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Being ‘Virtually’ There: The Role of Social Capital in Networked Consultancy

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Overview

The development and use of intellectual capital, particularly that which is found in employees’ heads, has assumed ever greater strategic importance in organizational thinking. It has always been a managerial challenge to get ‘good ideas’ people to collaborate with others, but these days, with the best of the ‘good ideas’ people scattered around the world, managing collaboration via information and communications technology is far more challenging. Using a single New Zealand-based case study to illustrate the key issues involved in virtual collaboration, this article discusses how to develop and use distributed intellectual capital by strengthening collaboration through the building of social capital in virtual environments.

Introduction

Most of us prefer to sit down and exchange information and knowledge in a face-to-face environment. That is what we are used to. It gives us the opportunity to ‘size’ up the person with whom we are sharing our knowledge, and to make sure that they do in fact understand us. But in a world of networked electronic communication, along with time and travel constraints, it is no longer possible to meet in person all of the time. Many organizations face the challenge of working virtually: intellectual capital organizations, whose business is the sharing and creation of knowledge, are particularly tested. Organizations need help navigating virtual waters as electronically-mediated knowledge sharing becomes more commonplace.

In this article, we explore the use of social capital in developing relationships that foster knowledge sharing in virtual settings. We look at some of the different factors that can impact, both positively and negatively, on the development of virtual social capital. Through the use of a case study from the consulting sector, we explore in depth how virtual team leaders can implement strategies to develop the kind of virtual relationships that lead to increased knowledge sharing. Finally, we make specific suggestions for increasing virtual social capital in and across organizations.

Ideas People and Social Capital

Some of the most valuable businesses in the world export services. Much of what they export is images, figures and words. They produce spreadsheets, reports, analysis, assessments, designs, and inventions. The core of these businesses is

intellectual capital (Murphy, 2005)—knowledge that organizations can access and useⁱ. This capital is terrific to work with. It doesn't pollute, degrade, or break. These days it is also easy to store and retrieve, thanks to IT. It does nevertheless pose some interesting challenges.

We think of good ideas as being produced by lonely geniuses. But the reality is more complicated than this. Ideas people can be “socially difficult” (Stein, 1974: 59; Feist, 1999: 273-296; Storr, 1972: 50-73; Cattell, 1970: 312-325; Ludwig, 1995: 46-47, 63-67, Henle, 1962: 45), yet they do their best work with collaborators (Castells & Hall, 1994: 12-28). To complicate matters, collaborators are rarely to be found in the office next door. Intellectual capital pays little heed to physical location. The best knowledge is found in the heads of people scattered all around the world. In today's global economy, remaining competitive also means accessing intellectual capital from culturally diverse people.

Intellectual capital organizations, such as consultancies, legal offices, advertising companies, research labs, universities, etc, deal with this problem of dislocation in two ways. One is to send their people abroad—to go to conferences and to work on location with their peers on projects. The second is to have collaborators work virtually. Forms of virtual working in science have existed on a large scale at least since the seventeenth century. The development of reliable postal services made this possible. Today, the medium of e-mail and other information technologies has given impetus to new kinds of virtual working.

Universities and research labs started using IT extensively in the 1980s. Business caught up in the late 1990s. This was reflected in the adoption of the Internet (ISOC, 2005). Collating expertise across the world has quietly become pervasive, but not without difficulty. As we've noted, experts can be prickly or introverted characters. This has a variety of expressions, such as the propensity to guard knowledge or to ignore social proprieties. Yet ironically these same people do their best work chatting over a coffee being pushed hard by a conversation partner. Informal cooperation is a key to knowledge production (Castells & Hall, 1994; Saxenian, 1994; Ludwig, 1995; Wenger, 1999; Lesser & Prusak, 1999). This is doubly true when knowledge depends on cooperation between experts with different disciplinary backgrounds.

Getting people with knowledge to cooperate is tricky. The mechanisms for achieving this in face-to-face situations are reasonably well understood (Galegher, Kraut, & Egido, 1990). We know that people like to travel to workshops and seminars. It has been proposed that without “third places”, i.e. places where people can meet outside the office, Silicon Valley might not have developed and possibly the British industrial revolution as wellⁱⁱ. What we understand much less well is how social capital—the stock of trust and understanding between people that leads to knowledge exchange and production, i.e. the growth of intellectual capital—occurs in virtual networked environmentsⁱⁱⁱ.

