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## How to build social capital with leadership development: Lessons from an explorative case study of a multibusiness firm

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### ABSTRACT

The organizational impact of leadership development practices is still not fully understood. Research confirms that in some cases effects can be found and in others not. Most of these attempts search for contribution to a company's human capital. A contribution to social capital development remains an unexplored source of variance in understanding how leadership development impacts organizational performance. This paper therefore explores—from a strategic management perspective—how leadership development practices may contribute to social capital development. We chose the strategic context of a large multibusiness firm in which social capital across business units play an important role for competitive advantage. The exploratory case study reveals that: 1) Social capital differs regarding its intensity and develops through stages characterized by contact, assimilation, and identification experiences. 2) Leadership development practices differ in their potential contribution to social capital development stages and should therefore be designed accordingly.

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### 1. Introduction

Effective leadership is generally associated with the success of all sizes and types of firms (Daily, McDougall, Covin, & Dalton, 2002; Yukl, 1989). It is therefore not surprising that leadership is increasingly recognized by organizations as a source of competitive advantage, and has consequently led to large investments in leadership development. Over the past decades, one indicator of this growing interest in leadership development is seen in survey results that report about increasing attention and resources given to leadership development, particularly by large business organizations (PriceWaterhouseCoopers, 2006, 2008). Accordingly, a variety of leadership development practices have emerged in organizations, such as leadership training, mentoring, 360-degree feedback, coaching, networks/off-sites, job assignments, and action learning. Most of these practices have been designed in the tradition of developing competences at individual skills level and thus contribute to the firm's human capital (Day, 2000). However, from a strategic management perspective, the efficacy of leadership development practices is still called into question, as there is to date no sound empirical evidence of its impact at organizational level (Burke & Day, 1986; Collins & Holton, 2004; Mabey & Ramirez, 2005; Seibert, Hall, & Kram, 1995; Winterton & Winterton, 1997). Even if positive effects can somehow be found, it is still not clear *in what ways* leadership development practices contribute to organizational performance. Traditionally, leadership development theory and research approaches have focused primarily on leader attributes (Avolio, 2007; Day, 2000). In most—and particularly large—organizations, however, we find multiple leaders that do not lead in isolation (O'Reilly, Caldwell, Chatman, Lapiz, & Self, 2010). As a result, leadership efficacy to some extent depends on the quality of the social network and context in which a leader is embedded (Balkundi & Kilduff, 2006). Accordingly, leadership as well as leadership development research calls for an integrative view, considering leaders' interaction with social contexts to understand how leadership development practices unfold their efficacy (Avolio, 2007; Avolio & Gardner, 2005; Balkundi & Kilduff, 2006; Brass, Galaskiewicz, Greve, & Tsai, 2004; Day, 2000; Hooijberg, Hunt, & Dodge, 1997; Hunt, 2000;

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London & Maurer, 2003; McCauley & Van Velsor, 2004). Our study therefore abandons the human capital approach predominant in leadership development research and explores its contribution to social capital (Day, 2000).

We selected a multibusiness firm for our research. Independently of industry and size, the strategic generic concept of multibusiness firms is to create competitive advantage by realizing synergies across its businesses (Chandler, 1991; Goold, Campbell, & Alexander, 1994; Müller-Stewens & Knoll, 2005). Generally, the realization of cross-business synergies originates in the relationships among the businesses (Martin & Eisenhardt, 2001, 2003). Accordingly, social capital between business units plays a particularly important role, for strategy realization to enable the necessary cross-business collaboration activities (Martin & Eisenhardt, 2001; Nahapiet & Ghoshal, 1998; Pappas & Wooldridge, 2007; Tsai & Ghoshal, 1998). Besides structural aspects (i.e., tie strength), relational and cognitive aspects of social capital (i.e., trust and shared meaning in terms of goal orientation and values) have been shown to be associated with beneficial inter-unit collaboration outcomes (Nahapiet & Ghoshal, 1998; Tsai & Ghoshal, 1998). As a result, the strategic key task of a multibusiness firm's corporate management is to enhance collaboration activities across businesses by setting adequate organizational and procedural arrangements that enable relationships across businesses, as well as building trust and shared meaning. Thus, in a multibusiness firm, leadership development is regarded as a very important strategic means for corporate management to enable a collaborative culture that will lead to cross-business synergy realization.

We explore how leadership development as a set of strategic formally organized corporate management practices fosters social capital development across business units in order to contribute to continuous cross-business synergy realization in the specific context of a multibusiness firm. Faced with a variety of leadership development practices—including internal leadership training, job assignments, mentoring, coaching, 360-degree feedback—we follow Day's (2000) suggestion to explore how these leadership development practices may contribute most efficiently to social capital development in a multibusiness firm's strategic context. To contribute to theory advancement in leadership development research, we illuminate the complex relationship between leadership development and social capital from a strategic management perspective. Following recent calls in contemporary leadership development research, our study's value lies in its elaboration on *how* this relationship takes place, rather than whether it exists or not (Avolio, 2007). Accordingly, we are able to propose a more fine-grained understanding of social capital and its development, and thus how leadership development practices assist it. We base our theoretical findings on observations from an explorative case study of a multibusiness firm in the financial services industry that pursues cross-business synergies as a strategic intent and uses leadership development practices as a strategic means to foster continuous collaboration between its businesses.

We begin by positioning the study in the context of leadership development research. Adopting a strategic management perspective on *leadership development*, as a function of corporate human resources management, we show that research on leadership development's organizational impact remains puzzled. While most research approaches are oriented on human capital, we illuminate the contribution to social capital. However, to capture social capital impact, a firm's strategic context must be considered. Selecting a *multibusiness firm* as a context in which social capital plays a strategically important role, we discuss research insights in the field of multibusiness firms' corporate management, including *social capital's strategic role in cross-business synergy realization*. Based on the gathered case study data, we first specify the different facets of social capital and its development stages in cross-business collaboration activities. We then use our cross-collaborating manager interview data to explore the ways in which the leadership development practices of *leadership training, mentoring, 360-degree feedback, coaching, networks/off-sites, job assignments, and action learning* differ concerning their potential to enable social capital development. We use our findings to derive propositions about how leadership development practices may assist social capital development experiences. We then discuss implications for the design and strategic use of leadership development practices and the need for further research.

## 2. Literature review

### 2.1. Leadership development from a strategic management perspective

#### 2.1.1. Leadership development as a corporate function

Leadership is increasingly recognized as an important source of competitive advantage (Daily et al., 2002; Yukl, 1989). The primary reason why firms invest in leadership development is to enhance and protect their human capital (Lepak & Snell, 1999). In this context, human capital is understood as “individual capabilities, knowledge, skill, and experience of the company's employees and managers as they are relevant to the task at hand, as well as the capacity to add to this reservoir of knowledge, skills, and experience through individual learning” (Dess & Lumpkin, 2001: 25). These traditional *human capital oriented approaches* of leadership development see leadership as a result of the personal attributes and capabilities of leaders (Bass, 1985; Conger & Benjamin, 1999; Neck & Manz, 1996). Consequently, leadership development in this tradition is conceptualized and organized as *leader development* targeted at managers in formal management positions, focusing on their personal competence base and aiming for individual-level skills enhancement (Day, 2000; Fiedler, 1998).

From a strategic management perspective, leadership development in organizations is regarded as a sub-function of human resources management (HRM), along with recruitment, compensation, retention, and disengagement, etc. It can be defined as “corporate activity [...] that includes structural tactics such as succession planning and organizational arrangements for the diagnosis and review of development, as well as the actual methods used for developing managers, whether formal or informal” (Mabey, 2002: 1139). As corporate HRM activities, leadership development practices become a source of competitive advantage if they are aligned and combined in such a way that they create synergistic effects (Boxall & Purcell, 2003; Kepes & Delery, 2007; Purcell & Kinnie, 2007). Only if leadership development practices are aligned beyond each other and with other HRM activities

they might become valuable, unique, and difficult to imitate—thus constituting a resource for sustained competitive advantage (Allen & Wright, 2007; Barney, 1991). In this regard, a strategic perspective on leadership development practices involves considering an organization's particular strategic context, as well as how different practices interact with each other over time. Although this aspect is widely considered important, mostly only isolated practices are addressed in HRM as well as leadership development research (Avolio, 2007; Kepes & Delery, 2007; Lewis, 1997; McCauley & Van Velsor, 2004).

### 2.1.2. Perspectives on leadership development's organizational impact

Most larger firms continuously invest a substantial amount of their revenues in leadership development (PriceWaterhouseCoopers, 2006, 2008). However, this extensive investment seems to be rather “an act of faith” (Mabey & Ramirez, 2005: 1067). While it is reported that leadership development practices do positively impact the individual and organizational levels (Burke & Day, 1986; Collins & Holton, 2004; Mabey & Ramirez, 2005; Seibert et al., 1995; Winterton & Winterton, 1997), results remain widespread and diverse, however. In particular, it is not clear *through which processes* leadership development creates organizational impact, and not only individual career success (Mabey & Ramirez, 2005; Purcell & Kinnie, 2007). As a result, corporate HRM is under increasing pressure to justify its investments by showing how leadership development impacts organizational effectiveness. With regard to firms' continued high investments in this domain, there is agreement among scholars and practitioners on the need to review the efficacy of leadership development practices concerning their organizational impact (Mabey, 2002; PriceWaterhouseCoopers, 2006, 2008; Winterton & Winterton, 1997). Thus, how leadership development can be used as a corporate means to effectively support strategy realization is an intriguing question for both leadership development research and practice.

Studying the organizational impact of leadership development practices reveal that similar problems appear as in studies concerned with the impact of other HRM practices. Beyond methodological issues, it is claimed that inconclusive empirical results may indicate that the relationship between HRM practices—such as leadership development—and organizational performance might be too distant (Purcell & Kinnie, 2007). This uncovers the conceptual need to identify the intermediary processes and key variables that mediate this link—what Purcell and Kinnie (2007) call “specifying the causal chain” (2007: 540). Similarly, advances in the field of leadership development relate to a better understanding of *how* leadership development practices may lead to organizational impact, instead of asking whether or not effects exists (Avolio, 2007). This involves approaches that account for leadership development's context-embeddedness. To date, however, most leadership development research and theory has been rather leader-centric and has not accounted satisfactorily for the organizational and social context yet (Avolio, 2007; Day, 2000; Fiedler, 1998).

By focusing on the social capital impact of leadership development practices, we follow these recent calls by several authors in leadership development research to open a potentially new avenue of understanding variance in the efficacy of leadership development in organizations (Avolio, 2007; Day, 2000; Hunt, 2000).

### 2.2. A social capital oriented perspective on leadership development

From a strategic management perspective, most leadership capabilities to turn a firm's strategy into valuable action are company-specific, which means that they need to be developed within a specific organizational context (Burgelman & Doz, 2001; Müller-Stewens & Knoll, 2005). This implies that these capabilities are not context-independent and require social embedding, i.e. social capital, in order to be activated, deployed, and developed (Burgelman & Doz, 2001; Prahalad & Hamel, 1996). In contrast to human capital, Burt (1997) describes social capital as “the quality created between people, whereas human capital is a quality of individuals” (Burt, 1997: 339). In this sense, social capital is considered the “contextual complement of human capital” (Burt, 1997: 339). Thus, human capital is not only intertwined with social capital, it is also an enabler for building human capital in a firm (Burt, 1997; Ireland, Hitt, & Sirmon, 2003; Lepak & Snell, 1999). More precisely, recent studies have shown that social capital is an important viable antecedent for a large range of organizational activities, including inter-unit exchanges and collaboration activities, such as cross-collaboration activities (Adler & Kwon, 2002). As a result, if a firm's leadership development practices stay exclusively human capital oriented, it might build the smartest and most competent managers but without the necessary social capital it risks that these resources and capabilities become stuck and cannot be deployed. This is particularly challenging for larger firms, where increased reorganizations and dynamic organizational changes lead to the constant re-building of social relationships across units, managers, and employees. In such a context, a conscious social capital management through leadership development practices becomes a viable source for an organization's effectiveness.

