

Leading in the Collaborative Organization

How collaboration drives innovation and value creation in today's corporations

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INTRODUCTION

Collaboration is at the core of a fundamental shift in business from traditionally hierarchical companies to flexible, nimble, and often matrixed organizations. In fact, collaboration has emerged as a key driver at many of the most innovative and successful companies in the world.

A burgeoning number of people know collaboration for the powerful way that it transforms work cultures, affects bottom line priorities, enables innovation, and drives profits. And for companies focused on a high purpose and a triple bottom line, new research shows collaboration is a critical factor to sustainable success.

In order to demonstrate the power of collaboration and its implications for leaders, this white paper —

- *Explodes the myths of collaboration and verifies its transformational power;*
- *Examines three companies — IKEA, Patagonia, and Eileen Fisher — that combine collaboration and innovation to create value;*
- *Provides a proven framework for achieving collaboration excellence.*

THE POWER OF COLLABORATION

At the most fundamental level, collaboration comes from a Latin root that roughly means *to work with* — but there's more to it than that. People at truly collaborative organizations are empowered and engaged; they co-labor successfully, reach agreement, resolve differences, produce great products, and meet customer needs in ways that are the envy of their industry and their competitors.

What's more, the most valuable organizations in the world — namely, those companies making the biggest difference to society, providing positive impact on the environment, and delighting shareholders — are highly collaborative.

That's a core assertion in the new book, *The High-Purpose Company*, by Interaction Associates' strategic consulting partner, Christine Arena. *The High-Purpose Company* has been cited as one of the most in-depth studies ever on the topic of corporate value and responsibility. Arena challenges the common myths of the corporate social responsibility (CSR) movement and demonstrates a strong link between innovation, collaboration, and CSR success at mainstream companies.

COLLABORATION — BUSTING THE MYTHS

Collaboration, it turns out, has its share of detractors in some business circles. They hear “collaboration” and instantly think of “groupthink,” impossibly difficult consensus building, ineffective group process, or a total surrender of leadership. And while it’s a powerful concept for business, it’s also true that collaboration has been saddled with many wrong meanings from the sometimes weak, non-strategic, soft, and ineffective approaches found in many companies.

First, let’s unravel four common myths about collaboration:

1. Collaboration slows everything down.

Used skillfully, collaboration actually speeds innovation and time-to-market, and busts through “departmental” slowdowns. The key is to *go slow to go fast* – that is, to allow time up-front to understand interests and align stakeholders for speedy execution. This pre-work alleviates churn and surprises that occur when stakeholders block progress because they weren’t involved at the beginning.

2. Collaboration makes leaders soft or weak.

Collaboration does not mean abdicating power, but rather sharing power. It means leaders delegate and practice maximum appropriate involvement to make any given decision. The more stakeholders are going to be affected, the more buy-in and support the leader will earn by involving those who will be affected by the decision. And the collaborative leader is confident enough to know the best decisions are often made with the input of others with specialized expertise.

3. Collaboration cannot be taught.

The short and emphatic response is: Yes, it can. If people embrace the underlying assumption that collaboration is valuable and desirable, then the behaviors and methods for collaborating can be taught — and are being taught in companies and with huge success. Interaction Associates has been teaching and modeling discrete tools and techniques for collaboration for nearly forty years, in companies like PepsiCo, Comcast, CPS Energy, Steak N Shake, GE Capital, and many others. In *How to Make Collaboration Work*, by Interaction Associates’ co-founder David Straus, GE’s “work out” process is cited as a means whereby facilitative leaders model collaborative behavior to support teams and help them be successful.¹ These techniques also have been used by community groups seeking peace in Northern Ireland, and by the Dalai Lama in Dharmasala, India.

