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## Social Networks

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# Norms, status and the dynamics of advice networks: A case study

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### ABSTRACT

The issue of the influence of norms on behavior is as old as sociology itself. This paper explores the effect of normative homophily (i.e. “sharing the same normative choices”) on the evolution of the advice network among lay judges in a courthouse. Blau’s (1955, 1964) social exchange theory suggests that members select advisors based on the status of the advisor. Additional research shows that members of an organization use similarities with others in ascribed, achieved or inherited characteristics, as well as other kinds of ties, to mitigate the potentially negative effects of this strong status rule. We elaborate and test these theories using data on advisor choice in the Commercial Court of Paris. We use a jurisprudential case about unfair competition (material and “moral” damages), a case that we submitted to all the judges of this court, to test the effect of normative homophily on the selection of advisors, controlling for status effects. Normative homophily is measured by the extent to which two judges are equally “punitive” in awarding damages to plaintiffs. Statistical analyses combine longitudinal advice network data collected among the judges with their normative dispositions. Contrary to what could be expected from conventional sociological theories, we find no pure effect of normative homophily on the choice of advisors. In this case, therefore, sharing the same norms and values does not have, by itself, a mitigating effect and does not contribute to the evolution of the network. We argue that status effects, conformity and alignments on positions of opinion leaders in controversies still provide the best insights into the relationship between norms, structure and behavior.

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## 1. Introduction

Intra-organizational learning has long been considered an important process in organizations. Learning as a relational process can be captured in part through the study of advice networks. An advice network represents a set of paths through which appropriate information circulates among members of an organized setting. The allocation of this resource through informal ties and interactions reduces the costs of its acquisition during the process of making decisions to solve problems. Members of organizations see expertise and experience as being accumulated by the organization, and they rely constantly on advice from others, especially in knowledge intensive organizations.

Blau’s (1955, 1964) social exchange theory suggests that members select advisors based on the status of the advisor. They can thus try to exchange status recognition for advice. Advisors are sensitive

to this recognition of their status and this gives them an incentive to share their expertise or judgment with the advice seeker. Because advice networks are usually shaped by such status games, they are usually highly centralized. They exhibit a pecking order that often closely follows the hierarchical structure of the organization.

However, an additional process is triggered by social exchange of advice for recognition of status. It has been shown that members use similarities with others in ascribed, achieved or inherited characteristics, as well as other kinds of ties, to mitigate the potentially negative effects of this strong status rule for intra-organizational learning. Previous research (e.g. Lazega and Van Duijn, 1997; McPherson et al., 2001) has highlighted the importance of similarities, which may in some cases reduce transaction costs between exchange partners.

One consequence is that this lowers the exchange rate between advice and status. In effect, similarity calls for a certain solidarity between exchange partners and because of this solidarity, advice from similar others requires less in terms of giving status recognition. If costs of advice are lower in the case of similar others, then less status needs to be given in return. This, and other theoretical arguments mentioned in the next section, leads to the expectation of homophily in the selection of advisors.

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Our main purpose is to further examine this homophilous mitigation process based on the use of similarities between the advice seeker and the advisor. In this paper we present a network study of a specific basis for the selection of advisors, namely shared norms and values. The study is about the Commercial Court of Paris, a first-level court that deals with complex commercial litigation and bankruptcies in the French capital.

The Commercial Court of Paris is an interesting institution because it represents a case of institutionalized “joint regulation” of markets (Lazega and Mounier, 2003). Judges in this court are lay and voluntary (unpaid) judges, experienced business men and women who are elected/co-opted by the business community at the local Chamber of Commerce. These lay judges are truly judicial. They are sworn in, as any career judge would be. But they still represent a form of cooperation between business and the State in which business manages to be actually part of the State apparatus. In effect, in order to be elected/co-opted, these judges must be sponsored by a trade association. The latter selects candidates who – it hopes – will mobilize the norms of their business sector when making judicial decisions in cases in which they have some degree of discretion. This raises issues of conflicts of interests that have been pointed out as soon as this institution was born (in 1563), but have not prevented survival of the institution for four and a half centuries (Denière, 1972; Genevois, 1866; Ithurbide, 1970; Kessler, 2007; Lemerrier, 2008). The main arguments used by lay judges to legitimize this institution are that they volunteer (they do not receive a salary for their work as a judge) and are therefore less expensive for the government than career judges; and that they pool and share their expertise of business and economics, an expertise that career judges are less likely to have. Seeking and sharing advice is thus encouraged among them, which is why they let us observe their advice network in the first place.

In the investigation, lay judges were interviewed using a longitudinal design with three repeated measures. Two types of empirical data support our illustrations and analyses. Firstly, the judges were interviewed about their advice relationships within the Court. Secondly, they were also interviewed about specific normative choices as a result of a controversy in the Court. The normative controversy among the judges was about the extent to which they should be punitive in their judicial decisions on matters of unfair competition between entrepreneurs. Being punitive meant – in French law – awarding the injured party not only “material” damages (i.e. amounts of money that make up for the actual economic losses incurred due to the unfair business practices of the offender), but also awarding them “moral” damages (i.e. amounts of money that are meant, as a pecuniary punishment, to teach a lesson and dissuade the offender from getting involved in such practices again, given that such practices break the “natural” circuits of markets). Hence, being punitive meant imposing extra costs on offenders: not only the cost of repairing the damage suffered by the victim, but the implicit cost of the collective damage done to the “free market” in general. Punitive decisions radicalize the free-market point of view that was already that of the majority of judges at the Court. Punitive judges argue that if extra blame and punishment are not present, there is a strong risk of deresponsibilization of commercial practices. Non-punitive judges argue that this kind of punitivity should characterize criminal courts, not civil court such as their own institution, which should focus in priority on helping the parties do business again. Punitivity is thus a core issue in how the judges view their role and the influence of their court on market discipline and commercial practice. Accordingly, it was central in identifying normative differences in opinion within the Court.

Data on the deeply rooted normative attitude (whether punitive or non-punitive) of each judge in this controversy were collected using qualitative interviews based on a vignette inspired by a real life case. We took advantage of the fact that we were indeed able to

observe ethnographically an open controversy (not simply differences in opinion) between punitive and non-punitive judges in the court a year before wave 3 was carried out. This controversy was thus used to test our ideas about the relationship between norms and dynamics of networks.

