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GOSSIP AND REPUTATION

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Few things are more valuable than reputation, or more consequential for the success of new ventures. Yet popular understanding continues to be based on anecdotes and platitudes in which positive reputations are the reward for good work and good behavior, while negative reputations are retribution for poor work and bad behavior. In fact, reputations emerge not from what we do, but from people talking about what we do. It is the positive and negative stories exchanged about you, the gossip about you, that defines your reputation. Accuracy is a nicety more than a requirement for the stories. What circulates depends on the interests of people doing the circulation, which empowers gossip with its sociologically interesting effect on reputation. This chapter is an introduction to the way that gossip defines reputation, describing the importance of closed networks to the benefits of reputation, and the pathology of networks left closed too long.

A HUMAN CAPITAL STORY

In the interest of brevity, I define terms and move quickly to a concrete example. Where trust is the willingness of a person to commit to a relationship without being certain of how the other person will behave, reputation is the extent to which a person or group or organization is known to be trustworthy. This definition is more specific than the abstract concept of reputation being whatever one is known for, but the specific definition is convenient for introducing the mechanism by which gossip defines reputation, and the mechanism defines reputation similarly in the specific and the abstract. Within a broad network of people — on a team, in an organization, across a community — there are occasions in which an individual would be better off with the collaboration of others. Reputation facilitates those collaborations by creating a cost for misbehavior. If I misbehave toward people who collaborate with me today, others will find out about it, and avoid me tomorrow. To ensure future collaborations, I have an incentive to behave well today. That incentive lowers the risk of others trusting me today. With a reputation cost for inappropriate opinion and behavior, trust is less risky, people become self-aligning to shared goals, collaborations occur that would otherwise be difficult.

For reputation to have its salutary effects, there has to be a credible threat that a person's reputation will persist to affect future relationships. From a woman's work in one project group, word gets around defining her reputation, which precedes her into her next project group. If negative reputation quickly dissolves, reputation loses its coercive power because yesterday's poor behavior is too soon forgotten. "Too soon" is relative. It could be a day, a month, a year. Relative stability is the key. Reputation has to persist longer than the productive relations it facilitates and the hurtful relations it protects against.

Consider the data in Figure 1. The graph shows how reputations persist from one year to the next for senior investment bankers and analysts in a large financial organization (Burt, 2007). Analysts are here observed for two years, bankers for three, so there is one observation per analyst in Figure 1 (this year to next) and two observations of each banker (this year to next, and next year to the subsequent). The bankers and analysts operate in loose teams that come together in response to opportunities as they arise. With informal collaboration essential to its operations, organizations such as the one employing the bankers and analysts were early adopters of multipoint, or 360, evaluation systems in which annual evaluations of employees are made by the boss and colleagues more generally. Multipoint evaluations were a way to monitor employee collaboration. The data in Figure 1 come from such evaluations. Banker and analyst reputations are measured in Figure 1 as they are measured in the organization: as the average evaluation received. Each year, people in the bonus pool are asked to name colleagues with whom they worked closely during the year, and evaluate their experience with each colleague (4 outstanding, 3 good, 2 average, 1 poor; my synonyms for the words actually used). Evaluations of an employee are then averaged as in Figure 1 and used to guide promotion and bonus decisions.

——— Figure 1 About Here ———

Figure 1 shows reputations persisting from one year to the next. There are exceptions. Bankers and analysts in the lower-right corner of the graph have reputations well above-average this year, but they drop to well below-average next year. In the upper-left corner of the graph, there are people with unattractive

reputations this year who will emerge next year with positive reputations. However, the bulk of the data are clustered along the diagonal showing a strong correlation between an employee's reputation this year and next year.

I was surprised by the reputation stability evident in Figure 1 because of the chaos I found in the networks around individual bankers and analysts. Much of the variance in evaluations comes from the chemistry between two individuals; only 12% of the variance in evaluations can be attributed to colleague agreement on the person evaluated (Burt, 2007:fn 3). I expected volatility in reputations from year to year because the bankers and analysts are typically working with new colleagues each year. Of every four colleagues with whom a banker or analyst works this year, only one will be cited as a colleague next year. That is massive turnover, consistent with the opportunity-driven nature of the work. Despite the chaos in their individual networks, however, reputations on average persist one year to the next.

