International Collaborative Leadership Institute
www.ICLInstitute.org
3510 Kraft Road Suite 200
Naples, Florida USA 34105

WHITE PAPER

By Robert Porter Lynch

Robert@ICLInstitute.org

2. The Case for Collaborative Leadership

Why Collaborative Leadership is so Important

Version 1.4

Purpose

There are three "basic" leadership styles: *adversarial, transactional,* and *collaborative.* This paper addresses the following issues:

- Why Collaborative Leadership is so Important in today's World
- Contrasting Collaborative Leadership to Adversarial and Transactional Leadership
- Case Study: The MegaProject – impact of the three leadership approaches on the key outcome factors: On-Time & On-Budget

The Case for Collaborative Leadership

Contents

The Case for Collaborative Leadership

The business world is changing at a bewildering pace. In no other period in the history of human events have we encountered so much change so fast, with the exception of wartime.

What kind of leadership will be most likely to succeed under these volatile conditions?
What is the nature of the challenge leaders face today and into the future?

The New Era of Change, Speed, & Complexity

Change, speed, and complexity are the by-words of our age. In workshops conducted over the last twenty years, our team has asked over fifteen thousand senior executives all over the U.S. Canada, and Europe to graphically express the impact was of the rate of change/speed/complexity since 1970.

Amazingly, for well over 90 % [1] of the executive responses, the curve looks thus:[2] (see Figure 2: Acceleration Curve in a Rapidly Changing World). The implications of this phenomenon, from a

predictable, slow-time world to an integrated fast-time world are massive. It affects every aspect of management. I have other material to help the senior exec manage this shift.

This astounding concurrence represents the dazzling shift that has rocked the very foundations of organizational thinking. But with this shift, executives have been caught flat-footed.

In the first half of this era (1970-1990), the business world was slower moving, a period of relative predictable change, characterized by five and ten year strategic plans and three year sales forecasts. Organizations were stood as independent entities that *transacted* business independently, alone and predominantly hierarchically. The rules of management in this era had been developed from years of experience, handed down

Figure 1 -- Graphic Depiction of the Rate of Change in the Business World

through generations of tradition and the esteemed learning from our business schools. The *transactional* nature of business (which had been the principle form of commerce for millennia), set the stage for a predominantly *transactional* leadership style that pervaded the core of many business relations for centuries. The culture of many companies reflected the *transactional* leadership style, and this became the accepted expectation about business.

Counterbalancing the *transactional* approach on the one hand is a *collaborative* style hallmarked by teamwork and trust, and on the other hand an *adversarial* style characterized by a "survival of the fittest" mentality. (see Table 1: Three Basic Styles of Culture & Leadership).

Three Basic Forms of Leadership & Interrelationships

In the most basic analysis, human beings can inter-relate with each other in three fundamental ways:

- *Collaborative* – friendly, open, trusting, engaging, creative, participatory, caring.
- *Transactional* – hierarchical, cautionary, wary, protective, distant, judgmental, contractual.
- *Adversarial* – antagonistic, adversarial, combative, distrustful, threatening, disrespectful.

In Table 1 (below) we outline some of the core believes, values, strategies, and interactions for each.
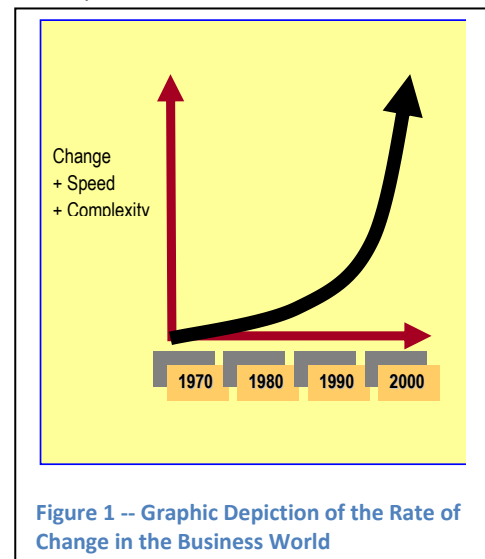
The Case for Collaborative Leadership

