

Under the Buzz

Commentary on Business Strategy Issues for Executives in Enterprise Systems & Software Companies

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Under the Buzz is an email "newsletter" authored by Philip Lay, managing director at TCG Advisors, a Silicon Valley-based firm that helps to *catalyze* the innovation and transformation efforts of executive teams in systems and software companies. This journal is published periodically and delivered free to subscribers via email. It is also posted on TCG Advisors' website, <http://www.tcg-advisors.com/Library/utb/utb.htm>, back issues are also available.

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Dogbert, career counselor, to anxious job candidate: "*You have no marketable talent. You're totally unemployable and that's not going to change.*"

Pause: "*The important thing is to keep a positive attitude.*"

Candidate looks more perplexed than ever (well, wouldn't you?).

- Dilbert, by Scott Adams, 06.29.07

The Collaboration Conundrum: Why Consensus-Based Organizations Struggle

"Why can't we all just get along?"

- Rodney King, while being set upon by a gang of LAPD cops in the Los Angeles riots of 1992

Really, why can't we all just get along, especially when we set out purposefully to establish a collaborative atmosphere - whether in a social or a business setting? Fifteen years have passed since Rodney King uttered this famous appeal as he was being beaten up by LAPD's finest, when various parts of the U.S. were experiencing dangerous civil conflagrations the likes of which had not been witnessed since the unforgettable riots of 1968.

Since then, a lot has changed in the management of high-tech organizations. First, the concept of "culture" in the organizational sense - something that was only discussed by management gurus 20 years ago - has become quite popularized. Today it is common for mid-level employees to refer to their company's "culture" when referring to "the way things are done around here."

Second, increasing numbers of managers have become aware of the importance of culture as a competitive weapon in attracting desirable recruits as well as avoiding unwelcome attrition. Just look at the way people talk about some of the visible aspects of culture, such as whether the company permits dogs in the office (Autodesk, among others) or encourages employees to spend 20% of their time developing innovative ideas (Google).

Third, the existence of different cultural options for companies to choose from is now well recognized. Most schools of thought seem to limit their definitions to four main culture models, each quite distinct from the others. To be fair, organizational culture is a subject that has been studied for quite some time by companies in more mature industries than high-tech, for the simple reason that they have had to rely on the practice of "serious" management for their survival and thrival. In contrast, most tech-company

executives still continue to take company management lightly, and they are especially naïve and cavalier about organizational development.

Four Culture Types

The four cultures in the framework that my colleagues and I ascribe to are characterized in terms of the way in which they approach decision making, based on whom they empower in the organization, and whether or not they treat subjective insight or objective data as their touchstones:

- Cultivation culture: Favors subjective insight in the form of individual brilliance on the part of entrepreneurial individuals as a basis for making important business decisions. Functional disciplines that thrive in this environment include R&D, marketing, and domain expertise;
- Competence culture: Favors more objective data analysis as a basis for decision making by individuals who have proven their mettle in a competitive, meritocratic setting. Functional disciplines that thrive in this setting include engineering and sales;
- Control culture: Favors objective data analysis as a basis for collective decision making by the management team. Functional disciplines that are especially empowered in this culture include operations, finance, and the administrative side of HR;
- Collaboration culture: Favors subjective insight as a basis for collective decision making by teams throughout the organization. Functional disciplines that should thrive in this culture include professional services, alliance and channel management, customer support, and the development side of HR.

Cultivation, Competence, Control, and Collaboration - four C's, there you have it. It is important to emphasize that the litmus test for identifying a cultural type is based on how they operate when they are severely tested and there is insufficient "data," subjective or otherwise, to facilitate decision making on key issues. It is only then that one can see the difference between the culture that management would like to advertise and the de facto behaviors that characterize the organization - good, bad, or indifferent.

Thus, to summarize the characterization of culture types, whereas cultivation cultures empower their most entrepreneurial people to make decisions based on their individual insight (or gut), competence cultures tend to empower the most respected sales and engineering figures who have made their bones in previous battles to make or influence decisions based on the data *they* regard as most reliable. Continuing this theme, control cultures empower operations and finance managers more than others, to enforce performance according to committed operating plans, and collaborative cultures empower ... everyone, if they are not careful. And empowering "everyone" can quickly default to empowering no one. Before we look further into this problem, let me cite a few examples to make the differences between these culture types more vivid.

Well-Known Examples of Organizational Cultures

In tech, Apple and Google are examples of cultivation cultures. One way of spotting an organization's de facto culture is how they behave when they get out of control. In cultivation cultures, they begin to resemble *cults*. This becomes clearer when the principal entrepreneur(s) demonstrate obsessive, even secretive, tendencies, as Steve Jobs and, to a lightly lesser extent, the Google founders do. It is extremely risky for new executives from other cultures try to implement different cultures in a cult-ish organization - as John Scully, who came from the competence culture of Pepsi Cola, and Gil Amelio, who came from the control culture of Hitachi, learned to their personal cost at Apple - because it is only a question of time before the incumbent organism rejects them. Since Jobs returned to Apple, he has refashioned the culture of the company around his personal brilliance and leadership, to his considerable credit. Over at Google, while the company shows some signs of devolving into a cult, the expert adult supervision of Eric Schmidt appears to be moderating the stridency of Sergey Brin and Larry Page and thus preserving the company's vibrancy, at least for the time being.