We use an actor-based stochastic network model (Snijders, 2001, 2005; Snijders et al., in this issue) to test our hypotheses about the relative effect of status vs. normative homophily on the selection of advisors and the relational turnover in the advice network. We first present the theoretical background available on advice networks and collective learning, then our hypotheses about the effect of norms on the selection of advisors. Next we describe our empirical setting and focus on a normative choice made by the judges. Finally, we test our hypotheses using these data. Our main result is that there is no direct effect of normative homophily on the selection of advisors. We find that status effects are dominant in this organizational context, and normative homophily does not compete at all here with the effect of status. We conclude with a discussion on the consequences of these results for understanding collective learning through alignment on ideas and advice coming from members with status rather than through sharing normative attitudes.

## 2. Theoretical background

There is already a rich literature on how members of organizations select their advisors. According to this literature, at least two kinds of processes drive these relational choices of sources of advice: social exchange of status recognition for advice on the one hand; and use of similarities creating homophily on the other hand. Blau's (1955, 1964) social exchange theory suggests that members of an organized setting exchange status recognition for advice. Advisors are sensitive to this recognition of their status by the advice seeker and this gives them an incentive to share their expertise or judgment with the advice seeker on an informal basis. Research confirms that members tend to seek advice from other members with higher status; see for example Bapuji and Crossan (2004), Brass (1984), Krackhardt (1987, 1990), Barley (1990), Ibarra and Andrews (1993), Lazega (1992, 1995, 2002), Lazega et al. (2006), Lazega and Van Duijn (1997), Rulke and Galaskiewicz (2000), Cross et al. (2001), Mizruchi and Stearns (2001), Hansen (2002), Tsai (2002), Borgatti and Cross (2003), Kilduff and Tsai (2003), McDonald and Westphal (2003).

However, such status games can also have very negative effects on sharing knowledge useful for task performance. Members from different ranks may find all sorts of reasons not to communicate. Those with lower status may not want to show their superiors, who are also among their evaluators, that they do not know. Members of higher status may not want to lose status by seeking advice from colleagues “below them” in the formal hierarchy or in the pecking order. Thus, status games also trigger another, parallel process in advice networks. Lazega and Van Duijn (1997), for example, show that members are aware of such barriers and use similarities and ties different from advice ties to mitigate the potentially negative effects of this strong rule for intra-organizational action and learning.<sup>1</sup> Members also use pre-existing ties of different kinds to manage and mitigate status games. For example, analyses of multiplexity in social exchanges in organizations suggest that co-work and friendship ties lead to the creation of advice ties (Lazega and

<sup>1</sup> Members feeling insecure about what to do also copy the behavior of others similarly placed in the social structure (White et al., 1974), and can thus be expected to seek advice from others who are structurally equivalent. We show elsewhere the validity of this structural principle using blockmodelling applied to the same dataset as in this paper (Lazega et al., in press).

Pattison, 1999). In some firms, advice ties are so important that they also play an important role in facilitating the flows of other kinds of resources. Thus, advice networks tend to be both hierarchical and cohesive (at least within subsets of peers), with the hierarchical dimension usually stronger than the cohesive one.

Various kinds of similarities between advice seekers and advice-givers have been identified as determinants of these homophilous and mitigating choices of exchange partners. Ascribed, inherited, as well as achieved characteristics can be the basis for homophilous selection. For example, working in the same office, being of the same level of seniority, and sharing the same specialty, but also the same gender and the same kind of education have been shown to facilitate advice seeking among members of organizations (McPherson et al., 2001 for a review). It is easier, less cumbersome and more efficient to interact with persons who are culturally similar, e.g. speaking one's native language. In addition, some types of similarity might indicate that these people have similar problems they have to deal with as you do, and will give recognition to the same arguments; therefore they may be good advisors.

To our knowledge, selection of advisors based on shared norms and values has not been examined and tested systematically in the literature. Such a connection would not be surprising from a sociological perspective. As shown by Durkheim (1922) and many successors, learning is also part of a wider socializing process. Indeed, one important factor in the exchange literature that could explain the creation and maintenance of advice networks is the norm of reciprocity as defined by classical sociologists such as Mauss (1924) and Gouldner (1960). The idea that shared norms can be a basis for selection of exchange partners, and hence of advisors, can be rooted in this insight. There is a growing body of social-psychological research on this topic (Cheshire, 2007; Ekeh, 1974) that explains why individuals would ask and give advice. More specifically, various contributions recognize norms and values, and more generally cultural background, as a source of similarities producing homophilous choices. Members sharing common norms and values also tend to trust each other more and will more easily recognize the value of the advice given, thus lowering barriers raised by their organized setting. This could be especially true in controversies staging normative ambiguities and conflicts, and forcing members to take normative stands in uncertain situations. Advisors then may be expected to provide advice in order to reinforce their shared common perceptions and norms. Centola et al. (2007) divide homophily into three components: values, status, and induced homophily. The first refers to a psychological attitude that justifies opinions when shared with other people (Berelson et al., 1954). The second relates to interactions with individuals who share the same cultural background or social status (Marsden, 1988; Breiger, 2004). These two attitudes are caused by a purposive choice of the actor in selecting other actors. The third component, induced homophily, does not emerge from actors' choice, but from influence dynamics that render individuals inside a group similar in the course of time. From a different perspective, based on a theory of social capital, Nahapiet and Ghoshal (1998) distinguish three dimensions of social capital in advice networks: a structural part (I seek advice from my boss because I am supposed to), a relational part (I seek advice from one of my colleagues because I trust him, I am friend with him, I know him), and a "cognitive" part (I seek advice from my colleague because I feel that his values/beliefs are close to mine). The latter selection effect is specifically the kind of effect that we would like to test in this paper.

Norms and values can be used by actors to create similarities of a special kind, signal these similarities to each other, and thus mitigate the effect of status barriers. In this respect, sharing similar values with members with higher status may be a basis for selection of an advisor among many other possible advisors with higher status. But the process of exchanging appropriate knowledge with

members sharing the same norms and values does not necessarily exclude or replace status games. Shared attributes and worldview may thus compete as well as combine with status of the advisor as a determinant of the selection of advisors.

