does this affect your job as a construction company owner or salesperson? One answer is that it points up the value of participating in a variety of activities or organizations that have almost nothing in common. So take your hobbies and make them tax-deductible. For example, I spend some of my free time serving on the boards of the regional environmental organization and the local historical society, and I am a former board member of my daughters' preschool. I am also a member of my

local neighborhood association and I'm part of a piano performance group that meets monthly to play pieces for each other. These are all activities that I enjoy, but they also acquaint me with several varied circles of people.

**Choose your network.** One glaring hole in my activities is organized sports. In addition to keeping my waistline under control, involvement in sports could put me in touch with tradespeople, who are on average a pretty athletic group. Those connections could make it easier for me to find skilled carpenters, which is increasingly difficult to do in the current building climate. So I've decided to join a soccer team this year in a local league. The soccer will introduce me to a broad group of people who like hard physical activity. Some may even be skilled tradespeople, but some are sure to be acquaintances or friends of skilled tradespeople, and all are sure to be good connections.


I'm also hoping that the soccer will be fun and that I will improve as a player. This is important because joining the soccer team for strictly business reasons would be pretty cynical. In fact, it wouldn't work because my motivation would be transparent, and I would lose rather than gain credibility with others in the group. For this kind of networking to be effective, I have to be perceived as someone who is competent, organized, generous, and enthusiastic. The only way to be perceived as all those good things is to *be* all those good things. That's why I've bartered remodeling services to a client of mine in exchange for some soccer instruction. (He's an ex-pro soccer player who's also going to help me find a team, because there's no way my athletic skills alone will qualify.)

## Long-Term Results

Of course, this kind of networking only shows results over the long haul. You need to participate actively, enthusiastically, and with integrity for several years before you will really start reaping the networking benefits. In my case, for example, my kids went to a nursery school for nearly nine years all told, right up to a couple years ago. I put a huge amount of time and energy into that school — building play structures, serving on the board, organizing parent spruce-up days, and making

cash donations. If my motivation had been finding sales prospects instead of trying to improve the school experience for my daughters, I would have been disappointed. Year one I got no work from other parents at the school. Year two I got about \$800. Year three, nothing; year four, \$6,000; year five: nothing again.

In year six, however, the social network started to have an effect: \$32,000. Year seven, \$27,000; year eight, \$147,000; year nine, \$120,000. Then, in year ten, after my kids and I were no longer active in the school, I did

\$273,000 in work for people in that social group. Today (year eleven), I have \$240,000 in contracts and counting, plus over \$750,000 in leads I could not handle and had to refer elsewhere. This pattern is not unusual. It takes time to build trust and cement the relationships. But we can't rely on coincidence and happenstance and random connections. We have to take care of our networks. 

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