How The Fight For Independence Could Be The Death Of Your Business

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Business history is replete with examples of companies that had it all: the hard assets, the skills, the strong market positions – and yet still lost their way. Take Sony, the global leader in electronic entertainment through the 1990s. Sony's music players, phones and computers were iconic; its movie studios and publishing companies were leaders in their fields. And yet Apple – 20 years ago a struggling niche computer maker with no presence in entertainment – has taken what many at Sony regarded as their rightful place. How so?

As Sony commentators describe it, instead of working together, the managers of the different businesses fought to keep their independence. Attempts to integrate and rival Apple's iTunes flickered and faded.

The fight for independence was ironically the death of Sony and a salutary lesson for us all. Instead of fighting for their independence, Sony bosses would have done better to collaborate and pool their strengths. Why is coordination not happening in organizations like Sony?

According to "Why strategy execution unravels—and what to do about it," an ongoing comprehensive study on strategy execution (Sull and Homkes, 2015), which includes a survey of more than 11,000 senior executives and leaders at over 400 companies (including participants on London Business School's [Executing Strategy for Results] program), lack of coordination and cooperation is a major de-railer to execution. Not only is coordination rarely rewarded or incentivized, when it comes to relying on teams in other departments or business units, senior managers can rely on their colleagues to deliver all of the time less than 10% of the time!

Inability to rely leads to many dysfunctional responses in organizations, including endemic mistrust and over-commitment. Senior managers, who cannot rely on others, tend to do the job themselves or let their own commitments to others slip, which only compounds the problem.

This lack of reliance should not be too surprising, as most of these organizations also lack clarity on what the overall firm priorities are: when asked to list their companies' top priorities, less than 60% of managers could list even one! Lacking overall direction, over-worked executives stretched too thinly across tasks will tend to stick within their own units' work, which hinders the very coordination needed to deliver on major company-wide objectives, such as delivering customer solutions.

For those leading larger or more complex organizations with multiple business units –especially those operating across different geographies – getting to grips with horizontal co-ordination is a must.

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Matrix management no silver bullet

Many firms reach for matrix management as the go-to solution to counter the complexity of today's organizations. It is has become something of a modern vogue. But it is not the silver bullet some have thought. A matrix structure simply highlights the need for coordinated efforts. But that need can only be met where the personal commitments between key players in the organization are strong and effective. Those networks need to be known, nurtured, and given the appropriate infrastructure and support.

Cultural forces can also aid cooperation, but these are also hard to build and even harder to continually reinforce. Cisco is a great example of an organisation that has built such a strong culture of serving customers through cooperation across teams and units, that even when the company re-structured around products rather than customers following the financial crisis, cooperation across units with the customer centricity remained.

There are few shortcuts to horizontal coordination. Networks need to be reinforced and the appropriate structures invested in to allow them to work. Organizations also need the right platforms, tools, training and governance to ensure people know *how* to coordinate, and it requires foster a cooperative environment in which managers know *why* they should.

Following the money

Even with the right structure, to get employees to work together, they also need the right incentives. The obvious place to look is the compensation system. Quite frankly, most organisations do not incentivize their employees to coordinate. Performance management and bonus systems are still based largely on meeting individual and team targets, which can go against the very cooperation necessary to serve customers. It is time for ill-fitting compensation measures to catch up.

For today's leaders searching for better means of serving customers and reacting to competitive threats, it is time to shift the focus to the mechanisms and means to better support coordination and cooperation.

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