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The Collaborative, Ambidextrous Enterprise

La Empresa colaborativa y ambidiestra

I. INTRODUCTION

What kinds of organizations can support high levels of performance in the contemporary world of work? As many observers have pointed out, work is increasingly knowledge-intensive, because knowledge is replacing land, labor, and capital as sources of wealth (Nonaka, Toyama, and Nagata 2000; Grant 1996). Moreover, work is increasingly solutions-oriented, because the interactive co-production of services is replacing the mass production of standardized goods (Applegate, Austin, and Collins 2006; Galbraith 2002). And finally, competition has grown more dynamic, less predictable, and more global. As a result, many organizations have found that whereas in the past they could focus on just one dimension of performance — either innovation, flexibility, and the exploration of new opportunities, or efficiency, control, and the exploitation of existing capabilities — today they must find ways to improve on both dimensions simultaneously. In other words, they must become “ambidextrous”. Achieving ambidexterity is difficult; some doubt it is even possible. Management theory teaches us that organizational performance is a function of the fit between the organization’s goal and its internal design — its structures of authority, staffing and compensation policies, decision-making systems, etc. An organization whose strategy requires excellence in innovation should adopt an “organic”



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EXECUTIVE SUMMARY

This article aims to advance our understanding of the organizational prerequisites of ambidexterity. Ambidexterity is the ability simultaneously to exploit existing capabilities and to explore new opportunities. Prior research suggests that ambidexterity requires a strong bond of trust among the relevant actors. However, trust can also stifle innovation. We resolve this contradiction by developing a typology of trust, differentiating the traditionalistic (clan) type from the charismatic, contractual, and collaborative types, and we show how this last, collaborative type supports ambidexterity by its distinctive values (based on contribution to a shared purpose), norms (based on interdependent process management), and congruent authority and economic systems. We illustrate our argument with a case study of Kaiser Permanente, a large health system in the USA.

RESUMEN DEL ARTÍCULO

Este artículo persigue avanzar nuestra comprensión sobre los prerequisites organizativos de la ambidestreza. La ambidestreza es la habilidad de explotar las capacidades existentes y explorar nuevas oportunidades de manera simultánea. Investigaciones previas sugieren que la ambidestreza requiere de una fuerte dosis de confianza entre los actores relevantes. Sin embargo, la confianza también puede axfixiar la innovación. Nosotros resolvemos esta contradicción desarrollando una tipología de confianza que soporta la ambidestreza por medio de sus valores distintivos (basados en la contribución a un propósito compartido), normas (basadas en la gestión de procesos interdependientes), y una autoridad y sistemas económicos congruentes. Ilustramos nuestros argumentos con un caso de estudio de Kaiser Permanente, una gran empresa del sistema de salud de EE.UU.

organizational form, whereas an organization aiming for excellence in efficiency should adopt a more “mechanistic” form (Burns & Stalker, 1961). Many management theorists have therefore argued that if an organization attempts to compete on two dimensions at once, it can achieve at best only mediocre levels of performance on either dimension.

Many organizations under performance pressure have sought ways of organizing that mitigate this trade-off. Early efforts in this direction took the form of partitioning the organization into functionally differentiated subunits: R&D units focused on innovation and adopted an organic form, and operations units focused on efficiency

and adopted a mechanistic form. More recently, some firms have sought to develop ambidexterity by partitioning business units into business-line subunits, each with its full complement of dedicated functions — one subunit pursues innovation goals and is more organic, and the other pursues efficiency goals and is more mechanistic. And some organizations aim to develop ambidexterity more widely within the organization: they create functional subunits within which organic and mechanistic features are combined, and where, as a result, R&D units become more efficient in their innovation work, while operations units become more innovative in their efficiency-oriented work.

However, any of these forms of ambidexterity can only succeed if the efforts of the differentiated subunits or roles are effectively integrated. If the people in differentiated subunits and roles focus only on their own parochial goals, if they hold each other at arm’s length and respond defensively to their partners’ needs, if they do not trust each other, then

the organization’s performance will indeed be mediocre in both performance dimensions.

