Leading Collaboration in Global Organizations: How to Build a House without a Hammer

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Almost 100 executives attended a recent Discovery Event to find out how global organizations can create successful collaboration patterns and networks. Professors Martha Maznevski and Charles Dhanaraj explained how to wield influence in a matrix organization without the benefit of formal authority. Guest speakers from two long-lived global companies, DuPont and Sika, provided real-world insights.

Discovery Events are exclusively available to members of IMD's Corporate Learning Network. To find out more, go to www.imd.org/cln

How do you build a house without a hammer? This question sums up the huge challenge that leaders face in matrix organizations – to create alignment in their teams without the benefit of formal authority.

On the face of it, matrixes are nothing new. Global companies have used grids for dual reporting structures for decades now to reflect the complexities of their businesses. And given the benefits of a matrix organization, companies will not be going back to conventional "org charts" any time soon – matrixes are a boon for cross-functional and cross-business unit coordination. They also allow companies that operate in far-flung geographies to be more flexible.

The problem is that, over time, the matrixes have bred and multiplied. Some companies even operate with six different matrixes simultaneously. With so many dotted lines going in every direction, the authority of line managers is further and further diluted. As a result, managers no longer have a "hammer" – they do not control the incentives and penalties that bosses in more traditional hierarchies can wield to impose their decisions. And for many managers, leading collaboration without the power of the hammer is disconcerting. They quickly realize that if their "direct report" has three, four or five different bosses, they cannot dictate strategy and shape behavior in the same way as if their staff member reports only to them.

On the bright side, making do *without* the hammer allows leaders to question their assumptions about authority. As psychologist Abraham Maslow said, "I suppose it is tempting, if the only tool you have is a hammer, to treat everything as if it were a nail." By focusing narrowly on authority and incentive systems, we miss a wider array of tools that can shape collaboration.

In essence, moving beyond the hammer approach opens up *other* opportunities to create collaboration. The hammer, after all, is a blunt instrument. It is too blunt to influence the subtleties of behavior required in a company that spans different markets, cultures and business units. For firms that need to be both globally competitive and relevant to local customers across continents, good internal collaboration requires commitment and engagement, not just compliance. It is for this reason that many multinational companies have moved beyond blunt systems of authority to operate collaboratively on a global level, as the Swiss company Sika has done (*see box*).

As Professor Dhanaraj pointed out, global companies must grapple with the conflicting agendas and interests of their employees. For example, those working at corporate headquarters have one (high-level) vision of what is best for the company, whereas country managers are more focused on providing excellent service to their customers and improving their profit and loss account. The challenge is that people working in these various roles all have valid points of view and they all wish to create value for the company, but in different ways and on different scales. In this respect, the situation resembles the Indian fable of the blind men who must appraise an elephant: One describes the elephant as resembling a tree trunk, another a rope, and so on, because each is in contact with a different part of the animal. In short, all these perspectives are correct, yet they are partial views; only by sharing information, discussing and collaborating can a full picture emerge.

Idealized collaboration versus reality

The test of collaboration is: Are you putting yourself on the line?

Since the 1980s, when matrix organizations had their moment in the limelight, companies have experimented with different configurations and become much clearer about how to organize their matrix structures and establish clearer lines of reporting. But the results are still far from ideal. First, because many important affiliations and alliances are unspoken. As one participant said, “You can figure out direct lines and dotted lines, but what about the hidden lines?” Second, because many firms still fall short of fostering good communication between employees and their various bosses. Although firms would ideally like to see strong communication between *all* the people involved in a reporting-relationship nexus, the reality is that employees are often the only path of communication between their bosses. This limited interaction becomes problematic over time because communication is an essential building block of collaboration. Collaboration requires trust, and trust must be built over time – over multiple interactions. As Professor Maznevski explained, collaboration is a commitment between people *to rely on each other* to get something done. And this element of mutual *reliance*, as we see below, is a salient feature of successful matrix organizations.

What do we really want from collaboration?

Given the choice, most executives prefer to maximize their autonomy, taking decisions in a way that makes sense for their own branch of the firm and ignoring the rest. However, for conglomerates and other international companies, this level of autonomy is simply no longer possible.

