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Boundaries Need Not Be Barriers: Leading Collaboration among Groups in Decentralized Organizations

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Many employees note that, in decentralized organizations, it is harder to work with other divisions or departments of their own organization than it is to work with outside suppliers or customers. In ordinary cases, this intraorganizational coordination failure can cost substantial sums of money. In other cases, these failures can be catastrophic, as different agencies within the U.S. intelligence community (notably, the CIA and FBI) neglected to integrate knowledge of the looming threats that existed prior to September 11th, 2001.[1]

Often, instances of coordination failure stem from the failure to appropriately structure the organization around the key interdependencies within the organization – whether that suggests organizing by function (e.g., sales, marketing, manufacturing, etc.), by product group, or by region.[2] Yet, even when organizations are able to design divisions around the appropriate dimensions, coordination and information sharing across the resulting units is often still vital to organizational effectiveness.

When the desired collaborative activities are familiar and forseeable, organization leaders can tailor cross-cutting, integrative organizational groups to promote the appropriate interactions at the appropriate times.[3] Unfortunately, the novel and dynamic pressures that create the demand for decentralization in the first place can place organization leaders in considerably less certain, and consequently less commanding, positions. After setting up organizational structures to coordinate those activities that are most predictable and best understood, leaders must enable their followers to fill in the gaps as necessary, sharing and coordinating information between their units whenever doing so can advance organizational goals.

Unfortunately, boundaries and bad habits make organization members unlikely to instinctively reach across divisional lines to appropriately integrate their knowledge and activities. This chapter aims to help leaders of decentralized organizations to understand such barriers, and to overcome them. In the sections that follow, we identify three key barriers to effective coordination and collaborative information sharing across organizational boundaries: intergroup bias, group territoriality, and poor negotiation norms. We then recommend ways of overcoming each of the barriers to promote organizational success.

Barriers to Information Sharing across Organizational Boundaries

Intergroup Bias

One key barrier to cross-boundary information sharing stems from one of the very reasons organizations establish group boundaries to begin with: to construct a recognizable and meaningful distinction between groups. The basic need for self-esteem encourages members of affected groups to use such distinctions to their advantage – that is, to set themselves (by virtue of group membership) apart from others in ways that enhance their image and reputation.[4] To this end, organization members are likely to behave in ways that promote a favorable reputation for their own group relative to other groups, or "positive distinctiveness."[5] This sets the stage for *intergroup bias*—the systematic tendency to unfairly treat one's own group or its members better than a nonmembership group or its members.

Intergroup bias can be extreme in situations where groups seek better outcomes for themselves because they perceive themselves to face *realistic group conflict*—competition for some scarce resource.[6] Company funding, access to markets, intellectual property rights, and numerous other organizational assets are all potentially scarce resources over which organizational groups may have to (or feel they have to) compete. Unfortunately, while competition over these specific issues may sometimes be necessary and reasonable, research suggests that competitive urges can spill over into *unnecessary* intergroup hostility outside of formal competition.[7] The fog created by legitimate competition between organizational groups can even prevent group members from recognizing or taking advantage of unrelated opportunities to share mutually beneficial information and collaborate. A struggle over departmental office space may, for example, decrease department members' willingness to exchange all kinds of unrelated assets (e.g., equipment, personnel, knowledge) with "the other side." Perceived competition might also create an exaggerated fear of sabotage, predisposing group members to withhold information from other groups that might leave them vulnerable.

These dynamics may even play a role in situations where the need for collaboration is obvious and extreme, as in counterterrorism efforts. The now-famous intelligence failures surrounding September 11 reveal a situation in which the sometimes conflicting goals of the CIA (intelligence gathering) and FBI (criminal prosecution) created the perception of interagency competition for information, time, and access to key informants or suspects.[8] Intergroup bias arising from this perceived competition may therefore have facilitated the failure of interagency information sharing, by increasing agents' investment in promoting the success of their own agency without similar regard for the success of the other, even where the two agencies' goals could have been mutually served.

While competition is a powerful driver of intergroup bias, research has shown that it is not a necessary precondition. Intergroup bias will actually arise with little more than the mere assignment of people into distinct groups.[9] In these studies, people are assigned to groups on the basis of trivial factors (like their supposed tendency to over- or underestimate the number of dots on a page) and are simply asked to distribute money or resources between two other anonymous participants – one from the participant's own group, and the other from the participant's outgroup. Even though the groups are not explicitly competing (or even interacting), participants reliably distribute more money to a member of their own group than to a member from another group.

