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Emmanuel Lazega

Collegial Phenomenon : The Social Mechanisms of Cooperation Among Peers in a Corporate Law Partnership

Introduction

Collective action among peers—that is, cooperation among individuals who are, or tend to be, formally equal in power—is an important problem in social and economic life. For example, an increasingly large number of organizations find themselves involved in knowledge-intensive production. This means that they must permanently try to adjust to technological changes, to encourage higher quality, innovation, and participation. These changes and adaptations are often associated with an apparent decline of Taylorian rationalization of work. In this old model, competence, and regulatory and decision-making authority are concentrated at the top; objectivation and routinization of tasks are for the bottom. As a consequence of this decline, organizations involved in knowledge-intensive work try to reduce the number of hierarchical levels in their formal structures. They try to involve many more members and stakeholders in regulatory activity. In turn, organization theorists—after a century of critique of Weberian bureaucracy as a basic principle—focus on such contemporary flattening and decentralizing organizations.

In spite of this attention, collective action among peers remains a puzzle for the social sciences. Contemporary sociology does have a tradition of thought about egalitarian relationships in organizations and society. This tradition debates the possibility of organization without hierarchy. In particular, since Robert Michels's *Political Parties* (1911), many sociologists have pointed to the fact that flat organizations are also highly structured, a theme underlying discussions of the 'iron law of oligarchy' (for a review, see Rothschild and Whitt 1986). However, there is little empirically grounded work researching how organizations without permanent bosses and followers, in which all members ultimately have a formally equal say in running operations or exercising control, are able to operate.

In the history of sociology, two reasons at least may explain a relative lack of progress in the study of specific social mechanisms that underlie cooperation among peers. First, the debate between Max Weber and Michels was framed by Weber so as to focus on the 'illusion' of pure democracy and on a general bureaucratization process (Scaff 1981). Since then, the idea of a relatively general collegial model—to use Weber's own vocabulary—with its own characteristics and influence within the bureaucratic model, or as an alternative to this model, has attracted little attention—although there are clear indications in classics such as *Union Democracy* by Lipset, Trow, and Coleman (1956) that it resurfaces periodically.

Secondly, Weber himself mainly discusses collegiality as a means for hierarchy to control experts or as a way to restrain autocratic control. This has led to a reduction

of the issue of cooperation among peers to one of a conflict between two forms of status—that is, between professional expertise and hierarchical coordination.¹ In this perspective, professional settings have been of particular interest to the study of this form of collective action. These include corporate law firms, engineering and technology firms, architecture firms, advertising agencies, medical wards, consulting firms, investment banks, scientific laboratories, religious congregations, and many other organizations bringing together recognized experts.²

More generally, however, complexity, concern for quality and innovation, and high variability of tasks usually lead to the right to participate in decision making and share economic returns (Woodward 1965; but see also Burns and Stalker 1966; Parsons 1968; Stinchcombe 1959), even in non-professional settings. Work on ‘plural’ forms of organizations (see e.g. Bradach and Eccles 1989) shows that the issue of cooperation among peers is also relevant in countless collegial pockets that can be found in larger bureaucratic organizations. In matrix (Davis and Lawrence 1977) or project-based structures, for example, individual members have to function with frequently changing task assignments and group attachments, to report to more than one superior, and to rely on expertise of colleagues from other work units. Whenever members deal together with complex decisions that cannot be routinized, this issue reappears.

THE COLLEGIAL ORGANIZATION AND ITS GENERIC SOCIAL MECHANISMS

In order to understand cooperation among peers as an issue of interest to organizations in general, saying that activities are governed by objectives and results—no longer by Taylorian standard procedures and pyramids—is not enough. A first step consists in defining the characteristics of an idealtypical collegial organization, as distinguished from bureaucracy. A second, theory-guided step consists in identifying and analysing generic social mechanisms that characterize this organizational form and help it govern itself.

At the intersection of the sociological literatures on organizations and on the professions, increased interest for a general principle of ‘collegiality’ has recently produced original neo-Weberian theories that have proposed a set of formal characteristics differentiating ‘collegial’ or ‘polycratic’ organizations from bureaucratic or monocratic ones. Waters’s work (1989, 1993) on the collegial or ‘polycratic’ model, for example, offers a fresh look at this old issue, and the present book builds on his contribution. He defines collegial organizations as ‘those in which there is dominant orientation to a consensus achieved between the members of a body of experts who are theoretically equals in their levels of expertise but who are specialized by area of expertise’ (1989: 956).

Here I argue that this neo-Weberian description of a collegial form is useful but not sufficient by itself to explain collective action among peers, because it is based almost exclusively on the idea of voluntary contracts, formal structure, and formal consensus.³ This approach is limited because there are many tensions in

the collegium, and there are obvious conflicts between the individual and the collective interest, for which it does not account. What is missing in this approach is a deeper understanding of the social processes that help collegial organizations solve typical problems of collective action and cooperation. In my view, a combined neo-Weberian and structural approach is needed for that purpose. This approach provides a deeper view of how such collegial organizations operate, a more realistic picture of the ‘collegial phenomenon’—an expression echoing Michel Crozier’s *Bureaucratic Phenomenon* (1963). It often questions pervasive discourse on idealized collegiality among peers. As in model approaches such as Crozier’s or Peter Blau’s (1964), our approach to this phenomenon is based primarily on understanding power in such collective actors. Power is defined as the ability of individuals or groups in the organization to impose their will on others as a result of resource dependencies. In the case of collective action among peers, however, such dependencies are often less permanent and more complex than in bureaucracies. Power is shared, then aggregated upwards to be exercised simultaneously by several positions in a ‘polycratic’ system. There are also norms concerning this exercise, especially for legitimization of inequality and justification of acceptance of inequality.