Trust is therefore a critical ingredient to successful ambidexterity. But not all trust is helpful in this context: some high-trust organizations are inwardly focused and resistant to change — creating a context hardly conducive to ambidextrous innovation. Ambidexterity depends on building a **specific type of trust**, one that is open and flexible. We call this this type of trust “collaborative” (Heckscher & Adler, 2006). Collaborative trust is based on institutionalized dialogue and shared purpose. It differs from the three, more familiar forms of trust: the *traditionalistic clan* type based on status, loyalty, and

Ambidexterity depends on building a specific type of trust, one that is open and flexible. We call this this type of trust “collaborative” (Heckscher & Adler, 2006). Collaborative trust is based on institutionalized dialogue and shared purpose

deference; the *charismatic* type based on an shared emotional bond to a transcendent idea and an exemplary leader; and the *contractual* type, both of whose variants (bureaucracy and market) are based on individual autonomy, financial incentives, and administrative authority. (This typology of trust and the corresponding organizational models builds on sociological theories of Weber (1978) and his typology of social action.)

It is important to discriminate among these types of trust because each supports a different type of strategic goal, as shown in **Exhibit 1**. Here we differentiate strategic goals depending on the importance they give to exploitation (extending existing capabilities via incremental innovation for greater efficiency and control) and/or exploration (radical innovation for the creation of new capabilities and greater flexibility).

KEY WORDS

Collaborative model, ambidexterity, trust, case study

PALABRAS CLAVE

Modelo colaborativo, ambidestreza, confianza, caso ilustrativo

Exhibit 1. Different types of trust support different strategic goals

Exploitation

Goals: Trust:	Efficiency, control Contractual-bureaucratic	Ambidexterity Collaborative
Goals: Trust:	Stability Traditionalistic	Innovation, flexibility Contractual-market or Charismatic

→ **Exploration**

Traditionalistic trust helps businesses whose goal is stability but handicaps those pursuing either efficiency or innovation. *Charismatic* trust facilitates intermittent radical innovation but impedes efficiency. *Contractual* trust encourages a commitment to performance relative to contractually specified rules and/or output goals: such trust can provide either efficiency/control (via a focus on rules in the bureaucratic variant) or innovation/flexibility (via a focus on outputs characteristic of the market variant), but not both at once. To achieve simultaneous improvements in both innovation and efficiency, organizations need a *collaborative* type of trust in which commitment is to contributing to fulfilling the organization’s purposes and to developing the best working procedures to that end.

2. A NEW MODEL OF ORGANIZATION — COLLABORATION

How then can an organization create and sustain the collaborative type of trust? The extent and type of trust in an organization are a function of organization's characteristics in four dimensions. The two most obviously relevant are the organization's shared *values* and its *norms*; but no less important are the organization's *authority* and *economic* structures. (Here, we are adapting Parsons' (1971) classic AGIL framework). Using this four-dimensional framework, we can contrast the collaborative model of organization with other, better-known models by synthesizing the results of a considerable body of management research and the lessons of many organizations' organization design efforts.

Values. In the values dimension, the key feature of the collaborative model is a commitment to values that privilege contribution to the organization's shared purpose. As suggested above, this marks a strong contrast with the traditionalistic clan model, which places primary value on loyalty to the group; it contrasts with the charismatic model, which values the emotional bond to leaders and to the transcendent values they represent; it contrasts with markets, which value autonomy and pecuniary gain; and it contrasts with bureaucracy, which values conformance and control. These last two contrasts are particularly important: the collaborative model accords its highest praise not to people who "meet their numbers" but to those who are able to look beyond their specific roles and who do whatever is needed to advance the common purpose. We call this orientation the *ethic of contribution*. Moreover, to sustain collaborative trust, this shared purpose must be rationally established — open to public debate and subject to regular review through participative and dialogical strategy processes. This differentiates collaborative values from those characteristic of the contractual model, where the organization's purposes are dictated from above or by the market; from the traditionalistic model, where purposes are taken for granted; and from the charismatic model, where the commitment to purposes is emotionally rather than rationally grounded.

Norms. For any model to function effectively as a social system, its shared values (whatever they may be) must be buttressed by corresponding norms — that is, by behavioral expectations that guide working relations among people playing differentiated roles. Collaborative norms are distinctive in creating what we call *interdependent process management*, exemplified in processes



such kaizen, process mapping, brainstorming, participatory meeting management, and multi-stakeholder decision-making. These norms enable people in differentiated roles and subunits to manage their interdependencies through direct dialogue; such dialogue is supported by formal procedures; and all these people, whatever their hierarchical level or affiliation, have a genuine voice in designing and refining these procedures.

