Corporate Alumni Networks: Leveraging Intangible Assets

Executive Summary: Results and Findings
Think Tank > Panel & Discussion > White Paper
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Executive Summary

This white paper reports on the proceedings and findings of a think tank on the subject of “Corporate Alumni Networks: Leveraging Intangible Assets,” hosted by XING, openBC on August 29th 2006 at the Gottlieb Duttweiler Institute (GDI), in Rüschlikon, Zurich.
Corporate Alumni Networks

For many years, recognition of the advantages of alumni networks has been restricted to educational institutions and professional services firms. Recently, however, several large-scale trends - increasing globalization, the “war for talent”, changing approaches to work and employment relationships and the ubiquitous adoption of enabling technologies - have encouraged many companies across all sectors to proceed with major initiatives to harvest their intangible assets.

Why Now? Trends and Drivers

Corporate alumni networks are now well-positioned to develop and diversify beyond the university models by creating innovative “virtuous circles” of mutual benefit for the company and its employees. The possibilities have been explored by a relatively small number of
pioneering companies, primarily in the professional services sectors. In recent years a significant and growing number of corporations have launched concerted efforts to cultivate their alumni relationships in purposively managed organizations. In answer to the question “Why Now?” it is necessary to explore the trends and drivers behind this sea change in corporate culture, which may be reaching a tipping point.

The key factors can be grouped under five subject areas: information technology, the business environment, the work environment, competitive advantage, and the culture of trust.

1. Information Technology. The basic underlying or enabling factor in the rise of interest in alumni networks has been the revolution in IT, most importantly the ubiquitous penetration of low-cost and increasingly robust communications networks, what has been described as “the death of distance.” Alumni, almost by definition, constitute a widely dispersed population who no longer come to the office, attend meetings, and work on common projects. It has always been possible to reach out to alumni, but the degree of difficulty has been lowered by orders of magnitude. Networks are the norm and have created an increasingly small world that becomes denser and denser as the webs connecting its locations proliferate.

They have also led to new forms of social behaviour. The explosion of social networking on the Internet (MySpace, Bebo, Facebook, etribes) has captured headlines and attracted billions of dollars from media companies, and is now moving into a phase of intense competitive segmentation. These “communities” are relatively open and unstructured free-for-alls. But they represent a major trend that has important implications for traditional business corporations. A number of web service providers now provide more structured communities either for mature professionals as individuals, or as third-party platforms customized for the programs of specific corporations.

2. Business Environment. Globalization has been as pervasive as communications technology, for the two go hand-in-hand, and has lowered barriers of all kinds – regulatory, economic, national, and even corporate. More open markets for products and services have brought with them more open markets for labour and talent: outsourcing is just one example. Intense competition for human resources has caused leading companies to reconsider how they manage their workforce and the shifting pool of talent available to them.
In the past, fearing the loss of valued resources, many companies have adopted defensive “fortress” strategies that discouraged communications with alumni, but in a war for talent amid scarcity, these policies can be self-defeating. Attitudes are changing, and more companies realize that using networks to extend market reach can bring access to a larger talent pool.

3. Work Environment. The traditional workplace, too, is being transformed by both the disruptive and creative effects of globalization, IT, and the competition for talent. From an employee perspective, job security is more vulnerable to restructuring, downsizing, and outsourcing. From a company perspective, employees are more mobile and more transient, leading to higher turnover rates, which increase the costs of recruitment. At the same time, more dynamic job markets are creating opportunities for innovation on both sides of the equation. The traditional paradigm of “employment for life” is no longer the norm; in its place we find greater emphasis on the idea of the “lifecycle of employment.”

Under the impact of changing lifestyles, many employees are developing alternative models for managing their careers, balancing their terms of engagement with personal commitments at different stages. Increasingly, the “best and brightest” view their professional experience as a portfolio of relationships that can be renewed as opportunities emerge. Faced with changing demographics, such as the aging of the workforce, and the need for diversity, employers are adopting flexible approaches to managing the flow of talent through their organizations. From both perspectives, corporate alumni networks are a compelling means of negotiating the new dynamics of job markets.