Intrigued by stable reputations in chaotic networks, I raised the issue over drinks with one of the organization's business presidents. He looked puzzled, then patiently explained to me, the academic sociologist, that "of course" employee reputations are stable. They are the company's index of employee quality. A good employee this year is a good employee next year, regardless of the colleagues with whom the employee works. Reputations are expected to go up and down a little depending on personalities and business opportunities, but good employees continue to be good employees, and weak employees are weeded out.

In other words, the business president had a human-capital explanation for reputation stability. Whatever the personal qualities and skills that resulted in your positive evaluations this year, those same qualities and skills will be yours next year and earn you positive evaluations again. Able people continue to receive good evaluations. Weak people receive poor evaluations. Reputation is correlated over time because human capital continues over time, certainly in the short run between adjacent years.

A SOCIAL CAPITAL STORY

I had an alternative explanation, a social capital explanation. Colleagues are not reacting to an employee's competence so much as they are reacting to stories they have heard about the employee.

As the network around a group of people closes, it creates a competitive advantage known as social capital. The gist of the argument – emerging in the 1980s from economics (e.g., Greif, 1989), political science (e.g., Putnam, 1993), and sociology (e.g., Coleman, 1988; Granovetter, 1985) — is that closed networks are essential to reputation. A network is closed to the extent that the people in it have strong relations with one another or can reach one another indirectly through strong relations to mutual contacts. As connections close the network, people are more informed about one another and calibrate with respect to one another. The human-capital story has colleagues evaluating a person's competence after they have worked with the person. However, if last year's evaluators do not talk to my colleagues this year, I can get away with abusing colleagues each year. It would be left up to senior management to act on the 360 evaluation data to remove malefactors from the population. But if colleagues talk to one another, they can enforce reputation costs independent of senior management. The population becomes self-monitoring: "I spoke with people who worked with her on the XYZ project and they said she was terrific." "I spoke with people who worked with him last year and the general opinion is that he was inept and unreliable." The closed network makes reputation cost a credible threat within the network. To preserve reputation among colleagues well-informed about one another's behavior, people are careful to behave well, which lowers the risk of trusting colleagues within the network, and people work to keep up with colleagues, which lowers cost within the network by increasing the quality and quantity of labor and decreasing the cost for a supervisor to monitor individual behavior (see Burt, 2005:93-166, for review and diverse examples).

The human-capital and social-capital explanations can be tested against each other in empirical research. If human capital is responsible for the reputation stability in Figure 1, then stability should be independent of connections between colleagues. An able employee should receive good evaluations whether the colleagues who made

the evaluations work together (i.e., are more connected) or work in separate parts of the organization (i.e., are less connected).

If social capital explains why reputations persist from one year to the next, then stability should increase with the connections between colleagues. Colleague evaluations are based on limited personal experience mixed with the experiences of colleagues with whom work is discussed. The more connected the colleagues making evaluations, the more likely their evaluations are in part formed by stories they have shared about the banker or analyst evaluated.

The evidence in Figure 2 strongly supports the social-capital story. Reputation stability increases dramatically with network closure. Stability is measured on the vertical axis by a correlation between reputation this year and next.[1] At the top of the graph, reputation this year (R_t) is closely correlated with reputation next year (R_{t+1}), as illustrated by the R_t to R_{t+1} graph to the top-left of the vertical axis. At the bottom of the graph, reputation this year has no correlation with reputation next year, as illustrated by the graph to the bottom-left of the vertical axis.

——— Figure 2 About Here ———

Network closure is measured on the horizontal axis of Figure 2 by the extent to which a banker or analyst is evaluated by connected colleagues. Marc cites Catherine as a colleague. Catherine cites Pascal. The two connections together define an indirect connection between Marc and Pascal through Catherine. Catherine is a mutual contact to Marc and Pascal. The horizontal axis in Figure 2 is the average number of mutual contacts linking an employee with colleagues evaluating the employee.[2]

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[1]The vertical axis is the correlation within a sample around each employee. Rank employees by their average number of 2-step connections with colleagues. The six employees above and below person i on the list are drawn as a sample around person i. Person i's score on the vertical axis in Figure 2 is the correlation for the 13 people in the sample between reputation this year and next year. I chose samples of a dozen colleagues after testing alternatives. Detailed discussion of the stability-closure association in Figure 2 is available elsewhere (Burt, 2007: Table 2).