Interdependent process management buttresses with more formalized norms the “informal organization”, which has long functioned as a kind of hidden complement to formal bureaucratic mechanisms. Like bureaucracy, interdependent process management has standards, procedures, specialized roles, and authority ranks; but in the collaborative model these are used in the service of the shared purpose rather than as means of top-down control. In contrast to any of the other models, the collaborative model is in this way able to mobilize sizeable cross-functional and cross-unit teams towards the organization’s goals, and people can move more fluidly between such teams. (Ainamo 2007; Heckscher 2007).

Authority. Ambidexterity requires that contributors attend simultaneously to exploration and exploitation goals. When organizations attempt to orchestrate such efforts by relying on the familiar bureaucratic hierarchy of authority, the result is typically an overemphasis on just one of these goals. Sustained ambidexterity in any larger-scale organization therefore requires a distinctive authority structure — the matrix, with multiple accountabilities (Galbraith, 1994). Matrixed authority is difficult to sustain, and many organizations that have tried it have given up in frustration. However, the key reason for failure is not that the matrix violates some law of nature — its failures have been due to a deficit of collaborative trust. Competitive demands for ambidexterity increase the payoff to firms who have mastered this challenge. Indeed, among successful organizations, there has been an evolution over recent decades towards expanding the number of dimensions in the matrix (Heckscher, 2007; Galbraith, 2008; Strikwerda and Stoelhorst, 2009).

To sustain the trust required for effective matrix structures and ambidexterity, the collaborative model relies on an authority structure that is both participative and centralized. Exploratory innovation often results from a highly decentralized structure in which people have room to experiment without prior approval from above; but if the organization as a whole is going to benefit from these exploration

efforts, some centralization is needed to ensure their strategic guidance and systematic exploitation. This tension can only be managed if centralization takes a highly participative form. Participative centralization may appear paradoxical if we assume that centralization and participation are polar opposites; but they are not. A collaborative enterprise coordinates activity across the whole organization – in that sense, it is *centralized*; but it achieves this result *participatively*, by involving those whose work is affected by the decisions.

The resulting emphasis on *interdependence* contrasts with the market and bureaucratic models' emphasis on *dependence* and *independence*. In a bureaucracy, each job has its own autonomous sphere of action, and higher levels establish the boundaries of autonomy for lower levels. When excessive centralization causes communications slowdowns and rigidity, many organizations respond by turning to the market model and creating independent business units. But this rarely solves the problem: it exacerbates the difficulty of achieving coordination and trust across the units. Many large corporations therefore go through cycles of centralization and decentralization in search of an elusive balance. A collaborative enterprise, by contrast, treats its components as interdependent: all its members must consider how their actions affect others who are engaged with them in pursuing the shared purpose.

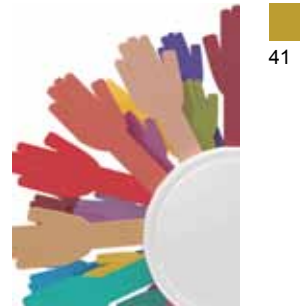
Participative centralization thus contrasts with the decentralized structure of authority of the contractual-market model, which supports exploration but not exploitation. It also contrasts with the low-participation, high-centralization structure of the contractual-bureaucratic model, which support exploitation but not exploration. It contrasts with the low participation and low centralization of the traditionalistic model, which is characterized by “fiefdoms” of semi-independent, autocratic power. And it contrasts with the charismatic model, which is characterized by a low degree of functional specialization and a simple hierarchy centered on a leader from whom innovation flows. Each of these falls short in structuring the combination of creative exploration and disciplined exploitation that constitutes ambidexterity.

Economics. The economic dimension in organizations has two aspects: capabilities and incentives. As concerns capabilities, the collaborative model requires a “T-shaped” set of technical skills — deep knowledge in one’s own specialty combined with some knowledge of related technical specialties — and the corresponding process and social skills to enable effective teamwork. Such

T-shaped skill sets afford the common ground critical in cross-unit collaboration and learning. The capabilities required in the other models are more narrowly specialized.