The value of a *social capital oriented* perspective has recently been revealed in leadership development research, although it has not yet been fully clarified (April & Hill, 2000; Balkundi & Kilduff, 2006; Day, 2000; Storberg-Walker, 2007). Complementing the human capital approach, the more recent relational and social capital oriented approach acknowledge that leadership is an ongoing, relational, and socially embedded process that occurs between all organizational members, whether they have formal leadership positions or not (Balkundi & Kilduff, 2006; Barker, 1997; Day, 2000). Based on this broad understanding of leadership, which embraces all members of an organization, leadership development is defined as “[...] expanding the collective capacity of organizational members to engage effectively in leadership roles and processes [...] building the capacity for groups of people to learn their way out of problems that could not have been predicted” (Day, 2000: 582). In contrast to human capital oriented leadership development, social capital oriented leadership development, according to Day (2000), focuses “on building networked relationships among individuals that enhance cooperation and resource exchange in creating organizational value” (Day, 2000: 585). Accordingly, the emphasis lies on *building and using interrelations* supported by social awareness (e.g., empathy and political awareness) and social skills (e.g., collaboration, building bonds, team orientation, and conflict management). Thus, this perspective considers not only the leader but also the interaction with a social context as playing a role in effective leadership performance (Avolio, 2007; Fiedler, 1998). Consequently,

social capital oriented leadership development is multifaceted considering different environmental and social circumstances and means “helping people learn from their work rather than taking them away from their work to learn. State-of-the-art leadership development is occurring in the context of ongoing work initiatives that are tied to strategic business imperatives” (Day, 2000: 586).

If we acknowledge that leadership development focuses on the social interaction between an individual and the social and organizational environment, leadership development becomes a more nuanced, complex matter than when it is only concerned with individual competence development. More precisely, to allow leadership development practices to become a part of an organization's ongoing business implies to adopt a context-related strategic management perspective on leadership development (Day, 2000). This might be one reason why a social capital oriented perspective on leadership development has not yet been satisfactory explored, despite the fact that its value has been revealed by several authors (April & Hill, 2000; Balkundi & Kilduff, 2006; Day, 2000; Storberg-Walker, 2007). As a result, human capital oriented approaches to designing leadership development practices are still very common in research and practice. Accordingly, most leadership development practices (such as *in-house leadership training, mentoring, 360-degree feedback, coaching, networks/off-sites, job assignments, and action learning*) are intended for developing individual skills level competences. However, as Day (2000) points out, these practices may also be able to serve as a function for social capital, particularly if they are collectively organized and aligned beyond each other. We are interested in understanding how these practices may assist the development of social capital in the strategic context. To this end, we agree with Day (2000) that, in order to investigate leadership development's social capital impact, the specific organizational and strategic context must be considered. Accordingly, an organizational context in which social capital plays a key strategic role—such as multibusiness firms—seems favorable.

### 2.3. Corporate management of multibusiness firms

#### 2.3.1. Strategic rationale

Most large firms today are multibusiness firms (MBF), which means that they are engaged in more than one business (Bowman & Helfat, 2001). In contrast to single business firms, MBF management holds that, as a corporation, it is able to create a higher added value than the sum of its individual businesses when all the corporation management costs are taken into account (Goold et al., 1994). If an MBF cannot create such a corporate surplus, it might face increasing pressure from investors to improve its cross-business synergy realization or to abandon one of its businesses (Müller-Stewens & Knoll, 2005). Thus, regardless of the industry, the underlying entrepreneurial rationale of every MBF is to strive for continuous value creation across businesses in order to create a corporate surplus (Chandler, 1991; Goold et al., 1994; Müller-Stewens & Knoll, 2005). During the past few decades, this phenomenon has been subject to extensive economic and management research efforts to understand whether, why, and under which circumstances an MBF is able to realize corporate advantage (Bowman & Helfat, 2001; Burgelman & Doz, 2001). In short, it seems that the corporate strategy, degree of diversification, or organizational structure do not *automatically* give rise to superior corporate effects (Bowman & Helfat, 2001; Rumelt, 1982; Rumelt, Schendel, & Teece, 1994). The competence to *manage* diversification seems to play a far more important role in explaining corporate advantage (Bowman & Helfat, 2001). In this context, the generic MBF strategic concept is generating *synergies*. Synergies are therefore also discussed as the most important vehicle for and source of cross-business value creation (Martin & Eisenhardt, 2001).

#### 2.3.2. Cross-business synergy realization

Cross-business synergies are generally defined as “the value that is created over time by the sum of the businesses together relative to what their value would be separately.” (Martin & Eisenhardt, 2001: 3). In the sense of returns, value creation can either be influenced by expenditure reductions or revenue enhancements. The term synergy does not strictly refer only to potential cost savings, as some authors suggest (e.g. Besanko, Dranove, & Shanley, 2000). However, unlike the generally known efficiency synergies, *growth synergies* have received much less attention in the literature (Palich, Cardinal, & Miller, 2000; Ramanujam & Varadarajan, 1996). Whereas *efficiency synergies* refer to the bundling and exploitation of *similar* resources—for example, a plant facility, IT infrastructure, etc.—*growth synergies* refer to the combination and bundling of *complementary* resources—such as different products and client services—to create new and unique business or customer solutions (Knoll, 2008; Tanriverdi & Venkatraman, 2005).

Regardless of type, realizing synergies has a price and must be managed; if not, dissynergies may result if the transaction costs are higher than the realized synergies (Porter, 1985; Porter, 1996; Sirower, 1997). Concerning *synergy realization*, managing synergies refers to the importance of the underlying *process*. This relevance is reflected in a definition by Goold and Campbell (1998), who regard cross-business synergies as “the ability of two or more units or companies to generate greater value working together than they could working apart” (Goold & Campbell, 1998: 133). As a result, *collaboration*<sup>1</sup> *activities across businesses* play a major role in an MBF's synergy realization (Campbell, 1999). Despite the pursuit of cross-business value creation as the underpinning strategic logic of multibusiness firms, relatively little is known of *how* cross-business synergy potentials are in fact realized (Martin & Eisenhardt, 2001, 2003; Porter, 1987). What seems clear, however, is that the realization of intended cross-business growth potential is not a trivial matter. Competition, rather than collaboration, will occur between the organization's silos if there

<sup>1</sup> We use the term “collaboration” and “cooperation” interchangeably. We are aware of the historical associations of the term collaboration and use it in a positive way, following Huxham (1996): “For some, the term ‘collaboration’ carries a negative connotation; this is a hang-over from the Second World War when the term was used to describe those who worked with the enemy. In this book, however, ‘collaboration’ is taken to imply a very positive form of working in association with others for some form of mutual benefit” (Huxham, 1996:1).

is a lack of aligned strategic orientation, shared values, and a climate of trust (Burgelman & Doz, 2001; Ghoshal & Bartlett, 1996; Tsai, 2000). This underlines social capital's critical role in continuous cross-business synergy realization.

### 2.3.3. *The role of social capital in cross-business synergy realization*

Cross-business synergy realization involves organizational activities such as collaborative behavior, inter-unit exchanges, and joint entrepreneurial activities. Recent studies have shown that social capital is not only an important viable outcome, but already an essential *antecedent* for such organizational activities (Adler & Kwon, 2002).

For organizations, social capital is seen the most important ingredient for action and value creation (Adler & Kwon, 2002). Social capital generally refers to the *structure and quality* of social relationships between individuals or organizations. Most research on firms' intra-organizational relationships has primarily focused on *structural aspects*, i.e. formal and informal social network ties (e.g., network centrality, structural wholes, density, etc.) and their associations with beneficial performance outcomes (e.g., Burt, 2000; Mehra, Dixon, Brass, & Robertson, 2006). Besides structural aspects, however, it is important to consider the *quality aspect* of intra-organizational relationship, i.e. the relational and cognitive dimension, and how it is associated with beneficial outcomes. In this regard, recent research points to social relationship quality as social capital's most important component (Leana & Van Buren, 1999; Nahapiet & Ghoshal, 1998; Tsai, 2000; Tsai & Ghoshal, 1998). Accordingly, Leana and Van Buren (1999) conceptualizes organizational social capital as “[...]reflecting the character of social relations within the organization, realized through members' levels of collective goal orientation and shared trust” (Leana & Van Buren, 1999). Indeed, trust and shared vision and values seem to be important social capital qualities for improving company performance in terms of product innovations (Nahapiet & Ghoshal, 1998; Tsai & Ghoshal, 1998). Tsai and Ghoshal (1998) show that trust and trustworthiness—as tangible assets and properties of relationships—are particularly related to resource sharing and recombination between business units, which in turn leads to innovation. Trust and trustworthiness is built through frequent and close social interactions. Beyond this, a shared vision and values also play a role in units' willingness to collaborate. Thus, social relationships and their characteristics of tie strength, trust, and shared meaning can be seen as social capital's generic components, associated with beneficial inter-unit collaborative behavior (Hitt, Lee, & Yucel, 2002). We therefore conceptualize social capital based on Nahapiet and Ghoshal (1998), who characterize social capital as *tie strength, trust, and shared meaning*, which form social capital's structural, relational, and cognitive dimension.

Like building and maintaining human capital, building and maintaining social capital imply an investment. However, it is not yet clear *what specific extent* of social capital might encourage individual and organizational cooperative behavior, such as cross-business collaboration activities in MBFs, and how it can be efficiently enhanced. Thus, understanding how leadership development practices contribute to social capital in a multibusiness firm requires to first explore the social capital facets and its development in the context of cross-business collaboration.

## 3. Methods

### 3.1. *The study*

Our study explores how various formally organized individual and collective leadership development practices contribute to strategy realization in an MBF by means of mobilizing cross-business social capital. Because of the absence of prior theory and research on the relationship of leadership development practices and social capital, particularly in cross-business collaboration settings, it was considered essential to adopt an explorative theory-building case study approach. Case studies are frequently used in strategic management and organizational research to investigate complex and unexplained phenomena in a holistic way, focusing “on understanding the dynamics present within single settings.” (Eisenhardt, 1989: 543). Such a holistic view of dynamics in a single setting is mainly enabled through including multiple sources on different levels of analysis (e.g., organizational, group, or individual) and using multiple methods (e.g., interviews, archives, questionnaire, observations, etc.) (Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Miles & Huberman, 1994; Yin, 2003). Compared with traditional theory development resulting from combining previous literature, case study research draws on empirical reality, which allows for the development of a testable theory (Eisenhardt, 1989). Besides its being most appropriate in early stages of research, it is also said to be an adequate research methodology “to provide freshness in perspective to an already researched topic” (Eisenhardt, 1989: 548). We use the qualitative theory-building case study approach for our research in the latter sense, to explore a new perspective (i.e. social capital) for the research field, to understand the organizational impact of leadership development.

We conducted our research at a large MBF that operates three different businesses in the financial services industry. This sector is known to be very dependent on its human capital and to invest heavily in leadership development (PriceWaterhouseCoopers, 2006, 2008). The selected company acknowledged that cross-business synergy realization was a core element of its corporate strategy, the so-called ‘one firm’ strategy.

At the time of our investigation, the firm employed around 80,000 employees, and operated all of its three core businesses in several subsidiaries across Asia, America, and Europe. One of the most successful subsidiaries concerning cross-business growth synergy generation was a European subsidiary, which served as an internal model for other subsidiaries. Five years before we collected data for this study, a new CEO had been appointed to grow the business and initiate specific efforts to enhance cross-business collaboration activities, including the use of leadership development practices. This offered an ideal context for the exploration of the role of leadership development practices in a social capital intensive strategic context. Furthermore, with around 1300 employees, the subsidiary offered the advantage of a manageable and homogenous research context that did not compromise the criterion of studying a large MBF.

### 3.2. Guiding investigation framework

An initial definition of research questions and an a priori construct specification is seen favorable for theory-building case study approaches (Eisenhardt, 1989). Although both might shift during the research process, they help not losing focus in high volume of data. Along with our study purpose, the following questions guided our research: (1) How does social capital contribute to managers' collaboration activities regarding cross-business synergy generation and how does it develop? (2) In what ways do leadership development experiences allow managers to develop the social capital necessary for valuable cross-business collaboration?

We explored initial theoretical assumptions about associations based on our literature review, using them as the guiding investigation framework for the research design, data collection, and analysis process (see Fig. 1).

According to recent leadership development and HRM research, to address the organizational impact of leadership development practices several authors opt to distinguish between intended and experienced practices, including a perspective of these experiences over time. If the assumption is that leadership development practices help to achieve improved performance through people, then it is clear that leaders, as recipients of leadership development practices, play a central role in this chain. However, because they mainly focus on HR managers as respondents, most of the organizational-level studies have astonishingly disregarded the perspective of the recipient and how he or she experiences the interplay of different leadership development practices in context (Avolio, 2007; Purcell & Kinnie, 2007). To accomplish this, we employed a qualitative approach of semi-structured interviews to uncover participants' leadership development experiences over their managerial lifespan in the sample company. By incorporating the perspective of leaders' perceived experiences, we seek to capture how leadership development practices contribute to social capital—individually and through their interrelationships. This is central to a strategic management perspective on leadership development and accounts for the assumption that social capital is not necessarily developed through one leadership practice, but may be a product of a meaningful configuration of several practices to enable the respective social interaction experiences (see Section 2.1.1). Our research was also guided by the theoretical intuitive assumption, derived from social capital oriented leadership development research, that collectively organized leadership development practices, such as e.g. leadership training, imply a higher potential to build social capital than individual leadership development practices, such as e.g. coaching. Following extant research in strategic management literature, we further assumed that there is a positive association between social capital, cross-business collaboration, and synergy generation (see Section 2.3.3).