Competing Agendas for an African Sales Strategy at Sika

This IMD event coincided with the official opening in June 2016 of the Gotthard Tunnel, the longest and deepest rail tunnel in the world. Sika, the Swiss specialty chemicals company, provided key elements for the 57-kilometer-long Alpine tunnel such as waterproofing, fire protection, concrete and shotcrete. Sika also played a strong role in the construction of the first Gotthard Tunnel back in 1916. In the century since Sika was founded, the company thrived to become a global player, with operations in 93 countries.

But with strong growth – especially in developing countries – came the challenge of serving the competing interests of a broad and decentralized corporate network, as well as a fragmented customer base. To meet this challenge, executives at Sika needed to go beyond the firm’s matrix organization and find new ways of collaborating. The company’s new pan-African sales strategy was a case in point: The tough internal negotiations to develop consistent tendering and pricing across the continent showed how difficult it can be to reconcile the agendas of local, regional and global managers.

The issue was that each of these three Sika managers had a sensible – but different – solution to the problem. For example, the country manager wished to maintain his freedom to set prices for local customers and to protect the high profit margins he enjoyed on a specialized product – margins he had built over years by proving the product’s unique worth in the country’s construction industry. He believed a drastic change in the company’s product pricing would erode his credibility with clients.

The global manager, however, wanted to slash the price of this specialty product and adjust overall pricing in order to be competitive in international markets. The regional manager for Africa was caught in the middle, seeing the need for local credibility and profitability, on the one hand, and global coherence, on the other. All three managers had the company’s best interests at heart, but wished to impose the logic of their own role or stratum within the organization. Only over the course of many exchanges and negotiations were they able to work out a common solution – proof that “leading in the matrix” requires much higher degrees of communication, flexibility and commitment.

The future of global organizations lies in sharing resources and coordinating both strategy and execution. This is the only way to capture synergies and attain efficiencies of scale. So in theory, executives understand that they must rely on each other to collaborate. But in practice, executives quickly realize that interdependence across organizational boundaries is hard to achieve.

A collaborative culture requires the right behaviors. In teams, it must be built through higher interaction intensity as well as personal risk investment (*see **Figure 1***). As one participant emphasized, "Time is key. It takes years to achieve this level of collaboration." Furthermore, the investment required goes beyond time. The litmus test for collaboration is whether executives are willing to risk something that is important to them – for example their reputation or their track record – in order to achieve success in an inter-team project. The test of collaboration is: *Are you putting yourself on the line?*

Given the high level of investment required to make collaboration gel, what makes it worthwhile? The answer is that each specific type of collaboration drives important business results:

- When people collaborate in order to **exchange knowledge**, the result is an increase in average unit performance. In other words, better information flows boost performance.
- When people collaborate to achieve **mutual adjustment**, it increases alignment – internal alignment for higher efficiency, on the one hand, and consistent interfaces externally, on the other hand.
- Collaboration on **joint initiatives** drives value-creating innovation for proactive market leadership.

For managers who wish to foster collaboration, the next question is: Where do I start? Should I start with a joint initiative in order to boost innovation? Should I focus first on achieving alignment or on better knowledge sharing? Experience shows that starting with joint initiatives can be problematic because they require a high level of commitment from the outset. In fact, one participant commented that innovation initiatives were so delicate to develop (in terms of collaboration) that "My organization hides our innovation teams!"

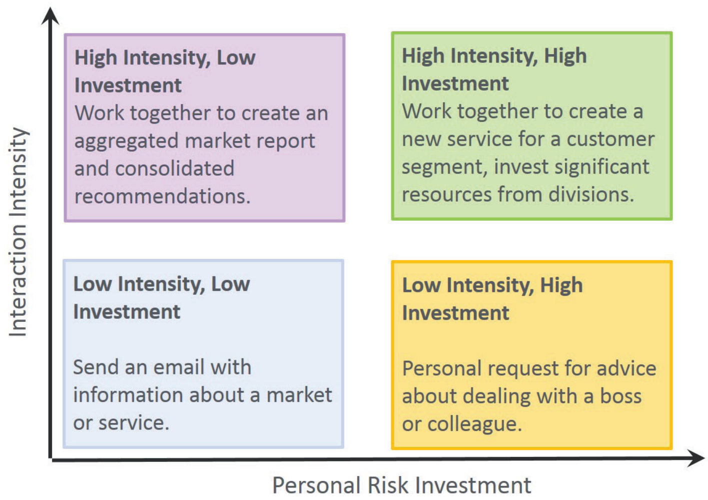
A more common sequence that leaders follow in order to introduce good collaboration practices is to start with knowledge exchange, build to mutual adjustment/alignment, and finish with joint initiatives. Long-lived global companies such as DuPont have learned to promote all three types of collaboration practices using specific tools and approaches (*see box*). They have also learned the importance of subtly shifting the company culture in order to enhance collaboration. For example the language and terminology that people use shapes their mindset. Therefore talking about "partners" rather than suppliers or customers can change the internal frame of reference. Or in DuPont's case, approaching a newly acquired company as an internal customer and asking them "What do you need?" and "What can we offer you?" works better than using the hammer approach and forcing them to sell the DuPont product suite.