As concerns incentives, the collaborative model requires incentives that reflect the basic value-orientation of contribution to the organization's purpose. Here, rewards are based on a mix of personal performance, team performance, and the entire organization's progress towards its purpose. Insofar as the collaborative model differentiates rewards by individuals, the key criterion is the individual's contribution to that purpose. Because formal supervisors cannot be aware of the entire range of activities of their subordinates when these latter are engaged on multiple projects and contributing on cross-cutting dimensions, collaborative organizations rely on multisource ("360 degree") assessments. In both the criteria and process, the other organizational models have very different reward systems: the traditionalistic model relies on status; the charismatic model, on the leader's approval; the bureaucratic model, on procedural conformance; and the market model, on market outcomes.

Inter-organizational relations. So far, our discussion has focused *within* the organization; but ambidexterity often also requires a collaborative approach to relations *between* organizations, whether these relations take the form of supply chains, associations, alliances, or regional clusters. Such relations often rely on traditionalistic ties based on loyalty, on charismatic ties based on personal appeal, on contractual-market ties based on instrumental self-interest, or on contractual-bureaucratic ties based on complex contracts: but they can also be based on collaborative ties grounded in shared commitment to common purposes. Even though collaborative ties are often undermined by inter-firm competition, it is this collaborative type that offers the greatest potential for inter-firm networks aiming for ambidextrous excellence in both exploration and exploitation (Hagel et al. 2010; Miles et al. 2009).



3. THE COLLABORATIVE MODEL COMBINES MECHANISTIC AND ORGANIC FORMS

To return to the point made in the introduction, ambidexterity requires that firms somehow combine organic and mechanistic forms of organization. Building on the preceding section, **Exhibit 2** describes how firms can achieve this synthesis in a way that avoids compromising performance on either exploration or exploitation dimensions of performance.

Exhibit 2. Synthesizing Mechanistic and Organic forms

MECHANISTIC	COLLABORATIVE	ORGANIC
Rigid departmentalization	Employees have their own specialized tasks, but they focus on contributing to the common task and often go beyond their formal job descriptions	Cross-functional teams
Narrow spans of control	There is a clear structure of authority and accountability, but is often multidimensional (matrixed)	Little direct supervision
High formalization	Processes are formalized, but (a) they are also adjusted through teamwork and dialogue, and (b) they are constantly refined with the involvement of those doing them	Minimal formal rules
Clear chain of command	Communication is organized according to purposes and projects, and who can best contribute to them; thus it often cuts across the formal chain of command, but is highly organized	Open communication network
Centralization	Centralized but participative: there is much local initiative and responsiveness but also strong overall coordination across the system. Decentralized initiative must be justified in relation to overall purposes	Decentralization
Low decision participation	Participation based on capacity to contribute to task or mission	Empowered employees

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This collaborative synthesis has not been well delineated in previous management scholarship — indeed, much of that scholarship denies the very possibility of such a synthesis. Mintzberg’s (1979) typology offers little hope for ambidexterity, since his “adhocracy” model is presented as an organic form “with little formalization” (p. 432). This kind of organization supports exploration much better than it supports efficiency and exploitation. Another popular typology, the Competing Values framework, also includes an adhocracy type, defined by an emphasis on flexibility (rather than control) and a strong external (rather than internal) focus (Cameron, 1986; Cameron & Quinn, 1999; Zammuto & Krakower, 1991). (In other studies, the same quadrant is called “open systems” (Quinn & Rohrbaugh, 1981), “developmental” (Quinn & Rohrbaugh, 1983), or “adaptable” (Denison, Cho, & Young, 2005), Worley and Lawler (2006). The Competing Values typology tells us little about how to design ambidextrous organizations that must be strong simultaneously on flexibility and control dimensions.

Our collaborative model is closer to the “contextual ambidexterity” model proposed by Gibson and Birkinshaw (2004). They discuss four climate and culture features taken from Ghoshal and Bartlett

(1997): stretch, discipline, support, trust. In their empirical research, they found that these four features resolved into two factors: (a) “performance management context” creating discipline and stretch, and (b) “social context” creating support and trust. Examining the component items, this framing seems to support the arguments of Blake and Mouton (1978) – good managers show concern for both production (discipline and stretch) and for people (support and trust). Our main thesis is that it is important to distinguish among the various *types* of “support and trust” because the different types assist with different strategic priorities.