4. Competitive Advantage. In many respects, the trends we have looked at have levelled the playing field for all players in any given market. With ready access to many of the resources that previously were difficult to tap, small and virtual companies can compete with the large and established companies. Equal access to resources, however, has placed a higher premium on what one can actually do with them. As a consequence, many authorities argue that in the future the essential sources of competitive advantage will be knowledge and innovation.

Here, too, networks will play a crucial role by crossing internal and external barriers to the flow of ideas, competencies, and intelligence (in the sense of “news about the latest developments”).
Alumni networks, for example, can help address the problems of “brain-drain” and the loss of institutional knowledge by opening channels of communication between former and current employees. By the same token, they can open windows on innovations outside the company’s usual focus, creating opportunities for cross-pollination.

5. The Culture of Trust. One of a corporation’s most important sources of value is that intangible quality called “culture,” which can also be an agent acting both for and against change. A company’s culture is often seen as a function of its organization, but recent research shows that it is also importantly influenced by internal “social” networks that cross organization boundaries. An emerging management challenge is to understand how these networks work in order to leverage their positive effects.

Like markets, networks work based on an exchange of value. But without contracts or explicit organizational structures to govern the exchanges, they also depend to a greater degree on the element of trust that provides a foundation for collaboration. And trust is notoriously vulnerable to bad faith. Managements that want to drive value through cultural change need to understand how to cultivate trust throughout their networks. This is another reason why corporate alumni networks are so interesting: because membership in them is entirely voluntary, they rely on and cultivate loyalty and a perception of common bonds, which in turn provide a foundation for trust.

Loyalty too, of course, must be earned through an exchange of value, and the value proposition of corporate alumni networks will depend on balancing the practical and tangible benefits for both alumni and the company. Those tangible benefits will then strengthen the intangible relations built on loyalty and trust.
What exactly are corporate alumni networks?

Corporate alumni networks are organizations whose members are the former employees of a particular company. Beyond this basic characteristic, they vary widely in terms of size, longevity, origins, purpose, governance, authority, structure, activities, and even membership criteria. Chris Gopsill, Executive Producer at First Tuesday Zurich, began his presentation of research findings on the current state of these organizations by describing three basic types:

1. Independent “grassroots” associations are those founded solely on the initiative of former employees, without company support or approval (or disapproval). They are informal groups that provide directories of members, organize occasional events and reunions, and may coordinate other projects. It is hard to estimate their number (there is no association of associations), but it runs into the thousands. Their success is often temporary or hard to sustain.

2. Company-supported grassroots associations were also founded independently but have grown sufficiently in size and stature to win recognition from the company, which may also provide financial and other means of support. These hybrids vary widely and are much fewer in number, probably because only a few large corporations have alumni populations large enough to reach “critical mass.” Their activities are similar to those of the independent groups, sometimes facilitated by web-based platforms. The most notable example in this category is the association started by alumni of the U.S.-based consumer marketing giant, Procter & Gamble.

3. Company-managed associations are those founded and chartered by the company with board-level approval, have explicit objectives and policies, and are managed by full-time staff, with executive oversight. This type has existed in the professional services sector for years, in a few cases for decades; but in recent years they have penetrated several industries, particularly among large multinationals.

First Tuesday’s benchmarking survey of 15 of the most prominent large corporations with alumni programs, provides an important background on the status of these networks: some of them long-standing, some in development, some of the hybrid kind and under evaluation. All of the companies are multinationals, and the respondents were based in either the United States (30%) or Europe (70%), including the UK, Germany, and Switzerland. They covered several industry sectors, including professional services and management consultancy, information technology (IT), manufacturing, travel and pharmaceuticals. Due to the differences in type and status, the survey could not lead to a systematic analysis, but did produce many valuable highlights regarding basic operations, membership, benefits for the alumni and the company, and critical success factors.
Operations

Nearly all of the long-established programs, including their approach and supporting IT systems, were developed internally.

In contrast, most of the programs established since 2000 have enlisted outside consultants and use third-party systems, often including some external support staff.