### 3. Hypotheses

Based on this theoretical background, we formulate hypotheses concerning the selection of advisors to be tested in our dataset. Hypotheses 1a, 1b and 2 are meant to confirm established knowledge about status games and their mitigation based on homophily effects, while Hypotheses 3 and 4 introduce the dimension of norms and values. All these hypotheses are to be understood as expectations about the dynamic process of advisor choice, where current characteristics of the advice network and the individuals determine the likelihood of changes in the choice of advisors.

**H1a.** Members of an organized setting are more likely to seek advice from colleagues of higher status.

Even though Blau's status effect is already tested in the literature, we think that it is important to underline the dynamic nature of the relation and test it in the data available for this institution. Since we measure status in terms of formal position as well as in-degree in the advice network, hypothesis H1a implies a feedback process, where high status leads to new, or continued, advisor choices which have the tendency to confirm existing status differentials. Following Lazega et al. (2006), this is expressed in the following hypothesis, which is a consequence of hypothesis H1a.

**H1b.** The status of those with highest status will tend to be reinforced over time.

The same is true for similarity effects traditionally included in explanation of selection of advisors.

**H2.** Members are more likely to seek advice from members with whom they share ascribed and inherited characteristics.

Having shown how various sociological and psycho-sociological theories stress the relevance of normative similarity, we expect that perceived shared values, among other characteristics, can also be the basis for homophilous mitigation of status games.

**H3.** Members are more likely to seek advice from members with whom they share the same values.

Finally, given that status effects and normative similarity can coexist, we also test their relative strength. Especially if a process of increasing centralization of the network takes place over time, status can be expected to be stronger than normative homophily as a determinant of the selection of an advisor. This leads to the following statement:

**H4.** Status is more important than shared values for the dynamics in advice relations.

The combined roles of status and normative homophily give special importance to the normative values promoted by high-status members. If the hypotheses are supported, the dynamics of the advice process will lead to a collective learning process that promotes the latter's values, not directly because of the values but indirectly by the alignment on authorities.

### 4. Data

We test these hypotheses on a dataset collected at the Commercial Court of Paris, an institution which handles 12% of commercial litigation in France, including very complex cases. As mentioned above, its judges are experienced business men and women who

mobilize both the law and the norms of their business sector in order to find judicial solutions. They are elected for 2- or 4-year terms, for a maximum of 14 years. Twenty generalist and specialized Chambers, which treat a great variety of cases, make up the Court. A formalized rotation rule requires judges to change Chambers each year, an obligation meant to lower the risk of corruption or conflicts of interest.

In the domains of both litigation and bankruptcy, judges often deal with very complex legal issues in which they have a large amount of discretion. The uncertainty generated by the cases creates the need to call on numerous competencies (judicial, economic, or managerial, among others), and in fact many judges in this commercial court justify this lay institution with the argument that it brings together very diverse skills. The heterogeneity of judges, who come from multiple horizons of business, effectively creates a rich knowledge base insofar as each can draw from the others' experiences and expertise.

At the time of the study, the lay judges represented very diverse sectors in which they worked either previously or currently. Thus, in complex cases, information relating to a specific industry could be accessible to the court through judges from that field. Theoretically all sectors can present candidates to the election of lay judges on an annual basis in order to fill the vacant posts resulting from a turnover rate of 10% in the Court. Nevertheless certain sectors and/or enterprises invest more than others in "judicial entrepreneurship" and shoulder a greater share of the cost of social control of business because this is in their interest. The largest is the banking/finance sector, contributing 29% of the judges in 2002. In addition, bankers often have a legal education: bank employees with a law degree constitute about 60% of judges from the whole banking and financial business. Yet, the over-representation of finance amongst the lay judges does not represent an unchallenged dominance of that institution. In fact, a majority of judges coming from industry, construction, or other areas do not always appreciate this dominance. As stated despicingly by a banker with legal education, commenting on these tensions: "shopkeepers hate bankers."

#### 4.1. Network data

A network dataset was collected in 2000, 2002, and 2005. Each wave used the same name generator: "Here is the list of all your colleagues at this Court, including the President and Vice-Presidents of the Court, the Presidents of Chambers, the judges, and 'wise-men.' I will ask you a question and you need only indicate the colleagues concerned. Using this list, please check the colleagues whom you have asked for advice during the last 2 years concerning a complex case, or with whom you have had basic discussions, outside formal deliberations, in order to get a different point of view on the case." A very high response rate (87% on average for the three waves) allows for the reconstitution, at each measurement, of the complete advice network existing between the judges, whose number varied between 151 and 156 from 2000 to 2005.

The data file we use includes the 86 judges who responded at each of the three waves. The main reasons for disregarding the few missing data and, more notably, the changing composition of the Court (with individuals that join and leave every year owing to the yearly election of new members, the fixed term mandate, etc.) are that these judges provide most information about the changes in the advice ties, and a considerable reduction of time necessary for estimations. In many respects, the set of 86 judges for whom data are complete does not significantly differ from the larger set of judges that would be obtained by including all judges that have been present at the Court at least once in 2000, 2002 or 2005. The distribution of in-degrees and out-degrees, the minima, maxima, and means of covariates, and the similarity scores for covariates

are similar for the two sets. The set of 86 judges for whom data are complete can thus be regarded as sufficiently representative of the characteristics of the network that needs to be investigated. In estimations including judges who joined or left the Court between the first and last wave of data collection, we obtained roughly similar results.

Of these 86 judges, 27 come from the banking and financial sector, and 16 of them have legal education. The other 59 judges are from the non-financial sector, with the following breakdown: 15 are from Industry, 16 from Trade, 11 from Building and Public Works, and 17 from Services. Regarding employment status, 52 judges were active in period 2000–2002, while only 39 were active in 2002–2005; from the first to the second period, 18 judges switched from activity to inactivity (mainly retirement), while only 5 did the opposite.

#### 4.2. Eliciting normative choices

Observing judges' work is difficult in general: they speak little in order to preserve their independence. Furthermore, the complexity of their tasks, in the domains of litigation and bankruptcy, reflects the multiple areas of expertise called for in this type of institution. Procedures frame and define judges' activities, but so do more or less explicit conflicts of norms. During fieldwork, we used the fact that we were able to observe ethnographically an open normative controversy between punitive and non-punitive judges in the court a year before wave 3 was carried out.