### 3.3. Data collection

Adopting case study methodology, we gathered our data by means of multiple methods and sources. Our data came from three sources: (1) observations and archival data, (2) 15 open-ended interviews with internal experts in central functions, and (3) semi-structured interviews with 30 cross-collaborating managers.

#### 3.3.1. Observations and documentary data

Initial discussions and visits marked the start of the research process. As one of the researchers had a long-lasting relationship to the company, we were in the privileged situation to build on an established trustful relationship, which allowed us to complement documentary and interview data with visits and observations. After a first discussion with the subsidiary's CEO, we were invited to participate in several company events, meetings, and town hall presentations, with the opportunity to speak informally with employees. We also participated in two leadership development programs in which managers from all three businesses attended. As cross-business synergy generation is very much industry related, this provided us with a first orientation on how value is created across businesses and which units are affected. We complemented our observations by studying the documentary

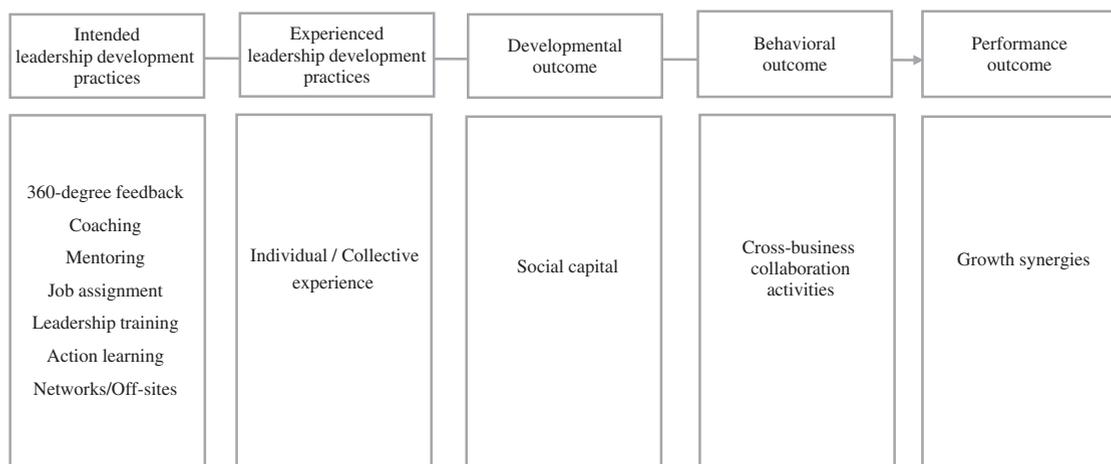


Fig. 1. Guiding investigation framework.

data of internal and external publication records, such as its internal and external communication, press releases, financial reports, and descriptions of leadership development practices and programs. Together with existing case studies, our observations and the documentary data helped us to embed and validate the information obtained from the internal expert interviews that followed.

### 3.3.2. Interviews with internal experts

We conducted 15 interviews with internal experts concerned with cross-business collaboration and located in the subsidiary and headquarters' central functions. We included experts in business development, controlling, human resources, and leadership development, as well as members of the executive board, in the interviews, to learn about the company's intended cross-business collaboration activities and the role of leadership development in general. Based on an interview guide, these interviews were open-ended and lasted between 1 and 2 h. The interviews focused on strategy, cross-business collaboration, achievements, support mechanisms, culture, and leadership development, among others. However, they were deliberately varied with regard to the interviewee's specific functional know-how and perspective. This enabled us to create an overall picture to understand the embedding, context, and status of cross-business collaboration at the subsidiary, as well as to establish the interview guide for the cross-collaborating managers.

### 3.3.3. Interviews with cross-business collaborating managers

To develop a deeper understanding of how leadership development practices impact social capital, the individual perceptions and experiences of the organizational actors were incorporated into the inquiry. Accordingly, interview data gathered among the cross-business collaborating managers were at the study's core. While observations, visits and documentary data supported the understanding of the context, cross-business collaboration activities and social capital's role in it, the interviews with the collaborating managers focused on specific variables, i.e. the relationship between leadership development experiences and social capital development. Unlike in deductive–quantitative approaches, inductive–qualitative approaches opt for a sampling to provide useful and valuable contributions to specific constructs and variables. A comparative design type is considered to generally improve inquiry rigor, as comparisons of different cases prompt the investigator to “look at data in many divergent ways” (Eisenhardt, 1989: 540). We chose to investigate very experienced cross-business collaborating managers, who have successfully achieved cross-business growth synergies in the form of new revenue streams. We compared them with less experienced managers in cross-business collaboration. With the help of the internal experts (i.e. the controlling and business management), we received a selection of cross-business collaborating managers that were seen to capture the required range of experience. Subsequently, each of the managers was contacted by phone in order to schedule an interview date. Up-front, we provided both initial information about the study purpose and a brief overview of the process. At the start of each interview, interviewees were again informed of the purpose of the study and the interview. Each interview lasted about one to one-and-a-half hours and was semi-structured in nature. This interview technique pre-specified certain constructs that might potentially play a role and enables the generation of comparable data. Accordingly, the interview guide's structure already reflected the preliminary coding scheme and captured the potentially relevant constructs derived from the existing literature, focusing on the three main components of our research questions: (1) cross-business collaboration experience and activities, (2) relevant social capital experiences (including their development), and (3) leadership development experiences. The guide was reviewed beyond the researcher team and four internal experts to test its understanding. Minor adjustments were made concerning company language.

Prior to the interview, the interviewees were asked, through a short questionnaire, to rate their degree of cross-business collaboration experience on a 7-point scale ranging from 1 (very few) to 7 (very much). We also asked interviewees to rate their cross-business collaboration achievements in the form of the subsidiary's financial performance indicator increases (net new money and return on assets) in categories between 0% and 30%.

While there may be criticisms regarding subjective experience and performance ratings, we also considered the only objective performance indicator available for successful cross-business collaboration: the receipt of a specific, internal cross-business award, which was annually awarded to the subsidiary's most successful collaborators. We also asked participants about social capital's structural aspect, to rate their contact frequency with units of other businesses, based on a scale used in network analysis to analyze tie strength (in categories between yearly and daily). Finally, we listed the existing leadership development practices (360-degree feedback, coaching, mentoring, job assignment, leadership training, action learning, and networks/off-sites) and asked participants about their participation rate. They also indicated whether the particular leadership development experience had a specific cross-business focus. Participants were asked to hand in the questionnaire at the interview.

In sum, the study's research quality was strengthened by the chosen set-up of comparing the different experience levels of the collaborating managers located in different businesses. Beyond this, *multiple sources of evidence*, i.e. *triangulation* (Eisenhardt, 1989; Yin, 2003) were considered the research's guiding principle. Each interview was recorded, transcribed, and reviewed by the interviewee to ensure that all the information was correctly reproduced. Anonymity and confidentiality were assured by showing how the interviews would be de-personalized and coded. This helped to build confidence and trust in the researcher and enhanced validity, which helped to ensure an accurate representation of the information provided during the interview. The final case narratives were proofread by the company's internal experts as well as by external leadership development professionals as a final check of our findings' accuracy.

### 3.4. Data analysis

Our research process mainly followed suggestions from case study researchers regarding theory-building approaches (Eisenhardt, 1989; Yin, 2003). These approaches are characterized by a highly iterative, mutually reinforcing research process, particularly with regard to data collection and analysis. However, to describe this process, a linear representation seems to provide greater transparency. Accordingly, our data analysis implied three steps: 1) establishing the case study context, 2) within-case analysis of cross-collaborating managers, and 3) cross-case analysis of cross-collaborating managers.

#### 3.4.1. Establishing the case study context

The data gathered by means of the internal expert interviews, documents, and observations were used to describe the research context, especially the complex field of cross-business synergy generation. A first draft of case narrative was established. It was driven by and narrowed down to the topics at the heart of our research: company profile, industry context, achievements, strategy, cross-business collaboration, and the role of leadership development practices. Regarding cross-business collaboration, a table was established summarizing the three main identified cross-business collaboration activities, their goals, characteristics, examples, perceived risks, and collaboration intensity (see Table 1). The overall research site and context descriptions and the characteristics of the cross-business collaboration activities were proofread by internal company experts to ensure that all of the information provided was correctly reproduced.

#### 3.4.2. Within-case analysis of cross-business collaborating managers

A theory-building case study approach mainly refers to a systematic examination of case similarities and differences in order to facilitate the development of theoretical concepts and categories (Punch, 1998). We followed the recommended data analysis process in analyzing each case as a whole before investigating cross-case comparison analysis to detect cross-case patterns (Eisenhardt, 1989; Yin, 2003). These analyses involved the processes of *comprehending*, *synthesizing*, *theorizing*, and *recontextualizing* (Morse, 1994). While the first two processes guided the within-case analysis, theorizing and recontextualizing were enabled by an in-depth cross-case analysis.

*Comprehension*—as the initial step in our analysis—involved clustering similar events. Coding as a central process helped us to sort the data and uncover underlying meanings (Miles & Huberman, 1994). For this reason, our qualitative data was reviewed and sorted based on the preliminary coding scheme provided in the interview guide. In a second step, *synthesizing* involved merging typical composite patterns of behavior (Miles & Huberman, 1994; Morse, 1994). This process requires the researcher to distinguish between the significant from the insignificant and to merge several cases in order to describe typical, similar behavior patterns for each group. We first found that greater cross-collaborating manager experience was accompanied by a higher financial performance increase through cross-business collaboration. As a result, for further analysis, we divided the 30 managers into three equal groups based on their reported collaboration experience, which also represented their effectiveness: *low-level* ( $n = 11$ ; mean: 2.27), *moderate-level* ( $n = 9$ ; mean: 4.4), and *high-level experience* ( $n = 10$ ; mean: 6.9).<sup>2</sup> An initial within-group analysis of the interview data was undertaken to obtain a first overview of the main similarities at each experience level. This phase resulted in tables containing descriptions of typical behavioral patterns of each of the groups of middle managers with regards to the focal constructs: cross-business collaboration, social capital, and leadership development experiences (as summarized in Table 3).

