Interpersonal Networks and Workgroup Performance

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How do different types of relationships among workgroup members affect the group's performance? In addressing this question, the present study will focus on the qualitative, relational aspects of networks—an area that has often been overlooked in favor of structural approaches to the analysis of interpersonal ties in organizations. While network research has become increasingly important to our understanding of organizations, there is growing speculation that the purely structural approach may incorrectly specify the nature of network effects by ignoring variation in the content of relationships. As a result, several recent studies have explicitly called for new research dedicated to exploring the underlying relationships and behavioral processes among actors in organizational networks. While a handful of recent studies have suggested the significance of this aspect of interpersonal ties at work, it remains an under theorized area. In response to this gap in the literature, the present study develops a model of network content by specifying the underlying character of interpersonal ties within workgroups and how they impact organizational outcomes.

The theoretical contribution of this paper will be to identify the main conceptual axes of relational or network "content"—as the qualitative aspects of network ties have come to be known in recent research—and to assess their impact on workgroups' financial performance. The proposed based on a unique dataset gathered from a set of intact, natural working groups engaged in making joint investments in the U.S. stock market; importantly for generalizability of the model, performance in these groups—which operate much like small-scale mutual funds—can be measured in bottom-line financial terms, such as return on investment. The qualitative data used in developing the model presented in this paper derive from seven workgroups, in which the author conducted ethnographic research for one year, as well as quantitative data comprising over 1200 working groups and over 11,000 individual members.

The findings are twofold. Empirically, the findings suggest that the greater the proportion of instrumental ties among workgroup members, the better the workgroup performs; that is, a workgroup's profits increase to the extent that members use their interpersonal ties to serve business ends. At the conceptual level, the data suggest the need to expand our theoretical models and vocabulary beyond axes such as "weak" and "strong," to include dimensions of relational content. Among the new dimensions that should be considered are "instrumental" and "affective" ties, in which the former serve the utilitarian, task-focused, goal-oriented ends of the participants, while the latter give precedence to social and emotional considerations; put another way, in instrumental relationships, social ties serve business ends, while in affective networks, by

contrast, business interests serve social needs. The latter insight has been incorporated into the literature on immigrant entrepreneurs and family businesses, but has rarely been applied to other kinds of corporate activity. However, a recent wave of corporate scandals in the U.S. reminds us that *both* instrumental and affective ties are alive and well in the modern corporation, and that these competing forces may influence business and the economy to a greater extent than current research would suggest.