[2]Each indirect connection summarizes four evaluations: employee evaluation of mutual contact, mutual contact evaluation of employee, colleague evaluation of mutual contact, and mutual contact evaluation of colleague. I coded an indirect connection as present if there is any citation between employee and mutual contact at the same time that there is any citation between colleague and mutual contact. To summarize the data for Figure 2, I rounded the average number of mutual contacts to the eleven integer categories on the horizontal axis, but correlations are computed from the continuous

Lines in Figure 2 show stability increasing with network closure, from no stability at all, to high levels. Where colleagues have no contact with one another, the dash line in Figure 2 shows that an employee's reputation this year has no correlation with reputation next year (.09 correlation). Do the same work with interconnected colleagues, and reputation this year is a good predictor of reputation next year (.74 correlation for 10 or more mutual colleagues). And the effect is independent of work quality. I separated bankers with above-average evaluations this year from bankers with below-average evaluations. I did the same with the analysts. Above-average evaluations are the positive evaluations in Figure 2, indicated by white dots. Below-average are the negative evaluations indicated by black dots. The bold regression line through white dots in Figure 2 is almost indistinguishable from the thin regression line through the black dots. The stability of positive and negative reputations increases similarly with network closure.

Consider two hypothetical employees who work with ten colleagues this year. One works with colleagues segregated in the organization such that they do not cite one another in the annual peer evaluations. That employee would be over the "0" on the horizontal axis in Figure 2 (illustrated by the sociogram at the bottom-left in Figure 2). The second employee works with five colleagues who work together in one division and another five colleagues who work together in a second division. The second banker would be over the "4" on the horizontal axis (illustrated by the sociogram to the bottom-right in Figure 2).

Even when both employees do good work, it is the second one who will be remembered. The bold solid line in Figure 2 shows that an employee doing good work for colleagues not connected with each other can expect to be forgotten within the year. The exact correlation expected between the employee's reputation this year and next year is given by the level of the bold solid line over the "0" on the horizontal axis. It is virtually zero, indistinguishable from random noise. For the second employee, the one who works with two groups of connected colleagues, reputation has an expected

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measures. To count positive connections for Table 1, I coded the link between ego and alter as positive if either gave the other an evaluation of "outstanding" or "good," and neither cited the other as "average" or "poor" (which are deemed negative evaluations among the bankers and analysts). The opposite rule defines negative links.

correlation of about .5 over time whether the employee has a positive or negative reputation. What carries an employee's reputation into the future is gossiping colleagues. Coleman (1988:S107) had it exactly right when he opined that: "Reputation cannot arise in an open structure."

EMPIRICAL INCONSISTENCY

There is another layer to peel away, a layer concerning the interests of the people who gossip. The networks in Figure 3 distinguish positive from negative mutual contacts. Positive mutual contacts are channels for stories likely to make colleague opinion of the employee more positive. In Figure 3A, the colleague has two positive indirect connections to the employee under evaluation: colleague and employee both have a positive relation with Marc, and both have a negative relation with Emile. Marc is a source of positive stories about the employee and a more likely discussion partner than the disliked Emile. If the colleague and Emile find themselves in a conversation, Emile's negative stories about the employee can serve to strengthen the colleague's positive opinion of the employee (my enemy's enemy is my friend).

Negative mutual contacts are channels for stories likely to make colleague opinion of the employee more negative. In Figure 3B, the colleague thinks well of Catherine, who has a negative relation with the employee. Catherine is a likely discussion partner and she will have stories to support her negative opinion of the employee. The colleague is less likely to gossip with disliked Philippe, but if a conversation occurs, and Philippe shares a story about his positive relationship with the employee, it can serve to strength negative colleague opinion of the employee (my enemy's friend is my enemy).

With these thoughts in mind, consider the results in Table 1. The dependent variable is reputation stability as measured on the vertical axis in Figure 2. Bankers and analysts with positive reputations are separated on the left from those with negative reputations on the right (white versus black dots respectively in Figure 2). Rows distinguish two network variables predicting reputation stability: number of positive mutual contacts versus number of negative. Standardized coefficients are

presented with routine test statistics in parentheses (the same results occur with control variables, see Burt, 2007: Table 2).

Two models show the expected effects of positive and negative connections. Model (1) shows that positive reputations become more stable when an employee has numerous positive indirect connections with the colleagues evaluating her. Model (5) shows that negative reputations become more stable when an employee has numerous negative indirect connections with the colleagues evaluating him.

