MANAGING INTEGRATION THROUGH COOPERATION

Lynda Gratton

In profiles of Nokia, BP, OgilvyOne, and Royal Bank of Scotland, all high-performing companies, the author shows how the executive team in each company believed the capacity to work cooperatively across borders was one key to the success of its company. Cooperative working within teams and across internal and external boundaries of a company provides much of the value-creation opportunities within an organization. © 2005 Wiley Periodicals, Inc.

One of the most challenging issues an executive team will face over the next decade will be how to encourage cooperation within teams, and across the internal and external boundaries of the company, which provides much of the value-creation opportunities within an organization. This became clear as my colleagues and I researched a group of high-performing companies, four of which are profiled here: Nokia, BP, OgilvyOne, and Royal Bank of Scotland (RBS). Our research shows that in each company, the executive team believed the capacity to work cooperatively across borders was one key to the success of their company.

At Nokia, we heard CEO Jorma Ollila describe how the innovative capacity of the company increasingly springs from multi-functional teams working together to bring new insights into products and services. At BP, we heard CEO John Browne describe the "peer group" process, which he believes to be key to the performance of BP. He believes real knowledge sharing requires the business unit managers from all 120 companies of BP to actively share their knowledge, insights, and wisdom with each other. OgilvyOne CEO Reimer Theddens described how the company's global clients increasingly judge their suppliers and partners on their capacity to stitch together the parts of the company to create a seamless global service. At RBS, CEO Fred Goodwin explained that the full extent of the best-in-world cost base enjoyed by the bank only has been realized because their various busi-

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nesses and functions are all committed and able to operate from common shared platforms. Managing these horizontal boundaries—between functions, between businesses, and between geographies—is a key feature in the topography of companies, and their management is a key source of competitive advantage.[1]

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In managing across these horizontal boundaries, what role, if any, can the HR function play? In each of these four companies, the HR function played a crucial role in designing the practices, processes, and structures that created the levers for horizontal working. But to do so, these HR professionals had to learn a whole new vocabulary and a new way to view their company.

To understand this lens, we must look at recent research in organizational effectiveness. For some years now, academic researchers have been fascinated with understanding cooperative working within and across teams. We have used the term *social capital* to describe the extent of these positive, cooperative relationships. Through the lens of social capital, we are describing the company as a complex network of acquaintances and friendships, some of which bridge across groups.

The Vocabulary of Social Capital

To understand cooperative, cross-boundary working, let us take a closer look at the theory of social capital.[2] Cross-boundary working is essentially about the quality and extent of the relationships among people. The building blocks are the relationship ties that develop initially between two people. These begin as weak ties when people are merely acquaintances. Over time, some of these ties will remain weak or decay; others will strengthen and become strong ties as people have an opportunity to spend time with each other, are engaged in a shared task, and if they begin to like and trust each other. The network ties within groups are called *bonding ties;* those between groups are called *bridging ties.* Tie strength and tie formations are described in more detail in Figure 1. We have discovered that it is the extent and combination of strong and weak bridging ties that are essential to the cooperative, cross-boundary working.

We also have discovered that there is no one optimal structure of network ties for all companies. The optimal structure depends on the specific tasks of the group and the pace of change. However, there are several design parameters the savvy HR professional should consider:

- Strong bonding ties are appropriate in groups where the task is to share and develop complex and tacit knowledge. It is the depth and strength of these relationships between people within teams that enable them to share and discuss knowledge at a deep level. For example, at OgilvyOne, strong bonding ties were maintained within some of the design teams who had worked together for many years focusing on a client account.
- Strong bridging ties are essential where there is a need for complex information to be shared across groups. At BP, for example, the 12 business unit managers in each peer group meet frequently to exchange ideas and insights.
- Weak bridging ties enable what has been termed an *adaptive field* to emerge when there are many bridging ties across the boundaries of the company. We found this adaptive field at Nokia. Here, the network of ties both within and outside the company to partners and research establishments worldwide enabled the company to adapt quickly to the fast-changing environment in which Nokia operates.