In effect, what does a ‘structural’ approach mean? The term structural refers to regularities observed in multiple and informal relationships between members—for example, strongly personalized co-workers’ ties, or advice ties, or even friendship ties. Such ties provide access to key production-related resources such as co-workers’ goodwill or advice, or to resources that are not directly connected with the production process, such as friendship. In an organization, stable and durable relationships represent multilateral resource interdependencies. They aggregate and combine into an informal pattern of ties that is called ‘structure’ because it captures many kinds of opportunities and constraints for members in their attempts to manage such resources. It is important to note that, in the Weberian tradition, these social and informal relationships have long been considered by the bureaucratic model as particularistic obstacles to efficient collective action (Perrow 1986). In the collegial model, however, some of these durable relationships become the basis of a social discipline that helps members cooperate and exchange, monitor, pressure, and sanction each other, and negotiate precarious values. Without such an approach of resource interdependencies and social relationships, it is difficult to understand generic social mechanisms (Hedström and Swedberg 1998a) that characterize any form of collective action, particularly among rival partners (Bourricaud 1961).

For any sociological theory of collective action, such generic social mechanisms necessarily include, first, an exchange system of multiple social resources; secondly, a control regime; and, thirdly, a process of (re)negotiation of rules and underlying precarious values. They are part of what Crozier and Friedberg (1977) would call the ‘concrete action system’ of any type of organization.⁴ As shown by Granovetter (1985), specifying such mechanisms goes beyond statements of ‘embeddedness’ seeking to prove the economic efficiency of social ties. The specific mechanisms that

help flat or collegial organizations operate are not necessarily comparable to that of more bureaucratic and pyramidal organizations, because they are based on the specificity of resource interdependencies that characterize complex relationships between formally equal partners. Sketching this system for collegial organizations (or for collegial pockets in bureaucratic organizations) will, therefore, require specific methods that are able to look into complex resource interdependencies. Methods such as network analysis both strengthen sociologists in their theories and allow them to look at economic activity from this original perspective.

Thanks to such generic social mechanisms, flat organizations can achieve results that many economic theories did not think they could: for example, help members participate in collective action when they are expected to free-ride; coordinate the activities of interdependent entrepreneurs when they are expected to ignore each other as competitors; monitor and sanction deviant peers back to good conduct; stabilize policy making or change the rules of the game when promises from the past are difficult or impossible to keep. Specifically, analyses will show that they are highly functional in addressing—among others—such problems as enhancing economic performance and quality control (Chapter 4); cultivating and mitigating status competition (Chapter 5); and integrating the firm by preventing easy defection by teams (Chapter 6). It is by focusing on such mechanisms of social organization (sometimes called self-organization) and by approaching the issue of collective action among peers from a structural perspective that this book adds value in research on collective action among peers.

A BROADLY CONCEIVED STRUCTURAL APPROACH

What does the expression ‘combined neo-Weberian and structural approach to cooperation among peers’ mean? How exactly does it help in reasoning about collegial organizations? This approach is broadly conceived as having the five following characteristics.

The first is that it combines an understanding of the interests of actors themselves with that of their organization as a whole, thus bridging the levels of individual and collective action. It does so both by looking at the organization as a small political community and by using information on relationships between members as information on their resource interdependencies and derived power relationships. In effect, in organized settings, participation in collective action—for example, team production, regulatory activity, or enforcement of previous agreements—requires cooperation with others. This cooperation is expressed through routine interactions that allow transfers or exchanges of various kinds of resources. Examples for such resources include information, co-workers’ goodwill, advice, sometimes moral or emotional support, and many other means that serve individual and collective ends. Particularly in collegial organizations, all members have some resources that are important to others; therefore, they all have, although to various degrees, some power. These interdependencies are the product of a formal division of work and of informal exchanges and circulation of all sorts of production-related resources

through social ties. Together with formal dimensions of structure, they aggregate to form an opportunity structure that constrains members' choices in access to resources. In that respect, structural analysis is compatible with what Crozier (1963; Crozier and Friedberg 1977) calls 'strategic' analysis. Indeed, the former presupposes the latter and offers sophisticated measurements of resource interdependencies, status, and power. This means that, along with the analysis of structural determinants of action, one must draw on a perspective that allows for some individual freedom of choice and provide behavioural assumptions that include some kind of strategic rationality.

The second characteristic of this broadly conceived structural approach, one that separates it from earlier and narrower forms of structuralism, is its capacity to look jointly at economic and symbolic activities. Saying that actors use their resource interdependencies as a source of power presupposes a form of rationality that includes cost-benefit calculations, but also symbolic activity such as appropriateness judgements (based on previous investments in relationships, recognition of identities, identifications in reference groups, and the use of various forms of authority arguments) allowing individuals to politicize their exchanges and controls. For example, volatile, intangible, or immaterial resources, such as knowledge, cannot be accumulated, bartered, and shared outside such identity politics and boundary management (Blau 1964; Lazega 1992a, 1999b).⁵ Opportunity structures do not explain behaviour mechanically: actors do not always perceive a course of action as an opportunity. They often make choices of courses of action based on symbolic or normative criteria, to meet others' expectations. They politicize exchanges not only to reduce costs, but to maintain shared principles that they think will help them.

