Promoting cross business sharing

The recent financial crisis has made "accountability" the magic mantra in multinational corporations. Their business units now have more demanding performance targets, and progress against these is also being monitored more tightly. But this heightened focus on unit accountability can have some detrimental consequences for the enterprise as a whole.

An inflexible, unenlightened approach to promoting accountability can starve a business unit of the discretionary resources it needs to foster a culture that avidly searches for growth opportunities. Worse, an undue emphasis on accountability can foster insular behaviours and silo thinking that drive out inter-unit cooperation. If it does, the long-term performance of the firm will likely suffer. Growth strategies depend on cross business sharing.

The notion that corporations grow and prosper by leveraging their core competencies is a well-accepted idea. However, a firm's distinct competencies are often dispersed in its many divisions and business units. In order for the firm to effectively leverage these competencies, they have to be freely available to all divisions and business units. But this is not always the case. Instead, the multidivisional structure of the firm often creates organizational silos in which knowledge and competencies are trapped or "imprisoned".

Senior executives can help fight the growing insularity among the firm's businesses and promote better sharing among them through four steps:

1. **Celebrate "enterprise first" thinking;**
2. **Nurture boundary spanners;**
3. **Provide supporting systems and processes;** and
4. **Strengthen the informal organization.**

**Celebrate "enterprise first" thinking**

Multinational companies are facing severe pressures to improve operational efficiency. This has led to increasing centralization through the creation of global organizations to run the firm's businesses, functions and markets. While these changes are necessary, an unfortunate consequence of such centralization is to lengthen the organization chain between the business units in the firm.

It is not only inter-business unit cooperation that is suffering; sharing across geographies is also less spontaneous. The challenge for top management is to reaffirm the oneness of the corporation. Jeroen van der Veer, the retiring CEO of the energy giant Royal Dutch Shell, has championed what he calls "enterprise first" behaviours. He expresses this corporate mindset as "everybody is like a wheel in a Swiss clock, the wheels are all different, but all are essential for performance." While it is important to hone the individual performance of all gears, their collective performance when meshed together is what matters for a top quality clock. For Van der Veer accountability is important, but it has to be complemented by teamwork that keeps the interests of the enterprise paramount.

A shared purpose is important for driving "enterprise first" behaviours. In today's crisis environment, firms need to communicate their shared purpose and vigorously promote their shared values.
Nurture boundary spanners

Another consequence of the move to global structures is to emphasize deep expertise in a business or function more than the general management ability to think across functions and businesses. Job tenures are also getting longer as a result, and job rotation is both less frequent and limited to moves within a global silo. Companies are especially keen on limiting international expatriate assignments in a bid to save costs.

Sharing between two business units is helped if at least one of them has a boundary spanner who can act as the bridge. A boundary-spanner has the ability to communicate with and understand the norms and requirements of both units and enjoys good relationships with individuals in both groups. In general, boundary-spanning managers can facilitate sharing by:

- Identifying the critical areas where sharing can be helpful.
- Structuring the appropriate knowledge transfer process.
- Arbitrating any misunderstanding between the two divisions.

The trust they enjoy personally with managers in both units helps compensate for the lack of trust that might exist between the units themselves.

Regional managers and country managers are emerging as the only potential boundary spanners in multinational corporations, even though their formal roles are being abridged. By virtue of their connections with multiple businesses that operate in their geography and the corporate functions that support it, they are the few generalists still left in the corporation. A skilled country manager can act as a bridge between competing business units and remind both of their “enterprise first” obligations.

Provide supporting systems and processes

The third action item is to provide an organizational context that is conducive to sharing. A business unit will have high motivation to share if it believes that another unit offers a competence that it needs to further its own growth opportunity, or provides an attractive market opportunity for leveraging its own competence. The difficulty, however, is in learning about these win-win opportunities. The drive to meet performance targets is so intense that business managers seldom look beyond their own silos.

In companies like 3M or Nestlé the corporate technology group arranges periodic meetings to ensure that there is cross-business sharing of the company’s technology developments. But technology is not the only competence that can be leveraged. Nucor Steel, in its heyday, was famous for encouraging its employees to visit high-performing plants and appreciate the state of the art in manufacturing practices.

Systems and processes can also be useful for sharing competencies. Nestlé, for example, has a system called GLOBE (Global Business Excellence), which identifies and codifies best practices and shares these throughout the organization. However, not all competencies can be codified and neatly stored in company databases. Paradoxically, the very features of a competence that make it distinctive and hard for competitors to procure or copy are also the ones that are more tacit and difficult to share internally as well. Tacit knowledge is best transferred through apprenticeship with the expert business. But this places a disproportionate time and cost burden on the expert instead of on the student. Besides, the donor division may not always be the beneficiary of the business success that follows.

The motivation to share is also influenced by the rewards and sanctions that a firm provides. Ideally, the reward system must provide bonuses that are based not just on the performance of a business but also on that of the broader cluster to which it belongs. This promotes sharing.

The score cards at companies like Shell place a greater emphasis on enterprise performance and not just on sub unit performance. What is even more effective is when
sharing becomes a key requirement for career advancement within a company. At Shell, managers who exhibit silo behaviours are overlooked for promotions.

**Strengthen the informal organization**

Another factor that facilitates the sharing of competencies across business units is the depth and breadth of formal and informal communication ties between them. Severe cutbacks in travel and in job rotation have diminished the face-to-face interactions in a company. These have been substituted by virtual interactions via the web or video conferences.

New communication technologies can indeed be quite powerful in promoting sharing. At Shell, one approach is the virtual reality and collaboration room. This laboratory uses remote collaboration and visualization technologies to connect its experts across the world. Laboratories in three different continents tackle problems round the clock, seamlessly carrying the work forward until a solution is found.

Given the striking improvement in such virtual meeting technology, is face-to-face communication still important in an age where Facebook, Linked In, and Twitter are fast becoming the preferred tools for networking? The answer is an unambiguous yes. Face to face interactions are important for transferring tacit knowledge. At the Japanese consumer electronics giant Sharp, top management actively seeks to rotate its technical and commercial people across businesses and functions both to transfer knowledge and to groom more boundary spanners.

In companies where job mobility across divisions has been curtailed, there needs to be other opportunities to socialize, say at a business meeting or a corporate training programme to help build personal bonds between employees. These are the “buddies” that one reaches to when in need. They in turn can activate their network of contacts to help find the needed expertise.

In general, a space for “social loafing” has been shown to facilitate knowledge sharing. Company cafeteria, picnics and social events that accompany business meetings are all important opportunities available in an organization to meet informally and, in doing so, to weave the social fabric needed for sharing. Too often, in the rush to save costs, these valuable networks are being compromised.

**Four action steps for leaders**

In summary, promoting cross business sharing requires senior executives to:

1. Reinforce the company's shared purpose and values. These provide the shared identity that promotes “enterprise first” behaviours.
2. Nurture boundary spanners. They are the catalysts who can encourage cross business cooperation.
3. Provide score cards that are balanced between horizontal contributions and vertical contributions within a business or region.
4. Support the informal organization by encouraging interactions that are not strictly task related, such as social events.

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