There is some evidence that a collaborative form is not only a better mix, but also outperforms one-dimensional organizations at their own games. That is, an effective collaborative system is better at efficiency than a bureaucracy, because it engages members in continuous improvement and problem-solving; and it is better at innovation than a market or decentralized bureaucracy, because it coordinates knowledge more effectively across a wider scope. We will see this in the following case.

4. A CASE ILLUSTRATION: KAISER PERMANENTE

We can illustrate the features of the collaborative model with an example from the US healthcare industry – Kaiser Permanente. The US healthcare industry is a context in which ambidexterity has become a pressing priority. Healthcare delivery organizations need to be aggressive in exploiting evidence-based practices that will drive improvement in cost and safety and in assuring patients faster access and shorter hospital stays. Simultaneously, these organizations are under pressure to make radical innovations in their infrastructure (for example, with electronic health records), to stay abreast of rapid and radical innovation in diagnostic and treatment technologies, and to be flexibly responsive to the great variety of patient needs as well as the urgency of many of these needs.

One asset the healthcare industry can leverage in attempting to meet these ambidexterity demands are the shared values that have long guided medical practice: values focused on serving the patient’s health needs create a foundation of shared purpose characteristic of the collaborative model. In reality, however, the practice of medicine in the US has often combined this dedication with strong elements of the traditionalistic, contractual, and charismatic models (Adler et al., 2008). Traditionalistic elements have long been visible

in the professional loyalty that binds doctors together in defense of peers against criticism or interference by outsiders, and in the impact of status differences on many doctors' interactions with nurses. Contractual-bureaucratic elements have been increasingly visible where government agencies or insurance companies dictate to doctors which tests and procedures they can use. Contractual-market values increasingly encourage doctors to multiply tests and procedures to maximize their own income, even referring patients to imaging and surgery centers in which they have an ownership stake. Charismatic elements are visible where "star" doctors wield charismatic authority over peers, other clinical and non-clinical staff, and patients.

Kaiser Permanente ("Kaiser" for short) is one healthcare organization in the US that has long sought to encourage doctors to practice medicine in a more collaborative way. Kaiser is the largest healthcare provider and one of the largest healthcare insurance companies in the country, with nearly 9 million health plan members, 167,300 employees, 14,600 physicians, 35 medical centers, and 431 medical offices. It is organized as a consortium of the (not-for-profit) Kaiser Foundation Health Plan (insurance), the (not-for-profit) Kaiser Foundation Hospitals, and a set of affiliated regional Permanente Medical Groups (which are for-profit physician partnerships or professional corporations that do business almost exclusively with Kaiser).

Unlike independent practitioners still common in the US healthcare system, Kaiser physicians are salaried members of a group practice. Doctors new to Kaiser go through a three-year probationary period during which they are regularly evaluated not only on their technical competence but also on their collegial relations with other doctors, the respect they show for other staff and patients, their willingness to contribute ideas and effort to improving the organization's performance. Being salaried, Kaiser doctors are somewhat insulated from the market pressures experienced by physicians in private practice. On the other hand – and somewhat controversially – Kaiser doctors are expected to consider the economic consequences of their treatment decisions. Where many doctors in private practice have long refused any role in controlling healthcare expenditures, Kaiser doctors participate in that effort.

Kaiser physicians are managed under relatively formalized procedures and authority structures; but Kaiser has sought to ensure

that these systems support collaboration rather than a contractual-bureaucratic model. Clinical guidelines illustrate the point. Where many doctors in private practice chafe under the bureaucratic constraints of medical guidelines imposed by government or insurance companies, Kaiser doctors collaborate with their Kaiser peers and with other clinical and non-clinical personnel to define guidelines. When the activity is entirely within purview of a medical specialty, the relevant group of doctors will develop these guidelines themselves. When the activity involves multiple specialties and other staff, these guidelines are developed with broader input and participation.