Note that, in this perspective, power is not purely formal and unidimensional. It is not reduced to a phone call from the White House. If actors politicize their exchanges and controls, they must be assumed to have a trained capacity to perceive relationships among others (and underlying resource interdependencies) and to manipulate these relationships. Social relations and the resources that they concentrate do matter for power among peers. This also means that collegial is not a synonym for congenial and nice. Partners can manage their interdependencies in informal but truly Machiavellian ways. Status competition among peers can be all the more ferocious, as it is heavily personalized. Collegial committees can be as brutal as autocrats when they vote like lynch mobs.

Actors' politicization has two combined but potentially conflicting dimensions: niche seeking and status competition, both based on selections of or investments in relationships. A member's social niche can be defined as a relational context, or subset of other members in the organization, with whom this member commits him/herself to exchange many different types of resources at a relatively lower cost, an advantage that can be called bounded solidarity⁶ (for the complete definition, see Chapter 1). As seen above, in spite of professional ideologies picturing them as independent entrepreneurs ('their own men/women'), individual professionals are strategic and *inter*-dependent entrepreneurs who need access to production-related resources. Politicization is manifest in the selection of these exchange partners. It is

rational because members try to build or join such multifunctional production contexts as if they were stable quasi-groups in which these resources are more easily available to them than outside these quasi-groups.

Politicization of exchanges means that selection of partners is based on particularistic identification to others (intuitions about how one's long-term interests are compatible with that of others within a group identified by specific characteristics and similarities, and therefore by a form of bounded solidarity). Niche building or seeking is strategic, but, once built, niches have the advantage of allowing partial suspension of calculating behaviour. Indeed, they are built for that purpose, and thus allow multiplex barter of resources without general equivalent (Blau 1964). The word 'multiplex' qualifies a rich relationship between two persons. It refers to the fact that the two persons have a relationship in which they can transfer and exchange multiple types of resources (Wasserman and Faust 1994). For example, two partners have a multiplex relationship because they are co-workers on many cases, because they also seek each other for advice in difficult professional situations, and finally because they also have social activities outside work together. Analytically, this means that specific local substructures compounding several types of social ties must crystallize for members to be able to cooperate on an ongoing basis in the context of wider collective actors such as organizations.

This solidarity is bounded by identity politics (We-versus-Them reasoning) playing strategically with multiple memberships and hierarchies of allegiances. In short, members must, therefore, be characterized by a *strategic and symbolic rationality*, by a long-term view enabling them both to value the ideology of autonomous action (Freidson 1975, 1999; Sciulli 1986; Waters 1989) and to create various forms of bounded solidarity with potential competitors (thus conditionally suspending their strategic behaviour). This politicization, however, can also lead to any forms of social discrimination that come attached to barter.

As strategic and interdependent entrepreneurs, these individuals also compete for *status*—that is, they try to concentrate resources in their own individual hands so as to benefit from a position of strength when negotiating terms of exchange (that is, bartering) within and outside their quasi-groups (Blau 1964). In sociological theory, status summarizes members' contributions to the collective, their recognition, and a specific form of authority derived from this recognition. However, formally and informally, there are many forms of status, because there are many ways of contributing to the collective. The official member, the most competent, the most popular, the most committed—all these have some sort of status, and participate in the coordination of collective action. One important aspect of status is that members back it by concentrating resources accumulated within niches and beyond niches, in the wider context of the organization. Without this concentration, status remains purely formal; it does not mean a true power to influence either decisions made in the collegium, or terms of exchange with others.

These assumptions about members' strategic rationality lead to a third characteristic of a broadly conceived structural approach. As mentioned above, it bridges the individual and collective levels of action by thinking in terms of multilevel

social mechanisms. Examples of such mechanisms provided in this book include generalized exchange (a form of bounded solidarity based on the existence of cycles of indirect reciprocity among selected colleagues), lateral control (a form of early monitoring and sanctioning of deviant conduct that both spreads and concentrates the costs of control), and regulatory change (a form of ‘constitutional’ redefinition of the rules of the game that is driven by members with multiple forms of status). Multilevel theories—for example, a combination of rational choice and structural analysis (e.g. Blau 1964; Boudon 1981; Burt 1982; Coleman 1990; Crozier and Friedberg 1977; Hechter 1987; Hedström and Swedberg 1998*b*; Lindenberg 1995; Wippler and Lindenberg 1987), have been available for a long time. For example, purposeful individual action produces unexpected effects at the structural level. However, this combination is rarely focused on explaining stable collective action, or participation in cooperation, and actual empirical work bridging the levels of analysis is scarce. Improving on early approaches, a broadly conceived structural approach identifies the social mechanisms that are derived from, and fuelled by, members’ strategic and symbolic rationality (that is, from relational investments, niche building/seeking and status competition).