The case that divided the court was LVMH vs. Morgan Stanley (January 12, 2004), a litigation case between the French luxury company and the American investment bank. In this case, the first Chamber, whose President is also President of the court, condemned the bank to 30 million euros in punitive damages. Before the decision, many judges in the court were pushing for a very different solution (i.e. zero euro for punitive damages). At the time, the president of the court came from the hotel industry (i.e. was not a banker). LVMH, world leader in the luxury industry, was suing Morgan Stanley and one of its financial analysts for «biased analyses» in the evaluation of its financial health. Simultaneously, LVMH was trying to take over Gucci, another luxury firm and LVMH's main rival, which happened to be a Morgan Stanley client. LVMH claimed that there was a conflict of interest for Morgan Stanley because of its close commercial relationship with Gucci. For LVMH, by providing the stock market with allegedly erroneous information about the finances of LVMH, Morgan Stanley was only "denigrating" the French group and its brands in order to protect its own interests as a banker and the interests of its client Gucci (which was trying to resist being taken over). According to LVMH, the «Chinese wall» that was meant to separate, within Morgan Stanley, financial analysts from investment bankers, did not work. LVMH claimed both material and moral damages up to 107 million euros. The bank defended the integrity of its analysts and put forward counter-claims for damages incurred from a «vexatious, groundless and abusive» procedure.<sup>2</sup>

The punitive decision was very controversial within the court. It was present in everyone's mind when we used the punitivity case in Box 1 to elicit normative choices (Wave 3 took place in 2005, slightly after this case).

In order to elicit normative choices and test for the effect of normative homophily on the selection of advisors, we opted for a jurisprudential approach. We looked at the extent to which lay judges were punitive or non-punitive in their assessment and awarding of damages, an area in which they have wide discre-

<sup>2</sup> This decision was partly confirmed by the Court of Appeal in June 2006 (<http://www.avocats-publishing.com/LVMH-vs-Morgan-Stanley>).

**Box 1: With respect to punitivity in the assessment of damages in a case of unfair competition**

A company whose capital is held entirely by the State (designated “Company G”) is active in the weaponry sector, particularly in combat tank construction. Company G was being sued by a competitor (designated “Company M”) on the allegation that Company G used “predatory prices” in the market for speed reducers.

Company M asked that the Court fine Company G the sum of 10 762 900 euros in damages. In addition to the subsidiary claim, they asked that an expert be appointed to calculate the loss.

Using its discretionary authority, the Court did not call in an expert to evaluate the loss.

After an examination of the profit rate and the basis for the turnover maintained by the plaintiff, as well as an analysis of moral and material damages and the loss of competitive capacity, the Court evaluated the loss as equal to less than 3% of the sum initially asked for.

Similarly, on the subject of profit rate the Court declared that “in heavy industries, where competition is fierce, producers apply a profit margin of 10–20% to the production costs of the materials they order,” [but] declared a rate of 10%.

Concerning the basis for the turnover, the Court stated that Company M did not provide proof of its allegations, and considerably exaggerated the alleged loss.

In the end, the Court declared the absence of all moral damage and material loss, notably reasoning that “the risks of litigation are inherent to business and may always arise during the life of a company.”

tion. This was implemented using the judgment presented in Box 1 as a vignette<sup>3</sup> and asking them to work on this judgment as in a jurisprudential exercise. This was a real case, judged previously in another French Commercial Court. This data was collected once, during wave 3, but we consider the normative choice made by the judges to be a choice that reflects a deeply rooted value and attitude towards punitivity, and thus tends to be stable over time, if not hardwired.

This case calls for the evaluation of both “material” and “moral” damages, and it raises the question of calling in an expert. Judges were asked to read this judgment and to comment on it, then to respond to the following question: “Do you support the recognition of a moral damage for a moral person<sup>4</sup> (yes or no)? Why? If you are, what rules do you use to evaluate this moral damage?” The judge’s decision in this case is based on Article 420-1 (French Code of Commerce), and more precisely on its paragraph 32 on predatory pricing, i.e. when “a product’s unit selling price is less than its variable unit cost.”

As in the jurisprudential literature, we use the assessment of “moral” damages as an indicator of punitivity, a normative choice made by the judges. We measure the degree of punitivity of judges by asking them whether they recognize, when asked, the right for a corporate entity to claim moral damages. Judges do not all think in the same way when it comes to such moral damages because they do not all proceed in the same way in assessing loss and restitution. A majority of judges (63%) identify themselves as generally punitive and favorable to the recognition of moral damages for corporate entities insofar as substantive law allows for this recognition on condition that the existence of such damages be proved (Article 1382 of French Civil Code). As mentioned above, their main idea

is that the individual loss suffered in the test case goes hand in hand with collective damage to the whole sector because it implies the destruction of “natural” market circuits. Hence it conflicts with the pro free-market point of view of the majority of judges at the Court. In qualitative interviews, the question is then reframed in terms of the responsibility of businessmen. Punitive judges think that moral damages are part of the harsh business world, and it is important to recognize them even if it is often considered inappropriate to compensate for them because of lack of proof and the difficulty of assessing them. These judges sometimes also see the recognition of moral damages as a compensatory element when they feel material damages have been undervalued. This can be the case, for example, when a businessman’s reputation or brand is harmed. As in the example of counterfeiting, it is difficult to quantify such a grievance. Punitive judges think that they should uphold such claims precisely because they are difficult to quantify and prove.

A minority of judges, however, reject punitive decisions. They think that moral damage does not exist per se for companies, and that punitivity brings in a criminal dimension that should not be part of their work in a civil law courthouse. Such non-punitive judges say that they do not use their discretion to uphold such claims. The non-punitive approach is often popular in business because it suits the more general ideology of these lay judges about the necessity of maintaining a working relationship between the offender and his victim, of re-establishing a link and renegotiating contracts after the trial. Indeed many lay judges like to claim that they are mediators who feel close to the litigating parties – who all belong to the same business community.

A distinct tendency emerges from this analysis: the judges who have the least seniority in the Court are more favorable to the recognition of moral (i.e. punitive) damages for corporate entities than more senior judges. These “junior judges” argue that, in their daily work, they experience a business world that has become anomic; whereas more senior judges attribute this tendency of junior colleagues to be more punitive to their tendency to think of themselves as “righters of wrongs” as opposed to followers of the Rule of Law. Another tendency also becomes clear from the analysis of responses: bankers with a law degree have a strong tendency to be non-punitive (concurring with the decision presented in the test case). This may be in part because they felt less concerned by the case presented in the vignette which is about non-banking industries; in part because the question of punitivity reminded them of the LVMH vs. Morgan Stanley case, where they presumably sided with MS; or in part because bankers are often less directly concerned with what goes on in real, industrial markets (as opposed to financial markets and company boards).

