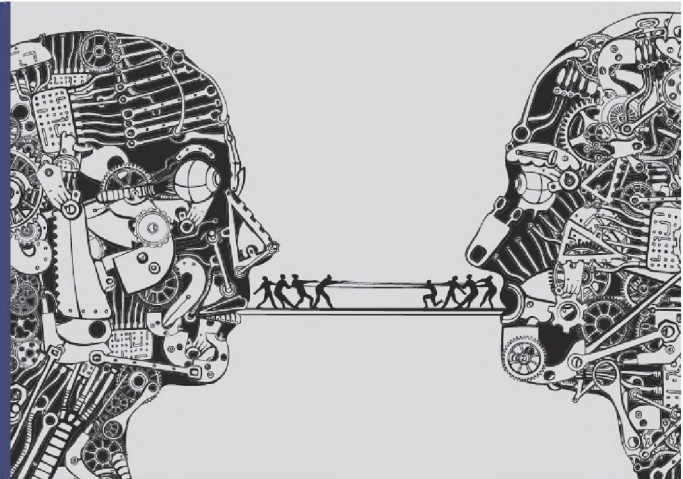


# PUBLIC SECTOR DIGEST

INTELLIGENCE FOR THE PUBLIC SECTOR.

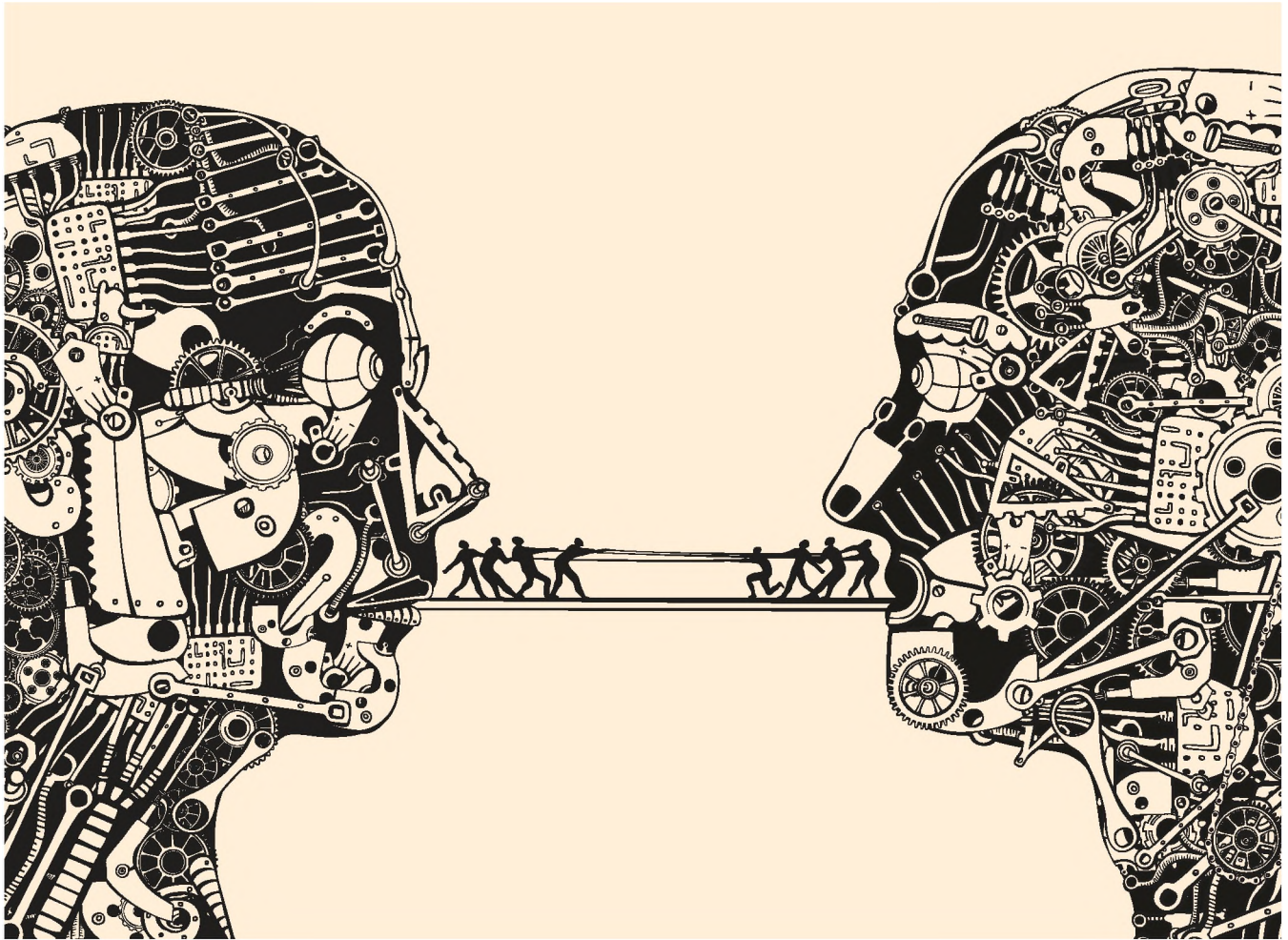
Heads, I Win. Tails, You Lose.  
OLIVIER SERRAT, ASIAN DEVELOPMENT BANK