Virtual Teams and Social Bonds

It is amazing how little attention has been paid to how correspondence works in expert organizations. There is a long history of scientists and artists using letters to develop social and intellectual bonds. But even personal experience tells us just how often such relations misfire. When they work, they can be marvellous, but getting them to work can be difficult.

When all is said and done, today’s virtual collaboration is built around correspondence. E-mailing is letter writing; e-mail attachments are similar to an enclosed photograph. We know that letter writing is as much a social as a professional and intellectual activity. We know that correspondence can produce powerful social-peer relationships amongst knowledge professionals and creative producers. But we also know how very difficult it can be for virtual teams to succeed. Indeed, many fail.

One key reason for these difficulties is the assumption that strangers can work together effectively without establishing social bonds (Pauleen, 2003-04). The assumption is understandable. The kind of knowledge that a consultant or an analyst deals with is, on the whole, quite abstract. Managing report writers seems far removed from managing factory workers. Yet knowledge production in practice requires a lot of “bouncing off others”. Analysts require the resistance of others to sharpen their ideas. Multi-disciplinary reports require professional diplomacy to make each part fit. Investigators have to talk to the object of their inquiry. Ways of editing and presenting information have to be negotiated. All of this requires trust, mutual understanding, and shared values—or at least the ability to find common ground.

New Kinds of Leadership

Getting to the point where professionals trust each other is not easy. Knowledge production typically occurs across organizational, national, regional, and cultural boundaries. Traditional social capital in contrast develops through regular face-to-face contact. Travel has been the usual answer of intellectual capital organizations to this conflict. But as time lines shrink and travel becomes less pleasant and demands for knowledge production grows, organizations find themselves relying more on virtual collaboration.

Orchestrating virtual cooperation places complex demands on managers. First, knowledge production often correlates with a-social behaviour, like introversion. “Not speaking to others” is a common example. Such challenges are magnified in a virtual environment where knowledge management takes places across time and space, and organizational and cultural boundaries. The intensive, and often exclusive, use of information and communication technology in knowledge collaboration and communication further magnifies the effects of reluctant social actors.

Without a doubt, the role of virtual team leaders in intellectual capital organizations requires very different skills from those of conventional collocated team leaders (Pauleen, 2003). These leaders cannot effectively manage work processes using traditional means. They have to rely on or find new coordination and control mechanisms (Pauleen 2004).

For instance, virtual team leaders must be able to figure out personal and contextual nuances in a world of electronic communications. They need to understand the causes of silence, misunderstandings, and slights—without any of the usual signs to guide them. They must not only be able to manage project tasks but also guide a team whose understanding of what it means to create knowledge objects will be conditioned by divergent location, culture, personality, and organizational imperatives but who lack conventional social means of reconciling these (Pauleen, 2003-04).

The Advantages of High Social Capital in Virtual Environments

Our own research data confirms the importance of social capital in virtual environments. It shows that increased familiarity, understanding, and trust all make for more effective work outcomes, as well as reducing transaction costs^{iv} and developing long-term relationships. One manager we interviewed described this “as

getting inside peoples' heads" to discover what they are really about, what motivates them, how they work, and, most importantly, how best to communicate with them (Table 1).

The Advantages of Social Capital in Virtual Environments
<ul style="list-style-type: none">• Greater Understanding of team member's Personalities and communication styles Backgrounds and relevant experiences Skills and motivators Cultural differences and organizational situations• Better working relationships based on: greater familiarity and higher levels of trust• Benefits of developing and maintaining long-term social and professional relationships• Lower Transaction Costs

Table 1: The Advantages of High Social Capital in Virtual Environments

In intellectual capital organizations, informal social bonds are crucial in creating and maintaining professional relationships. Experts and creative talent typically work best through professional friend and peer connections. Measured against the power of these networks, teams are a contrivance. Experts without affinity are often brought together to fulfil the requirements of a particular project. Getting a project to really work means replicating conditions that generate professional peer networks. Getting experts and creative personalities to trust one another is not an easy or straightforward process, but it is one in which managers can take the lead through their own trust enhancing expectations and actions (Kramer and Tyler, 1996).

