The Firm as a Collaborative Community

Reconstructing Trust in the Knowledge Economy

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Introduction

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A central tension has run through social analysis for well over a century: community and trust seem increasingly necessary in a complex interdependent world, but they are also less available. At the same time that markets and polities have drawn people into tighter webs of relations, traditional communities have been greatly weakened, and the unifying institutions of previous eras—dominant religions, labor unions, major political parties—have lost much of their credibility. The resulting sense of fragmentation and anomie has led some to despair and others to call for the revival of community, including conservative appeals to traditional values and liberal explorations of dialogue and participation.

What is less known is that the corporate sphere has faced the same essential problem and has engaged in considerable practical innovation in dealing with it. Complex knowledge-based production requires high levels of diffuse cooperation resting on a strong foundation of trust. Contrary to the claims of neoliberal approaches, neither markets nor hierarchies are sufficient for coordination in such conditions: bonds of trust are essential. Yet the old corporate communities based on a culture of loyalty, which have been the basis for commitment for a century now, have been taken apart by three decades of economic turbulence, downsizing and restructuring. These developments raise the fear that the foundations of organizational trust are eroding when they are most needed.

Some look back with nostalgia, and argue that we should respond by reconstructing a culture of loyalty. Yet that culture had its own problems: it proved unable to encompass the increasing scope, diversity, and flexibility of interactions in business and other arenas. The traditional form

of community was often narrow in its parochialism and deadly in its conformism—the antithesis of what is needed in our increasingly knowledge-intensive economy.

A growing group of theorists has been exploring the possibility of a new form of trust that would enable interdependent activity in the more fluid, open contexts characteristic of knowledge production, reconciling choice with community. The past few years have seen a proliferation of work on non-traditional forms of trust: 'studied,' 'deliberate,' 'swift,' and 'reflective.' And an emerging body of research focuses on new forms of organization among professionals and in 'post-bureaucratic' firms and markets.

The contributors to this volume have come together around a shared sense that a distinctively new form of community is being developed in the womb of the most advanced business organizations today. The claim at the core of the current study is that leading-edge organizational innovations, driven by pragmatic business considerations, offer a glimpse of this community, one that is collaborative and open rather than traditionalistic and closed. When firms and the business networks within which they operate become more knowledge intensive and more solutions oriented, they find it increasingly necessary for people to 'work things out' flexibly through discussion rather than relying either on arm's-length market exchange or bureaucratic authority. Thus while many companies have dismantled traditional relations of loyalty, many of the most successful of them have *not* simply retreated to some combination of self-interest and hierarchical command; rather they have gone at least some distance towards putting into practice a form of trust that overcomes the rigidities of traditional communities.

Studying these companies we can learn a great deal about why trust is needed, why traditional forms have broken down, and how new forms have begun to fill the gap. This emergent collaborative community rests on three major institutional pillars:

1. A shared ethic of interdependent contribution, fundamentally different both from traditional ethics of honor and loyalty, and from the modern individualist ('Protestant') ethic;

2. A formalized set of norms of interdependent process management, supplementing and often replacing the informal relations of traditional communities. These process approaches include iterative co-design, metaphoric search, and systematic mutual understanding; and

3. An interactive social character, formed by changes in family, childhood, and workplace patterns, that grounds an interdependent social

identity. This motivational pattern enables people to manage multiple group affiliations and peer relationships; they are less tied to motivations of autonomy or paternalistic dependence.

This volume is itself a result of an extensive collaboration among diverse specialists. The contributors fall into two main groups: those who are based in academia, and those who make their living primarily as consultants to large companies. The 'academics' bring to the table a theoretical perspective grounded not primarily in the business world, but in other social institutions; the 'business' writers bring a rich knowledge of what is going on in companies right now, and a 'feel' for what makes sense. Of course, the collaboration would be impossible if the line were as clear as that: the dialogue has depended on the fact that everyone has spent considerable time in both camps.

The group met three times over the course of a year and a half under the auspices of the Center for Workplace Transformation at Rutgers University. In the first session participants presented their initial understandings of how trust and community work in the best firms and inter-firm networks. The second meeting focused especially on drafts of the main theoretical concepts. The third was organized around close discussion and collective critiques of chapter drafts. We also greatly benefited throughout from an 'independent auditor': Paul DiMaggio made very valuable and generous contributions through detailed critiques in all the sessions.