In half the companies, oversight and responsibility for the program falls to the Human Resources department; in the other half, responsibility belongs to the Communications department.

A large majority of the companies (about 80%) justified development with a formal business case, and approximately two-thirds of them regularly monitor the program’s performance based on key metrics.

Staffing requirements to support the program also vary considerably, but the indications are that on average 1 FTE can support about 3,500 alumni.

Membership

While enrolments vary widely, the average rate is around 40% of qualifying alumni.

Half of the companies require members to have had a minimum of two years experience at the company.

To ensure targeted offerings to members, the most successful programs segment their membership (the most common categories are geographic or regional, former job function, and retirees).

Several companies also have separate programs for former high-level employees.

Roughly half the companies allow current employees to join the alumni program.
Benefits for Alumni and Company
The following pages provide an overview of a list of benefits that on one side the alumni might enjoy by participating in an alumni program and on the other side a company might enjoy by offering an alumni program.

Benefits for Alumni

Benefits for the Alumni

<table>
<thead>
<tr>
<th>Top-10 Benefits</th>
<th>(ranked by average total score)</th>
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<tbody>
<tr>
<td>01. Job opportunities (9.3)</td>
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<td>02. Professional development (8.1)</td>
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<td>03. Access to expertise (7.6)</td>
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<td>04. Career development (7.4)</td>
<td></td>
</tr>
<tr>
<td>05. New business ventures (7.0)</td>
<td></td>
</tr>
<tr>
<td>06. New market opportunities (7.0)</td>
<td></td>
</tr>
<tr>
<td>07. News of company initiatives (6.9)</td>
<td></td>
</tr>
<tr>
<td>08. Talent management (5.9)</td>
<td></td>
</tr>
<tr>
<td>09. Influence company products &amp; policies (5.8)</td>
<td></td>
</tr>
<tr>
<td>10. Share thoughts without risk (5.4)</td>
<td></td>
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</tbody>
</table>

Jobs & Careers
- Network as two-way marketplace (recruiting talent, finding jobs)
- Peer counseling; strategizing options

Professional Development
- Extending roles, responsibilities, experience, and exposure
- Mentoring: for self, for others
- Access to latest ideas

New Business Ventures
- Alumni and company as clients, customers or partners
- Leads, references, introductions

New Social Ventures
- Fund-raising for philanthropy
- Local community support
- Special interest sub-nets
- Influence company products and policies

Personal Networking
- Expressive outlets for emotion and constructive criticism
- Low-risk environment
- Social contact, dating, events
The summarized highlights from the findings:

**Connection**: The highest ranking of the perceived benefits for alumni were in line with rather traditional ideas of alumni associations: they would offer opportunities for former employees to make some unspecified kind of connection with colleagues and the company, most likely at social events for that purpose (average scores were 4 or above for these benefits).

**Knowledge & Innovation**: The group of benefits in the next highest rank (average scores greater than 3 and less than 4) were concerned with knowledge and innovation: the alumni network could lead to new business opportunities, connections with venture capital, or special interest forums among the participants.

**Company initiatives**: The lowest-ranking perceived benefits (scoring 3 or less) included the most concrete or tangible kind that would depend on specific company initiatives, such as education and travel programs, and corporate purchasing discounts.

**Job opportunities**: Responses for one item suggested there may be a significant gap between company and alumni perceptions: while the Thought Leaders at the Think Tank consistently expected alumni to be most interested in job opportunities outside the former company, the company respondents ranked this potential benefit among the least important. Job opportunities at the company, naturally, ranked somewhat higher, but not by very much.

**Mentoring**: Opportunities for mentoring also received a fairly low score from the companies, which probably reflected their divided opinions about supporting contact between former and current employees.
The summarized highlights from the findings:

**New business:** Among the highest ranking benefits for the company identified by the respondents was the alumni’s potential for new business, specifically former employees may become new customers.

**Marketing & Public relation:** A closely related, and equally important, expected benefit was that strong alumni relations would contribute to the company’s marketing and public relations programs.