The Levers and Tools That Can Impact the Creation of Network Ties

I am interested in the role, if any, the HR teams in these companies played in creating network ties. These ties cannot be forced. The HR teams were clear that bringing people together in task forces, for example, may not necessarily result in members of the task force actually liking one another and being

Tie Strength	**Strong Ties** Created when two people know each other well. There is trust between them, and they have some goodwill for each other. Occur when people have an opportunity to spend time with each other on a shared task.
	Weak Ties Formed when people are acquainted with each other but have spent little time with each other. These relationships are positive but not as affect-laden as strong ties. Some weak ties will be the result of historically strong ties that have now decayed. Others will remain weak ties over time, while a portion will form into strong ties as people spend more time with each other.
Tie Formation	**Bridging Ties** These are relationship ties between two people who are in different groups. Within the company, they could be from different functions, different businesses, or live in different countries. They also could be with people from outside the company.
	Bonding Ties These are relationship ties between people in the same group. These are ties within rather than across boundaries.

Figure 1. The Elements of Social Capital.

prepared to cooperate with each other in the future. They had learned that serendipity played an important role. So the role of the HR professional is one of creating the space and circumstances for serendipity to occur. There are four levers available for them to do this (illustrated in Figure 2):

- through the active management of proximity (who meets whom);
- through the provision of time (how much time people spend together);
- by crafting a motivation for people to work together through shared tasks (what the people are working on); and
- with a culture of trust and respect (how at ease people are with each other and what is their propensity to trust each other).

How then do the executive team and the HR group actually work these four levers? We found that two sets of tools appeared to be crucially important. The first was the organizational architecture of the company. This structural architecture of who reports to whom establishes the power and decision-making structure of the company and, therefore, impacts on the lever of motivation. The structural architecture also influences the formation of teams and task forces (hence, influencing the lever of proximity). Finally, the frequency of changes in the organizational architecture determines the speed at which the teams and boundaries are reconfigured (and, therefore, the lever of time).

The second set of HR tools is the *practices and processes* of the company that establish the day-to-day routines. These can create the task forces and project teams that establish proximity and build motivation through an exciting, shared goal. We saw this clearly at RBS, where the HR team is adept at building task forces around managing change. Practices and processes also can build the motivation to collaborate. For example, the remuneration system at BP encourages and rewards business unit managers to work cooperatively in bridging roles.

Building Network Ties at Nokia

Let me illustrate the model of tools and levers through an example from Nokia. We found five key tools that seemed to be crucial to supporting the serendipitous creation of strong and weak bonding and bridging ties. One was an aspect of the organizational architecture of Nokia (the modular structure), two were organizational practices, and two were HR processes. We considered the extent to which each of these five tools had an impact on tie strength and tie formation. Each was then placed on the tie strength/tie formation matrix shown in Figure 3. The shape of each circular form approximates the impact it has on network formation. In the case of the modular structure, the two elements (within modular team and reconfiguration) are shown separately.

The Modular Architecture

The structural architecture of Nokia makes a significant contribution to the creation of what we earlier called an adaptive field. This is a mix of both strong and weak bonding and bridging ties. To achieve this mix, the structural architecture of Nokia is essentially modular in form. As Mikko Kosonen, senior vice president of strategy and business information describes, "One distinctive characteristic of Nokia is the organizational architecture. It is avant garde. It fits with the turbulence and an opportunity-rich environment. Reconfigurable, modularity, re-usable capabilities."

Beneath this modularity lies a common global platform that delivers a single system for logistics, human resources, finances, and other transactions. Sitting on this common platform are the modules that combine business groups and core horizontal processes. Following the 2004 reorganization of Nokia, for example, the company had four customer-oriented business areas (mobile phones, multimedia, networks, and enterprise solutions) and three horizontal entities