A notable extension of this work suggests that people are even willing to exhibit this ingroup favoritism at a cost to themselves and their group.[10] This research has shown that people favor maximizing ingroup gain *relative to* outgroup gain, even when doing so prevents them from maximizing ingroup gain or total distributed value in an absolute sense. Like too many real world groups, the goal for these people becomes to beat the competition rather than maximizing value, discouraging cooperative activity.

Group Territoriality

Organizational boundaries not only serve to distinguish groups from one another, but also to define groups in a more absolute sense – identifying and circumscribing the territory each will occupy within the organization. This territory will generally include physical space and other tangible objects, as well as any number of intangible objects like activities, roles, issues, ideas, and information.[11] Unfortunately, the establishment of such territory can have negative implications for cross-boundary collaboration, as it affords group members a sense of *psychological ownership* – claims to, or feelings of possessiveness and attachment toward, territorial objects.[12] Groups may begin to see themselves as the sole rightful performers of certain tasks or possessors of certain knowledge, and then hold themselves to those expectations by restricting their activities and information exchange to ingroup members.

We classify these behaviors as instances of *group territoriality* – actions undertaken by a group or by individuals on behalf of their group which are designed to reflect, communicate, preserve, or restore the group's psychological ownership of its territory. Unlike intergroup bias, this preferential attention to the ingroup does not stem from the desire to improve the standing of one's group relative to others. Instead, this behavior is more inward-looking; it stems from the need to respect and reaffirm the identity, efficacy, and security of the group within the organization. Nevertheless, group territoriality can constitute a significant barrier to emergent intergroup collaboration and information exchange.

For instance, group territoriality may manifest as the institution of barriers that discourage outgroup members from even attempting to access group information. Such behaviors are called "marking,"[13] and are designed to make group territory suit and reflect the identity of its owners, and signal their ownership to others. Marking, using either physical symbols (a labeled group mailbox, a group logo on letterhead, etc.), or more social ones (e.g., esoteric group "lingo" to refer to proprietary knowledge), will be often be the way groups first make others aware of their territory, and begin the process of negotiating acceptance of their territorial claim in the social environment.

Even more forceful territorial actions can arise when a group feels the need to defend or restore its territory. In such situations, groups seek to actually restrict territorial access to group members alone and repair breaches to that restricted access. Initially, groups are likely to enact *anticipatory defenses* – actions taken prior to any territorial infringement with the purpose of thwarting attempts (e.g., storing or encrypting its information on a password-protected computer). If outgroup members overcome anticipatory defenses, groups are likely to enact *reactionary defenses* – reactions to territorial infringement intended to undermine the infringement and restore the territory to the group (e.g., discrediting the outgroup's understanding of the information, and acquiring new, higher-quality information).

Territorial behavior in decentralized organizations is sustained by three important and universal group needs. First, territoriality serves a group's need to establish, develop, and safeguard a concept of itself within the organization – a group identity. Group territory can be useful here because people can simply look for those who have access to the territory as an indicator of group membership. Notably, unlike intergroup bias, the need for group identity is likely to encourage groups to cling to *both* high- and low-status territory, so long as that territory clarifies its membership and relationships to other organizational entities.

The second group need that undergirds group territoriality is the need to establish and maintain a sense of group efficacy in organizationally-relevant domains. This form of efficacy refers to a group's belief in its collective ability to organize and perform the activities necessary to achieve desired goals.[14] At the broadest level, identification and protection of group territory helps groups to identify the goals they should aspire to achieve. Moreover, when a group's territory is widely recognized by others, such recognition can serve as an implicit endorsement of the group's efficacy in related domains.

The last need group territoriality serves is the need for security within the organizational environment – the need for a relatively stable and familiar "place" from which to solicit, access, and interact with the rest of the organization. When a group feels secure in its environment, it can more easily develop expectations of and predictions about its environment, facilitating the planning and execution of activities. Moreover, it can relax or eradicate any fears about expulsion from the environment, so its members can make longer-term investments in their work and set more ambitious goals.