In effect, niche seeking and status competition represent two rational dimensions of individual politicized behaviour that create some compatibility between the interests of the individual and that of the firm as a whole, micro through macro. For the individual partner, a social niche provides access to multiple resources at a lower relative cost; status provides an advantage in the negotiations of terms of exchange for these resources. As will be shown below, social niches are useful to the organization—for example, because they make a form of solidarity possible for individualistic entrepreneurs; once this solidarity has been introduced, social niches constrain their members into increased performance and contribution; they allow knowledge sharing and thus an unobtrusive form of quality control; they also lower the costs of pressuring deviant partners back to good order. Status competition is also useful for the firm as a whole. It drives and controls brainstorming in the search for innovative solutions to complex problems; it produces different forms of power that can be divided among different partners so as to reach a form of balance of powers; it creates an oligarchy that can be helpful in maintaining a form of normative order, preventing endless discussions of precarious values.

Niche seeking and status competition, however, also represent risks for the firm. Niches can be perceived as factions. They represent an increased risk of the defection of entire subgroups to other firms. This study shows that, nevertheless, the balance of powers reached by status competition can contribute to the prevention of such ‘teaming up and out’, and thus to the integration of the organization in spite of many centrifugal forces. Status competition also can get out of control and create a problem of ‘too many chefs’. In turn, niches help reduce this risk by providing incentives for mitigation of conflicts and methods for exercising restraint. Niche seeking thus helps solve problems raised by status competition, and the other way around.

The fourth characteristic of a broadly conceived structural approach is its use of network analysis as a method for looking at these social mechanisms, at their

consequences, at the ways in which niche seeking and status competition are combined. As suggested by the above definition of multiplexity, power among peers and durable collegial cooperation are not understandable without complex social relationships as components of such processes. Network analysis is particularly well suited here, because it analyses systematically the ways in which members politicize their exchanges and controls—that is, the ways in which members select their partners when they transfer and exchange many types of production-related resources, and resulting interdependencies.

In particular, an accent on multiplexity of relationships between members guarantees a more precise understanding of interdependencies and power among economic actors participating in collective action, and therefore of the related social mechanisms themselves. Analytically, this is equivalent to saying that specific, recurrent, local (uniplex and multiplex) substructures of social ties must be identified to understand how members can cooperate and exchange on an ongoing basis in the context of wider and politicized collective actors such as organizations. As will be shown in the case study, such substructural patterns of uniplex or multiplex ties are the building blocks of social mechanisms solving problems of individual action (for instance, by reducing individual transaction costs, thus improving chances of getting ahead) and coordination (for example, by simultaneously cultivating and mitigating status competition, thus solving a ‘too-many-chefs’ problem).

In addition, the methods of network analysis are particularly well suited to account for the existence of social niches and various forms of status at the level of the organization. Niches are defined as dense subsets of members that combine both cohesion and profile similarity (that is, approximated structural equivalence) *vis-à-vis* the other members of the organization. Various forms of centrality in different networks can be used as indicators of status and power. Combined with specific centrality and constraint measures, profile similarity sometimes helps to detect much more competitive—if not opportunistic—behaviour. For example, members of the firm who are not part of one’s niche are considered to be colleagues that can be played off against each other and exploited in the oligarchic status competition process (Burt 1982, 1992).⁷

Finally, the fifth characteristic of a broadly conceived structural theory is its account of collective actors’ built-in dependence on cultural—that is, normative—processes. Saying that status provides a position of strength to define terms of exchanges is equivalent to saying that it helps define the values, norms, and rules from which such terms are derived. In early structural sociology, the conceptual relationship between relational structures, on the one hand, and norms and values, on the other hand, has been elusive. In narrow structural approaches, resource interdependencies, more than norms, are considered the only principle of social order (Brint 1992; DiMaggio 1992). My approach, however, aligns itself with a more institutional perspective.⁸ In particular, to explain social change or stability, it emphasizes the interpenetration of the interactional and normative realms. For example, contracts and politicized social mechanisms sustaining their enforcement are not sufficient to maintain cohesion and solidarity in a social group, especially

when structural constraints are multiple and sometimes contradictory. Members need to learn and interiorize, or at least to commit themselves to, a system of rules and underlying norms and values that contribute to make these contracts meaningful and enforceable. Even if constraints, opportunities, and resource dependencies are viewed as having a more pronounced effect on human behaviour than do cultural norms, the latter do not disappear as a necessary ingredient of collective action. This is particularly the case in collegial organizations, where all partners have regulatory interests and rights, and are confronted with issues that require principled and long-term choices between policy options.

Institutional theories of action have long stressed organizational values, norms, and rules as restraints on grabbing economic behaviour and brutal exercise of power. Such values are debated, contested, and permanently redefined by members. Organizations change in part because they can redefine their formal and informal rules (Reynaud 1989). This institutional level of organization was explicitly formulated by many sociologists (Merton 1957; Parsons 1956*a*) and by studies of political or micro-political efforts to change the rules by competing interests. Such efforts may or may not be successful, and social arrangements are often stable enough to hide such underlying contests. Structural analysis can help to identify them.

Here, two notions combine a structural and an institutional perspective: Selznick's idea (1957) of precarious values and the notion of 'multi-status oligarchs'. In his institutional conception of the regulatory process, Selznick illustrates the entanglement of structure and culture with the concept of precarious value. A value is precarious because it is always in danger of losing its flag carriers and representatives—that is, the active support by organized interest groups and elites that help preserve it as a candidate for top priority on the list of all competing values. This connection between structure and culture is useful, because any regulatory process is a form of change that involves broken promises in the redistribution of resources (Reynaud and Reynaud 1996). When the rules of the game are changed, some parties come out as losing resources and others as winning resources compared to the previous distribution. This is why, in organizations, regulatory changes need the support of members with both power and legitimacy to push for changes. Specific members, those with multiple and loosely connected forms of status, are the key in such changes, because they can use such dependencies and legitimacy in the regulatory process.