High Purpose Company: **IKEA**

In 1976, IKEA founder Ingvar Kamprad set out to change the rules of business by proving the worth of an egalitarian – some say socialistic – corporate culture. Armed with the notion that “everyone is equal” and the clear moral purpose of “creating a better everyday life for the many people,” Kamprad leveled the playing field. He referred to everyone in the company as “coworker” and regularly staged “anti-bureaucracy weeks” that put senior management on the sales floor and sales people in the boardroom. Above all, he demanded straightforward dialog and self-sufficiency, not just from coworkers but also from customers who would have to assemble furniture themselves. Today the majority of IKEA’s coworkers describe the workplace atmosphere as “liberating” while market research indicates that its 310 million customers stay in IKEA stores longer and spend more money than ever before.

4. Collaboration can't be sustained.

The research conducted as the basis for *The High-Purpose Company* illustrates otherwise. Firms like IKEA, Eileen Fisher, Starbucks and many more are showing that not only can a collaborative culture be sustained, it can grow even more collaborative over time, with excellent results. It turns out that collaborative, high-purpose companies have several features in common, including:

- i. *Strong and consistent growth*
- ii. *Responsive products, services, policies*
- iii. *An atmosphere promoting health and creativity*
- iv. *Effective tools enabling collaboration*
- v. *Unswerving stakeholder devotion (love)*
- vi. *Superior triple bottom line returns*

COLLABORATION AND LEADERSHIP

Collaborative leadership is at the center of an important shift in a business world increasingly moving away from autocratic leadership to more decentralized models. For many leaders, the shift from command-and-control raises a central dilemma: How do you get things done and drive an organization forward when you're forced to coax and convince your people?

A distinction lies at the heart of the answer: Collaboration is not about shifting from command-and-control to coax and cajole. Instead, collaboration is an essential tool for the new kind of business leader — the facilitative leader — one who engages relevant stakeholders in solving problems collaboratively and works to build a more collaborative culture in his or her organization or community. The facilitative leader makes conscious choices about how much collaboration is appropriate for each decision and delegates accordingly. The facilitative leader is able to get more out of the organization, while staying on track and driving the strategy forward. The facilitative leader is able to devise and articulate a vision of triple-bottom-line value that inspires and motivates internal and external company stakeholders alike.

High Purpose Company: **Eileen Fisher**

Unlike usual fashion brands, this \$179 million women's apparel company encourages its customers to buy less rather than more, value simplicity over trend and reach for organic over conventional fabrics. According to chief culture officer Susan Schor, Eileen Fisher's core reason for being, "to inspire simplicity, creativity and delight through connection and great design," lead to management's recent decision to completely disassemble individual work silos and structure jobs around people's passions, interests and strengths. "We think about growing and expanding roles rather than sticking to rigid hierarchies or giving lateral promotions," Schor explains. Now boasting one of the highest rates of employee loyalty and productivity in its industry, Eileen Fisher is run by a collective of fourteen people, who work together and make company decisions via team dialog and consensus.

Quotations taken from Susan Casey's "Eminence Green," *Fortune* magazine April 2007 issue, page 64.

¹ Straus, David. *How to Make Collaboration Work*. (San Francisco: Berrett-Koehler Publishers, 2004), 160.

LEADING – AND COLLABORATING – IN A HIGH PURPOSE COMPANY

As companies have moved from command-and-control to more agile, collaborative models, so too have they begun involving a variety of internal and external stakeholders in their overall strategies. Companies no longer cling to the view that “value” equals “shareholder value alone.” Instead, many forward-thinking companies are taking into account how they affect the environment, communities, and employees, as well as shareholders. And these super-successful corporations have integrated CSR as a key component of their business strategy. As they use collaboration to plan, gain alignment, and execute skillfully, they create value for all stakeholders.

The High-Purpose Company analyzes the corporate responsibility practices of 75 well-known corporations that spend millions annually promoting their commitment to society and the environment. The companies included in the research ranged from start-ups like Terra Pass, to corporate giants like Wal-Mart, McDonald’s and Starbucks.