The collaborative model at Kaiser also encompasses unions and unionized workers. Unions are an essential part of Kaiser's business, and Kaiser has developed a labor/management partnership that is unique in its scale and ambition (Kochan et al., 2008; Kochan, Eaton, McKersie, & Adler, 2009). Most of Kaiser's non-physician, non-managerial employees are unionized, and many of Kaiser's "customers" — the members covered by Kaiser's insurance plan and treated by Kaiser doctors — are unionized too. As a result, and unlike many other employers in the US, it is difficult for Kaiser to take an anti-union position without risking both a great deal of internal organizational turmoil and damage to their reputation in the target market. However, the unions also see that using their power in confrontational ways risks destroying Kaiser— even though, compared to other employers, Kaiser pays and treats its workers relative well. The parties recognized their interdependence in a landmark partnership agreement, included in the collective bargaining contract in 1997. The collaboration enabled by this partnership has become central to Kaiser's efforts to meet its ever-intensifying ambidexterity challenges, providing a foundation for combining top-down initiatives by specialized technical staff (e.g. for new computerized medical records), and "bottom-up" input and involvement by a broad range of personnel (for local improvement projects), as well as extensive lateral learning (so that similar locations can share lessons learned).

The labor/management partnership functions not only as a labor relations strategy but also as an operating strategy that shapes everyday decision-making and behavior across the organization. As a *labor relations strategy*, the partnership helps Kaiser meet its ambidexterity challenges through its reliance on "interest-



based bargaining” (McKersie et al., 2008). Management and labor negotiate to find areas where they can find common ground and win-win solutions that create a bigger pie (“integrative” bargaining), while on other issues where there are no win-win solutions they bargain over the relative shares of the pie (“distributive” bargaining). Taking the integrative part seriously means that the union gets deeply involved in helping shape the organization’s goals as well as how it operates. Taking the distributive part seriously means that even as they engage with management on these issues, unions work to preserve and strengthen their capacity for independent action.

As an *operations strategy*, the partnership helps Kaiser meet its ambidexterity challenges by supporting participative centralization across the organization. An entire hierarchy of joint labor/management committees governs decision-making from the national, to the regional, down to the facility level. This hierarchy has progressively expanded downward to the work unit level. Starting in 2005, unions and management in each facility began to set up labor/management teams in every unit in every facility. Participation was voluntary, but by 2012, almost every department in the entire organization had at least one such team in place. These unit-based teams work on improvements that they see as most relevant to their work, choosing targets that contribute in some way to one of the over-arching strategic priorities defined by Kaiser’s “Value Compass”.

The Value Compass nicely captures several of the key features of the collaborative model. First, it defines the shared purposes of the organization in use-value terms, that is, in terms that identify the specific contributions of Kaiser to society — “Best quality, best service, most affordable, best place to work” — rather than only in financial terms. Second, these goals were not dictated by top management; instead, they were jointly defined by management and unions. Third, the Value Compass is not a “vision” statement designed to galvanize emotional enthusiasm as we might find in the charismatic model; instead, it is a statement that defines in a rational way, thus open to discussion, the purposes of the organization. Finally, people at all levels are engaged in working out how they can translate the top-level Value Compass purposes into their local work processes, giving them a unity of purpose in their daily work and their daily improvement efforts.

In the unit-based teams, unionized staff, management, and

physicians cooperate in examining every step of the work process to analyze why and when and how people perform their tasks and to ask if there might be a more efficient and effective way to operate. (The collective bargaining agreement protects union members from being laid off as a result of any of these improvement efforts: where changes in services or technology have made jobs redundant, the agreement provides relatively generous provisions for retraining and a commitment to doing whatever is feasible to find employment elsewhere within Kaiser). Working in these teams, physicians have been challenged to give up their hierarchical, status-based, or charismatic authority and to work collaboratively with nurses, technicians, cleaners, and administrators. These latter categories of workers have developed new skills in problem-solving, leading meetings, analyzing work processes, identifying improvement opportunities, presenting cogent arguments in team meetings and bigger forums, energizing others to get involved, dealing with conflicting views and divergent interests, and understanding the business side of Kaiser and the economics of healthcare.

This collaborative, ambidextrous organization has indeed seen dramatic improvements both in exploration and exploitation dimensions. Kaiser performs near the top of healthcare delivery organization in many of the key operational metrics (Schilling et al., 2010) (Whippy et al., 2011), and has developed an impressive capacity for radical innovation (Nelson, 2010). Surveys of worker attitudes conducted jointly by union and management show improved worker morale too, with widespread support for the partnership process and its outcomes (which have, in recent years, included wage and benefit gains as well as growth in union membership).

