

Co-operation without frontiers

The importance of innovation is universally acknowledged. But, actually delivering innovation requires what **Lynda Gratton** calls *boundaryless co-operation*. She presents the findings of a five-year long study of what makes successful innovators tick.

Innovation is the hottest topic in today's corporate world. The logic is clear. After all the costs are taken out and the merger activities begin to subside – how else will value be created? Executives across the world realise that only through innovating products and services, practices and processes – will their companies continue to grow and flourish.

But what sort of innovation and how? It is the question of *how* that has been at the centre of my research agenda for the last five years. Through research supported by the Advanced Institute of Management Research (AIM) we have discovered that companies which are capable of innovating are excellent at what we label, *boundaryless co-operation*. Simply put, they are past masters at encouraging teams, groups, communities and networks capable of crossing functional, business and organisational boundaries.

The reason why boundaryless co-operation is so crucial to innovation can be attributed to one simple fact. There may have been a time when high-performing individuals, or even high-performing teams, could make a real and lasting difference on their own. But, in today's hyper competitive world almost all innovation is not about individuals, but about relationships and, particularly, those relationships that cross boundaries. This positive impact of boundaryless co-operation is at the heart of successful mergers and acquisitions, and the basis of the pooling of

ideas and resources that results in innovative products and services. Increasingly innovation is the result of what people do and communicate across boundaries, whether between teams, functions, businesses, or indeed between the company and its customers and partners.

Morphology

Yet, paradoxically, boundaryless co-operation has never been more difficult. Team memberships morph and reconfigure as talent rapidly moves around the company; functions are renamed, realigned and reconstituted; and business units change their name and their shape with alarming regularity. Executives always had to manage across boundaries, but now the borderlines are porous rather than impervious, and fluid and dynamic rather than static. We have discovered that those executives who have actively built boundaryless co-operation do so in their own unique ways.

Beyond this in each of the high performing companies we studied we found executives adept at supporting high quality relationships and conversations across the company. They did this in part by championing the organisational practices and processes that actively support networks of co-operative relationships between different groups of people both within and outside the company. We found that where boundaryless co-operation flourished executives had often made a →

→ significant commitment to executive training programmes or team building practices that built relationships that criss-crossed the company. However, beyond these general leading-practice processes, there were also unique aspects they supported – what we term *signature processes*, unique ways by which senior executives supported boundaryless co-operation.

At Nokia, for example, these complex networks of boundaryless co-operative relationships are crucial to the regular updating of the Nokia product and service portfolio. In the Nokia structural architecture there are strong relationships between groups of software developers. They socialise frequently, know each other well, and are able to develop and share a high degree of complex tacit knowledge. Senior executives at Nokia are at great pains to keep the

together roughly by market, whose business heads were tasked to develop not only their own capability and performance, but also those of the other business units within the group. Peer assist had been developed to encourage groups of managers from similar businesses to drive learning and share knowledge across the company. Subsequently, peer challenge broadened the approach to embrace the traditional vertical performance-management and resource-allocation processes.

Cobwebs of relationships across invisible organisational boundaries play a crucial role in creating the boundaryless co-operating crucial to innovation. These relationships are the conduits and avenues through which ideas and knowledge, insights and theories flow. The speed and extent of new product development at Nokia, for example,

Executives always had to manage across boundaries, but now the borderlines are porous rather than impervious.

teams intact even through the company's frequent reorganisations. However, beyond these stable teams, the executive team have developed a unique structural architecture that is constantly reconfigured to align the competencies of the company with the changes in the environment.

These structural reconfigurations are typically carried out at speed. For example, in 2003, Nokia Mobiles was restructured from two business units to nine, with two horizontal processes, in a matter of months. This near-instant reorganisation was possible because it involved moving modular teams of people with shared competencies bodily from one part of the business to another. Teams could be as small as six people, or as large as hundreds, and the reconfigurations typically took place around nodal points at which the technologies become entangled.

Peer view mirrors

At BP we saw how boundaryless co-operation had been supported through a signature process called *peer assist* and *peer challenge*. In the previous decade, BP had broken itself up into 150 autonomous business units. The resulting focus on performance had enabled business units to identify and unleash their entrepreneurial talent. Alternatively, on the path to integration the challenge for BP's CEO, Lord John Browne was "how could you get independent atomistic units to work together to share information, to learn and to retain learning". The answer in part came from a highly innovative organisational structure termed *peer groups*. These consisted of clusters of up to 13 business units from across the globe, grouped

depends on the extent to which people with different mindsets and knowledge are able to meet together to share ideas and insights.