Rather than judge these companies as “good” or “bad” citizens, *The High-Purpose Company* research team reached out to hundreds of stakeholders and spent thousands of hours evaluating the *quality* of each company’s CSR approach. The team defined CSR quality in tangible terms—namely, the economic, social and environmental value produced.

In structuring their inquiries, team members deliberately steered clear of obscure questions often debated by CSR advocates and critics, such as: *Is there a compelling business case for CSR? or Does CSR pay?* Instead, the focus was on concrete issues like: *Precisely when does CSR pay? and, Under what specific conditions does CSR work best—and worst?*

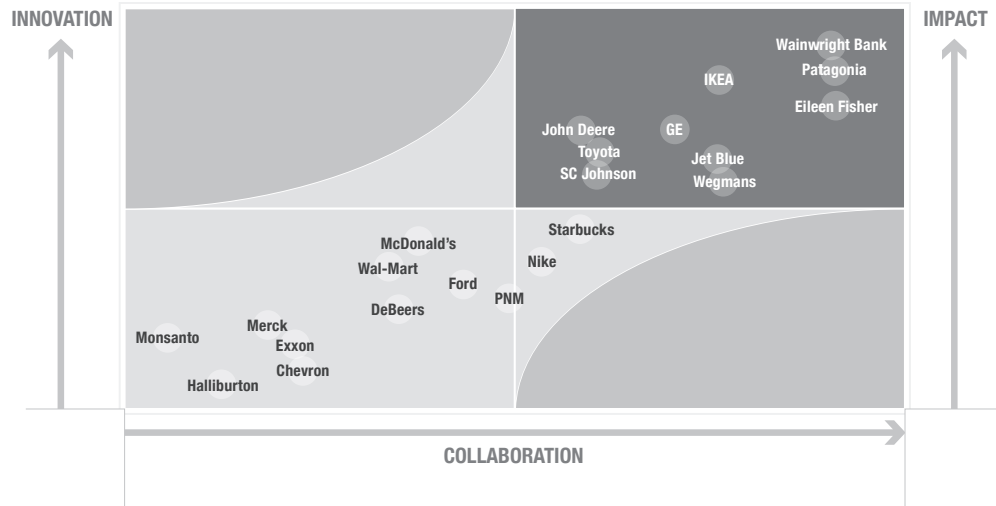
In addition to improving the integrity of the study’s output, asking the right kinds of questions from the start yielded novel findings that are of particular significance to any company invested in corporate responsibility. As mentioned above, one such finding reveals the positive correlation between collaboration, innovation and corporate responsibility effectiveness.

In high purpose companies, it’s not the purpose alone that creates results. It’s the collaborative culture that helps to fulfill the purpose that, in turn, drives results.

Think about it. Any company can have a big audacious goal. It can spend millions telling people about the goal in expensive marketing campaigns. But unless the goal effectively permeates and galvanizes the entire organization – unless individual silos break down and stakeholders unify around it – the goal isn’t likely to translate into reality. Instead, it’s apt to remain marginalized, living somewhere on the sidelines of the corporate agenda. Notice the groupings in *Figure 1*. The authentic high purpose companies (in the upper right quadrant) are unusually innovative. They produce the most favorable triple-bottom-line results, precisely because they approach corporate responsibility as a form of organizational change, not charity. From a research and development point of view,

that means concentrating on making better things in better ways. And from a strategic management point of view, that translates into cultivating the kind of internal ecology,

Figure 1.
Correlation
among innovation,
collaboration, and
triple-bottom-line
impact. Source:
*The High-Purpose
Company.*



tools, and mechanisms that allow such innovation to unfold in the first place. That means collaborating across boundaries and “departments” for breakthrough ideas.

ORGANIZATIONAL READINESS

It might seem trite to suggest that certain companies are simply better at change than others, but it’s true. In some firms, the optimal conditions and necessary collaborative skills exist, whereas in others, those skills need to be developed. But in both kinds of companies, change is possible.

