

## Collaborate yes, but think about it first

**If you prefer swimming to sinking in turbulent times, IESE's Antonino Vaccaro urges you to wrap structure around your efforts to manage internal conflict. His 10-year study points to the importance of formalization in collaboration.**



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It's not easy. Navigating the choppy waters of market volatility, digital disruption, changing regulations, and escalating stakeholder expectations calls for a steady hand at the helm.

For any organization operating in today's complex environment, there's a near-permanent risk of internal conflict arising from external turbulence: a grab bag of pressures, tensions and power struggles that can fog objectives, strategies and practices; impair performance;

and even pose a threat to survival.

Research has shown that organizations that can manage market and institutional complexity — while successfully enacting the processes and mechanisms to deal with the tensions it generates — fare far better than the competition. They align stakeholders more effectively. They innovate more.

So what are these organizations doing right that keeps them buoyant in turbulent times? IESE's [Antonino Vaccaro](#), together with Tommaso Ramus and Stefano Brusoni, decided to investigate.

## Wising Up

[The authors looked at a group of work integration social enterprises](#) — WISEs for short. These are private organizations that help marginalized, long-term unemployed people back into the job market. As a group, WISEs are especially prone to internal tensions because they seek to balance a number of complex characteristics. On the one hand, they have a social mission to contribute to the wellbeing of society by helping sidelined workers reintegrate into the economy. On the other hand, they rely on earned revenues to operate as sustainable businesses, so they have to compete with traditional for-profit companies.

This tension between commercial and social objectives creates an ideal environment to explore successful vs. unsuccessful techniques of conflict management.

Vaccaro and co-authors decided to look at how different WISEs in Italy handled the fallout from the economic crises of 2008. Together they analyzed 10 years' worth of data to get a sense of the kinds of tensions organizations experienced, and then how the selected organizations managed those tensions.

What they found sheds light on why some organizations fare well in volatile times, while others struggle under the pressure.

Working in waste management, cleaning services, and carpentry, the four WISEs faced internal tensions as their social imperatives jostled with commercial objectives for priority in the aftermath of the 2008 meltdown. All four opted to pursue collaborative strategies to reduce the tensions this caused. Counselors working on the social objectives would visit production sites with the production managers to resolve breakdowns or delays. Social and commercially minded personnel started working together to schedule activities, train marginalized workers and manage contracts.

## Making it Formal

Not all of them, however, understood the importance of formalization — i.e., codifying, in rules and instructions, practices and clearly defined individual responsibilities — to prevent their efforts from falling flat.

Without clear rules that defined boundaries and responsibilities, the same conflicts arose again and again.

In particular, one WISE fared far better than the others. This organization integrated the knowledge and strengths from both commercial and social sides in a collaborative *and* formalized fashion. For example, when disagreements arose between socially focused and commercially focused staff re: whom to hire and where to place them, causing delays, the company formalized a strategy of weekly meetings and switched to a joint selection process in which managers from both the social and commercial sides considered candidates.

In another case, the company discovered something interesting by analyzing tensions: when marginalized workers wanted overtime, production managers tended to grant their requests thinking of the commercial benefits. Counselors, however, warned that the need to work extra hours could sometimes point to psychological issues. What the company did then was key. Decision-makers sat down and looked at how to integrate these conflicting interests to yield better results. As a result they created a rule: when a worker asked for overtime, the production team alerted the counselors, who analyzed the worker's motivation. If the all-clear was given, the worker got the overtime.

Critically, they devised a structure for collaboration *before* enacting that collaboration. And the results were stunning. Between 2008 and 2012, this company had doubled the number of marginalized workers it employed and increased profitability by 65 percent.

The authors call this "collaborative formalization": a structured interplay of collaboration and formalization that can help firms overcome conflict. That is to say, it all comes down to working together. And finding a structured approach to getting that collaboration right.

As a way to navigate the waters of environmental turbulence, collaborative formalization can be a major determinant of success or failure over time.

## **Methodology, Very Briefly**

The authors developed a very detailed database that was based on internal documents, such as internal reports; interviews conducted throughout almost a decade with both internal and external stakeholders; publicly available documents, such as sector reports; and more.

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