The flow of the volume is as follows:

- The opening section is primarily theoretical, sketching the main concepts of collaborative community.
  - Paul Adler and Charles Heckscher provide an overview, including the historical evolution and future prospects of this way of relating. They sketch the basic elements of the emerging form of community—values, organization, and identity. They also review the counter-forces that work against community and trust, but conclude that the evolution of production towards complex interdependent knowledge-based services and products will continue to foster collaboration in spite of these obstacles.
  - Charles Sabel focuses on the level of organization, on the workings of 'interdependent process management.' In particular he shows how the mechanisms of iterative co-design and disentrenching search, when put into motion, can generate trust through a

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dynamic process of learning. Finally, he extends this organizational argument from the level of the workplace to the level of governance, showing that even highly complex systems (including governments) can build trust through properly designed incentives and forums that create cumulative understanding.

- Michael Maccoby focuses on character and identity, arguing that collaborative interactions are based on a transformation of social character that has been under way for several decades. He traces the roots of this change in the evolution of family systems as well as transformations at work. He analyzes ways in which the interactive character develops through the life cycle—including both the positive potential for intimacy and leadership based on mutual development, and the negative potential for superficiality and loss of integrity.

● The next set of chapters develop these concepts through studies of the internal structure of firms:

- Jay Galbraith examines the organization of firms, arguing that they are becoming complex combinations of multiple types of networks: in addition to the traditional dichotomy of informal relations and formal organization, there is increasing dependence on e-coordination, formal teams, integrators, and matrices. This creates new challenges for leadership, which must foster and manage differentiated systems of relationships through network design.

- Adler takes up the software design industry. In the past software developers were united by a 'guild' form of professional community—a form that united them in a common identity as independent 'hackers.' The recent drive to process management has destroyed that pattern: it has meant greater specialization, formalization, and control. This control initially took a coercive form, but more recently it has taken a more participative and enabling form. Professional community has also taken a more interdependent, collaborative form. The result is a highly efficient and innovative combination of bureaucracy and community with new internal contradictions.

- Maccoby considers the health care industry, which is under enormous pressure from the rapid development of medical knowledge and technology, but which has not moved nearly as far as the software industry. The craftlike tradition of independent practice is more deeply embedded and has created walls between special-

ties and levels that are hard to overcome. The more recent bureaucratic control systems have brought some cost efficiencies but at the cost of patient focus. The Mayo Clinic provides some indication of how collaboration might work to combine knowledge in the service of patient outcomes; but it has not yet proved its ability to work on large scales.

- Annabel Quan-Haase and Barry Wellman analyze the use of computer-mediated communication in a small software company. They conclude that the company is in effect a hybrid: both hierarchy and collaboration (networking) are extremely important features of daily operations, and they form complex combinations. Computer-mediated communication adds a capability for wider ranges of problem solving across departments with differing cultures; but it also helps strengthen more localized and personal relations.

- Saul Rubinstein takes up the issue of employee voice in collaborative companies by examining a set of attempts at labor–management cooperation in team-based work organizations. He finds that in some instances unions can add value to companies by increasing the degree of collaboration—in effect creating an environment where management lets go enough to get the full advantages of interactivity. However, these cases also require deep changes in the internal functioning of unions, which pose significant challenges. In the end most companies have been content with partway solutions rather than full institutional collaboration.

● A pair of chapters looks at systems that cross firm and industry boundaries.

- Lynda Applegate compares three sets of trans-firm relations: in the financial services, health care, and automotive industries. This level presents particular problems of governance: the more successful cases have evolved innovative inter-firm organizational solutions and ownership structures that reinforce a sense of common membership rather than locking in status hierarchies. The cases show not only the benefits, but also the difficulties and vulnerabilities of such inter-firm arrangements as they struggle to extend the limits of traditional systems.