Turning teams into peer-like groups has a long-term intangible benefit for organizations, though. Good working relationships between knowledge professionals will invariably continue through loose network affiliations and communities of practice. The payoff, in turning virtual team members into networked knowledge professionals, represents long-term value to a knowledge organization. As Jackson (1999) suggests investing in virtual team member relationship building now will reap benefits down the line (Jackson, 1999).

The Consultancy Firm

One of the studies we carried out shows how an experienced virtual team leader, (AR), in an intellectual capital organization, developed and used social capital to drive the successful completion of a virtual team project^v.

The team task was to research and write a strategic business plan, a technology plan, and a strategic overview in two languages for a government ministry in Thailand. The virtual team responsible for completing the task was part of an Australasian consulting company, Sentech^{vi}, headquartered in New Zealand. The team leader was a senior consultant with Sentech. Other team members included researchers in New Zealand and Australia, the lead consultant and project director in Thailand and staff from the Asian consortium partner.

AR was responsible for compiling most of the deliverables and consolidating and editing input prepared by on-site consultants. She managed the research and writing of reports by Sentech consultants in New Zealand and Australia. All of this was done to a tight, non-negotiable deadline.

AR selected the team members for preparing material on information technology trends. She chose staff with specialist knowledge, i.e., those possessing intellectual capital. She first tried to use staff in Wellington where she was located. But AR found she had to look to Australia for additional help, and picked three people in Canberra. She had them working as a self-contained group. Within two months of the start of the project, the team's task was successfully completed.

Because of the tight deadline, getting team members together for face-to-face meetings was not possible, so AR relied on e-mail and telephone to communicate with the group. AR was aware of the contextual and motivational limitations of e-mail, particularly the fact that e-mail can be a poor channel for initiating the kind of relations that develop overtime into social capital.

Strategies for Building Social Capital

One of AR's compensatory strategies was to make special efforts to develop personal relationships, generally by phone, with team members. She explained that it was important for her to get to know the people she worked with. This was something she had learned in previous virtual collaborative experiences. By consciously developing social relationships with her key team members, AR learned more about what motivated them and their preferred communication styles. This then helped

facilitate the mostly e-mail-based working relationship. She recalled what she told her team members: “I’m probably going to pester you, but it’s really important for me to understand how you work.”

Another way AR built social capital was by trying to give everybody an update every other day on the status of all of the key tasks being done in the various sub teams. This strategy had several positive outcomes. One was reducing managerial anxiety. The program director was very grateful for the updates. These assured him the work was progressing. Anxiety reduction facilitated trust building across the team. AR extended the trust-development strategy by singling out team members doing a good job, but who otherwise might remain invisible to senior managers. For example, she might e-mail the task director informing him “while something was not ready, Jim was working on it and she had utter confidence that it would be ready by a certain time”. This both gave team members a virtual visibility and reinforced managerial confidence in the team’s prospective performance. It strengthened shared values and created an aura of confidence across the multi-located team as a whole.

Structures and Processes for Building Social Capital

AR had team members working in Australia. She dealt with one member of this group who supervised the others. A similar situation occurred in New Zealand and Thailand. Out of these sub teams AR created a hub-and-spoke system with herself at the center and sub teams in Australia, NZ and Thailand working together through her. This system was an ad hoc response to the needs of the task. It had several positive impacts on building and maintaining social capital. Because the whole project was “in a panic state” by the time it reached AR, she found it easiest to build and foster social capital with and between key team members, particularly those who were in charge of the various sub teams. AR’s selectivity helped overcome the fact that most of the virtual team members did not know each other, and the people in Thailand really didn’t know anyone in New Zealand or Australia.

Building Social Capital across Cultures

Because AR was working with a culturally diverse team, she took special note of social capital in cross-cultural contexts. From previous experience she knew Asians tended to defer to superiors and she tried to communicate respect in her virtual

communications with her Southeast Asian team members; for example, by writing “Dear Mr. Pang” rather than “hi or hello” as she did with her other colleagues.