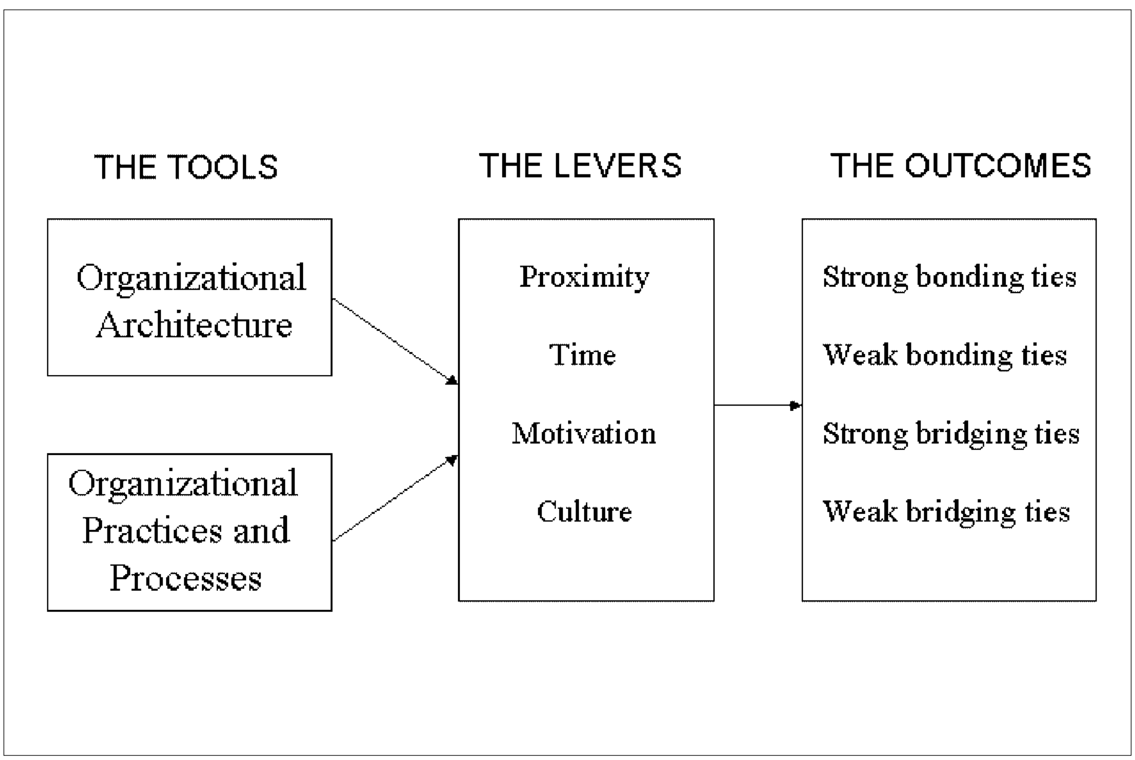

Figure 2. The Model for Considering Ties.

(customer and operations; technology platforms; and research, venturing, and business infrastructure). This structure consisted of a large number of modular teams of people who remain within their teams but who are reconfigured with other teams.

Despite the rapid reorganizations of Nokia, the basic modular teams working on an aspect of the business remain the same. Thus, even in the midst of reorganization, the strong bonding ties within the modular teams remain intact (see Figure 3). These modular teams, which can be as small as 20 people for some subprocesses, typically have worked together for as little as six months and as long as 12 years. During this time, they have developed a high degree of expertise and shared tacit knowledge. In a sense, these modular teams with strong bonding ties are the guardians of the key process knowledge at Nokia.

Yet, while the intact modular teams remain together for an extended period of time, the boundaries between the teams change as they are relocated. These relocations involve the modular teams working with people from other modular teams on a common process or a common task. So with each successive reorganization, each member of the team leaves behind some of the old bridging ties he/she has established in the previous structure. Those relationships that are sufficiently strong may well remain as strong bridging ties. Others will decay over time as lack of proximity and a joint project erodes the basis of the relationship.

The Practice of Strategic Road Mappings

The means by which the people across Nokia create the maps for the future serve to build an environment in which weak bridging ties can be formed by creating an opportunity for people from all parts of the company to work with each other intensely on a common topic over a relatively short period of time. Consequently, the practice of strategy creation makes use of the levers of proximity, time, and the motivation of a shared topic. The strategic road mapping begins every six months with the executive team identifying the five to 15 issues they believe will be crucial to Nokia's success. Around each issue, the sponsoring senior executive handpicks a multifunctional team of 10 to 20 people to work intensely with each other for four months. These teams then have conversations with each other and with people within Nokia, with Nokia's partners, and with external individuals. During the course of a year, about 400 people across Nokia have the opportunity to create weak bridging ties with many other people. Some of these ties will become strong ties as team members meet with people they like and want to continue their association after the completion of the project.