The other models in Table 1 contradict expectation. Negative connections enhance the stability of positive reputations (Model 2). Positive increase the stability of negative reputations (Model 4). When I regress reputation stability across positive and negative connections simultaneously (Models 3 and 6), both enhance the stability of positive and negative reputations. True, the stability of positive reputations is more enhanced by positive indirect connections, and vice versa for negative reputations, but the cross-over effect remains significant for positive connections strengthening negative reputations and negative connections strengthening positive reputations.

——— Figure 3 and Table 1 About Here ———

The inconsistency in Table 1 is not unique to reputation stability. The pattern can be found in closure predicting trust and distrust (Burt and Knez, 1996; Burt, 2001, 2005:182-187), language denigrating a colleague's character (Burt, 2005:188-196), and rates of network decay (Burt, 2005:196-208, 2007). The general pattern is that relations and opinions are not balanced In their direction so much as they are balanced in their intensity: Where two people have strong (positive or negative) connections with mutual contacts, they are likely to have strong (positive or negative) opinion of one another.

BANDWIDTH VERSUS ECHO

There is a logic to the inconsistency in Table 1 and the logic turns on etiquette. The social-capital story used to explain closure's association with reputation stability is a story about "bandwidth" in the sense that closed networks are assumed to provide numerous redundant communication channels, which increases the chances of people

discovering inappropriate opinion and behavior. So viewed, networks are a plumbing system in which strong connection between two people is pipe through which information flows.

More often than not, however, people share in casual conversation only a sample of what they know. What a person knows about you is their population of data, from which they draw a sample to disclose in any specific conversation. Higgins (1992) describes an experiment in which the subject, a college student, is given a written description of a hypothetical student named Donald. The written description contains concrete positive and negative things about Donald as well as ambiguous characteristics about him. The subject is asked to describe Donald to a second student who walks into the lab. The second person is a confederate of the experimenter, who primes the conversation by leaking his predisposition toward Donald ("kinda likes" or "kinda dislikes" Donald). The finding is that subjects distort their descriptions of Donald toward the confederate's expressed predisposition. Positive predisposition elicits positive words about Donald's ambiguous qualities and neglect of the negative points. Negative predisposition elicits negative words about Donald's ambiguous qualities and neglect of the positive points. Subjects in the Higgins experiment had a sheet of information on Donald from which they drew a sample to share with the second student in the experiment. If the sample to be shared had been drawn at random, conversations aggregated across people and time would provide an unbiased picture of Donald.

But a random sample would be rude, or at best socially inept. It is polite in casual conversation to raise topics on which speakers are likely to agree, and avoid topics that would erode the social standing of the other speaker (discussed as not embarrassing the other speaker or causing a loss of face, Brown and Levinson, 1987). The etiquette filter on what is polite to discuss means data are not sampled for population representation. They are sampled for emotional coordination.

The result is echo. Speakers tuned to one another's emotions share story data-samples consistent with predispositions. We share in conversation those of our facts consistent with the perceived dispositions of the people with whom we speak, and facts shared are facts more likely to be remembered. As Fine (1996:1170) so nicely

phrased it in his discussion of people whose stories shape reputations ("reputational entrepreneurs"); "We remember our history, not through the details of events, but through labels that characterize and summarize these events." Of the positive and negative data available to share in a conversation, the datum actually shared depends on the tone of the conversation. Tone is apparent from a variety of cues ranging from the subtle nuance of a raised eyebrow or a skeptical tone of voice, to the blatant signal of expressing a positive or negative opinion. If people in a conversation seem positive about you, colleagues share stories in which you were good to have around. It would be rude to bring up that embezzlement charge a couple years ago. If people seem uncomfortable about you, colleagues share stories in which you were unpleasant. It would be rude to bring up that award for excellence you received a couple years ago. Having shared a story featuring certain of your behaviors, people are thereafter more likely to think of you in terms of the behaviors discussed. In a closed network, redundant direct and indirect connections among people echo etiquette-filtered stories across the network, reinforcing predispositions. Etiquette does not affect every conversation equally, and people are not everywhere polite, but allow that etiquette sometimes prevails. The more polite the society, the more likely the echo. The more closed the network, the louder the echo.