In contrast to Apple and Google, Microsoft and Oracle are good examples of competence cultures, where individual merit against performance targets counts for most. This second, strongly individualistic, culture tends to marginalize or even reject those individuals who don't meet the criteria (whatever they are). When meritocratic organizations like these become extreme, they begin to resemble *castes*, in which an

aloof elite rules supreme. The inner sanctum of Microsoft and Oracle, composed as they are of a maximum of three or four executives around the principal meritocrat in each case - Bill Gates, the chief software architect, and Larry Ellison, the chief competition killer and consolidator, respectively - bear some of these caste-like characteristics.

With respect to control cultures, both IBM pre-Gerstner and today's HP are good examples of control cultures, with their tendency to appear like (bureaucratic) *cliques* when they become too inward-looking. During the nineties Lou Gerstner managed to introduce more of a competence culture into the former command-and-control culture of Big Blue. Today, Sam Palmisano appears to be trying to instill a federative, collaboration culture, though some of his prior operational-management tendencies have more resembled a return to the company's control culture roots.

At HP, the experiment in 1999 of crowning Carly Fiorina queen took the company in the direction of a (dysfunctional) competence culture, with Fiorina surrounded by executives who behaved like courtiers. Then two years or so ago Mark Hurd's appointment as CEO signaled the substitution of the failed monarchy with more of a control culture based on Hurd's credentials as a successful operations executive at NCR. Soon afterwards, Hurd's command of decision making power was significantly assisted by the action of a fractured and panicked board that made him chairman as well as CEO in the wake of the spying scandal, thus ending HP's brief experiment in improving company governance by separating the powers of the board and the executive branch. The upshot is that today HP resembles the old Compaq - another earlier example of a control culture - far more than the collaborative HP of old. This all goes to show that organizational cultures can be at least superficially transformed - or transmogrified - though usually at a cost in terms of attrition of key talent and fluctuations in market value, among other phenomena.

Many software companies today, as well as the old "Hewlett and Packard" version of HP, exemplify attempts at installing a collaboration culture. When they become dysfunctional they look like *clubs*. As my colleague Geoffrey Moore says in *Living on the Fault Line* (2000), in the *club* phase of collaboration cultures, "*Each member is allowed a say even (a) when it is not their business, and (b) the thing isn't worth talking about in the first place. ... The result is that all action becomes a paralyzing web of review.*"

So, just to confuse things further, we have another four "C"s: Cult, Caste, Clique, and Club.

Among these four models of organizational cultures, the one I want to focus on is the fashionable but problematic Collaboration culture. In recent times CEOs and executive teams in a large number of tech companies have joined the push for increased employee empowerment by "declaring" their preference for a *consensus-based* culture over less open organizational cultures for very practical reasons. Unfortunately, most of these efforts lack authenticity or consistency, and thus are doomed to fail or, at best, perform below par.

Fatal Flaws in Collaborative Cultures

Why should most corporate attempts at internal (as well as external) collaboration still fall very short of where they need to be? Below are a few possible reasons I have found:

1. **What counts is not how people behave when things are going well, but how they act when they are under pressure:** Yes, most people are considerate, conflict-avoidant and would rather "get along" with their partners and neighbors than fight against them. But no, collaboration is still not the first instinct of people when they are under pressure - whether it is a case of making tough decisions without sufficient information to guide them, fighting off threats to their business, or performing challenging tasks. Most often their first instinct is still "fight or flight" - in other words, react in one extreme way or another to get rid of the immediate pain without necessarily solving the real problem.
2. **Passive-aggressive behavior in collaboration cultures is like a lighted match thrown on dry brush land:** I am no psychologist, but passive-aggressive behavior is a trade mark of introspective or analytical people, and the tech industry, with its engineers, marketers, finance

people and others, is full of these personalities. My observation is that in inauthentic versions of collaborative organizations - which I claim to be in the vast majority among companies that have either a *declared* or a *de facto* strategy in this regard - passive-aggressive behavior quickly becomes the shelter or resort for many if not all of those who feel at one time or another that their view is not being heard by their colleagues, customers, or partners. This is a real challenge for CEOs and managers, because the signals can be quite confusing. In one of those kumbaya moments of forced group consent, everyone might appear to "sign up" to the program; two days later, executives start seeing signs that departments and individuals are moving in conflicting directions, and no one understands why this is happening.