Poor Negotiations across the Organization

The final barrier to effective cross-boundary information sharing we discuss involves the poor strategies members of different organizational divisions use when they negotiate with one another. In one often-used classroom simulation, two divisions of a realistic (yet fictional) organization (El-Tek) negotiate over the transfer of technology.[15] The two divisions can enter into a transaction that will create value for the company, and the nature of the agreement affects the actual levels of profitability that each division and the organization will obtain. The simulation tests students' abilities to simultaneously create a bigger pie to divide within the corporation and claim a larger slice of the pie for their division. Nevertheless, both parties commonly focus only on the claiming aspect, destroying value for themselves and their organization. These failures are due to both faulty cognitive assumptions and to the absence of skills and strong situational forces needed to promote more effective negotiations.[16] Perhaps the three most important errors made concern the myth of a "fixed pie" in negotiations, the failure to carefully consider the decision processes of one's negotiation partner, and the failure to recognize opportunities to negotiate in the first place.

As parties enter into a negotiation, they too often assume that their task is to divide up a fixed pie of resources. Researchers have described this tendency to view competitive situations as purely win-lose as the "mythical-fixed-pie" mindset.[17] This common belief comes from negotiators' experience with vivid types of competition that *are* purely distributive, such as sporting events, university admissions, and some types of corporate promotion systems.[18] In fact, purely distributive negotiations are rare in negotiation across organizational boundaries. What might initially appear to be a fixed pie can, in fact, expand to incorporate many other issues. For example, negotiations might also incorporate parties' interests in the timing of information or of product sharing, consideration of short-term versus long-term needs, or the distribution of credit for joint outcomes. By identifying a broader set of interests and issues, it becomes easier for negotiators to make mutually beneficial tradeoffs that enlarge the pie of value.

Related to the myth of a fixed pie is the cognitive failure to fully consider the perspective and decision processes of the other party. Though many people recognize the importance of "putting yourself in the shoes of others", ample research shows that most of us fail to do so. The price we pay for this failure is poorer negotiation outcomes. In order to best identify areas where mutually beneficial trades are possible, negotiators need to understand how, and in what domains, their negotiation partners value issues differently than themselves. By incorporating these value asymmetries into integrative trades, both parties can do better than they would have by simply compromising across the board on all issues. In contrast, when organization members from one division do not consider or inquire about the underlying interests of the other division's negotiator, it becomes more likely that mutually beneficial trades will never be discovered, and that the organization will consequently suffer.

A last cognitive barrier to effective cross-divisional negotiations is that the parties fail to recognize that they are involved in a negotiation at all, thus missing the accompanying opportunity for value creation. Because many (mistakenly) view the primary function of a negotiation as the distribution of a fixed pie, negotiation is often stigmatized as a hostile endeavor. As such, when interacting with members of other divisions, many well-intentioned agents feel that they should not approach the interaction as a negotiation.[19] In the process, though, they forgo opportunities to create value for the organization as a whole, and for their respective divisions.

Beyond cognitive biases, cultural norms can also powerfully influence cross-divisional negotiations. Consider the intelligence community's failure to share information across agencies which might have helped 'connect the dots' before 9/11. Investigations after the terrorist attacks revealed that members of the intelligence community (specifically, FBI agents) wrongly believed that they were not permitted to share certain information with members of other divisions of the intelligence community (specifically, the Department of Justice). This misunderstanding of the 1978 Federal Intelligence Surveillance Act (FISA) was widely referred to as "the Wall," and it contributed to a culture in the FBI that discouraged cross-divisional information sharing. If such norms could have been dismantled, members of the different intelligence community agencies would have likely recognized more opportunities to coordinate their information and actions, and thus to potentially prevent the 9/11 attacks.[20]

Strategies for Leading Collaboration Across Boundaries

The challenges we have identified to effective collaborative interactions in decentralized organizations have a number of implications for effective leadership. Accordingly, we focus this next section on three key recommendations leaders may explore in order to overcome the threats of intergroup bias, group territoriality, and poor negotiation norms.

Link Group Interests to Superordinate Interests

Approaches to overcoming intergroup bias often focus on diminishing the existence or salience of differences between groups.[21] If one can replace divergent group goals with a common goal, groups are likely to find that they have little basis for hostility – indeed, they have no substantive basis for continuing to see each other as distinct groups.[22] A similar approach manipulates group identity directly to improve cooperation, encouraging groups to replace subordinate (us and them) group identities with superordinate (we) identities.[23] Such recategorization can heighten attention to group members' similarities and decrease attention to their differences, and thereby successfully reduce bias.[24]