- John Paul MacDuffie and Sue Helper show that auto supplier relations are being driven inexorably towards greater collaboration, but finds that this move is being shaped into two patterns based

on prior history: 'collaboration without trust' with the USA's 'Big Three' auto companies, and 'collaboration with trust' with Japanese manufacturers. Close examination of case material suggests the first of these may not be sustainable, and that trust adds clear value to the partners and to production outcomes.

- The final section focuses on the issues involved in the deliberate creation of collaborative relationships.
  - Maccoby and Heckscher note the challenges posed for leadership by this shift—especially the move from appealing to motives from father transference, which is the archetypal relationship embodied in paternalist bureaucracies, to drawing on horizontal sibling transferences.
  - Heckscher and Nathaniel Foote take up a set of interventions that aim to create within-firm dialogues around shared purpose, strategy, and the barriers to execution. These often reveal the power of the iterative learning model sketched by Sabel, but they also frequently run into obstacles from leaders and hierarchical mechanisms that are not easily overcome. One key to success is the development of a team of mid-level managers representing the core value of contribution rather than deference, and committed to reporting the unvarnished truth.
  - Mark Bonchek and Robert Howard discuss initiatives to bring together stakeholders of firms in leader-to-leader networks. The development of forums between companies and customers must overcome tensions between 'learning' and 'selling,' between 'intimacy' and 'reach,' and between hierarchy and collaboration; but it is capable of modifying market-based choices in a way that increases value for all parties.

Though the contributors came to considerable agreement, there remain differences in emphasis and areas of uncertainty which might be worth outlining at the outset. First, and probably most intensively discussed, is the independent importance of values as distinct from the structures of process management. Some argued that a well-designed process eventually creates higher levels of trust and community through the repeated experience of good results; others insisted on the independent importance of new values—the ethic of contribution—and the need to deliberately foster them. As we worked through individual cases there was no irrefutable resolution. There was, however, general agreement that change efforts need to start with a process focus, if only because this brings people

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together around a common, external task, and that shared values change significantly in the move to collaboration. The remaining question is how much *independent* attention should be paid to values.

A similar debate arose around the role of identity and character. There was general agreement that there was a significant shift away from the 'bureaucratic personality' outlined by Merton in the 1940s; but there was a range of views about how much this shift was grounded in childhood experiences and how much it could be brought about through adult resocialization via the experience of collaborative work organization. Working through the various case studies, it appeared that individuals differed on this dimension: while many individuals seem capable of shifting from one mode to the other, there are always some who seem characterologically incapable of functioning in a collaborative system.

A third dimension of debate had to do with the continuing role of bureaucracy within collaborative organizations. Once again, the debate shaped up as a matter of nuance rather than of fundamental disagreement. Some argued that collaborative community is emerging in the corporate world in a form that is intertwined with core features of bureaucracy such as formalization, standardization, specialization, and hierarchy. Others argued that while these structural features are indeed essential to the effective functioning of collaborative community, they assume such a radically different meaning in the new context that it would be misleading to call them bureaucratic.

Finally, there was also a degree of difference in the overall assessment of the prospects for collaboration. Certainly strong forces are arrayed against it: the neoliberal swing towards unfettered markets, the widespread fundamentalist retreats towards traditional values, the increased exercise of naked power by corporations in their relations to employees and suppliers. It was clear that the movement we analyze towards collaboration is a contested one, and that many companies have gone down the 'low road' of tighter control. Nevertheless, all the group members agreed that the long-term competitive and human advantages afforded by collaborative community ensured that it would continue to attract proponents.

It should also be added that the publication of this volume does not, in our eyes, mean the end of our work. Many ideas were proposed for further chapters, many concepts have yet to be properly nailed down, and many issues need to be further explored. For example, we touched on the problem of collaborative *accountability* frequently, but did not go further. We have not paid sufficient attention to possible distortions and inequities *within* the collaborative model, such as the tendency of reputations to

become highly centralized and exclusive. We surfaced, in the last meeting, a sense that the formalized process management which is crucial to our analysis must still be grounded, even in the most advanced cases, in a network of personal trust and friendship; but we have not worked through the connections between personal networks and more formal process relations. We began to sketch a typology of different versions of collaborative forms—but that will have to wait for future work.

Our thinking developed considerably through these discussions and debates. We hope this publication is a way of launching the continuing discussion in a wider field.