**Recruitment:** Also among the top benefits in importance was that the alumni network would assist the company’s recruitment program by providing access to promising candidates. Other benefits for recruiting, which ranked nearly as high, included the pre-screening of candidates and the potential for alumni themselves to become rehires.
Critical Success Factors

Finally, the companies were asked to identify what they perceive to be the critical success factors for corporate alumni networks. In conclusion, the key lessons and recommendations summarized:

- Enlist boardroom-level support for the program and sustain it with periodic board reviews of performance progress.
- Establish clear goals and objectives – particularly, when the potential for rehiring alumni is part of the program, be sure to manage expectations to avoid disappointment.
- Ensure that the budget is adequate and in line with the business case.
- Plan for commitment to the long term (don’t “dabble” and then retreat).
- Promote the network’s reputation internally to current employees.

Knowledge and insights: Another cluster of benefits to the company, ranking just a bit lower than the previous, fell in the area of knowledge and insights. These companies are clearly thinking of alumni as potential partners in collaboration on projects, as sources of innovative ideas, and as subjects for market research. Their potential as mentors for current employees, on the other hand, ranked considerably lower.

Long term investors: Alumni are also valued as potential long-term investors in the firm.
Looking for Effective Models

In this group work, for the financial services and manufacturing sectors, suggestions for defining the network’s purpose focused on three of these areas: brand value, talent management, and knowledge management. New business opportunities were not mentioned, perhaps because they are hard to measure, and because the Thought Leaders were focused on the early stages of program development. In contrast, while discussion of the university program’s purpose also highlighted brand value, and touched on talent and knowledge, it gave most attention to fundraising – which, while not quite the same as “new business,” has a similar impact on the bottom line.

Highlights of Corporate Alumni Program Components by Organization Type

<table>
<thead>
<tr>
<th>Design Components</th>
<th>Financial Services</th>
<th>Manufacturing</th>
<th>University</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose</td>
<td>Talent management</td>
<td>Knowledge management</td>
<td>Fundraising</td>
</tr>
<tr>
<td>Type</td>
<td>Hybrid: corporate initiated core program promoting member-activated affinities</td>
<td>Hybrid: grassroots initiatives receiving corporate support and coordination</td>
<td>Hybrid: independent association, but very integrated with corporate governance</td>
</tr>
<tr>
<td>Membership / Segmentation</td>
<td>Selective: by invitation in phases; “viral” extension “Relationship-driven” groups (e.g., by tenure, seniority, gender)</td>
<td>Federation model</td>
<td>Local organizations</td>
</tr>
<tr>
<td>Challenges</td>
<td>Personalization</td>
<td>Information overflow</td>
<td>Reaching critical mass</td>
</tr>
<tr>
<td>Key Features</td>
<td>Jobs market</td>
<td>Career services</td>
<td>Knowledge portal</td>
</tr>
<tr>
<td>Performance Measures</td>
<td>Usage and feedback</td>
<td>New business and cross-selling</td>
<td>Retention and rehiring rates</td>
</tr>
</tbody>
</table>

Financial Services. The group believed that, for a financial services firm, cultivating relationships (intra- and inter-firm) is an essential aspect of its culture and practices, and an important source of competitive advantage.
Through alumni, the firm would also be able to extend its reach and influence among potential partners and facilitate information flow.

Development of an alumni network would be an opportunity to become an industry pioneer, establish thought leadership, and enhance its reputation as an “employer of choice.”

An alumni network would reduce recruitment costs by “leveraging dormant assets” while also cultivating professional resources by fostering diversity.

These points were clearly interrelated, as indicated by the program mission statement formulated by the group: “by establishing an active alumni network, [the firm] offers lifetime value to all relevant stakeholders and a main driver for strengthening a global corporate culture.” “Talent management” is highlighted in Table on page 13, because that theme was stronger in this group than in the others.