3. **The lack of a clear protocol for decision making in a collaborative environment:** In cultivation, competence, and control cultures, decision-making protocols tend to be reasonably clear in comparison to what we see in organizations that profess to be "collaborative." In the former three environments, you either hear statements like "Steve wants it this way" (cultivation culture), or "we set individual targets and see which people are able to hit them; if they succeed, they are recognized; if they fail, they may be reassigned" (competence culture), or "if you don't make plan, woe betide you" (control culture). In collaboration cultures, with their firm belief in the need to "build consensus" before making decisions worn on their sleeves, decision making is not nearly so simple. Just as democracy is often described as a messy process, so are most consensus-driven companies when you take a closer look. Unfortunately, neither democracies nor companies are assured of being accorded all the time they might need in order to reach decisions, before real life (such as an election or a coup, losing customers or going bankrupt) intervenes. The reality of the "socialization" process in collaboration environments - debate, decision, execution, analysis, course-correction, etc., - is that, if no one has defined an effective protocol for consensus-building to give way to decision-making, and action-taking, the organization becomes paralyzed and people resort to their own behaviors and habits. And this problem, as Brazilians say, only Freud knows how to solve.

The Collaboration Conundrum – and the Cure

This last item - the lack of a clear protocol for forming, making, and executing decisions - is what I believe to be the critical missing component. I call this the *Collaboration Conundrum*, and there are two main questions it raises:

- When does consensus-building end and decision-making start, without people feeling that they haven't had their final say yet and leaders feeling that they have betrayed the consensus ideal?
- What happens, as is so often the case, if just one or two people decide not to genuinely "collaborate" with the consensus building process?

In other words, how do we convince or *compel* (a term that may be anathema to consensus-minded managers) our people to join the fray in true collaborative spirit? Besides, consensus-building requires that we all listen as well as speak, and, as Stephen Covey taught us in "*The Seven Habits of Highly Effective People*," most of the time people are either speaking, or waiting to speak - but not listening.

To resolve this conundrum, management needs to establish a cultural protocol consistent with the principles of an effective collaborative business environment. The steps toward it might look something like this:

- a) **Establish a company-wide decision-making code.** This can be something along the lines of the one adopted by Bill & Dave in the good old days of HP when it first became a great company - i.e., debate, decide, execute, review, course-correct. Let me state clearly that this the way I describe it, not necessarily the way that the two entrepreneurs framed their philosophy.
- b) **Implement the "ARCI" protocol.** ARCI stands for Accountable, Responsible, Consulted, and Informed¹. First, determine which manager or executive will have to account for success or

¹ ARCI is our modification of a prior model, RACI, used by a colleague consulting firm. We prefer that the protocol starts with a definition of who is Accountable, then continue with the remaining three definitions.

failure of the decision, then identify which subordinates or colleagues will take responsibility for executing specific actions related to the decision, then make sure that people are consulted for their valuable input, or informed on a pure need-to-be-aware basis.

- c) **Demand that everyone engages in a transparent manner in debate, decision-making, execution, and review.** This means that holding back or back-channeling must be treated as an unacceptable practice. Incidentally, I would argue that there is an enormous difference between back-channeling (or using the pocket veto) and legitimate caucusing with small groups or individuals. When used appropriately, caucusing is an invaluable approach to socializing ideas and proposals prior to formally deciding to adopt and implement them.
- d) **Establish a simple closed-loop process to assess progress toward goals.** This step should also include discussion and decisions on necessary course-correction strategies and tactics. This is also the time and place for those who were accountable to step forward and get the credit for succeeding, or pay their debts for not doing so.

Although at first sight it must seem to contradict the spirit of a collaborative environment to use terms such as *compel* and *demand* when referring to behaviors you want to instill in the organization, how else can people be taught the rules of engagement that are vital to making collaboration work? After all, countries have laws to serve as boundaries for citizens to follow. Conduct yourself within the law, and you live a free life; contravene the law, and you pay the consequences. Unfortunately, too many collaboration-minded executives and managers hide behind the "consensus" or "collaboration" shields, perhaps to feel better about themselves or avoid making tough decisions involving potential conflict with their employees and/or peers. I sometimes think that this confused approach to implementing a collaborative culture resembles the mistaken approach of boomer parents who think that good parenting means currying favor with their kids so that they can be "friends" with them.

As I've implied earlier in this article, inauthentic attempts at building an effective collaborative environment result mainly from the desire of executives to do what they think sounds or looks best and will make them most popular. The best cure for this ailment is for executives to stop thinking in terms of their popularity and start thinking about how to be effective. Perhaps this is easier said than done, although I have seen a number of encouraging examples in the marketplace in recent times, possibly reflecting high-tech's progress toward becoming a more mature industry.

Under the Buzz offers commentary on enterprise software and systems business and management issues. The goal is to provide provocative and accurate insights into the latest events and thinking shaping this continually evolving technology sector. *Under the Buzz* also provides commentary on strategies for building sustainable competitive differentiation and maximizing market valuation.

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