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The Practice of Linking to Universities

The practice of building links to universities ensures there are strong bridging ties between members of the firm and the faculty of up to 20 prime universities around the world. These relationships are deepened by faculty and members of Nokia meeting frequently to exchange ideas. Weaker bridging ties are formed between members of Nokia and faculty from another 100 universities. Students from all 100 universities are invited to participate in summer internships and to work with the Nokia teams.

The Induction Process

For every new member of Nokia and an employee new to a team, the induction process creates the potential for weak ties to be formed between those new to a job and those around them. Managers are obliged to formally introduce all new joiners of their team to at least 15 people from within and outside the team. Those ties with people outside the team will begin as weak bridging ties, but over time, some will mature into strong bridging ties as the joiners build stronger relationships with people whom they trust and respect outside the group.

The Job Rotation Process

The way in which people are inducted into their roles creates the context in which bridging ties can be created. The same is

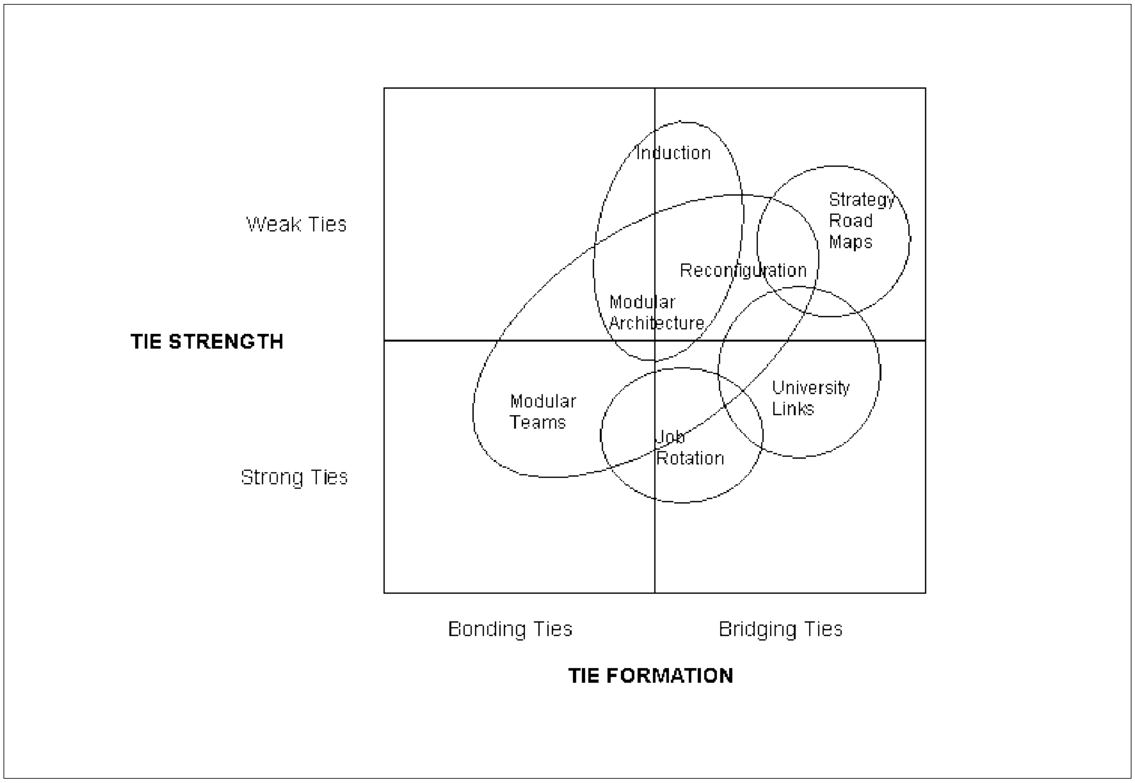

Figure 3. The Formation of Network Ties at Nokia.