Such an approach is also not incompatible with our earlier rational choice assumptions. In effect, just as they build or join social niches, members manage exchanges of resources using formal and informal rules. Classical institutional approaches to coordination in production have also insisted on the close links between instrumentally rational actions and normatively (or 'axiologically') rational actions (Boudon 1998; Frey 1997). Values count for economic actors, not simply through moral virtue but through politicized negotiation of the terms of exchanges. In our view, culture and structure are therefore related in two ways at least. First, norms help create relationships that are necessary for generic social

mechanisms. Others are often chosen as exchange partners, bystanders, or third parties so as to conform to the rules. For example, convergent social expectations create lateral control intervention at the triadic level; they also create the role of multi-target lever (MTL) (see Chapter 7). Members may select exchange partners precisely among others whom they perceive as respecting the same rules of the game, as sharing the same values. Secondly, a relational structure matters in the changes of rules; since any such change means broken promises, it positions members whom I will call *multi-status oligarchs* in a favourable way to redefine priorities between precarious values and derived policy options. Indeed, regulatory changes need the support of members with several forms of status. These oligarchs must have the capacity to promote regulatory changes and deal with the negative effects of broken promises. When differences in power are not huge among members, this capacity often rests on sacrifice of resources by such multi-status oligarchs. As will be shown in Chapter 8, those who can afford to sacrifice resources while not losing power are people who have several *inconsistent* forms of status. Thanks to this inconsistency, or loose coupling, losing one form of status does not entail losing another.

Neither does this approach conflict with symbolic rationality. Beneath every kind of rule, there is a representation of the collective (a convention⁹), or strong reference group for which this rule makes sense (Strong and Dingwall 1985). The latter thus reaches a certain stability that helps economic actors coordinate production and distribution. This definition has strong normative extensions: it helps identify what to expect legitimately in terms of commitments and solidarity in exchanges of resources. Conventions thus include rules to which members refer to select partners for production-related exchanges.

This broadly conceived structural approach is necessary to understand durable cooperation among autonomous professionals, or collective action among peers. It should also make this enterprise of value to more general sociological theory.

OUTLINE OF THE BOOK

Chapter 1 offers the theoretical framework that combines the neo-Weberian and the broadly conceived structural approaches to provide a better understanding of this kind of rational actor and of social mechanisms driven by such behaviour. This framework expands on the view of peers presented above—that is, niche-seeking entrepreneurs carving out a place for themselves in the larger group by selecting relationships and by getting involved in various forms of status competition.

Partnerships are a good example of such collegial organizations, especially those in which social relationships and underlying resource interdependencies tend to be durable. In this book, I present this theory and describe these mechanisms, using as an example a network study of a specific collegial organization, a corporate law partnership in which partners—rational and calculating actors if ever there were any—locked themselves in a cooperative and long-term situation without much hierarchy and formal power differences to enforce their agreement. In such a

context, peers are 'interdependent entrepreneurs'. For centuries, partnership agreements as legal contracts have embodied various types of solidarity and mutual obligations among potentially rival business partners. However, very little has been written about cooperation in such organizations and their typical problems of collective action among peers. Partnerships in particular, and collegial, knowledge-intensive organizations in general, are complex social systems that need to find solutions to these typical problems.

This professional services firm is used as a site for testing propositions about how niche seeking and status competition combine to offer an original view of social mechanisms maintaining and using collective responsibility. This makes their firm interesting for someone asking fundamental questions raised by traditional sociology and using a broadly conceived structural approach. How do such durable relationships help maintain individual performance and quality output, deal with opportunistic free-riding, balance the powers of rainmakers and schedulers, and integrate a multi-city firm in spite of many centrifugal forces? This firm is examined using combined methods such as network analysis, ethnography of task forces performing legal work, and organizational analysis of internal politics in the firm.

The collegial form does not necessarily take the form of a partnership contract. Yet the processes going on in this firm, and therefore the whole case examined here, are paradigmatic for what happens in any collegial and knowledge-intensive environment bringing together interdependent entrepreneurs. In Chapter 2, I present the empirical research conducted to ground and test this approach to collegial organizations, using both quantitative and qualitative methods. I present the firm, called Spencer, Grace & Robbins (or SG&R, an alias) and a standard organizational analysis of its operations.¹⁰ Like many experts, lawyers create, apply, or preserve knowledge (Flood 1987; Mann 1985; Nelson 1988; Starbuck 1992). As for any type of collective-action system, this firm is examined from the perspective of resource interdependencies connected to the production process (Crozier and Friedberg 1977). In particular, partners have adopted a compensation system (an equal sharing default rule) that helps (or forces) them to take a long-term view with regard to cooperation and solidarity. For example, they can only expel one of their own if there is near unanimity against him or her. These characteristics may be connected to the fact that they belong to a profession that is usually favoured with monopoly returns,¹¹ thus loosening the relationship between efficiency, performance, and survival in the market.