The cultural contrast between her Southeast Asian team members and the Australian and NZ members was pronounced. AR was aware that the management of this required more than simply addressing e-mail. She noticed that the Southeast Asian consortium partner and the clients had a more respectful attitude toward authority. In the West “being critical” isn’t necessarily taken as negative or personal criticism. The respectful attitude of the Southeast Asians, however, tended to minimize the open expression of differences—a challenge for intellectual capital organizations built around the aggressive advancement of knowledge.

AR pointed out that communicating via technology was an added barrier when working across cultures. Working through a text-based or an audio channel does not provide the visual cues used to judge people’s true feelings. Even using an audio channel, where you can judge the nuances and inflections of a voice and perhaps tell whether people are feeling frustrated or angry, the problem remains. You have to know the person or their culture well in order to form an accurate interpretation.

“I Don’t Want To Talk To You”: The Problem Team Member

From the beginning AR experienced difficulty with the lead consultant on location in Thailand. She had mistakenly assumed that because he was from England and a project leader he would work to certain professional standards, but this was not the case. Despite her efforts, AR had repeated difficulty establishing reliable communication with him. In one incident, the consultant stopped communicating for three weeks. AR sent him repeated e-mails requesting information, to which he did not reply. AR reflected that when working virtually it sometimes takes a long time before it filters through that something’s wrong. Then suddenly you’re thinking where is that guy?

Rather than send an angry email, she telephoned, thinking maybe there were extenuating circumstances. AR consciously made an effort to keep the lines of communication open. This considered approach yielded an astonishing reply:

He said, “Well I am a Yorkshire man and we go quiet when we’re thinking”.

This reply astounded AR who recalled she felt saying, “I don’t care if you come from Mars, I need this stuff”.

Whether the problem was really the proverbial nature of Yorkshire-men or not, the exchange represents something commonplace in intellectual capital organizations. This is introverted personality. Knowledge organizations rely on individuals with a propensity for a-social behaviors. Management is the art of uncovering the tangential ways in which such individuals actually communicate and collaborate. Find that, and the power of virtual peer collaboration can be leveraged.

“I couldn’t see what was happening on site and he wasn’t telling me. He wasn’t aware that he needed to let me know what was going on or if something had changed. I often felt that I was flying around at night without night vision goggles. You had your maps here and you were working to that, but if somebody shifted something on the ground and didn’t tell you, you wouldn’t know until it hits you. You must be pro-active, because if something changes, people must know. Virtual team members need to be the ‘eyes and ears’ of off-site team member.”

AR

Building on Existing Social Capital

Working with the lead consultant opened up AR’s eyes about the challenges of working virtually. It led her to conclude that “proactive communication” is essential in virtual teams.

According to AR, collegiality was the key to meeting the extremely time-limited goals of the project. In this project, professional collegiality manifested as social capital in two distinct ways. Since AR had been posted in Thailand previous to this project, she was able to make use of relationships she had built up with Thai clients. Those who knew her personally knew that she was competent and trustworthy. By both the reputation she had built with those who knew her and by the referred trust these people extended to other locals, AR was able to make use of her existing social capital network^{vii}.

AR could also draw on a pool of peer relations and peer knowledge within her own organization for a time-limited task. These relations and this knowledge sat halfway between concrete “know who” and abstract “know what”. Most of the team members were from Sentech. AR was able to assemble what was essentially a volunteer-based team because of the social capital that *already* existed in the consulting organization.

Leadership

As important as the strategies she implemented and the existing social capital that she had to work with, perhaps the most instrumental factor in AR’s successful efforts was her willingness to learn from past and current experiences and to incorporate these lessons as she managed her team. She was flexible, aware, and

responsive: qualities of a successful virtual team leader (Pauleen, 2003). She possessed the ‘radar’ to detect potentially disruptive issues before they got out of hand.

Depreciating Social Capital

AR’s team was built on a delicate balance between virtual intellectual capital production and the social capital embedded in existing peer relations. The virtual organization represented appreciable cost savings for AR’s firm. Yet some of the cost efficiencies also represented liabilities for the future.

There were cost savings because of the way the company billed for hours. The need to pay overseas allowances was avoided. If high-cost specialists had been sent onsite overseas, they would have invariably ended-up doing tasks that could be done by lower-cost generalists. Finally, according to AR, if the firm had tried to get all its people up to Thailand, with all the hassles of sorting out family matters and travel arrangements, they would never have met their deadline.