Manufacturing. This group also approached the definition of program purpose as a question of managing corporate assets, but the emphasis was more on knowledge, or “know-how,” than relationships, or who one knows. Manufacturing companies derive competitive advantage from scientific research, advanced technologies, and operational expertise. Talent management was
mentioned as an important aspect of the purpose, but more as "brain-drain" and the loss of expertise. Thus the alumni program was seen above all as an opportunity to develop and leverage knowledgeable resources outside the company. As one participant said, "One of the reasons we are looking at the alumni network is that we are able to work with business partners and clients to rapidly prototype from concepts to products."

University. This group's discussion of purpose also mentioned the importance of talent and knowledge management, though in different respects: alumni networks would provide essential support for the recruitment of new students; and a strong network of alumni, the “products” of the university's knowledge assets, would advertise the value of its curriculum and degree programs. Most importantly, a vibrant alumni organization would contribute significantly to fundraising efforts, as they continue to re-invest in the brand, enhancing its prestige and influence, from which they also continue to benefit.

Alumni Network Platform Offerings

The Thought Leaders quickly reached agreement on 10 core kinds of offerings an alumni network platform would offer to deliver many of the benefits. Since each of the offerings would provide some benefit to both alumni and the company, the Thought Leaders then evaluated each of the Top 10 by assigning them two scores: one for value to alumni, one for value to the company. They then evaluated each on a third dimension, assigning a score reflecting the ease of implementing the kind of offering in a web-based alumni program. Finally all three scores were summed and averaged for each kind to provide a final ranking - a ranking that could provide a set of implementation priorities for new alumni program development.

The alumni and company values are plotted on the axis and the ease of implementation is indicated by the size of the squares representing each kind of offering (the larger the circle, the easier the implementation). Numbers in the circles indicate the final ranking, which is also in the list on the side.
Priorities for alumni network platform offerings

In other cases, the figure suggests that there are interesting trade-offs to be considered.

For example, “useful information” ranked the lowest in terms of value for the company. However, it scored the highest for ease of implementation (it could easily be provided by a syndicated service or one of the major Internet portals), and the Thought Leaders also felt that it would be a “sticky” feature that attracted traffic to the web site, so it ranked fourth in the final list. Here, the cost of implementation might be an important factor.

Personalization (the ability of members to define how they interact with the network) ranks high in alumni value. The features in this area would also greatly enhance the functionality of the highest ranking offerings – directories, the career market, and interactive events on the network – and this could significantly raise its value in the eyes of the company. But the technology required is relatively complex (and expensive), so ease of implementation is low. This is an advanced offering that should be reserved for implementation at a later stage in development.

Financial incentives (such as discounts or group procurement plans) scored fairly well for alumni, but promised little value for the company; its low score for ease of implementation made it the lowest priority.
Overall, the Thought Leaders’ brainstorming group work produced a rich harvest of ideas and suggestions – food for more thought. The success of a corporate alumni network will depend on a clear mission and a well-defined value proposition that balances the benefits for all stakeholders.

The range of possibilities also indicated that, while benefits valued by alumni and their former companies often overlap, they can also diverge and sometimes conflict. “Take the issue about alumni access to intellectual property, or about alumni recruiting from the network, these don’t necessarily coincide with the company perspective. So that’s very interesting”, a Thought Leader said.

On the other hand, the relationship between company and alumni benefits is not always an “either/or” proposition, or a “zero sum” balanced exchange, but rather a convergence for altruistic purposes, such as philanthropy or other forms of social responsibility. As one Thought Leader put it: “It’s not always about money or benefits but for the goodness of society. Ben and Jerry’s donate a percentage of pre-tax profits to philanthropic causes, and invite their corporate alumni to decide where the money will go.”

Furthermore, as another Thought Leader remarked, social responsibility has corporate benefits, too. “Corporate responsibility becomes a critical recruitment tool. The ‘Reputational capital’ you’ve built up around that responsibility has terrific recruitment retention and development benefits. I think you create a virtuous circle.”

In conclusion, alumni networks were seen as:

- a key potential driver of competitive advantage for employers
- a rich untapped source of innovation, human talent and business relationships
- still emergent (in most sectors) and hence demanding clear management focus
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