Chapter 3 uses the network data to present SG&R as an exchange system for various forms of resources, and members as (broadly conceived rational) status competitors managing and accumulating those resources needed to work and survive in this environment. The analysis of the ways in which these resources are bartered leads to the identification of social niches, informal entities that are shaped by individuals selecting exchange partners under the formal structure of the firm. The effects of differences in members' choices of exchange partners—such as level of hierarchical status (partner/associate), speciality (litigation/corporate), office membership, gender, and law school (Ivy League/non-Ivy League)—is

examined to confirm the emergence of these niches. The existence of these entities is then used in the following chapters to provide insights into how collegial organizations find structural solutions to additional key problems: for example, motivating tenured partners, quality control, opportunism in the form of free-riding, and firm integration.

The existence of such niches is then confirmed statistically as is the existence of a *generalized exchange system* and bounded solidarity in the niches. Just as strong interpersonal relations are the key to the functioning of combat units (Shils and Janowitz 1948), so they are also the key to allowing task forces of peers to make decisions (Festinger *et al.* 1950). A realistic view of how a collegial organization operates is then derived from this structural analysis: the relational architecture of the firm (its exchange system) is described to show how SG&R's labour contracts are embedded in a multilevel social system without which the partnership agreement would not be enforceable.

Chapter 4 explains members' economic performance by combining the analysis of the co-workers' network and that of the firm's economic performance data to look at what sustains partners' productivity in a system with such enormous incentives to free-ride (that is, let others work). Using Burt's measurement (1992) of network constraint, I show that members' economic performance is positively correlated with the amount of pressure that their main co-workers (usually members of their social niche) put on them to work longer hours.

Chapter 4 also accounts for members' professional performance. With regard to quality control, I look at the problem of accumulation of knowledge and experience in the firm. Since members try to work in niches, they combine status competition (hierarchy) and knowledge management in various ways, depending on their experience of exchanges with specific co-workers. The consequence of the exchange system for the distribution of knowledge can be seen in the structure of the advice network. The firm's main resource—its expertise and creativity with regard to solving complex legal problems for corporations—is located not only in its main-frame computer, but in the structure of this network (in specific niches) and in specific members sought out for advice by many others. Main advisers—who have acquired a form of status that brings great deference within the firm—are identified. Rules related to the circulation of advice within the firm are extracted from the analysis, among which the most important is the seniority rule: one does not seek advice from people 'below'. The niche system thus solves problems of quality control in an unobtrusive way, while at the same time creating inequalities and favouritism. The circulation of advice favours a few selected associates in their race towards partnership: through short cuts in the network, it provides them with access to very senior advisers. Overall, however, the social exchange system is again shown to be a productive form of corporate social capital: it helps members manage knowledge. But it is also shown to be a selection device because it allocates immaterial or intangible resources in an unequal way.

The solidarity that is provided to members through the generalized exchange system in social niches is fragile, and status competition is a threat to the existence of

such a positive social mechanism. Chapter 5 addresses the coexistence of niche seeking and status competition. It shows how multiplex social ties (co-work, advice, and friendship) within niches are used in such a context both to cultivate *and* to mitigate status competition among professional colleagues. As mentioned before, status competition can get out of hand; but social ties interlock to mitigate it in a process involving specific substructures of advice and friendship ties.

Beyond economic performance, quality control, and mitigation of status competition, the exchange system is also useful in maintaining a balance of powers and, consequently, firm integration—particularly in dealing with many centrifugal forces threatening the organization (for example, disputes about sharing profits, secession of rainmakers and their more or less permanent team to another firm, status competition in the work process, and disputes between subgroups representing different offices or specialities). Chapter 6 shows that members of this collegial organization have an interest in maintaining a stable oligarchy—that is, a subset of members with various forms of status. Oligarchs are often under pressure not to fight. They are all the more appreciated because they do not raise controversies, keep a low profile, and present their agreements as renegotiable. Multidimensionality of status is bound to come with processes that help the collegial organization maintain a *balance of powers* between these oligarchs. This is the case at SG&R, where economic and administrative powers are separate, informally but in a strong structural way. This allows two forms of solidarity and integration to coexist, one based on a ‘welfare system’ of bureaucratic distribution of work, the other based on an informal and ‘clientelistic’ distribution. Each form of solidarity (welfare, clientelistic) is made possible by members with different forms of status in the organizations (‘minders’, partners who mind the shop, and ‘finders’, partners who find new and lucrative clients) who are kept dependent upon each other. In many ways a collegial organization replaces an autocrat with a set of oligarchs who prevent each other from accumulating enough resources to be independent. Collegiality (thus called poly-cracy) presupposes the interdependency of oligarchs. Cohesion in the oligarchy is reached by a balance of powers and integration *à la Montesquieu*. Maintaining heterogeneity and interdependence of forms of status is often the condition under which rivalry among oligarchs leads to equilibrium.

In Chapter 7, I look at SG&R as a control system (against opportunistic behaviour such as shirking) in which issues of cost of control are as central, if not more so, as in any form of collective action. A structural perspective also helps focus on the relationship between interdependencies and control of enforcement of decisions made by the collegium, as well as between status and control. This issue is of particular importance in formally egalitarian bodies in which practitioners are all nominal equals and interdependent. Free-rider problems quickly arise in such settings, because even a member who did not contribute effectively to the firm’s revenues imposes a cost on the organization as a whole by reaping the benefits of membership (Olson 1965). As a consequence, monitoring and policing, especially early graduated sanctions, are considered to be particularly important for ensuring that members’ individual commitment to contribute remains credible.