Cobweb conversations

While these cobwebs of relationship are crucial to innovation, more is needed. And this more is the purposeful conversations that take place within these relationships. In fact, it is the combination of relationships across boundaries and high quality purposeful conversation that are at the heart of boundaryless co-operation.

Where we found innovation, we also found people participating in rich, reflective conversations that were characterised by both analytical rationality and emotional authenticity. At the advertising agency OgilvyOne, we heard how managers believed that the deep conversations between CEO Reimer Theddens and the executive team about the company's future were crucial to success. At BP, we discovered how business unit heads like Polly Flinn shared many thoughtful conversations with peers on how to meet their daily challenges. At the Royal Bank of Scotland, we saw how CEO Sir Fred Goodwin used his daily morning meetings with his executive team to create a flow of reflective conversation which is credited with creating much of the energy that went into the integration of the NatWest acquisition.

Rational arguments

Where innovation flourishes there are the purposeful conversations which are crucial to co-operative working across the boundaries of a company.

Sometimes these are ferociously rational and focused on disciplined debate. This was the kind of disciplined conversation we heard at BP. Deputy CEO Rodney Chase commented: "We are a deeply questioning team. We constantly inspect what we do in order to find out if in fact it is the exercise of laziness or prejudice." The focus on intellectual rigour is a reflection of John Browne's deeply held convictions. "Unless you can lay out rational arguments as the foundation of what you do, nothing much happens," is his constant refrain.

We found the same focus on disciplined debate at RBS. This is how CEO Sir Fred Goodwin described the morning meetings, the locus for many critical conversations: "My direct reports and I meet at 9.30 every day for about one hour ... the presumption is that anything that has happened the day before or something is happening in your diary for the coming day, you will share it with your colleagues. ... Generally you are not allowed to take papers to the morning meeting, so you have to know what you are talking about."

Executives in these high-performing companies believe that rationality and analytical rigour are crucial. But they also understand that boundaryless co-operation flourishes when there is empathy, mutual understanding and trust. Intimate exchanges are at the foundation of these deep, trusting relationships.

At OgilvyOne, for example, we heard two people carrying on a series of deepening exchanges over five weeks before deciding to merge their companies. Over this period Nigel Howlett, chairman of the London office, met Tim Carrigan to discuss the acquisition of Tim's company, NoHo Digital. Howlett and Carrigan met for at least a half-day a week to talk – about their families and children, their personal hopes for the future, their fears and apprehensions, the way they liked to work and their philosophy of leadership. Amazingly absent from

these conversation was any mention of commercial issues. Those were dealt with separately, through the more rational and disciplined conversations between the finance professionals of both companies. What Howlett and Carrigan had was deep, intimate conversation about themselves and their relationship.

Howlett reflected: "We invested a lot of time before we even signed the letter of intent." Only after the management teams were on board did the two of them proceed to the full-scale acquisition. As OgilvyOne creative director Rory Sutherland commented: "The most important role of the manager at OgilvyOne is to create friendships." As a consequence, once the acquisition of NoHo had been given the go-ahead, the integration of skills and competencies was rapid and successful, and *Adweek* described the company as "one of the premier models of how a traditional ad agency can operate successfully in the non-traditional world of cyberspace".

As innovation becomes *the* most crucial challenge facing executives, increasingly they will be called upon to build the strong relationships that criss-cross the company. This will require them to be able to both support the practices and processes of networks, and to role model and champion purposeful conversation. Co-operation without frontiers demands conversations without frontiers. ■

Resources

Ghoshal, S. and Gratton, L. (2003) "Integrating the Enterprise." *Sloan Management Review*, 44/1: 31-38.

Gratton, L., and Ghoshal, S. (2002) "Improving the Quality of Conversations." *Organizational Dynamics*, Winter 2002, 31/3: 209-223.

Gratton, L. and Ghoshal, S. "Beyond Best Practice" (2005) *Sloan Management Review*, Spring, Vol. 46, No.3, PP 49-57.

Lynda Gratton (lgratton@london.edu) is Professor of Management Practice at London Business School where she directs the school's executive programme, "Human Resource Strategy in Transforming Organisations". Between 1992 and 2002 Lynda led The Leading Edge Research Consortium, a major research initiative involving companies such as Hewlett Packard, Citibank, BT and GlaxoSmithKline. She is the author of *Living Strategy* and *The Democratic Enterprise*. She is a member of the board of The American Human Resource Planning Society, and sits on the advisory board of two American companies.