Finally, although a majority of judges call themselves, in theory, rather punitive, 88% of them would not grant moral damages in this particular case. Several factors may contribute to explaining this paradox: the fact that judges do not have access to the complete dossier at the time of the interview; the fact that the Court did not itself grant moral damages in the sample case; but also the fact that the influence of norms on behavior cannot be conceived of as direct. This influence might rather be mediated by the relationship between the norm and the evolution of the social structure that we are going to examine. This mediation is illustrated in this particular case by the fact that all the magistrates who had studied law and who came from the banking and finance industry (banker-lawyers) considered that there was no moral damage in this case. The banker-lawyers – whose influence within the Court was mentioned above (Lazega and Mounier, 2003) – are then, based on this information, less punitive than the non-banker-lawyers. The reasons mentioned led us to use in our analysis not the answer to the question about the decision the judge would take in this particular case, but only the general punitive attitude.

<sup>3</sup> We used a vignette because docket data are not publicly available in this court, and were not made available to us.

<sup>4</sup> In French company law the term “moral person” refers to any corporate entity.

This conflict between judges, based on deeply rooted differences in attitudes and norms regarding punitivity, fuelled an open controversy within the court after the LVMH vs. Morgan Stanley case. In this situation, adherence to a norm by a high-status sub-group of judges may constitute a driving force for the evolution of the advice network as a whole. Exploring this issue requires introducing such normative choices as an independent variable in the model testing our hypotheses.

## 5. Model for analysis

The outcome variable in our study is the selection of advice ties by the judges, and we focus on the evolution over time of the network composed by these ties. For the analysis we use the stochastic actor-based model of Snijders (2001). The analysis was carried out using Siena version 3.1 (Snijders et al., 2008). This model postulates that the existing network structure has effects on the changes in selection of advisors, specifies these effects, and takes into consideration interdependence between ties. The network observed at wave 1 is accepted as given, and the model uses the observed networks at waves 2 and 3 as dependent variables.

A brief sketch of the model is as follows; for a fuller treatment see Snijders (2001) or Snijders et al. (in this issue). The model intends to represent the development of the network observed at the first to that observed at the second observation, and likewise the development from the second to the third observation, in a plausible way as the results of consecutive changes of advisor choice: creation of new ties (i.e. new advisor choices) and termination of existing ties (i.e. dropping advisors). These changes are assumed to have occurred sequentially between the observations, and the members are assumed to be cognizant of them and thus to have full knowledge of the changing network. This is a reasonable first-order approximation. Each of the changes of advisor is regarded as a choice made by the member requesting advice, who in making this choice takes into account the current state of the entire advice network, incorporating all changes in advisor choice made until the current moment. The probability distribution of these choices is modeled as being dependent on the so-called objective function, which is a function of the personal network of the member making the current choice. Probabilities of change are higher toward network states having a higher value of the objective function; thus, the objective function can be loosely regarded as representing the attractiveness of the network, as seen from the viewpoint of the member concerned. The objective function is a linear combination of terms called 'effects' similar to the linear predictor in generalized linear modeling. The weights of these effects are the parameters in the statistical model, and are estimated from the data by a generalized method of moments. Each effect represents a component potentially driving the network dynamics. Some effects depend on the current network itself (endogenous effects such as reciprocity or transitivity of choice), others on the characteristics of the member making the choice and the member chosen (e.g. homophily effects). The model specification consists of first specifying the endogenous, i.e. network-dependent effects that are hypothesized to drive the network evolution, and second the hypothesized effects of exogenous variables, i.e. attributes of actors or pairs of actors that are determined outside of the network. This specification must include effects reflecting the hypotheses but also effects reflecting other mechanisms known or suspected to drive network dynamics, in order to rule out alternative explanations (similar to control variables in regression models) and to provide a good model fit so that the standard errors of the parameter estimates are reliable.

### 5.1. Variables

The main variables used reflect the hypotheses about status, ascribed and inherited characteristics, and values. Formal status is represented by the official roles and responsibilities within the Court. Specifically, we use dummy variables to distinguish Presidents of Chambers and "Presidents Rattachés" from other judges. Both are formal roles that reflect hierarchy and strongly depend on judges' seniority (in terms of tenure in the organization). Judges can become Presidents of Chambers after serving in the institution for at least 8 years. Those who were Presidents of Chamber in the past, and are still in the Court, are Presidents Rattachés – a category which also includes advisors to the President of the Court. Presidents of Chamber have formal duties and responsibilities associated with running a Chamber, while Presidents Rattachés no longer have these responsibilities, but are still considered as high-status members. We have conceptualized both as changing explanatory variables, taking into account changes in status that have occurred between the first and the second periods of observation (resp. 2000–2002 and 2002–2005).

Informal status is represented by the judge's in-degree defined as the number of advice choices received. The distribution of in-degrees is very uneven; a large majority of judges receive relatively few choices, while a small core of very central judges have extremely high in-degrees. We represent this core by a category called the super-central advisors, defined as the members who (1) hold special formal responsibilities at the Court, and (2) have above-average in-degrees at each observation of the network, with the in-degree exceeding the average plus 3 times the standard error at least once. This category comprises five individuals. A judge's out-degree defined as the number of his or her advisors can also be taken as a secondary indicator of status: to the extent that it reveals lack of knowledge and/or of self-confidence, an intense advice-seeking activity signals low status. Summarizing, status is reflected by five variables: Presidents and Presidents Rattachés (formal), in-degree (informal), super-central advisors (combination of formal and informal), out-degree (informal, secondary).

The in-degrees and out-degrees thus have the dual role of independent variables, and reflections of the dependent variables (which are the tie changes). This poses no logical problems because these two roles are separated in the dynamic model that we use here: at any moment in time the current in-degrees are among the predictors for creation of new ties and maintenance of existing ties. Such a dual role is a necessary component of any model that expresses feedback.