#### 3.4.3. Cross-case analysis of cross-business collaborating managers

The in-depth cross-case analysis entails the *theorizing* element, which may be considered as the sorting phase of the analysis. By comparing cases' similarities and differences, theorizing asks questions of the data that will create links to established theory and seeks to construct alternative explanations. These are then held against the data until the best explanation is obtained. Morse (1994) describes this process as follows: "Unfortunately, theory is not acquired passively in moments of blinding insight. It is earned through an active, continuous and rigorous process of viewing data as a puzzle as large as life [...]. Theorizing is the constant development and manipulation of malleable theoretical schemes until the 'best' theoretical scheme is developed [...]. If one ever finishes the final 'solution' is the theory that provides the best comprehensive, coherent, and simplest model for linking diverse and unrelated facts in a useful, pragmatic way" (Morse, 1994: 32). Thus, this process consists mostly of a pattern-matching activity following replication logic (Eisenhardt, 1989; Miles & Huberman, 1994; Yin, 2003): "In replication logic, cases which confirm emergent relationships enhance confidence in the validity of the relationships. Cases which disconfirm the relationships often can provide an opportunity to refine and extend the theory" (Eisenhardt, 1989: 542). This replication process was conducted case by case at participant level based on the distinguished groups of collaborators. The first matching process was guided

<sup>2</sup> Prior to the interviews, we asked managers to rate their financial performance increases from cross-business collaboration activities in terms of two items identified by the subsidiary as key performance indicators: the net new money increase and a return on assets increase based on the categories >0–<5%, 5–<10%, 10–<20%, 20–<30%. Subsequently, these subjective performance increase ratings were analyzed in relation to the objective performance indicator (receipt of a cross-business award) with the help of statistical software (in this case, SPSS). Based on the frequency distribution, there was congruence between the objective and subjective performance measures. To exclude the possibility that a performance increase could have resulted from one "lucky deal", the interviewees were also asked to rate their experience level on a scale from 1 (very few) to 7 (very much). As a result, an association was found between experience level and performance increase (Cramer's  $V = .67$ ). Greater experience seems to be associated with higher performance. For further analysis, managers were clustered into groups of equal percentiles (intervals) labeled *low*, *moderate*, and *high-level experience*, which also reflected their level of effectiveness. The width of each interval denoted a binned category, which each contained 33.3% of the cases, representing  $n = 11$  for little experience,  $n = 9$  for moderate experience, and  $n = 10$  for high experience.

by the theoretically assumed associations (see Section 3.2). Every case that did not match the theoretically assumed association was noted and separated. These cases were discussed by the research team to challenge the perspective, as well as to find meaningful explanations, ideas, and links to established theory. For example, a participant indicated that trust was not relevant to the realization of cross-business collaboration. More precisely he said, that he would know that colleagues of the other department do a good job even though he would not know them personally. The response conflicted with our first theoretical assumption that trust—as the relational dimension of social capital—plays an important role in collaboration. We discussed several options and the research we could consult. By reviewing trust literature generally, we detected different *qualities* of trust, such as *ability-based trust* as a situation-bounded and task-bounded form of trust. Based on this new insight, another matching process began, with this refined understanding of ability-based trust in mind. These iterative matching processes were replicated case-by-case until the research team achieved a satisfactory consistency level across the groups with underlying theoretical reasons. This process of discovering the underlying theoretical reasons for a certain association is key in establishing the findings' internal validity (Eisenhardt, 1989). In this process, one should consider a broad range of extant literature. We therefore considered research from related fields with different research foci. This led to the final phase, *recontextualization*, as the process of developing the emerging theory in such a way that it applies to other settings and populations. This represents the most important product of qualitative research. In this process, other researchers' work and the existing literature play a critical role. They provide the context in which the research model links the new findings with established knowledge (Morse, 1994). Accordingly, we discussed and compared our findings in a systematic, iterative way with strategic management researchers at our institute as well as leadership development practitioners in the light of existing literature to establish our findings' meaningfulness. This process resulted in the development of our theoretical propositions.

## 4. Case study

### 4.1. Research context

Over the past few decades, until 2007, ongoing globalization and liberalization of the international financial markets led to faster growth on the part of the financial services sector than the economy. Boosted by bullish markets, the sector was reporting higher business volumes, higher fee incomes, and increased trading and investment revenues. The dynamics of the industry's expansion was triggered in large part by a variety of new, innovative financial services and products that provided a nearly unmanageable flood and complexity of investment opportunities and instruments in capital markets. In response, tougher competition and a wave of consolidation in the financial services industry as well as a shift to more regulation in some countries resulted in making size an increasingly critical factor for any financial services provider with ambitions of being among the world's most successful players. Thus, to be able to compete for these growing market opportunities, it became critical for any global financial services player to be able to deliver tailor-made individual as well as standardized solutions at competitive prices to clients around the world. This implied a capability to grow internationally, a combined position in all core businesses, a strong client focus, and—most importantly—the ability to differentiate in a highly competitive environment.

The selected MBF is one of the leading global financial services firms that profited from the growing market opportunities between 2002 and 2007. Headquartered in Europe and listed on the New York, Zurich, and Tokyo exchanges, the company grew impressively between 2002 and 2007, to become the largest European continental bank and one of the world's leading financial institutions. Results were solid over a long period, and the company managed to outperform its key competitors. The company's commitment to its underlying strategy to act as an integrated firm was unshakeable. It wanted to be seen not as a holding company or conglomerate, but as a corporate portfolio of complementary businesses, the whole of which was worth more than the sum of its parts. It was specifically this 'one firm' strategy that enabled the company to provide its clients with integrated solutions based on its strong collaboration capabilities across its three core businesses. These collaboration capabilities resulted in a continuous and profitable growth path for nearly five consecutive years, reflected in the financial performance figures: a tripling of its net profit and a continuous share price increase. Unlike holding companies or financial services conglomerates, both of which were in vogue in the industry during that period, this firm's strategic approach was to build a powerful group by integrating related businesses. This strategy was designed to help to successfully place the combined resources and expertise of each of the businesses at clients' disposal. The integrated business model enabled a dedicated and consistent client-centrism unprecedented in the industry at that time. As a result, the leveraging of cross-business synergies became its key differentiator. Some 15% to 20% of the bank's market capitalization value originated from the synergies realized from cross-firm collaboration, a capability not replicated anywhere else in the financial services industry. Consequently, this 'one firm' strategy led to an ongoing research debate in strategic management.

Our research site was a 100% subsidiary of the selected company with massive growth potential, located in one of the European markets, which soon became one of the MBF's target market. The firm served that market's domestic clients through its three core businesses: wealth management, investment banking, and asset management. In 2002, the firm employed around 850 employees in 7 offices spread across the market. However, at the beginning of 2002, the financial results showed a decline in revenues, resulting in only a small profit margin across all the businesses. The company's market position was modest across all its businesses. By 2007, the subsidiary had grown substantially and had nearly doubled its employees to 1300 in its 12 offices. Each of the businesses was profitable and recorded a double-digit growth rate over the past few years, compared to the overall annual market growth rate of approximately 9%.

## 4.2. Cross-business growth synergy realization

This impressive growth path between 2002 and 2007 was a result of consistent efforts to foster organic growth through cross-business collaboration to create new revenue streams based on 1) *cross-selling*, 2) *client referral*, and 3) *joint product/market development activities*. These three activities to realize cross-business synergies differ concerning their goals, duration, complexity, and—particularly—with regard to the *perceived uncertainties* and *risks* of the collaborating actors involved (see [Table 1](#)).

### 4.2.1. Cross-selling

Cross-selling activities have similar characteristics to those of an internal buyer–supplier relationship. For a certain fee, the firm's wealth management client advisors offered investment banking or asset management products and services to wealth management clients. To guard against advisors offering biased advice to their clients, a) several providers' (including external ones) offerings were presented to the clients, and b) the internal product suppliers (investment banking and asset management) had no privileged access to information about other providers' offerings, to prevent them undercutting the prices. As a result, market rules (i.e. prices) governed this form of cross-business collaboration. These activities were thus perceived as allowing for low interdependence between the parties, which in turn resulted in a *low perceived risk-taking* when the parties engaged in such a form of collaboration.

### 4.2.2. Client referral

Client referral activities can be characterized as a form of cross-business collaboration that seeks growth potential by establishing new client relationships based on existing clients. Typical activities are referrals of client contacts and addresses to the other businesses, joint acquisition meetings with these businesses, and so on. This occurred, for example, when a CFO (an investment banking client in his role as an institutional actor) was referred to wealth management regarding his private assets. This sort of collaboration was accompanied by a *perceived higher competitive interdependence*, as both parties offered the same resource or competency (i.e. client advisory) to the same client but for different client purposes.

### 4.2.3. Joint product/market development

This activity can be characterized as a form of collaboration to realize continuous long-term growth potential in order to increase a firm's overall market share. Typical activities are joint knowledge sharing and client acquisition meetings, off-sites, or investments in job rotation across businesses. This type of collaboration is accompanied by a *perceived high competitive interdependence*, as both parties compete for the same client segments (i.e. markets). Furthermore, the resources on which they rely are similar (products or advisory services). To achieve joint success, this form of cross-business collaboration involves collaboration over a longer period, for example, when two businesses try to acquire clients together. The activity is based on a

**Table 1**  
Forms of cross-business collaboration.

	Cross-selling	Client referral	Joint product and market development
Value creation potential	Revenue growth	Client franchise and client bonding growth	Market share growth
Nature of collaboration Examples	Situational, one-time collaboration Product/services supply, joint client meetings, product calls/events	Reciprocal episodic collaboration Exchange on single prospects, acquisition-meetings, joint pitches, referrals etc.	Sustained on-going indefinite collaboration Continuous knowledge sharing activities, job-rotation, cross-business offsites, etc.
Temporal duration of collaboration	Short-term	Short- to midterm	Long-term
Motivation for collaboration	Own benefit	Mutual benefit	Collective benefit
Uncertainty	“Strong” situation; Outcome certain; Based on actual business need; Collaboration is governed by market-terms economic calculation	“Weak” situation; Outcome less certain; Based on actual business potential; Collaboration is governed by interpersonal relationship	“Uncertain” situation; Outcome very uncertain; Based on future business potential; Collaboration is governed by institutionalized relationships
Perceived risks	Low risk taking; Risk that client refuse in-house product and chooses other product	Medium to high risk taking; Risk that existing client relationship will be violated	High risk taking; Risk that investment will not create benefit for all
Business goals and resources	Perceived cooperative interdependence; Complementary goals; Complementary resources	Perceived cooperative-competitive interdependence; Complementary-similar goals; Competitive resources	Perceived competitive interdependence; Similar goals; Similar resources
Intensity of cross-business collaboration	Weak Conditional, situational one time-interaction	Semi-strong Unconditional, situational but reciprocal interaction	Strong Unconditional, repeated and sustained interaction over indefinite period of time

vague business potential that cannot be framed explicitly to equally benefit all the collaboration partners. This is an ambiguous situation that requires an investment due to an ‘act of faith’ concerning returns under very uncertain circumstances.

Overall, cross-business collaboration can be seen as a *specific kind* of inter-unit collaboration that implies two major particularities: 1) Different businesses mostly compete for the same resources or markets. 2) Unlike inter-unit collaboration, cross-business collaboration is not necessarily supported by a specific value chain or hierarchical structure, where units complement each other (e.g., production and marketing). Social capital is therefore even more important in cross-business collaboration settings—to balance the generally conflicting interests between businesses.

#### 4.3. Leadership development practices

The subsidiary's senior management realized that a shared leadership spirit among the management team would be crucial to overcome each business's silo-based mentality and to create a culture of growth and cross-collaboration. It therefore focused on leadership development practices from the outset. This implied designing leadership development measures to not only enable individual leadership skills, but also as a platform to drive a shared leadership culture. Thus, it decided to promote *leadership development practices* with a dedicated *cross-business focus*. This meant that: a) The practices were aimed at participants from all three business groups and comprised, for example, leadership training that offered opportunities to make contact during breaks and evening sessions. b) The practices were aimed to improve cross-business relationships, for example, through a 360-degree feedback evaluation, in which peers in the other businesses served as evaluators. Finally, c) cross-business collaboration was the subject of a practice, for example, a discussion of cross-business collaboration opportunities and the firm's corporate strategy during networking events.

In short, we observed that the subsidiary put into place *360-degree feedback*, *coaching*, *mentoring*, *job assignment*, *leadership training*, *action learning*, and *networks/off-sites* with a cross-business focus as strategic organizational practices to foster cross-business collaboration (see Table 2).

#### 4.4. Cross-business collaborating managers

We investigated 30 managers at the same hierarchical level (senior director), representing nearly 25% of the managers on that level at the subsidiary (136). We ensured that they were located in the various businesses' sales force units. In their capacity as sales force members, they all had direct client contact and therefore the same opportunities to engaging in all of the three cross-business collaboration activities that could lead to growth synergies.

A first analysis of our interviews, including the short questionnaire, revealed that the groups of managers (low-level, medium-level, and high-level experience) differed in more ways than just their general *amount* of collaboration experiences and performance. They also differed in the *scope* of their cross-business collaboration (see Table 3). In terms of counted coding frequencies, less experienced managers only engaged in cross-selling, while moderately and very experienced managers also engaged in client referral activities. Only very experienced managers also engaged in joint product/market development activities. At the same time, these differences corresponded to the differences in social capital quality and intensity. Less experienced managers reported fewer relationships with other businesses (on average, 3.2 ties per person), whereas moderate and very experienced managers reported more ties to other businesses (on average, 5.4 ties per person). Tie strength in terms of contact frequency seemed to complement the picture in

**Table 2**

Descriptions of leadership development practices observed at the subsidiary.  
Based on Day, 2000.

	Leadership development practices	Brief description
Individual practices	360-degree feedback	A multi-sourced feedback on performance, competences and values where peers from the other businesses were integrated as evaluators.
	Coaching	Practical, goal-focused form of one-on-one learning with an external or an internal coach of the education and development department, mostly in connection with 360-degree feedback.
	Mentoring	Advising/developmental relationship usually with a more senior manager from another business.
	Job assignment	Providing short term “mini assignment” as a job rotation in another business group unit, particularly for new employees and trainees. Above that “stretch” assignments of one or more years in terms of role, function or geography within another business group were enabled.
Collective practices	Internal leadership training	Off-the-job classroom design, gathering participants from all different business groups to address strategic collaboration targets, team and change topics based on various methods.
	Action learning	12 to 18 months intensive project-based learning, gathering participants from all different business groups directed at an important strategic challenge across all businesses.
	Networks/offsites	2 h to 1 day information exchange events (e.g. on new products), connecting to others in different functions and areas of the other business.