Further exploration of the research findings reveals the connection behind the correlation. A deep and pervasive commitment to corporate responsibility is a strategic choice for companies. Successful implementation of that strategy requires game-shifting innovation in the way products and services are delivered and in the quality of the network of relationships inside and outside the company. These game-shifting innovations draw on the strengths of people throughout the network and require building collaborative capability to be effective.

COLLABORATIVE CAPABILITY CREATES EFFECTIVENESS

So how do companies build collaborative capability?

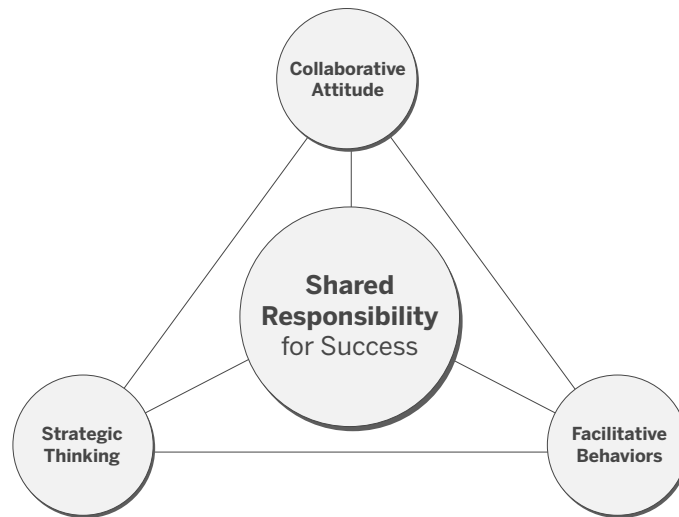


Figure 2.
The Interaction Method®

The key lies in aligning the organization's direction, commitment, and capability to create shared responsibility for the success of the organization.

Figure 2 depicts The Interaction Method®, a framework for successful collaboration developed by Interaction Associates and used in hundreds of successful companies worldwide.

The sense of direction comes from a clear understanding of the strategic moment faced by the organization. What is the gap between where the company is and where it aspires to be? What's required to bridge that gap? Who could be involved in bridging this gap? These questions test the strategic thinking capabilities of a collaborative organization. At IKEA, the strategic decision to involve customers in the assembly of their purchases represents both a sharing of responsibility for the end result and a cost savings in inventory and product construction.

After establishing a sense of direction, the organization focuses on practices that invite enrollment in the change and commitment to its success. In high purpose companies, this invitation extends beyond traditional organizational boundaries to include other business relationships and the broader community. This bias for inclusion and involvement is at the heart of the collaborative attitude shared by high purpose companies. At Patagonia, the network extends upstream to suppliers of its materials and downstream to retailers. Its evident commitment even extends to customer as a differentiator in their selection of high performance outerwear.

Direction says what we'll do. Commitment says why we'll do it. The last element is how we'll work. Collaborative organizations build their capability in working effectively together. This capability building involves gaining skills in facilitative behaviors. How do groups of people work effectively together and build agreements? At Eileen Fisher, the senior team is in continuous dialogue about the business. This group operates in a constant cycle of sharing information, clarifying understanding, reaching agreements,

and implementing decisions. Collectively, they share responsibility for organizational outcomes. This bias toward shared responsibility permeates the organization in all its work processes.

Ikea, Patagonia and Eileen Fisher (see separate sidebar summaries on each company) are each of different scale and stature, but their common threads are undeniable. For one thing, each firm was founded by a visionary leader who shunned the traditional capitalist mindset and effectively broke all of the rules. For another, each company stands for something greater than just making money: A compelling higher purpose that in turn gives rise to innovative new models and superior social, environmental and financial results.

But perhaps the most striking commonality lies just beneath the surface, between the original vision and desired outcome. IKEA, Patagonia and Eileen Fisher all used a blank sheet of paper – the creativity in their minds combined with the power of collaboration – to invent something totally original. They leaped into the void, believed their visions were possible, trusted their teammates, effectively engaged with stakeholders, and remained unafraid of the unknown.