People working offshore receive substantial allowances over and above normal packages. These encourage people to go offshore, where most of our clients are. In this task we had many people working offshore and receiving high allowances, while those in New Zealand and Australia received their normal packages. Furthermore, the people in Thailand built up their time contributing to their billable hours and performance bonuses, while those in New Zealand and Australia who helped out could not bill their hours even though much of the document was written here. These things can cause resentment.

AR

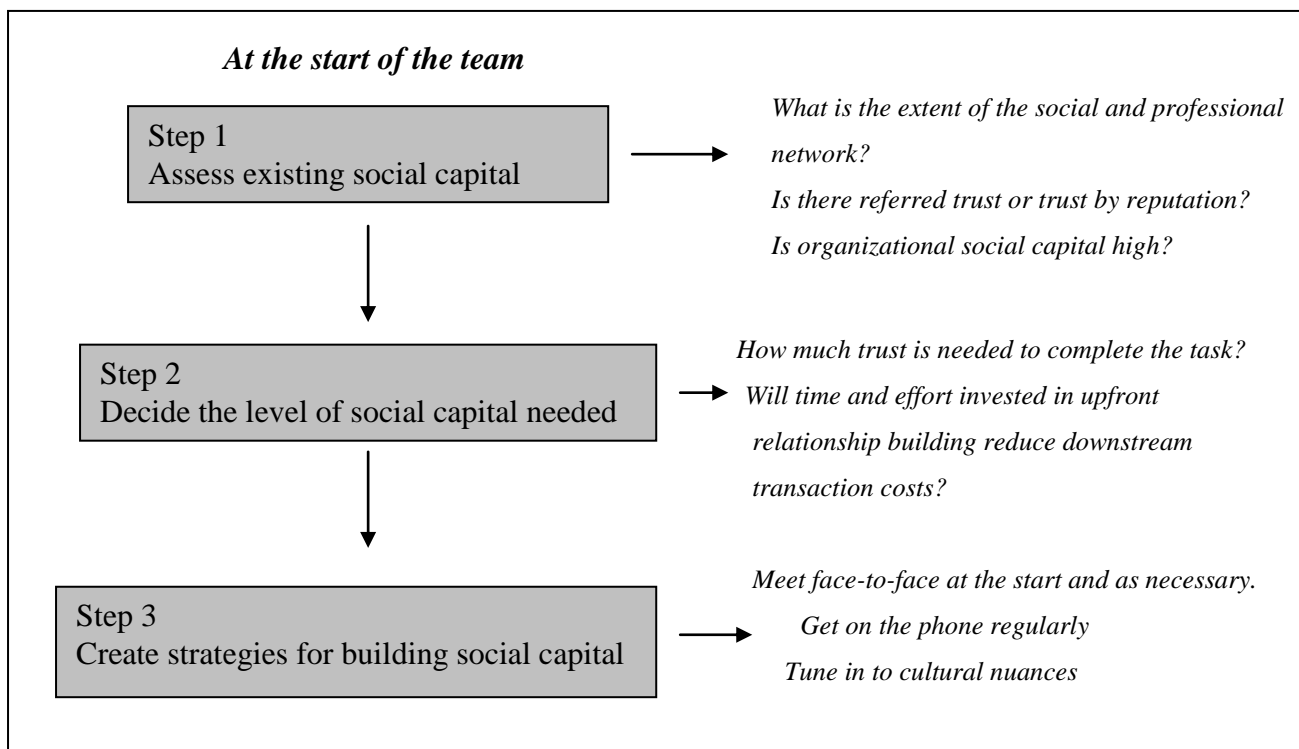
In spite of the benefits of the virtual team to the company, AR thought that company policies, particularly those concerning performance incentives, could degrade social capital and discourage virtual working. AR’s firm generously subsidizes stints abroad. Staff members who work overseas receive substantial allowances over and above their normal packages. This naturally encourages people to go offshore—where most of the clients are. In contrast, the virtual Australasian team members just received their normal remuneration. To strain matters further, the contribution of the people in Thailand was measured in billable hours and performance bonuses, while those in New Zealand and Australia could not bill their hours. According to AR, these sorts of inconsistencies can cause a sense of injustice, and quickly exhaust the social capital account.