*Corporate Strategy*



**Q4 2013**

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## CORPORATE STRATEGY

### **HEADS, I WIN. TAILS, YOU LOSE.**

OLIVIER SERRAT, ASIAN DEVELOPMENT BANK

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To develop and deliver desirable and viable products, services, processes, and policy, government organizations rely on teamwork. Yet, most forms of organization cannot help but engender conflict in such areas as strategy, organization, people, business processes, and rewards and recognition. Organizational conflict, fuelled daily by such perennials as corporate silos, must be accepted then actively managed. Yet, most individuals and organizations are disappointingly poor at resolving problems, preferring instead to avoid or satisfice—the strategy for decision making whereby alternatives are considered until an acceptable option is found, not necessarily the optimal one. Promoting effective cross-functional collaboration demands that an enabling environment be built for that very purpose.

## I. THIS IS WHY WE FIGHT

Ethnographic literature on war is scant but suggests that violent contention is an enduring cultural phenomenon; that is, institutionalized behavior framed by consensus. Those looking for some deeper level of rationality see that warfare promotes solidarity among social groups, consolidating relationships by polarizing differences: by means of contest, the subjugated are made to assimilate, or perish. Another perspective argues that war is a product of natural human belligerence as individuals and groups struggle to maximize benefits.

Paraphrasing John Rambo, if war is normal and peace an accident, one could at least expect collaboration within organizations. After all, is an organization not a structure through which individuals (are meant to) cooperate systematically to conduct business? Sorry to say, even there, the quasi-resolution of conflicts is the norm: situations of feud and vengeful tit-for-tat are an obdurate, daily truth. Across organizational forms, there is much talk of 'winning'. Surely, however, what it means to 'win' should be seen as culturally and socially situated. In a globalizing world, instead of prevailing over another party, one might more beneficially recognize and promote consciousness of a shared concern and common interests in facing it.