**Table 3**  
Main differences between investigated managers.

	Group low-level experience	Group moderate-level experience	Group high-level experience
<i>Cross-business collaboration</i>			
Experience	Small scope: 1 type Cross-selling	Moderate scope: 2 types Cross-selling, client referral	High scope: 3 types Cross-selling, client referral Joint product/market development
Achieved financial performance increase	None–low	Low–moderate	Moderate–high
<i>Social capital</i>	Weak forms	Semi-strong forms	Strong forms
<i>Leadership development</i>	Average 4 per person	Average 4 per person	Average 4 per person
Participations with cross-business focus	Average 1 per person	Average 2 per person	Average 3 per person
Differences			More individual than collective leadership development experiences Participations in job assignment; action learning

the way we assumed. Less experienced cross-business collaborators reported less frequent contact with other businesses (90% per quarter and below) than moderate and very experienced cross-business collaborators (90% per month and below).

Concerning the participation in leadership development, on average, all groups demonstrated the same rate (4 per person). The group of very experienced cross-business collaborators, however, reported having participated more in leadership development practices with a dedicated cross-business focus (on average 3 per person).

We conducted an in-depth cross-case analysis of our interview data to explore these differences between the groups in detail, particularly with regard to the association between social capital and leadership development experiences. Our analysis revealed two major findings, extending our a priori theoretical understanding: 1) Not all cross-business collaboration activities require the same *social capital intensity*. Our findings suggest that we may distinguish weak, semi-strong, and strong forms of social capital, which develop through stages characterized by contact, assimilation, and identification experiences. 2) Leadership development practices can be distinguished according to their potential to support certain social capital development stages most *efficiently*. When considering different intensities, it becomes apparent that *collective* leadership development practices are not necessarily per se better for social capital development than individual ones. We will now discuss these findings in detail, concluding with a set of formal propositions summarized in Table 4.

4.5. *The role of social capital in cross-business collaboration*

Before exploring how leadership development may assist social capital development in a multibusiness firm, it is first necessary to understand what social capital intensity is required in the context of cross-business collaboration as well as how social capital develops.

In the existing literature, it is argued that social capital—particularly trust—serves as a governance principle to enable collaboration in organizations (Das & Teng 1998; McEvily, Perrone, & Zaheer, 2003; Ring & Van de Ven, 1992). In other words, social capital can be considered a response to highly uncertain social exchange conditions under conditions or situations in which governance systems are lacking (Jones & George, 1998). Our findings suggest that each of the strategic collaboration activities (*cross-selling activities*, *client referral activities*, and *joint market/product development activities*) differed according to the perceived uncertainty involved, thus requiring a different social capital intensity (weak, semi-strong, or strong) to lead to efficient cross-business value creation.

4.5.1. *Social capital intensities*

According to recent research, social capital is a dynamic and context-dependent concept. The tie *content* (Burt, 1997; Hansen, Mors, & Lovas, 2005) and tie *context* (Hansen, Podolny, & Pfeffer, 2001; Li, 2005) seem to matter in explaining how and to what qualitative degree social interaction could encourage cooperative individual and organizational behavior. On each social capital level, we identified the different quality dimensions' *specific characteristics*—tie strength, trust, and shared meaning—which seem relevant for the respective strategic collaboration activity (see Table 5).

*Cross-selling—weak forms of social capital.* According to our interview findings, *cross-selling* requires weak forms of social capital as a necessary and sufficient antecedent for realization. The dimensions involved could be specified as *weak professional ties*, *ability-based trust*, and *shared language*. Cross-selling was the only collaboration format in which all the managers engaged broadly (see Table 3), specifically also all those with an overall lower experience level. At the same time, they reported sustaining only *weak forms of social capital* towards the other businesses. More precisely, they indicated that cross-selling activities do not necessarily require a personal relationship: a *professional* contact could be a necessary and sufficient source for engaging in cross-selling (see Table 5). This is in line with the literature, which argues that the benefit of weak ties is that they are instrumental in accessing

**Table 4**

How to build social capital with leadership development in a multibusiness firm.

Strategic collaboration activities	Social capital intensity	Social capital development experiences	Enabling leadership development practices	Propositions
Cross-selling Low perceived risk	Weak forms <i>Professional ties</i> <i>Ability-based trust</i> <i>Shared language</i>	Contact experience	Networks/off-sites and mentoring	1) Leadership development practices that enable a contact experience, such as e.g. networks/off-sites and mentoring, have the potential to facilitate weak forms of social capital most efficiently.
Client referral Moderate perceived risk	Semi-strong forms <i>Weak personal ties</i> <i>Benevolence-based trust</i> <i>Shared values</i>	Assimilation experience	Leadership training 360-degree feedback	2) Leadership development practices that enable a contact and an assimilation experience, such as e.g. leadership trainings incl. 360-degree feedback, have the potential to facilitate semi-strong forms of social capital most efficiently.
Joint product/market development High perceived risk	Strong forms <i>Strong ties</i> <i>Identification-based trust</i> <i>Shared vision</i>	Identification experience	Job assignment action learning	3) Leadership development practices that enable a contact, an assimilation and an identification experience, such as e.g. job assignments or action learning, have the potential to facilitate strong forms of social capital most efficiently.
		Self-reflection experience	Coaching	4) Leadership development practices that enable a self-reflection experience, such as e.g. coaching, have the potential to facilitate the development from weak to strong forms of social capital.

non-redundant information, thus creating new opportunities (Adler & Kwon, 2002; Granovetter, 1973). Trust seemed to matter only with regard to the other party's *competence* (Sitkin, 1995), i.e. the perception that it would be able to provide the product solution according to the client's needs. As both parties' competency domains differ, cross-selling is facilitated if both parties can align their *language* to better understand each other (Nahapiet & Ghoshal, 1998).

*Client referral—semi-strong forms of social capital.* According to our interview findings, *client referral* activities required *semi-strong forms of social capital*. The dimensions can be specified as *weak personal ties*, *benevolence-based trust*, and *shared values*. The managers that were very engaged in client referral opportunities reported *personal contact* and physical meetings as absolutely necessary to engage in this type of cross-business collaboration. Conversely, simply knowing someone's name seemed insufficient. These contacts served to efficiently assess the other party's commitment, motives, and concerns in order to develop trust in the other party's goodwill, thus ensuring that this party would not merely pursue egoistic interests and reciprocate once by offering a client contact. The managers reported that a give and take was necessary as well as the balancing of both sides' benefits over time; otherwise, the collaboration risked being discontinued. Besides trust in the other party's competence and ability, trust in the party's *goodwill* or *benevolence* is also needed (Jones & George, 1998; Mayer, Davis, & Schoorman, 1995; Sitkin, 1995). In the absence of any governance system, *shared values* help to bridge divergent interests (Williams, 2001). They represent rules that structure how to interact with others, which may in turn also encourage benevolence-based trust. Managers affirmed the importance of a set of rules, (i.e. shared values) and agreeing how to interact with one another.

*Joint product/market development—strong forms of social capital.* We observed that *joint product/market development activities* required a *strong form of social capital*, which can be described as *strong ties*, *identification-based trust*, and *shared vision*. Only very experienced managers reported engaging in such a form of cross-business collaboration. These managers reported the need for *strong relationships* with the other business. During the interviews, they maintained that emotional closeness through professional bonds with people from the other business was beneficial for this kind of collaboration (see Table 5). Joint product/market development activities suggest that the actors involved have a sound perception of uncertainty and risk-taking. Therefore, this situation needs an unconditional form of trust that can bridge these perceived high uncertainties and risks over a long period of time (Jones & George, 1998; McAllister, 1995; Sitkin, 1995). This form of trust experience derives from a context-independent concept of one's desires, intentions, integrity, and *identification* (Sitkin, 1995; Zaheer, McEvily, & Perrone, 1998). The intentions of very experienced managers involved in joint product/market development were mostly rooted in their belief in the firm obtaining an overall collaborative advantage. This implied that they had been engaged in activities that at first glance did not merely create benefit for themselves, but for the company as a whole. This kind of activity requires both parties to collaborate over a longer time, although the outcome is ambiguous due to goal disparity. It has been suggested that, in the absence of monitoring or control systems, a *shared vision* can bridge divergent interests when interaction occurs over a longer period (Li, 2005; Nahapiet & Ghoshal, 1998; Tsai & Ghoshal, 1998). In turn, such a shared vision provides the possibility of a shared identification as a basis for identification-based trust. Interviewees that were very engaged in joint product/market development

**Table 5**

Evidence of different social capital intensities.

Strategic collaboration activity	Social capital intensity	Evidence
Cross-selling	Weak forms	<p><i>Professional ties</i></p> <p>“That is in my eyes not a personal relationship story. As long as you know the structures and whom you need to call, it works out.”</p> <p><i>Ability-based trust</i></p> <p>“To know the people and be sure that a person is somebody who is capable of presenting and offering the right products.”</p> <p><i>Shared language</i></p> <p>“I think it simply involves understanding each other—that you understand the other business and that you know what they do.”</p>
Client referral	Semi-strong forms	<p><i>Weak personal ties</i></p> <p>“Sitting together, getting to know each other personally so that you both can create confidence and can assess whether you can trust the other person or not.”</p> <p><i>Benevolence-based trust</i></p> <p>“I refer a name if I have confidence in the other person. And that is determined by the principle of ‘give and take’. If you recognize that the ‘give’ is becoming less than the ‘take’, it will become less pleasant for one side. [...] I think that, in the end, it has to match the interests of both. And at some point, the one will benefit more and the next time, the other. It needs to be fair in terms of both people's interests.”</p> <p><i>Shared values</i></p> <p>“I think one of the greatest challenges is dealing with both success and failure together. That means not attributing success to oneself and failure to others. And for that you need to communicate and reflect. What is important is that you have to agree in the beginning about what you want to achieve, what you are looking for and what should not happen.”</p>
Joint product/market development	Strong forms	<p><i>Strong ties</i></p> <p>“You recognize that you need to have a personal relationship. It is certainly very important to have everybody at one table. [...] The personal relationship is definitely important.”</p> <p><i>Identification-based trust</i></p> <p>“It would probably have been better for me if I had traded one or the other ticket [client mandate] in the usual way and not via the other business. But if I look at things from the company's perspective, it is better to do it [trading a ticket] with the other business group as the whole company can profit. [...] But the mindset is mostly, ‘why should I provide them with revenues?’ And even if I do not earn more of it, most people take the easy way and do it without the other business.”</p> <p><i>Shared vision</i></p> <p>“In fact, the contact person from the other business was hierarchically much higher than I was, but we had the same mindset in the sense that we wanted to deliver a good result on the level of the company. One time we profit more and the next time the others, and so the overall result comes to the fore not the individual result.”</p>

reported the importance of a shared vision and direction, a collective commitment, and a belief in the overall advantage of cross-business collaboration (see Table 5).

#### 4.5.2. Social capital development

When examining the development perspective, our analysis suggests that the three specified social capital intensities indicate *development stages* that seem to be *path-dependent* by nature as they emerge from one another. The literature argues that social capital is not only the outcome of social interaction, but also the antecedent of forming and accessing new linkages at an inter-personal or inter-unit level. Thus, prior relationships strongly influence future relationships and need to be considered in a dynamic and path-dependent way (Gulati, 1995; Kilduff & Tsai, 2003; Tsai, 2000; Tsai & Ghoshal, 1998). The trust literature specifically refers to development stages' path-dependent nature as a sequential iteration, i.e. that trust on one level enables the development of trust on the next level (Lewicki & Bunker, 1996). Our findings suggest that each social capital intensity level was associated with a certain interaction experience, specifically, either with a *contact*, *assimilation*, or *identification experience*. The development from one stage to the other was facilitated by a *self-reflection experience* (see Table 6).

When we compare these observations with those in the existing literature, we find that they have much in common with Lewicki and Bunker's (1996) trust development model for working relationships. These authors acknowledge trust as a dynamic phenomenon that adopts a different character at each stage (Lewicki & Bunker, 1996). Indeed, very experienced managers, who had moved from one stage to the other, reported a shift in the relationship's perceptual or experienced frame (Lewicki & Bunker,

**Table 6**

Evidence of social capital development experience.