In decentralized organizations, however, it can be important to retain and even emphasize the salience of distinct group goals and identities, so as to facilitate the efficient discovery of related resources and expertise. Focusing group members exclusively on superordinate organizational identities or goals may also distract members from thinking and acting in ways that are consistent with their group membership, diminishing their ability to provide the localized focus, perspective, and actions on which a decentralized organizational structure depends. We therefore suggest that organizations may reap the greatest benefit by not only accentuating superordinate interests, but by simultaneously highlighting the ways in which those interests depend on subordinate group goals and identities. Such efforts do not merely require that managers make both group and superordinate interests salient – managers must also clearly and somewhat specifically articulate the vital contribution of each group's goal to organization goals, and of each group's identity to the organization's identity. It should be made clear that no one group can achieve the superordinate goals, nor can one group give the organization sufficient richness and depth. Group members can thus be encouraged to see themselves as fundamentally linked to outgroup members, while remaining cognizant of the fact that the link itself depends on their ability to contribute their distinct expertise to the others.

Frame Collaboration as the Solution to Group Needs

The natural impulse for groups and their members is to satisfy their needs for identity, efficacy, and security by becoming inwardly focused, by utilizing group territory to meet these needs, and by engaging in territorial behaviors to protect their ongoing ability to continue utilizing the territory for those purposes. Consequently, they ignore or fail to recognize opportunities to satisfy their needs through interaction with other groups.

Leaders can turn this around, and satisfy a group's need to construct and express group identity by labeling collaborative attitudes and behaviors as a valued characteristic, and defining engagement (or lack thereof) in collaborative information exchange as the means by which a group establishes its standing on the "eagerness to collaborate" characteristic. Raising the profile of eagerness to collaborate as a dimension of identity allows groups to refer to each other not only in terms of their territory proper, but also in terms of their approach to sharing and exploring territory. In this way, leaders create new opportunities for groups to enrich their identities by attending to and adjusting the intensity and manner of their efforts to interact with other organizational groups.

With the increasing popularity of cross-functional teams, it seems like it should be especially easy to sell collaboration to group members as a way of developing new competencies and enhancing their sense of efficacy. However, because people are often drawn into collaboration along functional or disciplinary lines, group members may instead feel that they have been chosen to primarily "represent" and advocate for their group's ideas and approaches in the interaction. Even when leaders emphasize the desire for different groups to collaborate in order to contribute their conjoint insights to the organization, the message directs group attention to demonstrations of their efficacy rather than to opportunities to improve it. We therefore suggest that leaders endorse collaboration within the organization not only as an opportunity to contribute to other groups and the organization, but also as a vital opportunity to draw upon the resources and perspectives of other groups to enable otherwise inaccessible growth and achievement.

Leaders can also address the group need for security in the organizational environment, by shaping group members' understandings of information exchange and collaboration. One might start with the likelihood that a group's inward territorial focus will highlight the security risks cross-boundary collaborations entail: vulnerability, loss of total control, and predictability over the group's activities. We recommend that leaders turn this concern on its head, and focus people on the fact that these same features of collaboration also offer groups an awareness of, influence over, and the ability to comfortably adjust to each other's intentions, so that each group can avoid being blindsided by outgroup activities down the line. By thus highlighting the prospect of substantial losses, leaders can capitalize on the group's need for survival and increase the willingness of groups and their members to accept the security risks posed by information exchange and collaboration.[25]

Enable and Encourage Effective Negotiation Behaviors

We believe that organization members fail to maximize value in their cross-divisional negotiations due to a lack of negotiation training and insufficient encouragement to use value-creating techniques. Without help, organization members are unlikely to disconfirm the myth of the fixed pie for themselves, or to recognize and remedy their natural inattention to others' interests. It is therefore no surprise that negotiation training is now considered a standard element of the curriculum in leading business schools worldwide. Leading organizations cannot afford to fall behind in promoting this core competency – by placing untrained employees in roles that involve interfacing across divisions, organizations forfeit tremendous opportunities to create value, and expose themselves to unnecessary risk.

The second aspect of helping organization members to negotiate effectively across the divisional boundaries is to establish strong explicit norms that encourage the ongoing exercise of value-creating techniques – collaborative information gathering and disclosure. When executives who participate in the aforementioned El-Tek simulation are asked "how would the CEO of El-Tek want the two division heads to negotiate?", they almost universally know the answer: the CEO would want the two division heads to put their data together, create the biggest pie for the organization as a whole, and then negotiate to determine who claims what share of that maximized value. The takeaway from that simulation, and this discussion, is that although hiding relevant information during cross-division negotiations unnecessarily burns value, people do it all the time. Optimal outcomes therefore demand that a leader instill, and reinforce, norms that promote a collaborative approach to value creation in negotiation, encouraging information sharing and explicitly discouraging information hoarding. Of course, competitive tactics are appropriate for divisions seeking to divide the pie once its total value has been maximized, but collaborative norms better serve the value-creation process.