## II. SATISFICING FOR A LIVING

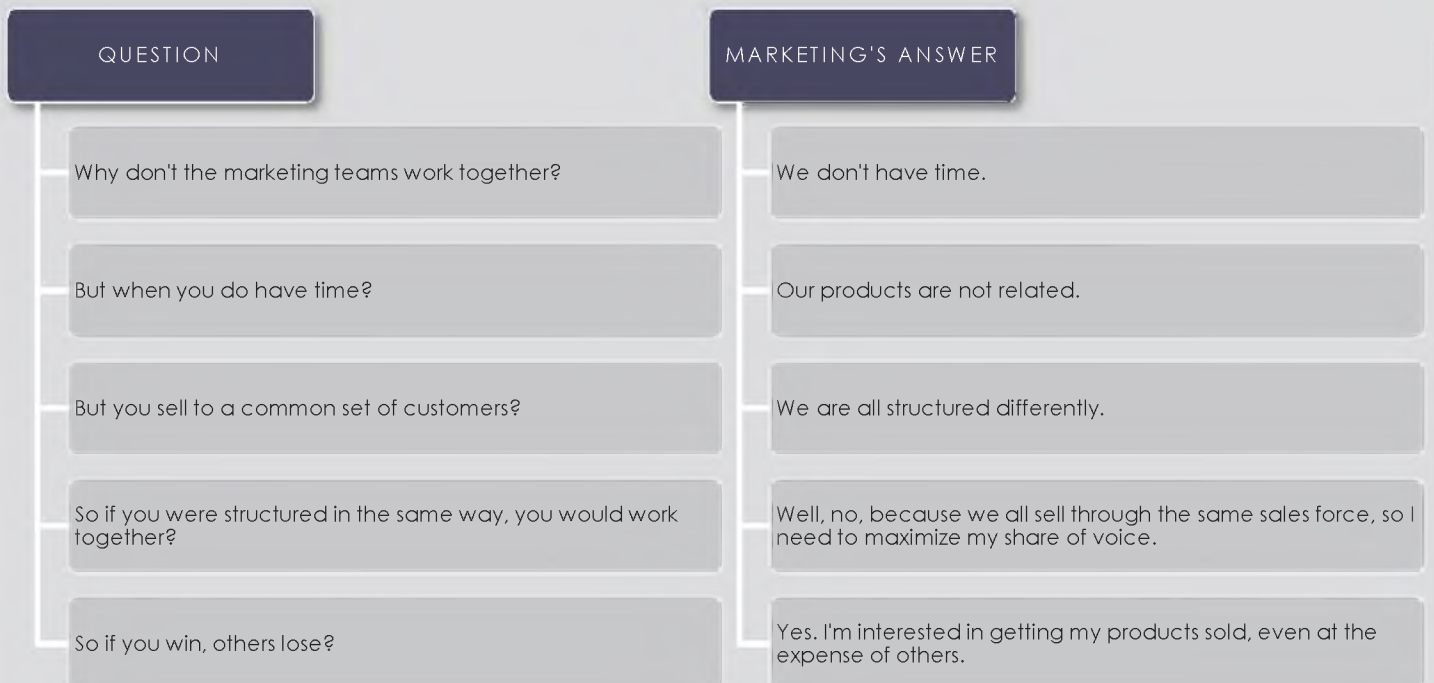
Ingenuous interpretations of organizations need sobering. To Michael Cohen, James March, and Johan Olsen, an organization is a collection of choices looking for problems to address, issues and feelings looking for situations in which they might be aired, solutions looking for issues to which they might be the answer, and decision makers looking for work. If so, and there really is little hope for experiential, triple-loop learning that might help us decide what is right, decision opportunities can generate only three possible outcomes, each driven by the energy it can muster within the confines of organizational structure: they are resolution, oversight, and flight. Ominously, resolution of problems as a style for making decisions is not the most common; in its place, decision making by flight or oversight is the feature. Citing Cohen et al., "Problems are worked upon in the context of some choice, but choices are made only when the shifting combinations of problems, solutions, and decision makers happen to make action possible. Quite commonly, this is after problems have left a given choice arena or before they have discovered it (decisions by flight or oversight)."

In run-of-the-mill organizations, the first expedient for quasi-resolution of conflicts is local rationality; since each unit only deals with a narrow range of problems, each can at least pretend

### A Case of Competition, Not Cooperation

A silo is a tall, self-contained cylindrical structure that is used to store commodities such as grain after a harvest. It is also a figure of speech for organizational entities—and their management teams—that lack the desire or motivation to coordinate (at worst, even communicate) with other entities in the same organization. Wide recognition of the metaphor intimates that structural barriers in sizable organizations often cause units to work against one another: silos, politics, and turf wars are often mentioned in the same breath.