true of the practice of job rotation. A hallmark of the internal labor market at Nokia is the preference, in the words of one senior executive, to "put people into coats that are much too large for them." The company abounds with stories of relatively young people assuming positions in which they have very limited experience. The philosophy is clear. After three to five years, most people are operating in their comfort zones, and it is time for them to do something completely different. These job leaps typically take place across countries, across functions, or across the processes of the company. Occasionally, they involve jumping all three boundaries at one time. As these jumps across boundaries occur, people maintain some of their old bonding ties they had established within their previous team. In their move, these old bonding ties will become bridging ties. At the same time, the job movers may well introduce colleagues from their previous team to members of their current team. This begins to build weak bridging ties.

The HR Role in Building Network Ties

In attempting to build network ties, the HR professional is faced with two challenges. First, there is no ideal network structure that can be the template for their interventions. Like much in HR, the key is to think contextually and what matters is whether the networks are in sync with the company tasks and goals. However, we do know that for companies operating in dynamic environments the combination of strong and weak bridging ties (the adaptive field) may be crucial to their success. The second challenge is the nature of social capital, and the network ties of which it is created. Social capital is essentially a by-product of other processes. It arises through serendipity, not as a result of mechanistic interventions.

Given these two challenges, what opportunities are open to managers and HR professionals to make a difference in this crucial area of organizational competence? Most crucially, of course, they must begin to understand what social capital is and become familiar with the models that frame its creation. The model presented earlier shows several issues and questions the HR professional should be discussing and reflecting upon:

- Taking the company goals as a starting point, they can begin to map what sort of configuration of network ties would be most useful to meet these goals. There will be tasks of the company in which long-term bonding ties are crucial; there will be others where bridging ties would make a real difference. The question here is: "In order to meet the goals of the company, who needs to know whom (bonding and bridging ties), and how well do they need to know and respect each other (weak and strong ties)?"
- Next, they must consider the four points of leverage available to them. With regard to proximity the question would be: "Are the people who need to get to know each other physically located together (bonding ties), or, alternatively, do they have an opportunity to frequently meet (bridging ties)?" With regard to time the question will be: "Are people who need to get to know each other well (create strong ties) given the time and space to do so?" With regard to motivation, the question will be: "Are the tasks in which people are engaged sufficiently exciting and the goals clear for people to really want to collaborate with each other?" With regard to culture, the question is: "Is the culture sufficiently respectful and trusting for people to naturally cooperate with each other?"
- Finally, they can take a look at the practices and processes of the company in light of their understanding of the outcomes and the levers. The questions for reflection are: "Are there current practices and processes which are destroying social capital?" (For example, individual remuneration schemes, which pit people against each other, and combative succession processes will destroy goodwill and a collaborative mindset.) Next, "What are we currently doing that enhances network ties and that we could strengthen over time?" (For example, the peer groups at BP are the product of years of enhancing and strengthening, a rather simple process of group sharing.) Finally, "What new practices and processes can we develop that will really make a difference?"

In considering how the HR function can make a difference to this crucial area of organizational performance, I suggest:

1. Members of the HR function should and must become initially familiar with, and later sophisticated in, leading-edge thinking. The field of social capital and network configuration represents such an opportunity.
2. Move from the goals of the company and take these as a starting point, rather than "one size fits all."
3. The focus should be primarily on building and enhancing what the organization is currently capable of, rather than introducing vast swathes of "best practice" imported from other companies that may or may not be appropriate.

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NOTES

1. The importance of the forces of integration has been described in Ghoshal, S., & Gratton, L. (2002). Integrating the enterprise. Sloan Management Review, 44, 31–38.
2. There is a growing body of academic research on social capital. A recent review of the literature is provided in Adler, P., & Kwon, S. W. (2002). Social capital: Prospects for a new concept. Academy of Management Review, 27, 17–40. The idea of task directed and serendipitous development has been explored by Kilduff, M., & Tsai. W. (2003). Social networks in organizations. London: Sage.