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So You Want Your People to Collaborate?
Sure, But What's the Cost?

We have used a group exercise in one of our leadership programs that attempts to reinforce the idea that collaboration across teams is everywhere desirable. This principle is implied even, and particularly in this exercise, when teams are separate across national or regional boundaries.

Sound good? Yes, of course, because we believe, or assume, that synergies will develop among our teams, that they will find ways to help each other out, and that our companies will benefit overall. Unfortunately, when we debrief this exercise, the concept of all-around benefits falls a bit flat. This is particularly true among our Latin American participants, whose experience in their international organizations tells them that it's not certain, or even probable, that everyone wins in this game. For example, one of our biggest clients operates across Latin America, and their managers know that their subsidiaries in different countries are not equally rewarded under some of the production or marketing decisions taken globally. In another company, with operations in Brazil and Mexico, Mexican managers are sometimes frustrated by measures that transfer their surpluses to Brazilian accounts, for purposes that may suit the corporation but not the measurement of results in Mexico.

A new article in the *Harvard Business Review* provides some insight on this question.[1] Morten Hansen writes that conflicts may occur between/among units that are expected to collaborate, for example:

- Many business cross-teams find that they have differences in the way they view the benefits of sharing resources, such as people, technology, and access to customers. Likewise, agreeing on goals, budgets, and schedules costs time and effort to overcome, and may not be perceived to lead to benefits on all sides. An example of this problem, cited by Hansen, was an initiative by a Norwegian risk-management company which tried to increase sales through cross-selling to client food companies – this project was undermined by the two units' unwillingness to share customer relationships and contacts.

- Another frequent problem is the joint service of clients, counter-poised against existing financial bonuses from one's own customers. In the same example above, members of the cross-unit initiative were still charged with meeting individual sales and profit targets, while also with cross-selling the other group's services.

My own experience with clients mirrors the above examples. In a financial services company where I was coaching the executives of the Latin American division, a change in focus from country to product management required the collaboration of leaders across the region. However, the culture of individual competition between/among countries was very strong. The division president altered the compensation package to include a percentage of the bonus as determined by division results. However, he balked at increasing this percentage to a significant proportion, e.g. over 25%, of the bonuses!

These kinds of conflicts imply collaboration costs, according to Hansen, such as delays in completing a project or in delivering products/services; lost sales due to a resistance to sharing customer information; and possibly even damaged customer relationships, resulting from the reception of different or even conflicting messages from different parts of the company.

So, argues Hansen, the costs involved in attempting to collaborate must be balanced against the benefits in doing so. If you don't foresee a collaboration premium, or if a collaboration penalty is likely, don't approve the project. This estimate is not an easy one and should also involve the opportunity costs of devoting resources to a collaborative project. In any case, we should not underestimate collaboration costs:

Hansen writes: " Issues relating to turf, such as the sharing of resources and customers, often make groups resistant to collaboration. Individuals may resent taking on extra work if they don't get additional recognition or financial incentives."

However, it seems to me that, in competitive business cultures, and especially when the competition takes place across national or regional lines, two things will happen; first, turf issues and concerns about WIIFM (What's In It For Me?) will involve hidden and unpredictable costs as resistance to collaboration plays itself out. Second, trust issues may undermine execution, where one unit implicitly believes it will be disadvantaged by another if the collaboration project goes forward.

These are the issues that kept coming up in our debrief of the collaborative exercise mentioned above. Even when groups were relatively open about sharing information and resources among themselves in the exercise, they were not at all sanguine about this process working in their organizations. A participant from one of our clients, a manufacturer of electronic controls, repeatedly challenged our assertions on the benefits of collaboration, based on his experience between facilities in Mexico and the U.S., where one facility's gains were the other's losses.

So, for us this question has seemed to boil down to the nature and expectations of the cultures of the companies involved. And, in general, expectations of positive-sum (win-win) games were much less likely than zero-sum (win-lose) ones. For the collaboration to go right, Hansen suggests a "…disciplined process…[of] assess[ing] the potential financial return of each opportunity [to collaborate]." Hansen finds, as an example of this disciplined process, the dogged determination of the same Norwegian company cited above to identify promising opportunities for cross-selling. This led the company to appoint as executives leading the opportunities, people who were well trusted in the both units – as well as revenue-splitting systems which fairly incentivated both parties.

Bottom line, what Hansen is suggesting, and what I believe is the only process that will work across a company, is to produce "…through incentives and shifts in corporate culture…", a reduction in the costs of collaboration and an increase in the percentage of projects where collaboration is practiced.

In the case of my financial services client above, I suggested that 100% of bonuses be derived from the collective success of the total organization. Although this might seem drastic at first, and was too radical for the CEO to accept, I argued that over time smart executives would begin to do their calculations of WIIFM around how much they contributed to the overall profit stream of the division, not just their country.

Another short anecdote rounds out the argument in the last paragraph: As I was working with this LatAm group, one of the executives stated that everyone's goal and duty was to "lay their bricks correctly", and that everyone did that, all would prosper. (This works better in Spanish: *Yo pongo bien mis ladrillos, y tu haces lo mismo con los tuyos….)* My response was, no, that's not enough. You have to help him lay his bricks and he has to help you with yours. In other words, you have the responsibility for not only your output, but to help others in their output. And you, and he or she, are accountable <u>to each other</u> as well as to the overall company for the combined product.

This may be a long way for a company culture to go, but if we want our people to really collaborate, we have to go there, starting at the top! It should be emphasized that if top managers are seen to be collaborating among themselves, and are accountable to each other for giving and receiving support, only then will we see the costs of collaboration begin to fall toward zero in the rest of the company.

[1] Morten T. Hansen, "When Internal Collaboration is Bad for Your Company," *Harvard Business Review*, April 2009.