Returning to Figure 3, I expect all four mutual contacts to give the colleague a story about the employee that is consistent with their view of the colleague's opinion. The more polite the contact, the less likely he or she is to contradict the colleague's opinion.

Consider the effect on colleague opinion. The colleague talks to Marc about the employee. He goes on to talk with Emile, Catherine, and Philippe. From each conversation, the colleague gets a story consistent with his predisposition toward the employee. Variance does not increase across an increasing number of stories. That combination will tighten the colleague's confidence interval around his opinion. He is no better informed, but he is more certain. This is the mechanism by which opinion can reach absurd extremes in closed networks. This is the reason for first impressions having such a persistent effect (particularly in closed networks). This is the reason why you do not own your reputation. The people who own your reputation are the

people in whose conversations it is built, and the goal of those conversations is not accuracy so much as bonding between the speakers. You are merely grist for the gossip-mill through which colleagues strengthen their relations with each other. I must leave these issues for discussion elsewhere (Burt, 2005: Chap. 4). Here, I close on the question of why people do not discount gossip.

MOTIVES

It can be troubling to see reputations so affected by gossip. Why don't people discount gossip as "cheap talk." The reason is clear from the ends served. Gossip in not about information. It is not about accurate portrayal of the people and events discussed. It is about connecting the two people sharing a story. Emotional coordination in gossip serves a relationship-building function for people similar to grooming between primates. Primates signal attachment and hierarchy by picking bugs off one another. We signal by telling stories about the people and events around us (see Dunbar, 1996, for the analogy). As Merry (1984:276-277) phrases the "grooming" dimension: "Gossip is a form of private information that symbolizes intimacy. It is a social statement that the recipient of gossip is as socially close or closer to the speaker as is the subject of the gossip. To the audience, gossip is a confidence, a sign of trust and closeness. As gossip becomes more judgmental, it becomes a more powerful statement of social intimacy and trust." Given the heterogeneous interests of the people around us, the way we build relationships with one another — for economic, political, social, or other reasons — is to focus on what we have in common. The most obvious cue to common interests is the tone of the conversation.

Building their relationship shades into a sense of social identity for speaker and listener. Gossip is about creating and maintaining relationships, especially between socially similar people, people "of our kind." Beyond the immediate conversation, etiquette highlights structural equivalence with respect to the discussed events and people of mutual interest. When you and I discuss our views of John, we reinforce our relationship with one another and narrow the confidence interval around our joint

opinion of John. The people and events we jointly disdain have a special importance. Who we are is in some measure defined by who we are not. That is the foundation for Durkheim's intuition about the social value of criminals (Durkheim, 1893:102; Erikson, 1966:4). As we build images of the people and events around us, we construct their reputation at the same time that we construct a sense of ourselves, making claims to a reputation of our own.

Building relations and reputations has value, but it would be naive to assume that these motives are responsible for listeners believing the stories they hear. We know from personal experience that speakers are polite. Knowing that, we should discount the information content of gossip about colleagues.

That is, unless there is no meaningful point estimate of a colleague. To say people lie when they conform to the etiquette filter in sampling data to share assumes that there is a truth they are not sharing. But what if there is more than one truth? We are each outstanding company with some people, some of the time. We have each had our bad days. Most of the time, we are a mix of good and bad. A decision about trustworthiness is an evaluation made without definitive empirical referent, and there is ample evidence that such evaluations are shaped by discussion with peers. As Coleman, Katz and Menzel (1966:118-119) described doctors prescribing a new drug: "When a new drug appears, doctors who are in close interaction with their colleagues will similarly interpret for one another the new stimulus that has presented itself, and will arrive at some shared way of looking at it." Friends discussing ambiguous items socialize one another into a shared perception. Those socializing discussions are the gossip responsible for echo. The socializing does not happen on questions of fact. To borrow a classic example from Festinger, Schachter and Back (1950), the claim that a road is a dead-end can be checked with empirical data. Travel down the road to find out for yourself. Office gossip typically concerns ambiguous items, topics of conversation about which colleagues are uncertain. There are no definitive facts against which one can check the accuracy of a claim that appointing James to the job would be a dead-end. The claim feels as true as there are colleagues who agree with it. If someone seems predisposed to trust you, perhaps the person is one of the people who will get along with you, and it is not surprising that their friends relay

stories about you consistent with the positive predisposition. On the other hand, if the person seems predisposed to distrust you, perhaps the person is one of the people who will not get along with you, so it is not surprising that the person's friends offer stories about you consistent with the negative predisposition. Gossip is not about truth, it is about sociability. The motive responsible for echo in closed networks is not about why speakers lie, or whether listeners are naive. The motive lies in speakers and listeners working to better their standing with each other, and coming to define the truth by discussing it. A by-product of that discussion — in the echo chamber of a closed network — is that predispositions are reinforced such that people become certain in their ill-formed opinions. Select individuals emerge heroes from the gossip, select others emerge villains, and courses of action that seem silly to outsiders can look from the inside like the only sane thing to do.