An organization is a social arrangement to pursue a collective intent. Coordination, and the requisite communication it implies, is fundamental to organizational performance toward that intent. Yet, many organizations grapple with the challenge of connecting the sub-systems they have devised to enhance specific contributing functions. Here and there, organizational, spatial, and social boundaries impede—when they do not block—the flows of knowledge needed to make full use of capabilities. High costs are borne from duplication of effort, inconsistencies, and inefficiencies. Everywhere, large organizations must move from managing silos to managing systems.



Source: Boston Consulting Group. 2003. *A Survivor's Guide to Organization Redesign*.

to be intelligent in addressing them. Then again, lest we forget, local rationalities are mutually inconsistent and so will not build synergy: the metaphor of organizational silos begs no explanation. The second expedient is acceptable-level decision rules; where they are met, the level of consistency between one decision and another is low enough for the divergence to be tolerable. The third expedient is sequential attention to goals; this allows consideration to be given first to one goal and then to another. Obviously, surface, latent, or open conflicts run through all organizational choices even if satisfying exists to maintain them at levels that are not unacceptably detrimental. Concluding, contemporary views of conflict in organizations think it endemic, inevitable, and even legitimate.

### III. CONFLICT DEPENDS ON PARTICIPATION

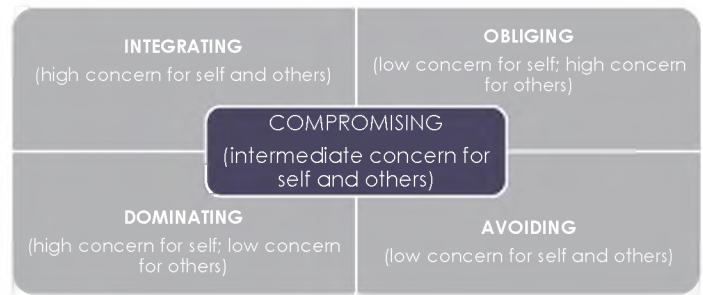
Heterogeneity in values and ideas is a reality that organizations have to deal with; it can—and usually does—breed conflict, whereby seemingly divergent or incompatible interests result in overt or covert attempts to block or thwart another party's attempts to satisfy these for preferred outcomes. Besides miscommunication, where corporate values are not shared, large bones of contention lie in the areas of strategy, organization, people, business processes, and rewards and recognition. The modes of conflict can be intrapersonal, interpersonal, intragroup, and intergroup.

One school of thought holds that effective management should conduce such a healthy environment that conflicts do not arise; a larger body of opinion believes that conflict must be, reluctantly, accepted as a fact of life, but that it should be avoided and suppressed rather than understood and cured; a third group of advocates, often encamped in the private sector, argues that not letting the lions in can actually be ruinous because conflict engages—it leads to deeper understanding, more comprehensive choice, and better contingency planning. For sure, if faced well, conflict can lead to positive change; unresolved, it can take on a life of its own and become the center of all thought and action—it might then hurt people, ruin reputations, inhibit relationships, and fragment organizations.

The strategies for managing interpersonal, intragroup, and intergroup conflict, each revealing different levels of concern for self and others have to do with (i) integrating—resolving problems to reach an effective solution acceptable to all disputants; (ii) obliging—satisfying the concerns of the other party to preserve a relationship and perhaps obtain something in exchange; (iii) dominating—achieving a win-lose resolution that is in the best interest of one group and at the expense of the other; (iv) avoiding—sidestepping situations; and (v) compromising—seeking a resolution that satisfies at least part of each party's demands.

