



Do Talk to Strangers: Encouraging Performative Ties to Create Competitive Advantage

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Imagine the following situation: You are a consultant who has just been assigned to a new project at your firm, and your first major presentation is in a week. Unfortunately, your client's problem isn't something you have any expertise in. You know for sure that others at your firm have dealt with this kind of situation before -- in the same industry, even -- but it would take hours to sift through the worldwide knowledge database to find those cases. Besides, you would emerge from that research with only a brief, names-and-numbers-expunged summary of the cases, not the real lowdown you need. What do you do?



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Chances are, according to research by Sheen S. Levine, a Singapore Management University professor who recently received his PhD from Wharton, you would pick up the phone and make a call. In a recent study, Levine has found that often, what gives firms competitive advantage isn't just their repository of sheer knowledge, but their use and encouragement of so-called "performative ties" -- those impromptu communications made by colleagues who are strangers in which critical knowledge is transferred with no expectation of a quid pro quo. "Not many managers even understand that this happens, much less why," says Levine. "They think it's just friends helping friends. But it's not. Usually, people will reach out and connect with colleagues whom they have never met or talked to before. It's not dependent on prior or future favors."

While many companies have the potential to realize competitive advantage by creating and transferring knowledge more efficiently across employees, few know how to do it successfully, Levine notes. "The idea of knowledge as a source for competitive advantage is relatively young, and there's not much research that looks at how knowledge flows within firms. So professional services firms seemed a good place to start. They have no retail locations. They rent generic office space and have computers. In other words, there are no assets other than knowledge to explain their success. Plus, they can charge a premium that can't be explained simply by the accomplishments of their staff; most have a generic business degree, not several decades of industry experience. Even partners haven't usually spent more than a decade there."

What they do well, says Levine, is move knowledge around effectively, taking the company's entire accumulated know-how and gathering it quickly to a single point to create a solution for a client. "The question was, how do they manage to do that? It can't be easily documented in manuals, because valuable knowledge is tacit and customized to each client's needs," says Levine. Moreover, he notes, in a large firm, there is no way someone can know everyone else who works there. "Even the most social person can't know every employee personally, especially because many of these firms are large and global, and have turnover rates of more than 25% a year. Plus, each team commits to a level of client confidentiality, so they can't divulge extremely specific details about a case."

In spite of all that, Levine observes, some firms are very good at sharing knowledge. "The data suggest that yes, people do turn to their immediate officemates for advice, but the major indicator of a firm's knowledge transfer ability is whether its employees routinely call upon distant colleagues -- people unknown to them -- for information, after a wide search. Those are performative ties," he explains.

Often, employees conduct a wide search, looking for colleagues or even firm alumni who may be of help on the case in question, says Levine, whose study on the subject is called "The Strength of Performative Ties." "Although these people are likely to be complete strangers, when they share knowledge, it's done in an intimate transfer as though the parties involved were actually close friends. There's no negotiation, no explicit reciprocity, no quid pro quo on an individual basis. It's more the idea that 'I'll help you today because I expect that if I needed help someday, someone else would help me.'"

In fact, says Levine, people have difficulty believing that this kind of arrangement works. "Similar ties have been documented, mostly in primitive societies or clans, not among the thousands of people in a modern-day firm. It's not a case of transfer pricing, and it's not a case of direct favor exchange - the person giving the information is often unlikely to ever need help from the beneficiary, as when a senior person helps a junior one, or an expert advises a layman."

Performative Ties in Action

Exactly how are performative ties put to use in daily practice? Bob Armacost, director of knowledge management at Bain & Company, says that knowledge management at his firm has various components. "There's the codified component -- information on industry verticals, analytic tools, and functional capabilities -- which we invest heavily in. But the more important part is tacit. It's about putting people in touch with others in a flexible way."

Doing that is critical, Armacost notes. "Clients demand a consistent global product and approach, especially as many multinational companies engage Bain staff in multiple countries simultaneously. Consultants also tend to be generalists, yet the client expects us to be experienced in their industry and issues."

From a systems standpoint, he adds, "on every project we expect teams to write a one-page summary of the case background, key questions, reason for hiring Bain, the approach, the tools used, and the results achieved. It's then sanitized for anonymity and loaded into our Global Experience Center." That system is linked back to Bain's finance and human resources systems, so there is data on the hours billed, workstream, and start and end dates. "We also have a search engine linked to it, so employees can search on any topical dimension, read the summaries of cases and then make contact with people."

In addition, Armacost says, Bain has developed a set of robust industry and functional practice areas, so partners are expected to affiliate themselves with one or more of them. "That creates a knowledge-sharing network among partners doing work in the same topical space. It's a set of peers they can reach out to."

On a firmwide level, Armacost adds, Bain has imbued its culture with reinforcers. "We place a strong emphasis on teams. It's written into our mission statement. We believe that teams create more value than individuals working alone. An assessment of how well people help other team members out is tied into our performance reviews and our compensation processes. A Baineer never lets another Baineer fail."