Table 1: Three Basic Styles of Culture & Leadership	Adversarial	Transactional	Collaborative
Key Beliefs	Business is a "Psychological War Game;" Winning comes from Power	Trading, Bargaining, & Differential Views on Value Produces Economic Exchange	Extreme Value is Generated when people work in teams to Push the Envelope on Performance
Behaviors	Argumentative, Money Rules, Use Age, Experience, Position or Budget to get your way, "dog eat dog"	Squeezing & Positioning enables you to get the best result in Negotiations, throw a bone to sweeten the deal	Co-Creative, Teamwork, Trustworthiness, Highly Ethical & Honest; Maximize what's in the best interests of the whole
Rules of the Game	Pressure others; Winning is a result of Cunning & Craftiness; Hype your importance; Protect your backside; Don't Trust Others or you will get screwed; Everything is Win – Lose	Take advantage of every opportunity, Exploit weaknesses; Timing is critical; Perception is everything; Trust but verify; Use lawyers to ensure protection; Everything is in the "deal"	Create value & competitive advantage by using Teamwork (internally) & Alliances (externally). Close integration between operating units, suppliers & Close attention to customers/client; Strive for Win-Win
View about Risk Management and Creating "Synergy"	Synergy is an impossible dream, (don't even think about it.). Manage Risk with tough contracts & tougher legal team empowered to litigate. Squeeze your vendors, manipulate your customers.	Synergy is derived from High Efficiency. Competitive Advantage & Profit comes from low cost of production. Risk Management, insurance, and shedding risk will limit losses.	Synergy is a result of high levels of trust, teamwork, and alignment of goals & values. Use high trust & teamwork to reduce risk. Work together to eliminate non-value added work. The biggest risk is failure to adapt & innovate to emerging risks and opportunities
Value Proposition	Minimum Required to Close a Sale; Squeeze vendors in supply chain; Buy Low, Sell High	Competitive Price, Acceptable Quality; transact through supply chains	Performance Excellence thru Value-Networks, Good Price, Speed, and Innovation
Framework for Negotiations	Winning is essential for me; I get more if I push, squeeze, and threaten to ensure I leave nothing on the table. I'm stronger if you're weak	What happens to you is your business. Long term relationships are only the product of me getting what I need/want. Switch suppliers to get best deal.	A Win/Win is essential to create productive long-term relationships to mutually thrive. Use our different needs & perspectives as the source of collaborative innovation.
Competitive Advantage	Gained from Size & Money	Gained from Proprietary Information & Bargaining	Gained from Value Co-Creation Teamwork and Sharing
Information Sharing	Horde Information – It is power – others can't be trusted to hold it	Limit sharing of information, consolidate information at the center of power.	The more information people have in the field, the better they can decentralize decision-making and innovate quickly.
Trust Level	Distrust , Deception, Aggression, & Manipulation Prevalent	Caveat Emptor (buyer beware)Trust is elusive and unsustainable	Trust is essential to generating a continuous stream of new value