Social capital development stages	Contact experience	"I've been with the firm for the last 8 or 9 years, and would say I started with contacts 7 years ago, mainly through business. We sell financial products to the external market but also internally to the private client segment. [...] And in doing that, the contact came automatically and since then it has intensified continuously."
	Assimilation experience	"Conversations, simple and informal. A half-hour, quarter-hour for a cup of coffee. Sitting together, getting to know each other personally so that you both can create confidence and can assess whether you can trust the other person or not."
	Identification experience	"I think the most important thing is that you can put yourself in the other persons' position. [...] What is needed is to take the situation and look at it from an outsider's perspective and to see what the interests of the other person are. That is really the core, to put oneself into the position of the other party. [...]"
	Self-reflection experience	"A certain level of technical skill and business understanding is necessary in all business groups. Since you all come from different organizational cultures, it is helpful to be open and accept others' ideas and approaches. That you don't just say, I want to do this my way, as we do it in our business, otherwise I'm not interested. You should be willing to be open and ready to discuss things. Being willing to step back from your ideas and willing to compromise—I think that is most important."

1996): from experiencing contrasts (contact experience) to experiencing sensitivity to assimilation (assimilation experience), to experiencing personal identification (identification experience).

*Contact experience.* Cross-selling was reported as a good starting point for cross-business collaboration because it does not require strong social capital. All collaborating parties play it safe, as they need one another in a complementary way. Accordingly, very experienced managers reported having started their cross-business collaboration activities through a *contact experience*; based on this experience, the two other forms subsequently emerged. One manager explains:

"I first met the other businesses at a sales event. [...] There you have an opportunity to get to know people personally. Since then, the contacts have developed continuously. [...] The collaboration is not limited to cross-selling activities, but through this, we've grown closer. They know that we need new clients and we get many referrals from them now [client referral activities]. [...] In doing so, the collaboration has become increasingly intensive in terms of revenue and client franchise growth, but also with regard to discussing market needs generally [market and product development activities]."

*Assimilation experience.* Apparently, managers with a higher experience level could develop their first contact experiences with other businesses into the next social capital stages, which then encouraged them to engage in cross-business collaboration activities with higher uncertainties. Whereas a contact experience enabled individual managers to detect the elements that contrasted with or complemented their own business, an assimilation experience enabled an individual to find commonalities despite diversity of business approaches or professions. By pursuing personal contacts beyond their daily business, very experienced managers were able to evaluate the other party's intentions and attitudes and *assimilate* the differences, playing to their strengths in the collaboration situation (see Table 6).

*Identification experience.* We learned that very experienced managers collaborated across businesses because they identified with the firm's overall strategic goals; in other words, they identified with the whole firm, and not only with their own business. They went beyond dyadic personal relationships and strove for the development of team spirit by initiating events (e.g., a ski weekend, drinks after work, etc.). They altered perspectives in order to understand, reflect on, and anticipate the other party's needs and intentions, as well as create a shared basis for *identification*. As a result, they used co-location settings that enabled interaction over a longer period, such as sharing an office on the same floor, and so on.

*Self-reflection experience.* Several social network studies underline the importance of self-awareness and self-monitoring when developing social capital (Casciaro, 1998; Mehra, Kilduff, & Brass, 2001). We also observed that very experienced managers could identify the different social capital qualities and stages required in a cross-business relationship *in a self-reflective way*. Examples of this self-reflection include knowing one another and the business as a basic condition (contact), but—equally importantly—trusting one another's goodwill enough to refer a name (benevolence-based trust), as well as a shared vision to realize long-term cross-business collaboration (identification). Beyond this, very experienced managers not only used their strong social capital as an enabler of joint product/market development, but also as a stepping stone to engage in *new* interpersonal links with the other business. Conversely, as shown earlier, managers who had mainly only engaged in cross-selling activities reported weak contacts that they did not maintain and consciously develop. It seemed that they had stopped developing their cross-business social capital to the further stages because they had experienced disappointment, mostly in the form of a violation of trust:

"We had the experience that when we referred a client to the other business, we never heard from them again. I report this from my own experience. I was visiting a client in M. and called him to ask how he was doing, etc. Then he said, 'Great,

thanks. Your colleague was here and just left.' First, I tried to remember which colleague that could have been. We normally know if a colleague is going to see someone else's client, and I was sure they would have told me. This was pretty strange. It was also very embarrassing. I finally decided to ask the client who it had been and then I realized that it was a colleague from the other business. Such situations are embarrassing. This resulted in some general resentment, of course. Someone cannot just go to our clients and not tell us about it."

## 5. How to build social capital with leadership development practices in a multibusiness firm

With regard to leadership development experiences, it appeared that, on average, all the managers participated in the same number of leadership development practices (see Table 3). However, very experienced collaborators participated in most such practices with a cross-business focus. Interestingly, the differences resulted specifically from very experienced managers having participated more in *individual* practices (e.g., coaching, job assignment, or 360-degree feedback) than managers with little experience. We also observed that more of the very experienced managers had participated in action learning.

By comparing our three manager groups' leadership development participation in terms of their social capital development experiences, we could distinguish leadership development practices regarding their potential to enable a *contact experience*, an *assimilation experience*, an *identification experience*, or a *self-reflection experience* in the context of cross-business collaboration. Focusing particularly on the relational and cognitive dimension of social capital, we made a counter-intuitive discovery: collectively organized leadership development experiences do not necessarily contribute to stronger forms of social capital. Rather, leadership development practices with the potential to foster self-reflection (such as coaching and 360-degree feedback) and practices that enhance an identification experience (such as action learning and job assignment) help to support higher stages of social capital. Specifically, our findings suggest that cross-business *action learning* and *job assignment* encompass the potential to develop *all stages* of social capital development (from weak to strong forms). Cross-business *leadership training*, including *360-degree feedback*, offers the potential of a *contact experience* and a *subsequent assimilation experience*, whereas *networks/off-sites* and *mentoring* potentially support only the initial *contact experience*. *Coaching* may imply the potential to enable the necessary *self-reflection* to develop social capital from one stage to another.

### 5.1. Networks/off-sites and mentoring—contact experience

In our sample group, a contact experience enabled a first contact and the necessary understanding of the other party's business in order to develop ability-based trust. This was actually supported by all the leadership development practices with an indicated cross-business focus (except coaching and 360-degree feedback, as these practices build on the assessment of and reflection on *existing* contacts). However, we argue that *networks/off-sites* as well as cross-business *mentoring* could be the *most efficient* practices to enable the necessary contact experience when only weak forms of social capital are required. Accordingly, the leadership development practices could facilitate starting cross-business collaboration activities. In this sense, managers pointed out the potential for a first contact and understanding of the other business, but simultaneously indicated the limits of these practices for further relationship development:

"I think the best practice events [network/off-sites] could help [with cross-business collaboration]. You would get to know what the other businesses do in more detail [...] and that would foster understanding."

"The meet-and-greet dinners with the other business were fairly contact-driven and very short. This is generally not bad for contacts [...]"

"I think that for social interaction, it [networks/off-sites] might be rather limited [...] because you don't get to know each other very well, which wouldn't result in a sustainable contact where you call each other regularly afterwards. However, on that particular day, the discussions can be very helpful to increase know-how."

The existing literature on the developmental aspects of *networking events* has acknowledged that social interaction is accompanied by an increased ability to access others for information and expertise, resources, and cooperative action (Brown & Duguid, 1991; Hansen, 2002). Concerning our study within the context of cross-business collaboration, it seems that an ongoing form of cross-business networking event was useful to share existing knowledge and create new contacts. However, research reports that the generation of new and collaboratively created complex knowledge may need stronger forms of social capital than that which results from participation in networking events (Hansen, 2002). This is why *networks/off-sites* might not suffice for establishing the strong ties required for other types of cross-business collaboration. Consequently, other practices such as leadership training should be employed to develop networks further.

*Mentoring* also seemed helpful to enable contact experience. In our study, a cross-business mentoring relationship mostly served as an initial contact to afford managers a different perspective on and new knowledge of the other business:

"[...] My mentor enabled the contact [...]. With mentoring, I learned to network, which I hadn't done in the branch where I was located before. This was very beneficial."

“[...] I then had several conversations with my mentor and finally understood much better what was driving these people [in the other business]. If you know this, you can better understand why certain products evolve, why they develop in a specific market situation, and what they believe is in for their success. [...]”

However, the limits for enabling the required in-depth relationships were also indicated:

“Due to the fact that my mentor came from the other business, I got to know the other business better, at least theoretically. But this didn't help me with [cross-business collaboration] execution [...]”

While most literature assumes that a developmental relationship's duration is key to the learning and developmental impact, recent work confirms that length of time is not necessarily always favorable (McCauley & Douglas, 2004). Developmental relationships' effectiveness can also be revealed even though only little contact is involved: “Instead of focusing on the length or depth of the relationship, the real question is whether the experience with the person brings a different perspective, new knowledge [...]” (McCauley & Douglas, 2004: 95).

Thus, mentoring and networks/off-sites are seen as leadership development practices with the potential to enable initial contact and a first understanding of each other in an efficient manner, facilitating weak forms of social capital.

**Proposition 1.** Leadership development practices that enable a contact experience, such as e.g. networks/off-sites and mentoring, have the potential to facilitate weak forms of social capital most efficiently.

## 5.2. Leadership development training, including 360-degree feedback—assimilation experience

An *assimilation experience* refers to the ability to assimilate in order to agree on a common way of doing something. This involves detecting similarities or agreeing on shared values rather than on intensifying contrasts. However, an assimilation experience requires a contact experience as a prerequisite. Leadership training (including 360-degree feedback), action learning, and job assignment were viewed as supporting contact and assimilation experiences. We observed that if only semi-strong forms of cross-business social capital is required, leadership training—including 360-degree feedback—could be the *most efficient* practice to foster the necessary assimilation experience. Most of the managers who had engaged successfully in client referrals not only attributed a contact experience, but also the potential for an assimilation experience, to leadership training, if it was designed with a dedicated cross-business focus:

“The cross-business program in L. was an important experience. [...] You have the opportunity to ask people what they do and how they do it, etc. You have the same questions but you see how differently they are approached. [...] And I can't say exactly what affected me most, but every time [I approach another person], I notice each time, wow, there is another aspect to how this human being functions. It's more on a psychological level. Looking at it from the other side, if I had only stayed in my business and would not have sought contact with others, I would have missed the experience of dealing and negotiating successfully with different people in order to drive business.”

“Training is an opportunity for me to establish very close contact on a very individual level [...]”

They also indicated that a simple random mix of people from different businesses might not be sufficient. They claimed that leadership training programs based on a simple random mix did not provide them with a valuable cross-business collaboration experience, and called for a more business-oriented approach.

“There was something at headquarters once. But the fact that it was cross-business actually had no impact, as the focus was on leadership skills [...]. And whether somebody from Business 1 in Spain was sitting next to me or somebody from my own business really made no difference. [...] I think generally [the potential for social capital development] is high. But it depends on how it is designed.”

“I would rather see the possibilities [...] limited there [at leadership training sessions], certainly dependent on who is sitting there.”

Previous literature holds that the value of diverse perspectives in *leadership training* classrooms is rooted in the challenge of collaborating with participants whose working styles are different to one's own. With this perspective in mind, “[...] participants begin to appreciate the diversity in their own workplaces and realize that they may need to capitalize more on these differences, rather than approaching them as a nuisance or point of conflict” (Guthrie & King, 2004: 46). When training exercises met these criteria by incorporating a dedicated cross-business focus and the target group's real challenges, they did have the potential to enable an assimilation experience. However, the literature points out that simply ensuring a variety of perspectives—a mix of diverse participants—is a necessary but insufficient condition for this experience. If the exercises do not consciously support the handling of diversity, conflicts may simply remain hidden and unexplored (Guthrie & King, 2004). As a result, whether a leadership training can enable developing the necessary social capital in a cross-business collaboration environment clearly depends on its design and participant selection. This explains why not all managers in our study had valuable experiences in leadership training programs concerning their cross-business relationships.

The use of 360-degree feedback, particularly peer feedback, reportedly helped the managers align with other businesses. However, we observed that the potential of 360-degree feedback relates to what follows, such as a coaching, before it can increase self-reflection on social relationships.

“The most important experience was the 360-degree feedback exercise. You gain some interesting insights by comparing your self-evaluation with evaluation by others. You start to think about yourself. This helped me a lot. And I always tried to integrate as many peers as possible. With your employees, it is always a bit biased. But I consider peer level the most important, as peers are the most honest, blunt, direct, and open.”