The ascribed and inherited characteristics used in this analysis refer to sub-groups and similarities on which homophilous choices of advisors are likely to be based within the organization. Classification in sub-groups mainly depends on the sectors of professional activity from which members of the Court originate, with a strong dividing line between judges coming from the banking and finance industries and judges from the non-financial sector. This distinction can be combined with differences in specialization of judges, particularly the distinction between those who have a legal education and those who do not. The banking and finance sector traditionally provides the Court with many more judges with expertise in legal matters, relative to other sectors. Other characteristics in this regard are employment status (whether judges are active or retired, which is a meaningful divide in this organization where judges with a job to perform outside the court value rapidity and reliance on experts much more than judges who are retired from their business); and the judges' education, represented by being alumni of prestigious, elite schools or of business schools.

Another organizational aspect, used as a control variable, is captured by Chamber co-membership. This reflects the division of work and functional interdependencies in the organization which

may also be mobilized systematically to make homophilous choices of advisors, because it is less costly in terms of time and energy to seek advice from members of one's own chamber. Two judges who are in the same Chamber have closer or more frequent contacts. Chamber co-membership is a changing dyadic variable, for which the changes keep track of new co-memberships between the first and the second periods of observation (resp. 2000–2002 and 2002–2005).

Values are represented by a measure of judges' normative orientations, aiming to capture their acceptance of particular norms. As outlined in the previous section, we operationalize normative orientations by a variable indicating their punitive or non-punitive attitude toward a company accused of unfair competition (in this case: price dumping) because it is a good indicator of their view of the "free market" mechanism and consequently, of the possible role of regulators.

We also control for homophily effects that may arise from employment status (whether judges are active); and for judges' education.

## 5.2. Model specification

We specify the model by listing the effects mentioned above in the description of the analysis model and which are the explanatory variables for network change. These reflect the hypotheses and other effects that are likely to drive the evolution of the network, in line with what is known in general about network dynamics (Snijders et al., in this issue). They are meant to account for path-dependency in network evolution and may be regarded as control effects and as ways to represent the dependency between network ties in order to better understand the dynamics of the advice network.

First, we control for the effect of local sub-structures because mechanisms such as reciprocity, transitivity, hierarchy, and generalized exchange are well known in the literature as drivers of the evolution of networks. Reciprocity captures the tendency for an actor to form an advice tie with those who seek advice from him or her, and is reflected in the objective function by the number of mutual ties of each given actor  $i$ . The transitive triplets effect refers to the propensity to seek advice from one's advisor's advisor, and is defined by the number of transitive patterns in actor  $i$ 's relations, i.e. ordered pairs of actors ( $j, h$ ) to both of whom  $i$  is tied, while  $j$  is also tied to  $h$ . The three-cycle effect captures a tendency for the formation of short cycles of generalized exchange and depends on the number of three-cycles in  $i$ 's personal advice relationships, i.e. cycles in which  $i$  seeks advice from  $j$ ,  $j$  from  $k$  and  $k$  from  $i$ . The conjunction of a positive transitive triplets effect accompanied by a negative three-cycles effect may be regarded as a local hierarchy in advice.

The effects of in-degrees and out-degrees must be adequately represented in the model, both because of their direct importance and as controls for the other tested effects. This is proposed in Snijders et al. (in this issue), and is especially important to obtain a good model fit for networks with very skewed degree distributions such as advice networks. In accordance with the advice in the mentioned paper, three degree-related effects are included, relating to, respectively, the dispersion (variance) of in-degrees, the association (correlation) between in- and out-degrees, and the dispersion (variance) of the out-degrees. First, in-degree popularity (sqrt) is defined as the sum of the square roots of in-degrees of a judge's advisors. As in-degrees are indicators of status, this measures the aggregate status of the advisors of the judge in question. The square roots are used because we assume that a higher in-degree indicates a higher status (monotonicity), but the effect on status of an increased in-degree becomes lower at higher values of the in-degree (decreasing marginal effect). A positive parameter

for this effect indicates that judges with higher in-degrees are more attractive as advisors, and hence indicates a self-reinforcing effect of status as reflected by in-degrees, that leads to a relatively high dispersion of the in-degrees. Second, out-degree popularity (sqrt) is defined as the sum of the square roots of out-degrees of a judge's advisors. When this effect is positive, judges with higher out-degrees are more attractive as advisors, resulting in a relatively high association between in-degrees and out-degrees. Because higher out-degrees are taken as secondary indicators of low status, a negative parameter is expected here, reflecting that those with high out-degrees are less sought after for advice. Again, the use of a square root measure presumes that differences between high out-degrees are relatively less important than the same differences between low out-degrees. Third, out-degree activity (sqrt) is defined as the out-degree of a judge times the square root of his/her own out-degree, in other words, the out-degree raised to the power 1.5. If its parameter is positive, judges who currently ask many others for advice (presumably, low status judges), when changing advisors, will have – compared to those who ask few others for advice – a relatively stronger tendency to ask a new advisor rather than drop an advisor. This is, again, a self-reinforcing effect: a positive parameter will lead to increased dispersion of out-degrees.

For the actor-level variables representing the hypotheses, we estimate the following basic three effects (cf. Snijders et al., in this issue): *ego* effects to account for their advice-seeking behavior, *alter* effects for being sought out for advice, and *similarity* effects. A positive *ego* parameter would indicate that judges with these characteristics have a greater tendency to seek advice than others; a positive *alter* parameter would indicate that others have a greater tendency to seek advice from such judges; and a positive *similarity* effect would indicate that judges who are similar with respect to this attribute (both having it or both not having it) have a higher tendency to seek advice from each other.

For the actor-level control variables of employment status, having gone to a business school, and having gone to an elite school, we specify similarity effects. The dyadic control variable of having been member of the same chamber also is included in the model.

To bring out how the effects of formal status are related to the endogenous network effects representing informal status, we present results of two models. The first is a model that includes the variables representing formal status, values, and control variables including reciprocity, but excluding the network-related effects representing informal status and the triadic network effects. The second is a model including all mentioned effects. As the first model shows how formal status affects advice giving without controlling for informal status or network structure, it represents the conclusions that might be drawn if one would take an attribute-dominated view, ignoring network structure; the second model gives a more adequate fit to the observed data, and comparing the two shows the extent to which attribute-related effects can be better represented here as network-related effects.

