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Joined-up thinking

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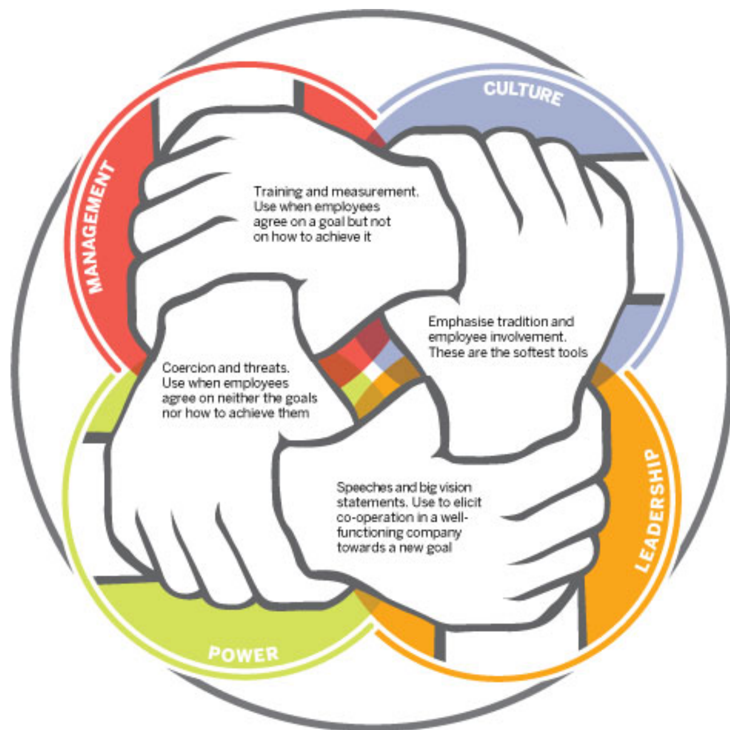

The four tools of co-operation

There is no more powerful belief in business than the one that vigorous competition leads to success. It is embedded in economic and management theories, investment models and motivational speeches and, for some companies, is part of how they do business.

But a persuasive new set of theories is emerging, arguing that co-operation trumps competition. The fittest do not survive merely by outrunning their rivals. Rather, they win by finding ways to work together, by building the systems of trust and co-operation that allow groups to flourish.

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This may be hard for many business people to swallow, given how embedded their competitive instincts have become. But in their new book *SuperCooperators*, Martin Nowak, a Harvard professor of biology and mathematics, and Roger Highfield, editor of the New Scientist magazine, argue that the winners in life are those who resist the temptation to escalate conflicts. The losers punish others and perish as a result.

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Their argument rests on Prof Nowak's study of evolutionary principles which develop Charles Darwin's famous views. Humans are "supercooperators", they say, because we manifest selfless behaviour that results from natural selection. We advance as a species not by beating each other, but rather by trusting each other and working together. This explains why ants build their colonies and humans build cities.

Applied to business, Prof Nowak says "the ultimate lesson is that it is co-operation, not competition, that underpins innovation. To spur creativity, and to encourage people to come up with original ideas, you need to use the lure of the carrot, not fear of the stick ... Without co-operation, there can be neither construction nor complexity."

Co-operation in business, however, can take many forms. Employees within a single organisation might co-operate to achieve shared goals. Or companies can co-operate with each other to dominate a market. And co-operation and competition are often not antithetical, but can be mutually supporting. By co-operating, for example, a company's employees might trounce their competitor. "If at one bank, everyone is cut-throat, and at another everyone is collaborating, over time the collaborators will win," says Prof Nowak.

The Harvard Business School academics **Clay Christensen, Matt Marx and Howard Stevenson** have written that there are various ways to persuade people within an organisation to set aside their competitive instincts and co-operate. The key for a manager is to gauge how strongly his employees agree on where to go and the means of getting there. Then, he can use one of four sets of tools to get them to collaborate: power, management, leadership or culture.

The four tools range from highly aggressive to a gentle chivvying along and the management challenge is to know when to use which device. Power tools such as coercion and threats are used when employees agree on neither goals nor means. Management tools, such as training and measurement, work when employees agree on the goal but not on how to get there. Leadership tools, such as speeches and big vision statements, work to elicit co-operation in a well-functioning organisation towards a new goal. Culture tools, such as emphasising tradition and employee involvement, are the softest of all and work in companies capable of managing themselves.

An extreme example of power leadership was Jamie Dimon, chief executive of JPMorgan Chase, when he led the company's merger with Bank One. Profs Christensen, Marx and Stevenson write that during the merger, Mr Dimon cut executive salaries by as much as 50 per cent, threatened branch managers with the sack if they failed to meet quota, and warned the IT division that if they didn't choose a single platform for the merged businesses' IT within six weeks, he would pick one himself.

Starbucks' chief executive Howard Schultz used both power and leadership tools when he returned to the company he founded as chief executive in 2008. He employed the first when he closed stores and fired thousands of employees. Once he had got the company back into shape, he then wrote *Onward: How Starbucks Fought For its Life Without Losing its Soul* to explain himself and act as a leadership tool to rally his battered troops.

The trick for executives is to get the balance right. It takes a particular blend of co-operation and competition to rise to the top of a large organisation. Even the most competitive individual requires the support of others to succeed. But co-operate too much, and you risk being taken advantage of by others.

Mark Weber of the University of Waterloo and J. Keith Murnighan of Northwestern University have written that the people who always volunteer and rally teams to overcome problems are invaluable to companies, but are treated as suckers for not pursuing their own interests. In larger companies, says Prof Murnighan, "it's harder now for consistent co-operators to benefit from their actions. The consistent co-operator gets burnt once, and it takes a strong character to come back from that."

As companies change more quickly and employees come and go with greater frequency, it is harder than ever to reap the long-term rewards of collaboration. Everyone is operating on a shorter time horizon, which leads to more self-interested behaviour.

Bruce Henderson, founder of the Boston Consulting Group, wrote a well-known article in 1967 titled Brinkmanship in Business, which he said could equally be titled "How to Succeed in Business by Being Unreasonable". He wrote that to compete effectively, it was necessary to appear to be co-operating while in fact ensuring you get your own way. He compared business to international relations during peace time, when countries compete ferociously but exercise restraint to avoid war. "The goal of the hottest economic war," he wrote, "is an agreement for coexistence, not annihilation."

Some of the world's biggest industries exhibit just these alternating patterns of competition and co-operation. Coca-Cola and Pepsi may seem in constant battle, but their duopoly allows them to limit market access by smaller rivals and maintain pricing. Microsoft and Intel may have made billions from their near dominance in personal computing, but it has not stopped them fighting over how to divide up the profits. They co-operate to create value, but compete to

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Among venture capitalists and technology companies, the term “coopetition” has been coined to describe the overlapping ties between boards, investors, executives and employees. The word triggers the interest of anti-trust regulators, and is just the kind of euphemism that leads to trouble and confusion.

While collaboration within organisations may make them more effective, competition between them tends to serve the consumer best. Even then, says Prof Nowak, it doesn’t solve all problems. The banks, for example, left to compete among each other did what was best for themselves but allowed the financial system to crater. “We will always have oscillations between co-operation and collaboration, up and down,” he says. “There’s never an equilibrium.”

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