“My most valuable experience was 360-degree feedback. I hadn’t experienced it before in such a clear-cut way. Because you have no other platform where you get such open and honest feedback from various areas. From your superior, you get regular feedback, but not from your employees and peers. And the ones who did the evaluation put much serious effort into it. And I think that, besides this, you have few platforms. And it did help me to align how I see myself and how others see me, where others see my growth potential and strengths.”

360-degree feedback helped many participants reflect upon and rethink behavior and attitudes that had become automatic and habitual (Chappelow, 2004; Van Rensburg & Prideaux, 2006). Accordingly, 360-degree feedback’s impact is measured according to two criteria: (1) the degree to which self-rating has become more congruent with others’ rating, and (2) the degree to which behaviors have been changed in a useful way. The first criterion seems to play a specific and important role in the assimilation experience required in cross-business collaboration settings. Our findings show that managers with strong social capital benefited from a 360-degree feedback by their peers in the other businesses, which allowed them to adapt their behaviors to increase congruence with these peers.

Thus, leadership training, including 360-degree feedback, is seen as leadership development practice with the potential to enable contact and assimilation experiences in an efficient manner in order to facilitate semi-strong forms of social capital.

**Proposition 2.** Leadership development practices that enable contact and assimilation experiences, such as e.g. leadership training, including 360-degree feedback, have the potential to facilitate semi-strong forms of social capital most efficiently.

### 5.3. Job assignment/action learning—identification experience

Whereas an assimilation experience involves detecting similarities or agreeing on shared values within a specific business situation, the identification experience enables commitment to a shared vision and goal orientation that facilitates identification-based trust. The identification experience requires contact and assimilation experiences as prerequisites. In our study, we observed that *action learning* and *job assignment* have the potential to support the contact, assimilation, and identification experiences necessary for the development of strong social capital forms between businesses. It seems that very experienced managers had the opportunity to develop a commitment to a shared vision beyond a specific business collaboration situation. They indicated that they had established these strong links with the help of leadership development practices, particularly job assignment and action learning, and not only through situational business opportunities:

#### Action learning

“In our case [the action learning program], we saw each other for more than a year, which enabled a certain level of trust. This was one of the most important things in the program. [...] Through the project, we got to know our firm much better. You actively live the competences, not just relate to them theoretically, which is why I would say that it has more potential than a simple leadership training program.”

“What I appreciated about the local program [action learning program] was that it lasted for a longer period. [...] It was interesting that you could basically reduce everything to the three or four issues mentioned by most of the people, even though they were from different perspectives and angles. And this was very beneficial for my personal development. I was able to reflect on things differently so that I could understand why others react as they did, etc.”

#### Job assignment

“I worked for over 11 years in Business 2 and decided last year to move to Business 1, with the aim to support cross-business collaboration. This also shows that I personally do not just pay lip service. I have given up a lot and put a lot behind me to work on this topic.”

“We always have a trainee [from the other business] for 3 months. And I recognize change in everybody. And you recognize it in yourself too. The reasoning from a different perspective to your own. Of course, you lose it again if you leave. But for the people capable of changing perspective for a certain time, of putting on different ‘spectacles,’ is great [...]”

The reported leadership development practices both seem to enable a shift in perspectives, making it easier to put oneself in another's shoes, which is the required basis for an identification experience.

Indeed, a number of studies confirmed the growing importance of learning from job experience for leadership development (Seibert et al., 1995; Van Velsor, Moxley, & Bunker, 2004). To allow for development, a *job assignment* must challenge people, take them out of their comfort zones, and require them to think and act differently. Building and sustaining relationships with other departments, dealing professionally with people with different working styles, and disagreeing while maintaining professional respect for one another are all cited as developmental experiences from lateral job assignments (Ohlott, 2004). Since the term job assignment is used for jobs as well as for aspects of a job, for example, a temporary task force to solve a particular problem, temporary job rotations were regarded as *mini job assignments* through which our managers could undergo valuable changes in perspective.

Because not all jobs can be used as developmental assignments (McCauley, Ruderman, Ohlott, & Morrow, 1994), there are not always enough job assignment opportunities for everyone. *Action learning* might be an alternative, as it pursues the same developmental purposes, but with less uncertainty. Action learning also provides an opportunity for a specific development investment. Since most action learning is conducted in cross-functional groups, most people report experiences that have facilitated a deeper understanding of the organization's overall corporate vision and strategic direction (Conger & Benjamin, 1999). Our study indicates that cross-business-oriented action learning provided the managers with an opportunity to understand the other businesses as well as to develop relationships of trust and to experience a shared vision. Even though most action learning evaluations point to individual skills in terms of an increase in human capital, it is acknowledged that team composition and dynamics play an important role in a successful action learning process (Conger & Benjamin, 1999). If teams develop strong norms about candor and the diversity of perspectives, they produce more insightful and creative project recommendations. Managers who participated in cross-business action learning reported both reflection on and an understanding of the importance of diversity between businesses. They also indicated that this was particularly helpful in effective collaboration with other businesses.

Thus, job assignments and action learning are seen as leadership development practices with the potential to enable a contact, an assimilation and an identification experience in an efficient manner in order to facilitate strong forms of social capital.

**Proposition 3.** Leadership development practices that enable contact, assimilation, and identification experiences, such as e.g. job assignments or action learning, have the potential to facilitate strong forms of social capital most efficiently.

#### 5.4. Coaching—self-reflection experience

The importance of self-reflection is broadly acknowledged in the leadership development literature. If they lack self-reflection, even very 'smart' managers often derail, as they are unable to recognize the need for personal change or new behavior (Dotlich & Cairo, 2003). In our context, a *self-reflection experience* also proved advantageous for developing social capital. As our managers reported, it enabled conscious reflection on cross-business collaboration experiences and learning from development experiences generally. Very experienced managers specifically reported the value of *self-reflection experiences* based on participation in individual leadership development practices, such as coaching or a mentor with coaching abilities:

"What was very helpful was the coaching at the end of the program. This helped me most, personally, in getting to know myself and my own business profile, to assess how I can create the most added value. More generally, it helped me to identify where I can move beyond my comfort zone without neglecting myself, which means bringing my strengths to the business."

"Initially, I was very upset when I recognized that the other business had concealed something. And then I went back, was looking for confrontation, wanted to know why it had happened. At one point, I thought, maybe I'm the problem. And so I discussed it with my mentor [in the other business] and suddenly I understood much better what was driving those people. And if you have understood 80% of that [...], you can understand their motivation much better."

Conversely, managers with little experience requested more opportunities for self-reflection:

"I think coaching would be very beneficial for me because it is target-oriented reflection about your own actions; outside of the day-to-day business, moving to a meta-level and rethinking the big picture from this perspective. This is what I miss. There is simply too much happening every day. You're just stuck in your daily business routines and you rarely raise your head and ask yourself whether it all makes sense—what we do and how we do it, where could we improve—in the group and as an individual. [...]"

"What I would have loved to have is more coaching and mentoring. I never had this. Simply to profit from experienced people or somebody who mirrors you but is not responsible for your bonus. Somebody who cares for you, to help you fit the firm, and who I can feel totally free with and can trust.[...] Or a mentor who opens me a bit to the world beyond my job. I would have appreciated that."

Besides coaching, 360-degree feedback was also discussed among very experienced managers as stimulating the necessary self-reflection experience:

“I appreciated it [360-degree feedback] very much and I did it again recently. I think it is very meaningful to receive feedback across all hierarchy levels. I must say that I learned a great deal from it. I discussed the results with my coach. It was a really enriching experience, personally, recognizing where my weaknesses are. Most people fear 360-degree feedback; I also saw this in my team. [...] But I think it has great potential for cross-business collaboration.”

However, as a single event, 360-degree feedback did not automatically lead to a valuable self-reflection experience. Particularly the managers with low and moderate cross-business collaboration experience had reservations and did not see much value in it:

“360-degree feedback is always a bit difficult. It’s difficult to get really good, transparent, comprehensible feedback. [...] I think you can do without it. Often it just doesn’t properly reflect who you are and provides relatively meager benefits. Sometimes it’s just not honest and ends up being very opportunistic.”

“With it [360-degree feedback] human beings are sometimes too humane. They don’t want to hurt you. Therefore, I think the benefit of 360-degree is high but only in learning about the people who evaluate you, rather than learning about yourself.”

The existing literature acknowledges the importance of the ability to learn from experience for effective leadership development: “[...] leader development outcomes are the result of an interaction of one’s ability to learn from experience and a variety of well-designed developmental experiences. So in addition to providing an integrated set of experiences to each individual, an organization must also help many individuals improve their ability or their willingness to learn” (Van Velsor et al., 2004: 208). Indeed, a key goal of especially feedback-intensive development practices—such as 360-degree feedback—is the enhancement of self-awareness and meta-cognition in order to regulate own learning and behavioral change. Nevertheless, this instrument will most likely only reveal its full potential when coupled with measures that support reflection on feedback, such as coaching (Atwater, Brett, & Charles, 2007; Chappelow, 2004; Hernez-Broome & Hughes, 2004; McCarthy & Garavan, 2007).

We conclude that in our study, very experienced managers’ higher rate of *individual* leadership development participation (360-degree feedback, coaching, job assignment, and mentoring) resulted in a higher self-reflection capability. In turn, this capability enabled them to reflect and learn from any kind of social interaction experience and to further develop their social capital.

Thus, coaching is seen as one leadership development practice among others with the potential to efficiently enable a self-reflection experience in order to facilitate the development from weak to strong forms of social capital.

**Proposition 4.** Leadership development practices that enable a self-reflection experience, such as e.g. coaching, have the potential to facilitate the development from weak to strong forms of social capital.

Based on our observations and interpretations, we are able to indicate which leadership development practices most likely have the potential to enable a specific social capital development experience. Depending on which social capital intensity is strategically required, this may facilitate a distinctive and efficient use of leadership development practices for social capital development. This idea is illustrated in Fig. 2.

However, these effects are, to a great extent, dependent on the practice’s particular design and execution. It seems that unleashing the potential of leadership development practices to contribute to social capital development means to consciously consider social capital experiences as development targets. In our study, mere exposure to participants in other businesses mostly only provided a contact experience and did not necessarily impact further social capital development.

“The leadership seminar [...] did not necessarily provide me with contacts. [...] The participants from the other businesses were not from my region and we don’t really have business links to each other. It would probably have been different if there had been more people from my region. If this had been the case, I would have assigned it a high potential [for the development of cross-business social capital].”

Accordingly, it was acknowledged by very experienced as well as less experienced managers that leadership development practices would have the potential to support cross-business collaboration if social capital development experiences are integrated systematically.

“I think it would be great if that [the cross-business leadership workshop] were repeated once or twice a year, but with the same participants. Otherwise, you have to start at zero again. If you have the same participants, you can question things in a more target-oriented way, evaluate best-practices, etc. [...]”

“And I think that [the cross-business leadership program] should be followed up. [...] It should be done on a regular basis. And then I’m sure that contacts would develop from it.”

“I think the main problem is [...] the unsystematic way you get together with people from other businesses.”

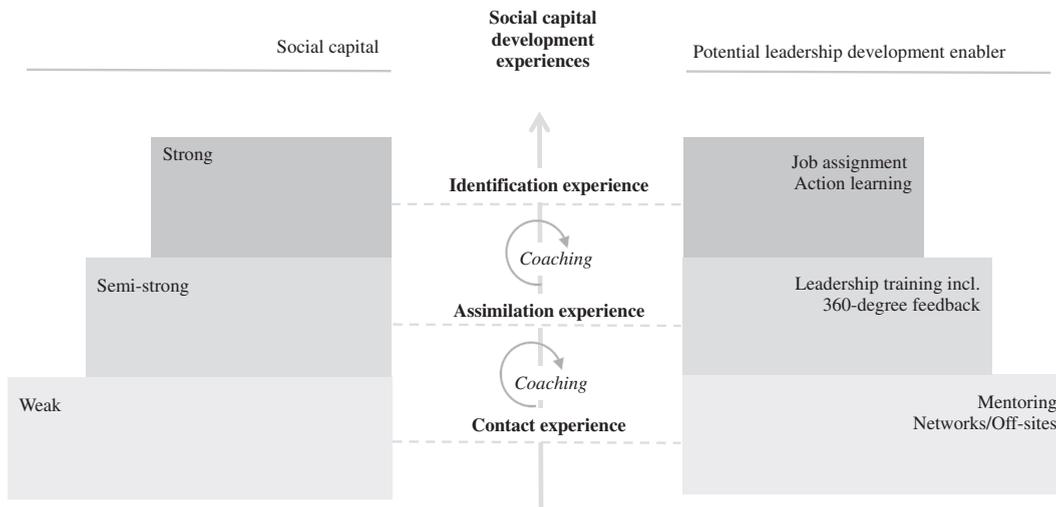


Fig. 2. Potential leadership development enablers for social capital development.