But these companies are not anomalies, nor are their similarities mere coincidence. These companies achieve high-purpose status by creating communities of shared responsibility for triple-bottom-line outcomes. Success in economic, social, and environmental terms comes from aligning and leveraging the dimensions of direction, commitment, and capability to create vibrant organizations.

As more companies master these skills, the collaborative behaviors of high purpose companies will become the model for success. Certainly, mastering facilitative leadership is a requirement. Connecting stakeholders and practicing maximum appropriate involvement yields surprising and satisfying results. Don't let the myths of collaboration get in the way of mastering a more agile, rewarding way to work.

High Purpose Company: **Patagonia**

Dubbed “the coolest company on the planet” by Fortune magazine's 2007 Green issue, Patagonia's formula for success is nothing if not radical. “This company is an experiment,” says founder Yvon Chouinard, who refuses to take Patagonia public for fear of the dissolution of his dream and insists that his company exists not to increase shareholder wealth, but rather “to inspire and implement solutions to the environmental crisis.” While eco-friendly technological breakthroughs like recycled PVC fleece drive its \$270 million in annual sales, Patagonia reaches further still by joining forces with the likes of Wal-Mart, actively listening to customers, employees and the planet for signals on where to go next, and reminding itself of the fact that “there's no “I” in green.”

Quotations taken from Susan Casey's “Eminence Green,” *Fortune* magazine April 2007 issue, page 64.

ABOUT THE AUTHORS

Linda Dunkel is President and Chief Executive Officer of Interaction Associates, Inc. and a past Chair of the company's Board of Directors. She also serves as a senior consultant for the firm, with 25 years' experience designing and developing change and learning strategies for organizations and improving people's effectiveness inside corporations. Linda has served in senior level positions in two start-up companies and was vice-president of a Fortune 100 company.

Linda is among 18 winners of the 2006 Best Bosses Award — a national honor that recognizes the most innovative and inspirational leaders of midsized and small businesses across America sponsored by the nonprofit organization, Winning Workplaces, a nationally known clearinghouse for best practices in workplace excellence and innovative people practices.

As a skilled senior consultant at Interaction Associates, Linda works with clients in designing strategies and programs that foster results-oriented gains in performance. She facilitates Board retreats and strategy sessions, senior level teams, coaches executives, and speaks throughout the country on collaboration in action as a winning strategy. She consults with clients in strategy development, collaborative systems design, teams, and change management. Some past clients have included Allstate, American Airlines, Centex Homes, PepsiCo, Shell Oil, General Electric, and Harvard Business School Publishing.

Linda is a regular presenter at The Conference Board's Leadership Development Conference. She has served as a board member of The Information and Referral Center of Collin County, a United Way agency, and the University of Texas at Dallas's Alumni Board. She is Chair of the Board of The Betty Williams Foundation, founded by Nobel Peace Laureate Betty Williams and focused on the cause of helping the world's refugee children. She has been an active volunteer for Habitat for Humanity and the Wadley Cancer Research Organization, as well as a reader for North Texas Taping for the Blind. She now devotes most of her volunteer time to the Interaction Institute for Social Change (IISC), Interaction Associates' affiliated nonprofit organization.

Christine Arena is the host of Focus Earth TV and the award-winning author of two books, "Cause for Success: 10 Companies that Put Profits Second and Came in First" (New World Library, November 2004), and "The High-Purpose Company: The Truly Responsible (and Highly Profitable) Firms that are Changing Business Now" (Collins, January 2007).

Christine serves as a strategic partner to change management consulting firm Interaction Associates, and sits on the advisory boards of green business ventures IdealBite.com and Re:Vision.

Through her work, Christine's objective is to enable people to easily distinguish between true and false corporate social responsibility (CSR), or winning versus losing strategic approaches. She is a frequent speaker on the subject of CSR effectiveness to corporate and academic audiences worldwide.

A masters graduate of New York University, she lives in San Francisco with her husband. Read her manifesto at www.changethis.com.

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