## 6. Results

### 6.1. Descriptives

The in-degrees of the 86 judges who responded to the survey at waves 1, 2, and 3 vary between 0 and 28 for the first wave, between 0 and 40 for the second wave, and between 0 and 32 for the third wave. Their out-degrees vary between 0 and 16 for the first wave, between 0 and 23 for the second wave, and between 0 and 27 for the third wave. Not only is the gap between minimum and maximum value large, but the skewed distribution is also striking: at each of the three waves, a large majority of individuals have very low in-degree (0–2), while the number of judges with in-degrees of 20

**Table 1**  
Two Siena models.

	Model 1	Model 2
<i>Rate parameters</i>		
Rate parameter period 1	9.75 (0.88)	12.06 (1.19)
Rate parameter period 2	14.15 (1.01)	21.56 (2.62)
<i>Evaluation function parameters</i>		
Out-degree	-1.74 (0.04)	-3.13 (0.29)
Reciprocity	0.52 (0.10)	0.98 (0.14)
Transitive triplets	-	0.19 (0.05)
Three-cycles	-	0.06 (0.05)
In-degree popularity (sqrt)	-	0.30 (0.05)
Out-degree popularity (sqrt)	-	-0.42 (0.11)
Out-degree activity (sqrt)	-	0.33 (0.04)
Super-central advisors <i>alter</i>	-	0.65 (0.17)
Super-central advisors <i>ego</i>	-	-0.04 (0.17)
Super-central advisors similarity	-	0.21 (0.15)
President of Chamber <i>alter</i>	0.63 (0.06)	0.18 (0.07)
President of Chamber <i>ego</i>	-0.24 (0.08)	-0.08 (0.07)
President Rattaché <i>alter</i>	0.49 (0.07)	0.14 (0.08)
President Rattaché <i>ego</i>	-0.33 (0.09)	-0.13 (0.08)
Same Chamber	0.65 (0.06)	0.67 (0.06)
Banker-Lawyer <i>alter</i>	0.51 (0.08)	0.18 (0.09)
Banker-Lawyer <i>ego</i>	-0.19 (0.09)	-0.08 (0.08)
Banker-Lawyer similarity	0.12 (0.08)	0.13 (0.08)
Business School similarity	-0.08 (0.06)	-0.08 (0.06)
Elite School similarity	-0.13 (0.06)	-0.01 (0.07)
Employment similarity	0.14 (0.05)	0.19 (0.05)
Punitive <i>alter</i>	-0.39 (0.05)	-0.10 (0.06)
Punitive <i>ego</i>	-0.10 (0.06)	0.11 (0.06)
Punitive similarity	0.05 (0.05)	0.08 (0.06)
Wave	-0.03 (0.07)	-0.41 (0.08)

or more is 1, 3, and 6, respectively, at the three waves. Regarding out-degrees, the skewness is less strong but still remarkable: the number of judges with out-degrees of 15 or more is, respectively, 1, 5, and 7.

6.2. Parameter estimates

To test our hypotheses, we estimated two models using *Siena*, with the advice ties as dependent variables (Table 1). The differences between these two models were explained above. The convergence of the estimation algorithm was excellent in both cases (all *t*-ratios for convergence less than .1, cf. the *Siena* manual). An analysis of the out-degree distribution (details not further shown here) suggests that model 2 has an adequate fit and model 1, which ignores most aspects of network structure, does not.

Let us comment on our results. The rate parameter accounts for the amount of change between two subsequent observations of the network, that is, the speed at which the dependent variable (the network) changes. It is calculated separately for each of the two periods, namely 2000–2002 and 2002–2005. All other parameters are coefficients of the objective function or network evaluation function, which is used to compare different states of the network when the actor makes a choice to maintain present ties, to add a new tie, or to delete an existing tie. If a parameter value is nil, the corresponding effect does not drive network dynamics; if it is positive, then there will be a higher probability of moving toward a personal network where the corresponding variable has a higher value<sup>5</sup>; and the opposite if it is negative.

<sup>5</sup> More precisely in a dynamically evolving network, when a parameter for a given effect becomes higher, then the statistic that is representative of this effect will increase more strongly, or decrease more slowly; and, if the evolution would run on undisturbed for a long time, the statistics would approximately stabilize by fluctuating about a higher value.

On the whole Model 1 shows that, if one does not pay attention to network structure except for reciprocity effects, the formal status indicators of presidency of Chambers and of being President Rattaché have strong effects: these high-status actors are highly sought for as advisors, and themselves seek less advice. In addition, bankers–lawyers are often mentioned as advisors, and themselves seek others less for advice; those with punitive attitudes are less often mentioned as advisors. Having belonged to the same Chamber, as a control variable, has a strong positive effect for advice seeking.

In Model 2, which takes network structure into account and represents formal status by degrees, the effects of formal status and punitive attitudes are much attenuated; what remains statistically significant is only that bankers–lawyers as well as Presidents of Chambers tend to be asked for advice. Model 2 shows that, when judges change their advisors, the individuals who are especially sought as advisors are the super-central advisors, and those who currently are much sought for advice by others.

Let us now look at the different parameters in greater detail. Some of them (mainly in Model 2) refer to endogenous structural effects that account for path-dependency in network dynamics. The density effect is a basic indicator of network density and can be interpreted as an intercept. The reciprocity effect is positive and significant and can be regarded as a tendency of judges to seek advice from those who themselves sought advice from them. Triadic level effects are only present in Model 2. Among them, the transitive triplets effect is positive and significant while the three-cycles effect is not, which means that there is no sign of local hierarchy in advice.

Therefore, evidence of status hierarchy in this advice network must be searched at global rather than triadic level, and can be captured by degree-related endogenous effects. Again, these effects are only present in Model 2. As mentioned above, we have included in-degree popularity, out-degree popularity, and out-degree activity, all in square root form. In-degree popularity is positive and statistically significant: it signals a self-reinforcing process in which judges who are central at a given point in time see their centrality grow more strongly than others. Out-degree popularity is negative and suggests that judges with high out-degrees are less sought for advice, and the system moves towards a relatively low correlation between in- and out-degrees. Finally, out-degree activity is positive and significant in Model 2. This is a self-reinforcing effect that also points to a status hierarchy: those who seek much advice remain in this role, so that the dispersion of out-degrees becomes or remains relatively high. To summarize, our values for degree-related parameters confirm the existence of a strong status effect for judges with high in-degrees and those with low out-degrees, whose high centrality is sustained or increased over time. Super-central advisors, whose position is based on the combination of their special responsibilities and the self-reinforcing, one could say emergent, effects of their high in-degree centrality, are accounted for in Model 2. They have a positive *alter* effect that confirms their attractiveness as advisors. Formal status dimensions are taken into account both in Model 1 and in Model 2. The *alter* effects are positive for Presidents of Chambers, indicating that these individuals have a higher tendency to be consulted by others, so that their in-degree centrality becomes, or is, relatively high. Instead, *ego* effects are negative, suggesting that Presidents of Chamber tend to seek relatively less advice than others. However, this effect is significant only in Model 1, suggesting that it captures what is in fact an implication of network structure in addition to formal positions. Similarly, the parameters for Presidents Rattachés are significant only in Model 1.