5. WHAT DOES COLLABORATION MEAN IN A BUSINESS SETTING?

Readers might reasonably ask themselves if this portrait of the collaborative model is utopian. Any capitalist business can only go so far in building and sustaining any type of cooperation, let alone this strong form we call collaboration. Pressures from the market, the competition, or the stock market can and often do destroy the possibility of cooperation. As a business, the organization's goal is basically profit, not people. So when a market shrinks, or new competitors appear, workers are often laid off, teams are torn apart,

and people stop caring or trusting. Even when sales are growing, profit pressures often push businesses to cut costs, to cut corners on quality, and to ignore social and environmental externalities, and when workers see the firm doing any of these, they often withdraw their commitment and trust. There are therefore good reasons to be pessimistic about the prospects for sustained collaboration in business.

On the other hand, however, for a business organization to generate profits, it must deliver a service or product that people are willing to pay for. If the product is too shoddy or too expensive, if the service not flexible enough, if the business cannot innovate rapidly enough to keep up with the competition and with customer needs, then the business will fail. And without some degree of cooperation with workers, that outcome is almost inevitable.

Businesses therefore have a real interest in maintaining cooperation — even if, at the same time they are constantly tempted to do things that will undermine that cooperation. This assertion may sound as if we are contradicting ourselves, but a moment’s reflection shows that it is rather common-sensical: the contradiction is in the reality of capitalist business. This contradiction is not, however, static: the balance in that tension shifts in favor of collaboration to the extent that the business conditions require ambidexterity. Here the organization needs much more from its employees than just a minimal degree of cooperation: its performance and very survival demands “all hands on deck” — the organization needs everyone’s improvement ideas, everyone’s willingness to find ways of doing things better and cheaper. Such organizations need collaboration rather than just reluctant compliance, and it becomes much more expensive for the organization to sacrifice cooperation for profit.

6. PUTTING THIS IN HISTORICAL PERSPECTIVE

Going back to the 19th century, US industry was dominated by the traditionalistic model. But these traditionalistic organizations experienced great difficulty responding to changing market demands and technologies and even greater difficulty initiating such changes, because they had no systematic way of changing the methods dictated by custom. This rigidity was an important factor encouraging the rise of the contractual form, which enabled deliberately planned or negotiated change through a mix of market and bureaucracy. However, contractual relations proved too “thin”



to support most day-to-day working relations, which cannot be reduced to predefined and measurable agreements. So many large businesses ended up with a hybrid of paternalist loyalty, bureaucratic formalism, and market flexibility. It is that mix which has been challenged in the past few decades by the increased pressure for innovation, improvement, and ambidexterity: this has led to intensified interest in the collaborative form.

Traditionalistic, contractual, and collaborative types of trust and organizational models trace a developmental sequence marked by increasing scope of innovation and choice. The traditionalistic model requires close adherence to concrete ways of doing things defined by the past. The contractual model allows a wider range of action, but it requires predefined agreements or rules with quantifiable and objectively observable outcomes. The collaborative model broadens the scope of innovation still further by enabling more continuous improvement and more flexible problem solving within the limits of agreed-on processes and missions. The charismatic model is also very effective in mobilizing support for radical innovation and change, but it is by nature ephemeral: charismatic organizations endure only by mutating into one of the other three models. (The sociologist Max Weber famously called this process the “routinization of charisma”). Conversely, as organizations progress from traditionalistic to contractual to collaborative, the less they need to rely on charismatic enthusiasm for their innovative drive.

The collaborative model has been around for a long time in embryonic form, in institutions peripheral to or outside the economic sphere — institutions such as science, universities, cooperatives, and voluntary cultural activities. What is new is that we are now seeing this model begin to take root in business enterprises at the heart of the modern economy. But in order for this model to flower, the grip of traditionalistic and contractual institutions will need to weaken and robust institutional form will need to found for the key features of the collaborative model.

This evolution is difficult in enterprises that are under competitive economic pressure and that rely on wage labor. As noted in the previous section, performance pressures stimulate the emergence of this new, higher form of organization, even though these same pressures often undermine collaboration. Collaborative organization is therefore a precarious accomplishment, and progress in its diffusion is not a smooth or linear process.

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NOTES

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