Conclusion

We have argued that no matter how a multi-divisional organization is designed, it needs to find effective ways to spontaneously and responsively coordinate information and activity across its resulting units. This chapter discusses how optimal patterns of such collaboration can be depressed by three key barriers: favoritism toward one's ingroup; territorial behavior by, or on behalf of, organizational groups; and flawed, value destroying approaches to cross-divisional negotiations. In addition, we discussed three strategies for overcoming these barriers. First, by linking specific group goals to the broader goals of the organization, leaders can balance the motivational benefits of divisional-level goals with cooperative benefits of shared organizational-level goals. Second, by framing collaboration as an opportunity for groups to enhance and secure their places in the organization, leaders can inspire organization members to more eagerly explore other divisions' territories. Finally, we discussed strategies to enable and encourage effective negotiation. These entailed providing training in value-creating approaches to negotiation, and developing strong norms that support collaborative information gathering and disclosure.

As organizations become more cross-functional, and as organizational environments become more dynamic and complex, decentralized organizations will continue to increase their need for effective, dynamic collaboration across divisional lines. It is our hope that this chapter helps to clarify some of the key barriers to this kind of boundary-crossing, while at the same time offering useful solutions to overcoming them.

Notes

[1] *9/11 Commission Report: Final Report of the National Commission on Terrorist Attacks Upon the United States* (Washington, DC: U.S. Government Printing Office, 2004).
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[3] See Paul R. Lawrence and Jay William Lorsch, *Organization and Environment: Managing Differentiation and Integration*, Rev. ed., (Boston: Harvard Business School Press, 1986).
[4] Henri Tajfel and John C. Turner, "The social identity theory of inter-group behavior," in *Psychology of Intergroup Relations*, ed. S. Worchel and L. W. Austin (Chicago: Nelson-Hall, 1986).
[5] Ibid.
[6] Robert A. LeVine and Donald T. Campbell, *Ethnocentrism: Theories of conflict, ethnic attitudes, and group behavior*. (New York: John Wiley & Sons, 1972).
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[13] For other territorial behaviors at the individual level, see Graham Brown, Thomas B. Lawrence, and Sandra L. Robinson, "Territoriality in Organizations." *Academy of Management Review 30*, no. 3 (2005).
[14] Albert Bandura, *Self-efficacy: the exercise of control* (New York: W.H. Freeman, 1997).
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[16] Howard Raiffa, John Richardson, and David Metcalfe, *Negotiation Analysis. The Science and Art of Collaborative Decision-making.* (Cambridge MA: Harvard University Press, 2003).
[17] Max H. Bazerman. “Negotiator judgment: A critical look at the rationality assumption.” *American Behavioral Scientist, 27* no. 2 (1983): 211-228.
[18] Max H. Bazerman and Katie Shonk. “The Decision Perspective to Negotiation,” in *Handbook of Dispute Resolution,* eds. R. Bordone and M. Moffitt (San Francisco: Jossey-Bass Publishers, 2005).
[19] We define negotiation as any time two parties are jointly making a decision, and do not have identical preferences.
[20] 9/11 Commission Report.
[21] Muzafer Sherif, "Superordinate Goals in the Reduction of Intergroup Conflict," *The American Journal of Sociology* 63, no. 4 (1958); Samuel L. Gaertner and John F. Dovidio, *Reducing intergroup bias: The common ingroup identity model*, (Philadelphia: PA, Psychology Press, 2000); Samuel L. Gaertner, Jeffrey A. Mann, John F. Dovidio, Audrey J. Murrell, and Marina Pomare., "How does cooperation reduce intergroup bias?" *Journal of Personality and Social Psychology 59*, no. 4 (1990); Samuel L. Gaertner, Jeffrey Mann, Audrey Murrell, & John F. Dovidio, "Reducing intergroup bias: The benefits of recategorization." *Journal of Personality and Social Psychology 57*, no. 2 (1989).
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[23] Gaertner and Dovidio; Gaertner et al., "How does cooperation reduce intergroup bias?"
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