Based on the learnings from our case study, we conclude that complementing the human capital approach of leadership development practices by a systematic social capital orientation offers leadership development research and practice interesting new avenues to explore the impact of leadership development practices beyond individuals, to organizational effects.

## 6. Discussion

Traditional leadership development approaches consider their strategic contribution to human capital development. We agree with Day (2000) that leadership development should be revisited in the light of its social capital contribution, which implies considering it as a complex, context-embedded issue. Day's approach of evaluating each leadership development practice in terms of its social capital potential is appealing and our case study offers initial empirical support for the way in which these practices do so. Since the social capital between different businesses plays a central role in an MBF's cross-business synergy realization, we examined the role of leadership development with regard to its contribution to social capital development in this specific strategic context.

We observed that social capital is a multidimensional and context-dependent construct that occurs at different intensity levels (weak, semi-strong, and strong) and varies with the specific strategic collaboration target (cross-selling, client referral and joint product/market development) and the perceived risks for the actors involved. We demonstrated that strong social capital (in the sense of "the more the better") is not necessarily always the most *efficient* form for all kinds of strategic collaboration. Collaboration activities, such as cross-selling, do not require necessarily strong social capital in order to lead to cross-business synergy realization. As a result, we were able to indicate the *most efficient match* between the required social capital intensity and the leadership development practice most likely to support its related social interaction experience (a contact, assimilation, or identification experience). Specifically, we identified networks/off-sites and mentoring as the most efficient practices to facilitate a contact experience enabling weak social capital. Leadership development training, including 360-degree feedback, also has the potential to support assimilation experience, which leads to semi-strong social capital. Finally, a job assignment and action learning have the potential to efficiently support establishing strong forms of social capital.

### 6.1. Implications for leadership development research

Our study may raise interesting implications for leadership development research. In contemporary research and practice, the predominant leadership development model focuses on individual managers' competences, skills, and attitudes. Accordingly, leadership development has to date mostly been considered and evaluated with regard to its contribution to human capital. Consideration of leadership development's potential contribution to social capital has been lacking (Brass, 1995; Day, 2000). Our study offers insights on the contributions of leadership development practices to social capital. By specifying different social capital intensity levels in context, we made an interesting and counter-intuitive discovery: collectively organized leadership development experiences may not necessarily contribute to stronger forms of social capital. Rather, leadership development practices that have the potential to foster self-reflection (such as coaching and 360-degree feedback) and practices that enhance an identification experience (such as action learning and job assignment) help to support higher stages of social capital. Based on our study design, adopting a strategic management perspective meant that we could not draw conclusions regarding which elements of the leadership development practices contributed to a specific social capital experience. However, the specified social capital

intensity facets raise the possibility for future leadership development research to elaborate on this association in a more detailed way.

Further, this study offers potentially interesting implications for research regarding the links between leadership development and organizational performance. Having explored the role of leadership development for contributing to an organization's social capital, it may offer a new avenue to better understand how leadership development impacts organizational performance. Even though it is widely acknowledged that leadership development does contribute to organizational effectiveness, there is a lack of sound evidence on *how* this takes place (Avolio, 2007). We can conclude that searching for effects on social capital development might be a promising avenue to further explore this link. In our case, leadership development practices seemed to play a role in enhancing organizational performance, i.e. cross-business growth synergies, by enabling specific social capital experiences. Given the qualitative exploratory case study approach, we were unable to draw conclusions on how much of the social capital variance can be explained by leadership development practices. Accordingly, it would be certainly interesting to further investigate this relationship, including its direction.

By adopting a strategic management perspective on leadership development, our study offers interesting insights on how the interrelationships between different leadership development practices may be considered. The leadership development literature notes that leadership development is a process rather than an isolated event (Van Velsor et al., 2004). Thus, it has been recognized as a complex phenomenon that requires one developmental experience to be linked to another in order to be effective: “[...]No single developmental experience, no matter how well designed, leads to substantial growth or change. Leadership lessons are learned best when one developmental experience is reinforced by other experiences” (Van Velsor et al., 2004: 207). This seems especially important when considering the contribution to social capital. One single practice might not necessarily lead to social capital development, particularly not to stronger forms. Thus, exploring the role of leadership development practices for stronger forms of social capital means bringing the interrelationships between different leadership development practices in an organization to the foreground. Accordingly, the alignment of different leadership development practices in context over time must be considered if social capital development should be enhanced in order to lead to both, individual and organizational impact. However, we found very little research on the mutual reinforcement and the interplay of different leadership development practices over time. From a strategic management perspective, our study offers an attempt to characterize which leadership development practices result in positive synergistic effects, which might be substitutable, and which might cause negative effects. Our specified social capital experiences and their path-dependent nature may offer ideas for a model to align leadership development practices in order to create leadership development experiences that reinforce each other. This attempt may stimulate leadership development research to expand the focus towards an interrelationship and alignment perspective, particularly when focusing on social capital contribution.

Finally, our study may offer some interesting new avenues for future research in leadership development in a broader sense. Since we specified the potential role of leadership development practices for social capital development, it might be interesting to research the interrelationships between human and social capital development leadership development approaches. How are human and social capital development stages interrelated in leadership development? Such a study may prove insightful to derive design and alignment criteria for an integrated human and social capital oriented leadership development approach. The need to explore the links between leader-centric (i.e. human capital oriented leadership development) and social capital oriented leadership development is also pointed out in the literature (Day, 2000).

Our study also suggests that leadership development holds the potential to support successful social capital development. The underlying assumption is that sound relationships *increase* individual or organizational effectiveness. However, leadership development research might also pay attention to unsuccessful social capital development. Accordingly, Labianca and Brass (2006) advise a shift in perspective to the negative impact of a *lack of* sound relationships. It seems that sound relationships not only increase collaborative behavior but also play a central role in sustaining cooperative behavior at all levels and thus help *avoid* the negative effects of distrust. This raises the interesting question as to whether leadership development can avoid or remedy the negative impact of unsuccessful social capital development.

## 6.2. Implications for leadership development design

Interesting implications also arise concerning leadership development design practice. Our observation and interpretations suggest the consideration of the social capital experiences of contact, assimilation, and identification experiences as explicit development targets in leadership development design. Even though the value of social capital in leadership development design is generally accepted, human capital oriented leadership development approaches are still predominant in practice. Accordingly, most leadership development design is guided by the following (human capital) mastery levels, which have proven to unfold the individual competence base most efficiently: 1) critical awareness and knowledge, 2) guided application, and 3) independent application (Van Velsor et al., 2004). Following these design criteria, the design of in-house leadership training, for example, might start by an internal business leader discussing with participants the firm's strategy, complemented by an external speaker on leadership behavior (critical awareness and knowledge). This might be followed by group discussions and exchanges on best practice cases to execute the firm's strategy (guided application). Finally, participants might be asked to establish an individual action plan for specific areas of responsibility as well as leadership development targets (independent application). While social interaction has been acknowledged as beneficial in leadership development design, it is considered a mere side effect, rather than as a dedicated development goal (Day, 2000). As our findings suggest, a mere exposure to other participants is not sufficient to enhance social capital development. Accordingly, leadership development design should consider social capital development

targets in the same way that human capital oriented targets are consciously considered. The social capital development experiences specified in our study (contact experience, assimilation experience, and identification experience) might serve as social capital mastery levels to complement the human capital mastery levels in leadership development design.

Further, establishing and maintaining social capital, particularly strong forms, imply an investment in and of resources (Burt, 1997; Hansen et al., 2001). In contemporary practices, HRM always faces the difficult task of justifying its investments. When accounting for efficiency in leadership development, one must specify the social capital intensity needed for specific strategic tasks. This allows one to design leadership development practices that *efficiently* support social capital development in line with the strategic collaboration goal. In this sense, a cost-intensive action learning program may pay off in particularly ambiguous and uncertain collaboration settings where strong social capital is needed to sustain collaboration, but not necessarily if only cross-selling needs to be achieved.

When considering different social capital intensities, design specialists should consider that *collective* leadership development practices (such as leadership training, action learning, and networks/off-sites) may not necessarily per se be superior to *individual* development practices (such as 360-degree feedback, coaching, mentoring, and job assignment) in enhancing social capital development. As seen in our study, mere exposure to participants from other business groups did not necessarily sustainably impact our managers' cross-business social capital. Integrating different participants for networking at a dinner or other social events remains social capital development at a *contact* experience level; at best, this facilitates a good learning experience during the program but does not result in subsequent business collaboration. The systematic development of stronger social capital can, however, be enabled if managers are deliberately brought together in the same constellation in which they interact or should interact in their daily business lives. This moves the *alignment* between different leadership development practices to the foreground. Our study offers an initial idea of how to align leadership development practices to subsequently enable the identified social capital experiences.

However, organizing and designing this kind of embedded and experience-based leadership development process require in-depth know-how of the strategic context and the specific managers' business challenges. Offering an appropriate leadership development process that effectively enables the required social capital experiences is a challenging proposition, as this is not as straightforward as offering training programs for individual skills enhancement (Day, 2000; McCall & Hollenbeck, 2007). Corporate management should therefore realize that the leadership development program designer, who need to be effectively involved in strategy and business discussions, should be located in a business function rather than a human resources one.

### 6.3. Limitations

This study is not without limitations. Given our exploratory qualitative case study approach with a very small sample size of 30 cross-collaborating managers, our findings and interpretations may not be generalizable and should be treated with caution until they have been replicated in a variety of settings with other methods.

Although our case study approach was appropriate to get a rich and deep understanding of the complex context-related dynamics between strategic context, social capital development, and leadership development experiences, future research would clearly benefit by addressing leadership development's role for social capital development in a variety of other organizational contexts. Our study relied on a single company in the strategic context of an MBF in the financial services industry. Accordingly, it could be that, besides leadership development practices, other industry-related or strategy-related factors—such as incentive systems, corporate governance, corporate culture, organizational structure, geographical spread, and communication—might have played a role in social capital development. This raises the interesting need to address leadership development's role in social capital development in other industries and organizational contexts, such as the producing industry or other organization types and sizes.

Introducing the qualitative interview approach to capture the experience-based perspective on evaluating leadership development involved weaknesses. This included retrospective data collection, which generally runs the risk of biased interpretations through rational reconstructions (Weick, 1995). Accordingly, it is important to note that our data represent subjective perceptions and experiences, rather than objective accounts of reality. Due to the retrospective data collection, the establishment of the link between leadership development experiences and certain practices could only be reconstructed and thus might be imprecise. Further, the relationship between leadership development experiences and social capital development suffers from weak evidence because of the non-linearity of the social capital dimensions. We therefore could not clarify whether social capital is an antecedent and/or consequence of leadership development. Did participants in leadership development build their cross-business social capital as a result of participation, or did their cross-business social capital lead them to participate more in cross-business leadership development? Longitudinal studies that follow managers over a longer period would probably be beneficial for future research to more accurately track social capital development and the role of leadership development.

Finally, due to the qualitative approach used in our study, we were unable to account for personality and environmental differences. Since all of the 30 participants formed part of the sales units, we assumed that they were comparable in terms of their individual social affinity and behavioral competencies. However, managers might differ in their social affinity and social skills. Future research should seek and utilize personality and competency measures in order to better understand these differences concerning social capital development. Similarly, our approach could not account for contextual differences, such as particular self-organized team approaches for cross-business collaboration. To identify to what extent social capital development relates to leadership development practices, future research could control for contextual differences.

#### 6.4. Conclusion

While leadership development still lacks empirical verification of its organizational effectiveness, our research shows that a social capital perspective may lead to a recognition of leadership development as a source of competitive advantage. However, when evaluating leadership development's social capital contribution, it is essential to first elaborate a more fine-grained understanding of social capital and its development in context. With the help of a strategic management perspective and an explorative case study approach, we could identify different social capital development experiences that helped us to evaluate leadership development practices' potential to best assist these experiences. From our study, we learned that a social capital orientation in leadership development proved to be a very worthwhile attempt to better understand how leadership development impacts organizational effectiveness. We trust that we have provided sufficient inspiration for future research attempts to further explore the association between leadership development practices and social capital impact.

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