Changing the frame – for example, talking about partners rather than suppliers or customers – can change the level of collaboration.

A diagnostic for collaboration

For companies and teams that wish to become more cohesive, concrete steps can be taken to establish a collaboration culture. In many cases, a good place to start is for teams to conduct a self-diagnosis to measure their current level of collaboration. This will help them chart

Figure 1: Collaboration behaviors: Interaction intensity and personal risk investment



Harmonizing Collaboration through M&A at DuPont

Founded in 1802, DuPont has had over two centuries to hone its corporate collaboration practices. It has grown from a single plant on the Brandywine River producing explosives to a company that spans the globe. One of the lessons DuPont has learned over its history of acquisitions is how best to integrate people and companies. Since DuPont has strong foundations and core values but *not* a unified culture (for example, its Crop Protection business has a specific subculture), the company's approach to integration is more about harmonization than assimilation. Another feature of collaboration at DuPont is its focus on using stakeholder maps, or "RACIs," for special projects, to outline who is **R**esponsible, **A**ccountable, **C**onsulted and **I**nformed. Today, DuPont stands on the verge of a $130 billion merger with the Dow Chemical Company, and a new chapter in collaboration will begin.

Time is key. It takes years to achieve this level of collaboration.

the journey from a loosely associated group of people to a cohesive and high-performing team. The diagnostic tool gauges four main elements that make up a collaborative culture: **T**rust, **A**mbition, **C**ohesion and shared **K**nowledge, or TACK (*see **Figure 2***). TACK focuses on the collaboration behaviors that are essential to strong teams. It includes measures of both *"head trust"* (an intellectual grasp of the team members' mutual reliance to complete the project) and *"heart trust"* ("You have my back and will protect me"). The basic principle underpinning collaborative behaviors is that they build on each other gradually and then the momentum leads to a virtuous circle. Leaders can build TACK by encouraging and facilitating small steps in each of the four areas.

Which element of TACK should leaders start with to foster collaboration in their teams? Professor Maznevski outlined several different approaches. The first is for leaders to work with what they've got, whichever is the strongest of the four elements. The second approach is less intuitive – focusing on the weakest element first in order to shore up the team's confidence. The third approach is for leaders to follow their own personal preference – for example, some managers excel at sharing their knowledge and expertise, so they will use that talent to nurture a collaborative spirit.

Figure 2: Creating a collaboration culture with TACK

Trust
- Do we believe the other(s) will fulfill their commitments to the team and the organization?
- Do we believe the other(s) will act in the best interests of the team and the organization, even in the absence of clear guidance?

Ambition
- Do we hold high ambitions for our goals?
- Are we committed, individually and as a team, to raising the bar and achieving new things for our stakeholders?

Cohesion
- Do we help each other out, do we appreciate working together?
- Do we really go out of our way for each other, do we truly believe "my success is your success"?

Shared Knowledge
- Do we share a common idea about what we are doing and why it's important?
- Do we share deeper understanding of each other's contexts and the implications for our collective task?

Time is of the essence

It is useful to keep in mind that the results of good collaboration come over time – they are not immediately visible. In fact, the leaders of teams that do TACK very well may be discouraged to find parallels with the world of corporate IT – when it's working, no one notices it! This should not stop organizations from fostering collaboration, however, since its benefits in terms of innovation, knowledge sharing and alignment are substantial.

Companies that excel at collaboration and have learned to use their matrix structures to best advantage have learned that *is* possible to build a house without a hammer by fostering the commitment to rely on each other. Although hammers still have their uses in more traditional line organizations to drive compliance, they are not suited to leading collaboration across global organizations. The latter goal is best served by a more subtle instrument, like a Swiss Army knife, which requires patience to pull out and use but, at the same time, provides great versatility – the versatility needed to influence collaboration indirectly by reinforcing practices and shaping company culture.