Approaches to resolving problems by integrating urge protagonists to make mutual respect and good relationships the first priority, keep people and problems separate, listen very carefully (before talking) to the grievances presented, set out what verifiable specifics give reasons for the conflict, and explore options together.

To note, most diagnoses and treatments of organizational conflict ignore the issue of authority to settle, meaning, the obligation of parties to report to or obtain consent from supervisors who were not involved in discussions or may not be familiar with the dilemmas. This is a widespread difficulty in hierarchical organizations where attempts at resolution, oversight, or even flight can necessitate approval by several echelons. What is more, most aim to resolve or manage organizational conflict through technocratic approaches that pay little heed to learning—always necessary to enhance individual, group, and organizational effectiveness.



### IV. COMPLEXITY THINKING

Basic concepts of complexity science—the study of dynamic relationships in complex adaptive systems rather than the isolated properties of their agents—have entered everyday language. Foremost among them is the notion of emergence, which connotes unpredictability. Others include connectivity, interdependency, nonlinearity, sensitivity to initial conditions, feedback processes, bifurcation, phase space, chaos and edge of chaos, adaptive agents, self-organization, and co-evolution.

Approaches that reduce complexity make sense in low-context situations but do not in the sphere of multiple, interacting phenomena. The social context of conflicts is evolutionary, signifying that causes and effects are not always directly linked, proportionate, or predictable: complex adaptive systems such as conflicts are better understood through requisite variety—this means having at least as much complexity as the issue being discussed.

Applied to organizations, now perhaps best described as collectives of human activity, complexity thinking puts a damper on naive hopes of an ordered and controllable existence. Instead, it helps explain change through learning, adaptation, and evolution, often by means of competition and cooperation and usually in the interest of survival. It does so by acknowledging that people are intelligent, dynamic, self-organizing, and emergent beings who are capable of discerning thoughtfulness and innovative reactions to conflict.

Indeed, when cause-and-effect relationships between people, experiences, and contexts can only be perceived in retrospect, not in advance through deliberate strategy, the wiser approach is to probe, sense, and respond rather than be deceived by the empty promise of command and control. Reinterpreted as pattern fluctuation—not breakdown, noise, or error—conflict should more usefully be seen as the product of perpetual surprise, itself generated by ongoing nonlinear interactions. Mindfulness, improvisation, and reconfiguration—no small order, if trust is added—would help fructify that for organizational growth and renewal, not dysfunctionality.

### V. THE MATRIX REVOLUTION

For 100 years, (fully or semi-) autonomous organizational arrangements have been designed to manage complexity, keep products and services close to clients, and hold managers accountable. To this day, multiple command structures are found in most large organizations, even where traditional departmental structures—themselves tall chimneys—hold sway. This is testimony to the perceived effectiveness of such arrangements, even if few organizations track matrix structure performance and fewer still examine the human dimensions of operating and managing in the matrix. Still, silo power misaligns goals, dilutes roles and responsibilities, makes for ambiguous authority, leads to resource misallocation, breeds defensive personnel, and fosters a culture whereby the incentive is to maximize the performance of

*“And so, in general, silos do not exist because something was intentionally done: they come about because something was left undone, that is, the provision of compelling motives, means, and opportunities for personnel to come together. The idea, then, should be to replace competition with collaboration.”*

the silo, not that of the organization. Given frequent emphasis on silo-level metrics, monitoring, and management; the use of independent insights and toolsets across individual silos supporting a product or service; lack of shared understanding of service typologies; and the absence of coherent end-to-end views, silos cannot easily recognize corporate-level opportunities. Indeed, they may even stand in the way of leveraging success where it occurs.

Silo power is the main cause of intergroup conflict in organizations. In spite of that, the objective should not be to tear down silos by centralizing and standardizing—even though some of that may be part of the solution. In the name of performance improvements, the organizational designs that engender silos are usually the result of earnest attempts to identify the right business issues, pinpoint the right underlying obstacles, adopt the right design characteristics, and implement change the right way. And so, in general, silos do not exist because something was intentionally done: they come about because something was left undone, that is, the provision of compelling motives, means, and opportunities for personnel to come together.