Models 1 and 2 control for Chamber co-membership: the positive parameter indicates that the tendency of judges to consult

present or former Chamber co-members is one of the drivers of the evolution of the advice network. Controls for the specificities of professional groups are also introduced, in particular to distinguish bankers-lawyers from other judges. The Banker-lawyer *alter* parameter, positive in both models, is evidence that judges from the banking sector and with legal background are differentially attractive as advisors; instead, the *ego* and similarity parameters are not significant (though the *ego* effect is significant in Model 1). Other homophily effects such as having been in a business school or an elite school do not significantly affect judges' advice-seeking behavior, while in both Model 1 and Model 2, a positive similarity effect results from employment status.

Regarding punitivity, three different effects capture the extent to which judges' choices of advisors reflect the fact that a majority of them self-identified as punitive: an *alter* effect, to check whether punitive judges tend to be more, or less, selected as advisors than others; an *ego* effect, to look at the tendency of punitive judges to seek more, or less, advice than others; and finally, a similarity effect, to establish the extent to which judges tend to select as advisors those among them who also have the same attitude in this respect. They are not significant in Model 2 although the *alter* effect is significant, and negative, in Model 1. This suggests that the apparent unattractiveness of punitive judges as advisors, that Model 1 suggests, captures in fact the differential attractiveness of super-central advisors, and judges with high in-degrees more generally – who are mostly non-punitive.

Finally, we have added a wave effect to control for differences in average degree over the waves.

To sum up, our analyses provide evidence that the mitigation effect holds for Chamber similarity and employment status similarity, but not for normative homophily. In terms of our hypotheses, H1a and H1b are confirmed: members of an organized setting are more likely to seek advice from colleagues of higher status, and the status of those with highest status will tend to be reinforced over time. H2 is only partly confirmed: it is confirmed for in-degrees (if in-degrees may be regarded as a particular type of ascribed characteristic); but it cannot be said that members are more likely to seek advice from members with whom they share any ascribed and inherited characteristics; instead only some common characteristics can help mitigate Blau's rule of status. In particular, H3 is not confirmed: members are not more likely to seek advice from members with whom they share the same values. Normative homophily is not strong enough to serve as a basis for mitigation of status games. This result is strengthened by the fact that H4 is confirmed: over time, members are more likely to seek advice especially from colleagues with higher status, and whether they share the same values is not a clearly determining factor.

These results may be interpreted in two different ways. Either shared norms do not have a "pure" mitigating effect on choices of advisors; or when there is a normative struggle at the top of this kind of organization, normative mitigation of the costs associated with choosing advisors is weakened, and normative choices become an additional signal of alignment, of taking a stand in a controversy, not a mitigation device. In this situation, we have a normative radicalization/politicization of issues at the top of the top with a very small number of elite advisors. This sidelines the mitigation effect. Norms and value judgments in a strongly hierarchical and conflictual network do not help mitigate; rather their expression becomes a form of alignment and participation in the struggle with consequences for the collective learning process.

## 7. Discussion and conclusion

The selection of advisors in organizations is important because it has an effect on collective learning, an important process

in the knowledge economy. In this study, we confirm previous work showing that advice seeking converges towards senior and recognized members with status. Status effects are complex: there is a status equalizing process among judges who are not super-central advisors; but there is a status accumulation process among super-central advisors who become increasingly central over time and who seek each other for advice. We also confirm that members use certain similarities (chamber co-membership, employment status) with *alters* in order to mitigate the strong status rule. We look for a specific form of normative homophily but find that, over time, similarities in terms of normative choices do not have a direct effect on the selection of advisors. In our case study, advice seeking does converge towards central and super-central members and reflects a process of cognitive alignment on such members who gained the 'authority to know', who provide social approval for specific decisions.

These findings confirm that this alignment is a key ingredient of intra-organizational learning, but we do not find a mitigating effect of norms on status games. The status hierarchy remains the social incentive for judges to share their knowledge and experience with others, thus helping in explaining the social organization of the learning process. As stated in the theoretical background section, this contradicts traditional sociological theories that expect a "pure" effect of norms and socialization on behavior, independent of status effects. In our specific dataset, central judges are mostly punitive and super-central ones usually non-punitive. Learning in such a context seems to depend more on conformity via progressive alignment on the norm promoted by the elite, than on the perception of shared norms and values per se. This is not to say that other effects, including different dimensions of homophily than normative homophily, would not emerge as significant in an analysis that does not focus on the relationship between norms, status, and relational turnover.

These findings also raise questions about the issue of the impact of controversies and the adherence to norms on the dynamics of advice networks. As far as our case study is concerned, norms do not, on their own, drive the evolution of the advice network of the organization. This effect is likely to be less mechanical and more complex than the sociological tradition would suggest. *Alter* is not selected as an exchange partner solely because one thinks him/her inclined to share the same values and norms. At least in professional environments, if we look for a separate effect of values on relational choice, this effect has every chance of proving to be elusive. The actors may only take norms and values into account through the negotiation of the terms of the exchanges in which they engage with partners already positioned within structure and power relationships. Actors endogenize the structure at the moment of selecting exchange partners and of referring to a principle guiding their decisions. Our results suggest that future research in this area should look for a closer link between norms and social ties in their co-evolution. Norms, behaviors, and structures should evolve together, and it is ultimately through the formalized study of this co-evolution in greatly varied controversies that a more sophisticated theory of individual and collective action will be built.

Finally, the scope of these conclusions is potentially wide. For example we might expect the relative effects of status and normative homophily on the selection of advisors over time to be similar in other organizations with a strong hierarchy. Such hypotheses are a matter for future and cumulative research.

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