A second-order free-rider problem arises as well—the problem of who will bear the costs of monitoring and enforcing previous agreements and collective responsibility among the formally equal members (Heckathorn 1989; Oliver 1980; Yamagishi 1986).

In such contexts—hierarchical control being relatively weak—there is reluctance, at an early stage, to use formal procedures against colleagues to overcome free-riding and maintain solidarity. Direct command or use of administrative hierarchy is not considered an appropriate means for exercising control, because professionals have many ways of neutralizing formal authority (Bosk 1979; Freidson 1975, 1986; Gouldner 1954.) In fact, early monitoring and sanctioning in collegial organizations also rely on specific forms of interdependencies in the exchanges of resources to protect overall prosperity against individual opportunism or parochial interests. An understanding of such relational constraints explains how members try to keep early monitoring costs low, and themselves motivated to carry on monitoring and sanctioning each other.

These constraints take the form of a *lateral control regime* that helps peers find an early solution to this second-order free-rider problem in formally egalitarian interdependent groups. I use the word ‘lateral’ to express two facts: first, that this way of exercising informal control is based on the use of third parties as sanctioners—that is, members acting as envoys of the firm in charge of pressuring deviant partners back to good conduct; and, secondly, that these third parties are not hierarchical superiors, but formally equal peers. Consideration of costs narrows the choices of sanctioners appointed by partners exercising early monitoring and sanctioning unobtrusively. In this regime, control costs are reduced for most members, because they play on each others’ resource interdependencies. In effect, interdependencies between two partners produce, in the rest of the partnership, expectations that one of the two will intervene on behalf of the firm to curb potentially opportunistic behaviour displayed by the other partner in this dyad. These expectations are built and learned over time. They are also shown to converge and thus to create a constraining pattern of expectations with structural effects. The structure coming out of this convergence of expectations is thus both cultural and structural.

In this structure, however, fear of collusion between the sanctioners and the infractors are then shown to have an additional effect: they shift control costs to uncontroversial partners with a specific form of status—that of ‘protectors of the common good’. This status helps them carry more weight with infractors and deal with the danger of preferential treatment reserved to partners too close to punish. Thanks to this social mechanism, individuals find it advantageous, credible, and safe to pursue contingent commitment to rule compliance and mutual control.

Finally, this structural approach also helps to clarify the regulatory process—that is, the redefinition of the rules of the game in such collective actors—by looking at their *members’ negotiation of precarious values* underlying policy options. Chapter 8 looks at the last social mechanism, one that helps members to control this regulatory process in the firm. A broadly conceived structural approach to cooperation

provides insights into the relationship between interests and values, thus improving our understanding of the combined importance of relational structure and norms in collective action, particularly among peers. A precarious value (Selznick 1957) is one that is essential to the viability of the collectivity but in which most members may have no direct stake. Examples of precarious values include, in collegial organizations, hierarchical authority and professional ethical principles. Subunits fight for the particular values entrusted to them and may continually redefine them to assert their priority over potentially competing values. Client satisfaction, internal coordination, innovation and quality of professional knowledge, societal needs, and employee interests would not be defended or promoted if not represented by powerful subunits or members to which the values in question are paramount, and the organization as a whole would be the poorer (Simpson 1971).

This social mechanism helps collegial organizations solve the problem of endless deliberation about norms and values, and thus about firm management policies regarding issues such as work intake and assignment, compensation, marketing, and peer review. It makes use of the multidimensionality of status ahead of the deliberations themselves. Since members participate in regulatory activities as status competitors, the process is based on renegotiation of rules among multi-status members, or oligarchs. Oligarchs driving the regulatory process are shown to have several inconsistent forms of status. This helps them defend precarious values in ways that seem compatible with the common good, but also prevent certain legitimate values from being later defended forcefully by other members.

In effect, regulatory decisions are also made from within the organizational exchange system. The definition of rules is based on a selection of bi- or multi-status oligarchs who play a leadership role by defining priorities. Their selection brings into the deliberation only oligarchs who, because they have several inconsistent forms of status, are thus able to give priority to one of these forms without disqualifying the others. The negotiation of precarious values, or the emergence of a priority value, requires a cohesive core of multi-status oligarchs clearly identified with such values and in a position to defend their rank with their peers, if not to prescribe them to each other. In short, the debate about precarious values uses in a constraining way the heterogeneity of sources of status observed by the classics. Structure mediates between interests and values because oligarchs can promote some norms while downplaying the importance of others.

To sum up, flat organizations rely not only on an oligarchy but also on specific social mechanisms that produce certain forms of public good (public within the organization). Members' formal positions and property rights are not enough to guarantee the functioning of such organizations. Among these goods, I include a form of solidarity that comes across as a generalized exchange system, a lateral control regime, and a system stabilizing the renegotiation of rules. These are consistent with individual interests and management of resource interdependencies, but they are also the result of a form of social discipline. Individual returns are guaranteed in this system if returns are conceived of as of many types. Incentives exist to undertake socially desirable activities. Members are compelled to bear their

share of risk, their part of the costs of transactions within the organization, because of the necessity to manage several resources at the same time, and the impossibility of accumulating some of them forever. In effect, one can say that they are based on these individual interests, provided that the latter are broadly conceived with regard to many long-term goals and with different types of resources. This assumption about how members behave is not unrealistic in the institutional context of collegial organizations in which such mechanisms operate. The latter characterize an organization that is embedded in an institutional environment, without being reduced to it. They operate under specific institutional arrangements but they are not identified with them. The organization works because both an institutional arrangement and social mechanisms based on resource dependencies make it worthwhile for members to undertake socially productive activities.