The idea, then, should be to replace competition with collaboration. Successful matrix (but also traditional) organizations take care to communicate a clear, consistent corporate vision and to define expectations; work to expand individual perspectives to co-opt ambitions, energies, and skills into the broader organizational agenda; increase congruence with corporate values through training that reinforces desired attitudes and behaviors; evaluate personnel for work across functions; and help build relationships. More and more, communities and networks of prac-

tice are empowered to accomplish the latter end.

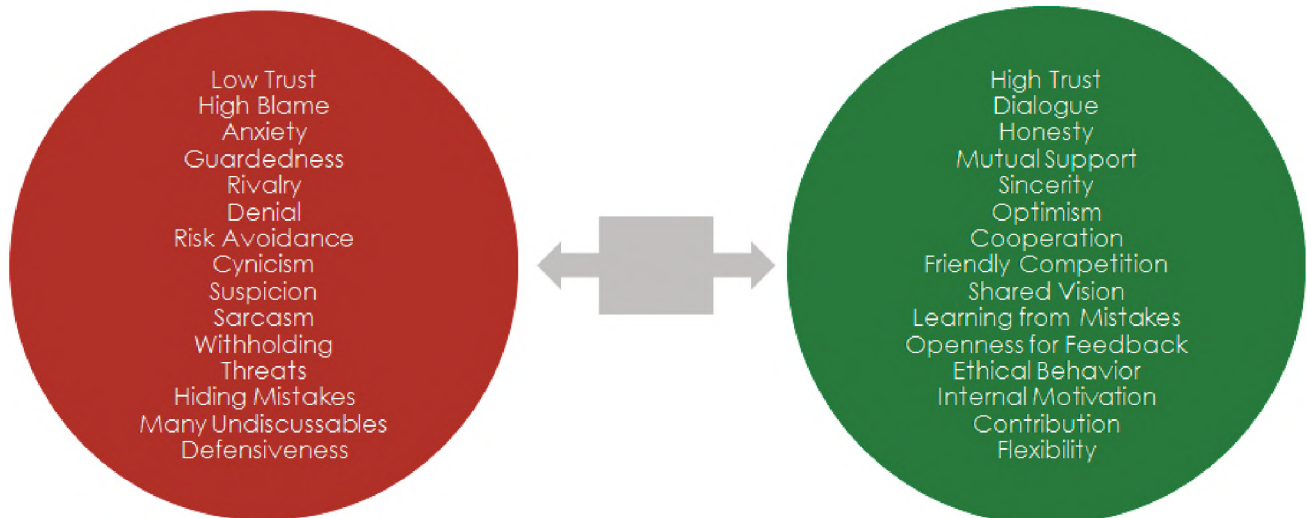
### VI. LIGHTS TO GO: FROM RED TO GREEN

Collaboration begins with individuals, although organizations can do much to foster it. It is born of an intentional attitude that James Tamm and Ronald Luyet have described as being in the Green Zone. Green Zone environments are marked by high trust, dialogue, excitement, honesty, friendship, laughter, mutual support, sincerity, optimism, cooperation, friendly competition, shared vision, flexibility, risk taking, a tendency to learn from mistakes, the ability to face difficult truths, the taking of broad perspectives, openness to feedback, a sense of contribution, the experience of work as pleasure, internal motivation, and ethical behavior.

#### On Red and Green Zones

The outer and inner selves of individuals in the Green Zone are congruent. They seek connection according to deeply held values and character, rather than tactical or strategic thinking. Therefore, they convey an authentic, non-defensive presence. Their actions in a relationship are not driven by fearful motives, nor are they determined by an unconscious competitive spirit. When conflict arises, they seek to understand and to grow because they desire mutual gains rather than victory. They can do so because they have tools, methods, and approaches to cope in less reactive ways.