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Figure 1

Despite Rapid Network Decay,

Reputations Persist from One Year to the Next

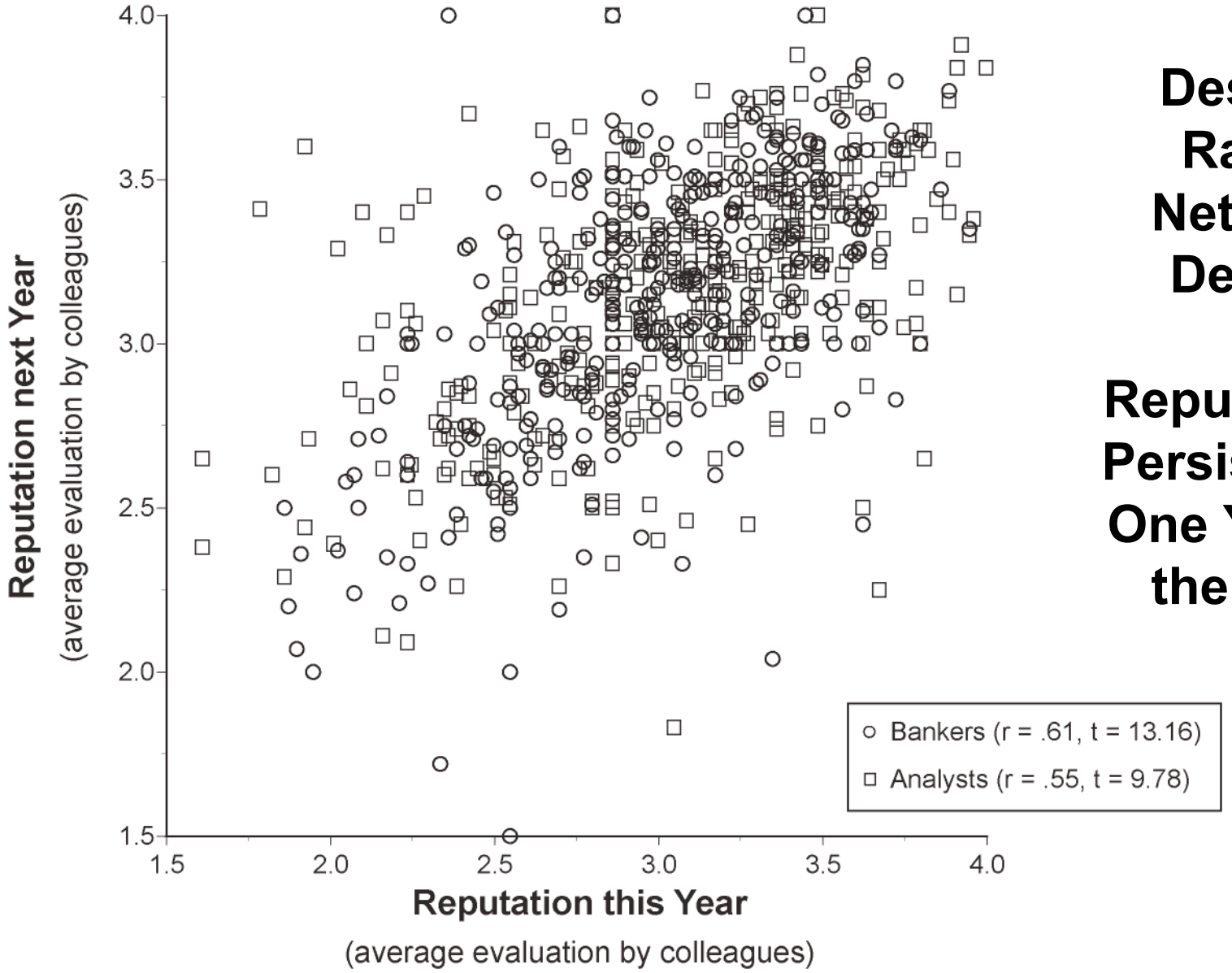

Figure 2: For Investment Bankers and Analysts, Stable Reputations Depend on Closed Networks