BEYOND EMBEDDEDNESS STUDIES OF KNOWLEDGE-INTENSIVE FIRMS

One can also hypothesize that, on a day-to-day basis, local offices of even large professional services firms operate thanks to social and informal ‘governance’ mechanisms such as that listed and combined above. At the global level, power variance in such organizations is presumably too large to allow for these collegial mechanisms to operate, but even that remains to be checked. The informal processes that go on in such organizations—mainly those that combine niche seeking and status competition—must be taken into account when designing flatter structures. They are based on social relationships among members. As acknowledged by Maister (1993), managing firms in which social relationships and resource interdependencies are so complex is not easy and requires much more understanding of the social constraints under which such management is carried out. In my view, additional insights into such constraints require the kind of analysis carried out in this book.

Contemporary management theories of knowledge-intensive organizations and professional services organizations address some of the issues with which this book deals. They sometimes draw on economic literature on services and innovation (see e.g. Baumol and Wolff 1983; Gadrey 1994, 1996; Gadrey and De Bandt 1994; Gallouj 2000) to focus on the variety of forms taken by such organizations. They are concerned with the collegial form, even though that term is not used, and the pressures under which it has to operate. A structural approach differs from such theories precisely thanks to its systematic identification of multilevel and often informal social mechanisms.

Many of the ingredients of a structural approach can be found in the literature on knowledge management and organizational design (Myers 1996). For example, Moss Kanter (1988) or Baker (1994) stresses the importance of power, coalitions, network density, autonomy for innovation, and ‘idea realization’. But these ingredients, in my view, are not combined so as to account for elements of informal self-governance. Another example is Starbuck’s idea (1992, 1993) of a law firm as

a knowledge-intensive firm. Along with authors such as Brock *et al.* (1999), Greenwood *et al.* (1990), or Hinings *et al.* (1991), Starbuck provides a broad definition of this type of organization. In this account, much of the importance of social relations has often been captured as a characteristic of their cultural embeddedness—for example in organizational and/or professional culture.¹² Although such cultures are important, focusing on them often tends to stress that partners must learn social skills when dealing with each other, so as to protect a good ambiance. This often ignores that management of social relationships is equivalent to management of interdependencies and power relationships, not simply a good ambiance. It sets aside the fact that, as a consequence, social ties can be the very stuff of coordination, of social mechanisms without which a collegial organization cannot operate and survive in the long run.

These views are limited, because they promote a purely managerial understanding of how knowledge-intensive organizations operate. For example, in this approach, the micro-political processes by which information is elaborated into appropriate knowledge—that is, knowledge that can be used as a premiss for complex decisions—are not taken into account. In Starbuck's view (1993), knowledge-intensive firms learn almost mechanically, by hiring, training, and dismissing personnel. In the view offered here, a firm learns mostly thanks to its collective capacity to stabilize its production of authoritative knowledge. This capacity depends, among other patterns, on the existence of an informally hierarchical advice network. A social process of elaboration and distribution of knowledge can thus help members filter and sift out authoritative answers to specific problems. Knowledge and learning cannot be jointly produced without the existence of authorities that allow generalization and represent experience. Such authorities are often quickly identified in the advice network within the organizations. The authority arguments on which their status games are based are at the heart of such organizations, whether professional or not (Lazega 1992a).

This book is, therefore, different from the mainstream theorizing of the knowledge-intensive and professional firms by its emphasis on the pervasive influence of multilevel social mechanisms in these organizations, regardless of their size. The fact that the case study is carried out on data collected in a relatively traditional corporate law firm does not mean, in my view, that such mechanisms are necessarily waning in more bureaucratized professional services firms. At the global level, larger multi-city and multi-country professional services firms operating as a one-stop shop for multinational companies are often managed in different, more bureaucratic ways (Aharoni 1997; Brock *et al.* 1999). However, it would be highly questionable for observers (and foolish for such firms) to ignore the gap between global and local governance and politics. It makes sense to hypothesize that, at the local level, even in large and more bureaucratized partnerships (or perhaps in incorporated firms), such mechanisms also operate as a form of corporate social capital. In effect, they characterize collective action among rival peers, and such local offices are comprised of at least large pockets of such partners. This hypothesis, however, remains to be tested empirically.

Failing to take into account social mechanisms when making comparisons between global and local levels of collective action leads to technocratic management that believes in easy manipulation of collective efforts among peers. It is not my objective here to derive managerial know-how from this book's understanding of knowledge-intensive organizations. The book's main contribution is to develop an approach to social mechanisms that shows, in particular, how members' niche seeking and status competition are needed to sustain this form of collective action, and can be used to balance each other's negative effects in various social processes.

A broadly conceived structural approach is important for an understanding of the collegial phenomenon or cooperation between interdependent entrepreneurs. In the Conclusion, I raise the issue of the generalization of these results—in particular the question of the existence of these mechanisms in all collegial organizations. I describe some of the implications of this approach for more general theories of collective action, but also for the identification of specific social problems that arise in contemporary organizations and professions. In the work needed to address such issues more generally and more systematically, much remains to be done.