The Green Zone is a catalyst for creativity and innovation and for



SKILL	ATTRIBUTE
Collaborative Intention	Individuals stay in the Green Zone, maintain an authentic, nondefensive presence, and make a personal commitment to mutual success in their relationships.
Truthfulness	Individuals commit to both telling the truth and listening to the truth. They also create a climate of openness that allows people in the relationship to feel safe enough to discuss concerns, solve problems, and deal directly with difficult issues.
Self-Accountability	Individuals take responsibility for the circumstances of their lives. The choices they make either through action or failing to act, and the intended or unforeseen consequences of their actions. They would rather find a solution than find someone to blame.
Self-Awareness and Awareness of Others	Individuals commit to knowing themselves deeply and are willing to explore difficult interpersonal issues. They seek to understand the concerns, intentions, and motivations of others, as well as the culture and context of their circumstances.
Problem-Solving and Negotiating	Individuals use problem-solving methods that promote a cooperative atmosphere. They avoid fostering subtle or unconscious competition.

high levels of problem solving. It allows individuals to focus their ambitions, energies, and skills. In an atmosphere that is free of intrigue, mistrust, and betrayal, they have greater opportunities to realize the potential of their circumstances. They dream, believe, dare, and do. Until individuals operate in the Green Zone, organizations will not be able to tap the excitement, aliveness, and productive power of collaborative relationships.

On the contrary, silos are Red Zone environments ruled by fear and defensiveness. A parallel can be drawn to the notion of the passive-aggressive organization that Booz Allen Hamilton diagnoses with inability to execute, ineffective decision making, information disconnect, and inconsistent or conflicting motivators. Developing five introspective skills can help staff and management cultivate mindsets and enhance organizational cultures to conduce and sustain high-performing, long-term, collaborative relationships. The skills are collaborative intention, truthfulness, self-accountability, and self-awareness and awareness of others.

#### No More Black and White: From Red Zone to Green Zone

It follows that bridging organizational silos calls for collaboration, coordination, capability, and connection. This is easier said than done: practically, how can one aim at silo-driven problems? Usefully, Patrick Lencioni has proposed a model for combating silos, against which actions to build collaboration, coordination, capability, and connection can be framed. It is, of course, reminiscent of the logic models used to design and monitor projects or programs; the breakthrough lies in the proposed application at the corporate level of a system to overcome the barriers that turn colleagues into competitors. The model comprises four components: establish a thematic goal; articulate defining objectives for the thematic goal; specify a set of ongoing standard operating objectives, and; select metrics.

- **Establish a Thematic Goal.** A thematic goal is a single, qualitative, and time-bound focus that is shared by the entire organi-

zation irrespective of area of interest, expertise, gender, or title. It is a rallying cry for personnel to work together for the common good. It is not a long-term vision or a measurable objective.

- **Articulate Defining Objectives for the Thematic Goal.** The defining objectives provide actionable context so that personnel knows what must be done to accomplish the thematic goal. They too must be qualitative, time-bound, and shared.
- **Specify a Set of Ongoing Standard Operating Objectives.** The thematic goal and defining objectives only exist for a specified period of time. Standard operating objectives never change, no matter what the short-term focus is. They may include client satisfaction, productivity, market share, quality, etc. Of course, they must be consistent with the thematic goal.
- **Select Metrics.** Metrics are selected after the thematic goal has been established, the defining objectives for the goal have been articulated, and the standard operating objectives have been specified. They are necessary to manage and monitor the accomplishment of the thematic goal and defining objectives. Color schemes can be used to represent progress, e.g., Green = Made progress, Yellow = Progress beginning to stall or regress, and Red = Progress stalled or regressed.

*The views expressed in this article are those of the author and do not necessarily reflect the views and policies of the Asian Development Bank, or its Board of Governors or the governments they represent.*



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