The physical office environment is another reinforcer, says Armacost. "When we assign people to desks, they start out in an open-bay environment with 10 other people. It's designed to facilitate sharing and learning. There's usually a mix of tenure in each bay, so people interact with both the case unit team they are staffed with plus those who sit near them."

Most people who don't succeed at Bain, says Armacost, aren't lacking in intellectual horsepower. "Usually it's a matter of team issues. They were not as helpful or willing to share as others."

At The Boston Consulting Group, employees demonstrate similar behavior, says project leader Nikhil Bhojwani. Tapping the expertise of consultants in different countries or industries is invaluable. "Suppose you are looking at the pricing of steel. You may contact people who have worked on pricing for airlines

or theater tickets, because it may spark an idea that has relevance," says Bhojwani. "A strong connection exists throughout the firm regardless of geography. We often hold events worldwide that foster such connections. Even without a direct connection to someone, however, I feel comfortable picking up the phone and calling pretty senior people. Everyone responds with the utmost enthusiasm."

According to Bhojwani, having a database of knowledge is equally important: "Before someone called, I'd expect him or her to have already read what's in the knowledge base," he says. "In fact, the presence of the knowledge system may help enable performative ties because the basic stuff is already there. You won't waste people's time."

Make It Happen

Given that such performative ties are helpful to a firm's competitive advantage, how can managers go about encouraging them? While it's easy to say "Hire only socially outgoing altruists," it's obviously impractical in the real world. Fortunately, says Levine, performative ties aren't so dependent upon the actual employees' personalities. "There are certain structural conditions that increase the probability of performative ties occurring. If people are embedded in multiple networks in the office, that makes them more likely to engage in performative ties." For instance, they may be members of an engagement team, but they may sit with other colleagues with whom they don't work. "That puts an employee in two social circles right from the start, so he or she can receive requests from many more people. The person knows the people who are with him at the lunch table, those he sits with, and those he works with."

Another way of encouraging these interactions is to implement multiple-office training sessions. "Employees would meet people they're unlikely to work with, but it adds social information about people to turn to for help, if the need arises," says Levine.

Larry Prusak, a former IBM executive who is now scholar in residence at Babson College, notes that some firms are consciously enforcing cooperative social norms. "Firms that encouraged opportunistic behavior and that thought performative ties were just 'soft stuff' have not done well," he says, adding that companies can encourage cooperative behavior in two ways. "First, signals and symbols are important. If a firm promotes people who are uncooperative and self-serving, that's a sign. Firms that get it reward people differently. BP, for instance, celebrated the 'Best Stolen Idea.' At GE, Jack Welch would ask, 'Who else have you shown this idea to?'"

The second part of it is enforceability, says Prusak. "When Lou Gerstner took over at IBM, there were instances where people refused to share data. Gerstner stepped in and did something about it. Firms that truly care about this enforce good behavior in that way. They don't hire one-off players. It's demonstrated in what the firm talks about and who gets promoted." Prusak notes that similar patterns can be found not just in corporate environments but also in nations, like South Korea and Taiwan, whose success may be partially due to the lack of clannishness in their societies. "Firms with 'star cultures' -- where there is one big person and everyone eats from that table -- tend not to exhibit this behavior as much. Process-oriented firms, on the other hand, tend to do it more," he adds.

Bob Wolf, manager in the Boston Consulting Group's Boston office, agrees that the way the manager or leader of a firm articulates the example matters a great deal. "Consultants aren't all extremely extroverted. They probably have run-of-the-mill social skills," he says. "But a good manager spreads the accolades for engaging in this kind of behavior. That doesn't, however, mean it is directly monetized. After all, two people can both be congratulated for making a dollar for the company, but they can't both be given that dollar."

Wolf cites the open source software movement, and the willingness of its members to jump in and fix a software bug no matter where in the world it was initially found, as an example of the pervasiveness of performative ties. "They are doing this simply for the community's reputation, not for any individual reward or return favor."

Challenge for the Future

Levine acknowledges that implementing an environment that encourages performative ties isn't necessarily easy. "It's not always free or even cheap to achieve. Flying junior consultants around to meet one another, after all, can get expensive. But it increases the possibility that a colleague who's a stranger will respond to a request. It's very likely the two people might know someone in common because of all these social-circle interactions."

One of the boundary conditions of performative ties, says Levine, is that they seem not to work as well across status differences. "People are more comfortable contacting others they consider peers, so if they are intentionally arranged without regard to hierarchical position, it might be uncomfortable or inconvenient." The obvious way to get around this is to suppress status differences by eschewing markers such as titles. "Performative ties are more likely when people let go of status symbols such as the coveted corner office. Senior employees could be mixed in with others. Everyone can have the same-size office," says Levine.

Of course, these trade-offs are associated with potentially large benefits to the firm -- competitive advantages, increased capability to come up with quick solutions to problems, and a general connectivity among all the firm's potentially far-flung employees. If knowledge is central to a firm's operations, it seems fitting that every effort be undertaken to make that knowledge as readily available to all its workers as possible. Which firms end up doing this best is a topic for future study.

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