Conclusion

Increasingly key aspects of intellectual capital organizations are being carried out through electronic channels, rather than face-to-face. But, while electronic mediation becomes more commonplace, the emergent evidence is that such activity needs to be able draw upon stocks of social capital to be most effective.

Sometimes this social capital can be developed in traditional ways—through office conversation and socializing. Sometimes virtual partners can draw upon social capital and professional networks already built up in an organization. In other cases, though, managers have to find new ways of generating professional peer bonds without the help of face-to-face interaction (Figure 1).

Figure 1: Building Social Capital in Virtual Environments



At the simplest level this may mean using the telephone as a substitute for face-to-face contact. But as time passes managers are also being pressed to find alternative ways of encouraging productive peer exchange, such as communities of practice. Urgency, time, and financial considerations, not to say geography and organizational reach, are reducing the power of many kinds of old-style personal interaction in organizations. The challenge for managers is not to live without social capital, but to find ways either of capturing existing social capital accumulated in their organizations and redeploying it to virtual projects or else begin to implement

strategies to assist “people who have never met” to develop peer bonds. Based on our research and the extant literature, we recommend three strategies to begin with:

- Enhance employee awareness of organizational experts through the use of KM systems (e.g. expert locators, intranets, etc.), organizational ‘fairs’ and conferences, and targeted communication channels (e.g. specialist newsletters).
- Encourage employees to collaborate across functional, organizational and virtual boundaries through the use of targeted projects and reward and recognition structures (e.g. annual reviews, public recognition)
- Set up mentoring programs that facilitate knowledge exchange. Create virtual mentoring schemes where possible.

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ⁱ The first use of the term, intellectual capital, is attributed to John Kenneth Galbraith, who in a letter to economist Michael Kalecki 1969, used the term. Tom Stewart (1991) in his article, *Brain Power - How Intellectual Capital Is Becoming America's Most Valuable Asset* defined intellectual capital as: *the sum of everything everybody in your company knows that gives you a competitive edge in the market place.* Source: Sveiby, 1991, *Intellectual Capital and Knowledge Management*, <http://www.sveiby.com/articles/IntellectualCapital.html>, accessed October, 2005.

ⁱⁱ According to S. & Dugan, in their book *The Day the World Took Off: The Roots of the Industrial Revolution*, coffee houses were the catalyst for the establishment of the Stock Exchange and Lloyds insurance (which originated in Lloyd's Coffee House, where people went to get all the shipping news). 2000, Channel 4 Books, Macmillan, London

ⁱⁱⁱ There are two basic understandings of social capital. One is based on the premise that social capital is built primarily on trust developed from a history of social interaction, see Putnam, R. (1993). *Making democracy work: Civic traditions in modern Italy*. Princetown, New Jersey: Princetown University Press.. Another view is that social capital is built on trust built primarily on the interaction of economic and institutional actors, see Cohen and Field, (2000) *Social Capital and Capital Gains: An Examination of Social Capital in Silicon Valley*, in *Understanding Silicon Valley*, edited by Martin Kenny, Stanford University Press.

^{iv} Transaction costs refer to the cost of the everyday business of getting things done. For example, asking a colleague for a favor can take a lot of time if it involves relentless negotiation. This incurs a transaction cost. If there is high social capital (good relationships), then transaction costs will be lower. See Cohen and Prusak, *In Good Company: How Social Capital Makes Organizations Work* (2001) Harvard Business School Press.

^v The case presented in this article was taken from a three-year study on virtual team leadership using grounded action learning. Details of the study and the methodology can be found in Pauleen, D. (2003-4). "An Inductively Derived Model of Leader-Initiated Relationship Building with Virtual Team Members" *Journal of Management Information Systems*, 4, (3), 227-256.

^{vi} Pseudonym

^{vii} Adler posts three mechanisms by which trust is generated: direct interpersonal contact; reputation through a network; institutional or social context of the exchange. Adler, P. 2001. Market, Hierarchy, Trust: The Knowledge Economy and the Future of Capitalism. *Organization Science*, March-April, 214-234.