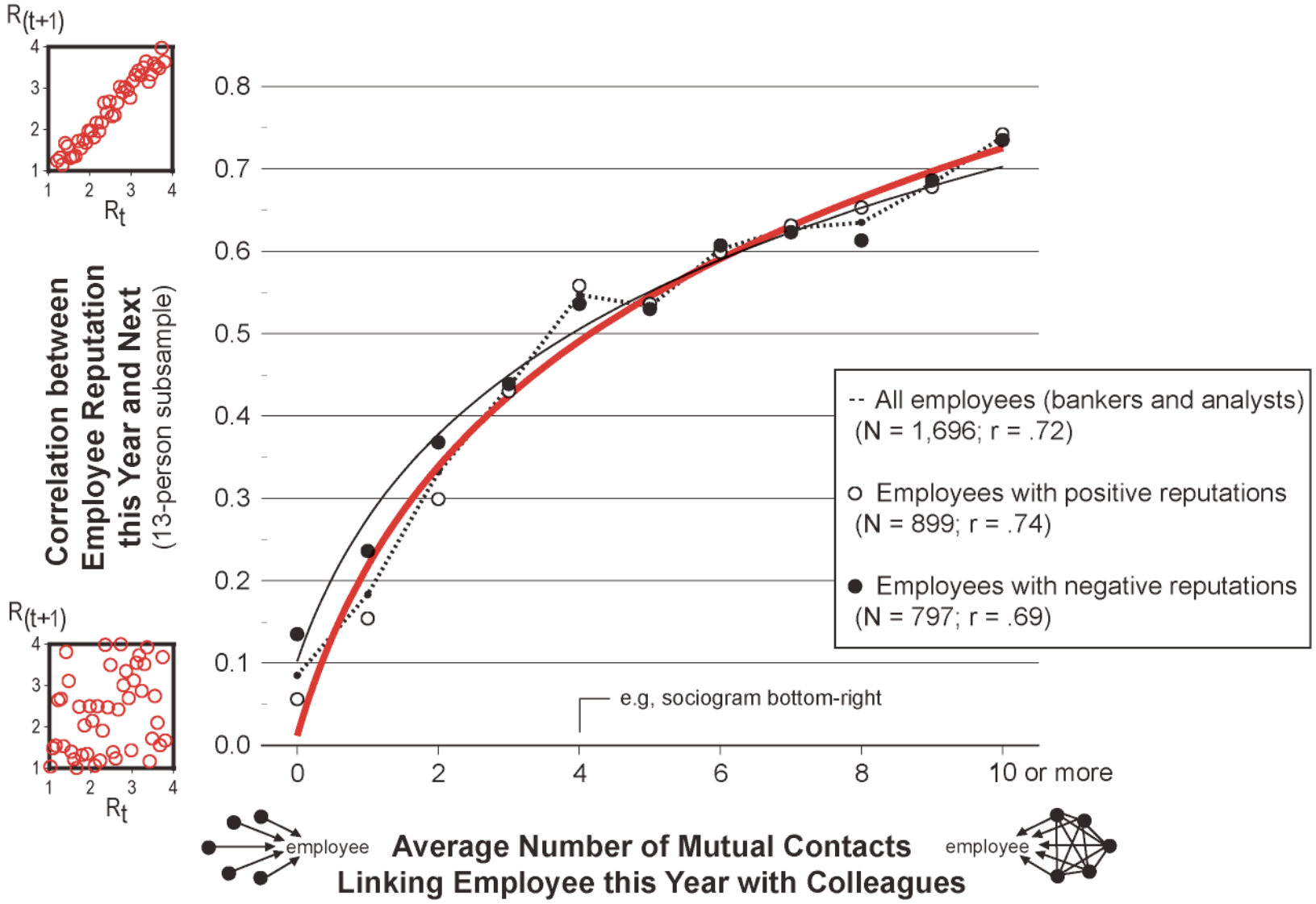

Figure 3
Positive Versus Negative Indirect Connections

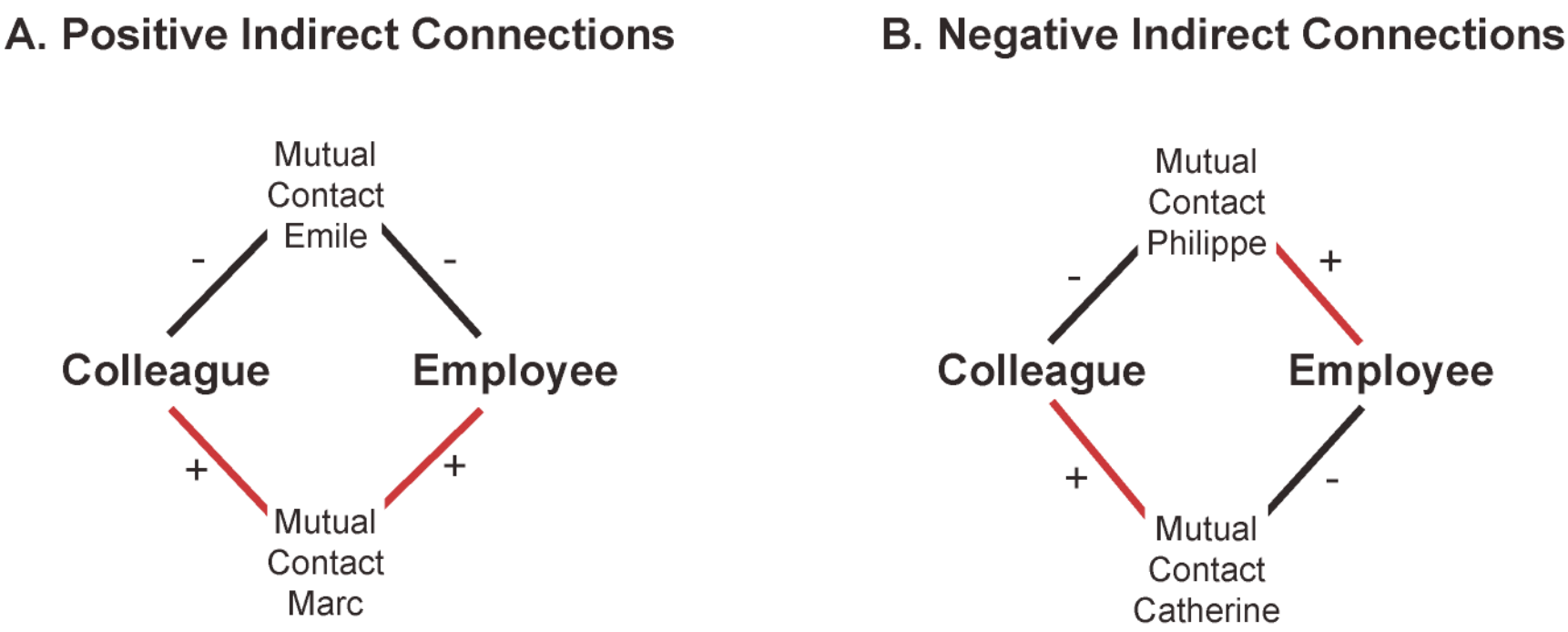

Table 1.
Network Closure and Reputation Stability

	Positive Reputations (N = 899)			Negative Reputations (N = 797)		
	1	2	3	4	5	6
R^2	.59	.50	.59	.45	.50	.51
Average Number of Mutual Contacts Linking Employee this Year with Colleagues						
Number of Positive	.77** (28.1)		.66** (11.7)	.67** (21.2)		.21** (3.6)
Number of Negative		.71** (23.7)	.12* (2.2)		.70** (23.3)	.52** (8.7)

NOTE — These are regression models predicting reputation stability from this year to next using network variables measured this year. Stability is measured for an employee by the sub-correlation between reputation in adjacent years (vertical axis in Figure 2). Average number of mutual contacts (horizontal axis in Figure 2) are here log scores to capture the nonlinear association illustrated in Figure 2. T-tests in parentheses are adjusted for autocorrelation between repeated observations (using "cluster" option in STATA), but they are only a heuristic since routine statistical inference is not applicable for sub-sample correlations as a criterion variable (footnote 1). * P < .05 ** P < .001