Seldom are the lines delineated as clearly as defined above – many organizations will demonstrate a broad mixture of pockets of all three. Similarly, leaders may create a muddled style of leadership, mixing and matching a wide variety of often contradictory beliefs, methods, rewards and measures.
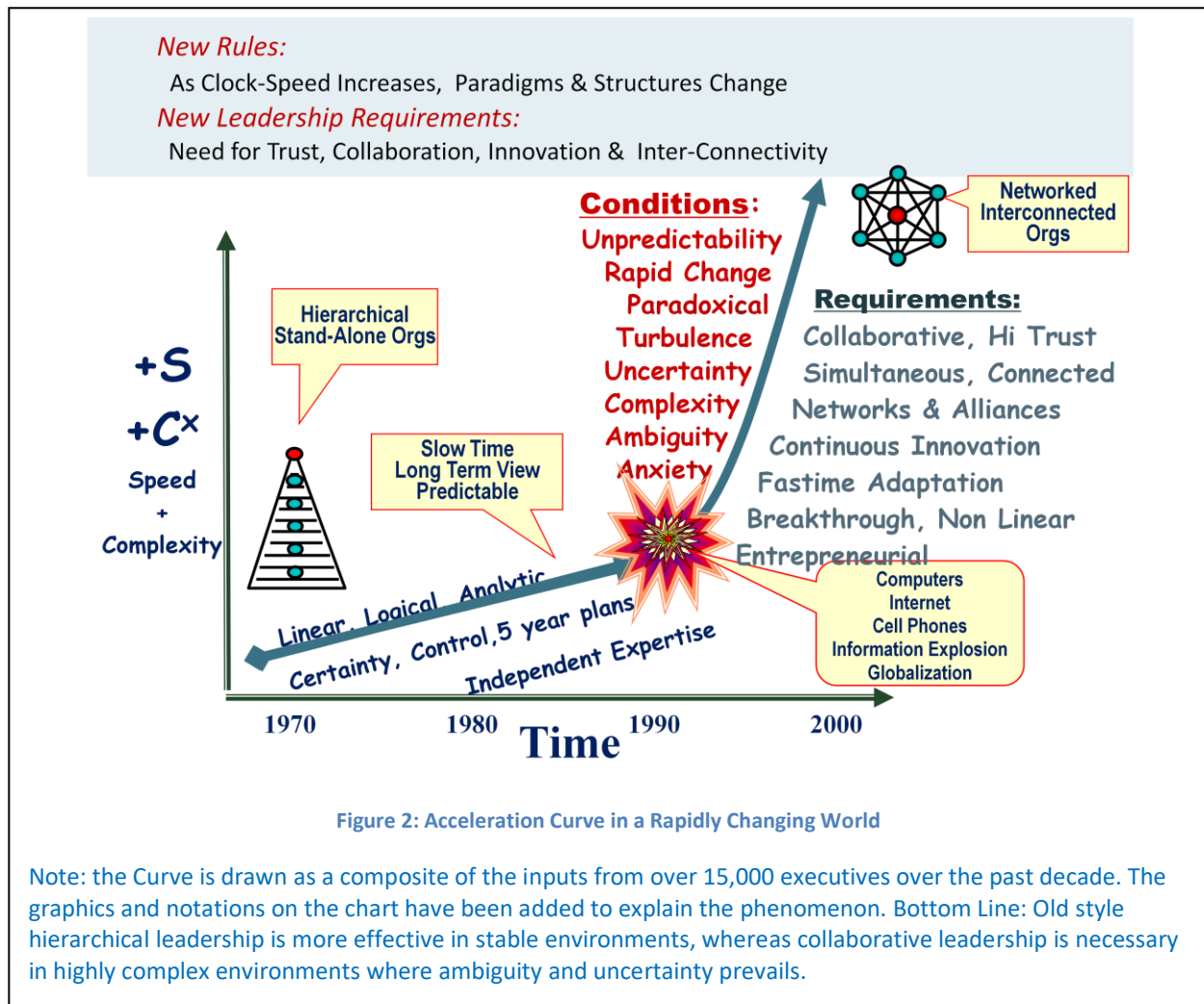
The Collaborative Leadership Advantage

For decades, there was intense debate about which leadership approach was most effective, with vocal advocates for each school of thought. Each of these cultural "archetypes" has appropriate applications which, if properly used, produce desirable results.

> For example, an adversarial system may work well in a prison, but be a disaster in a family. Similarly a transactional system may be perfect for an internet auction, but fail miserably applied to a sports team. And the collaborative system may produce great communities but falter by being too complex when filling up your car for a tank of gasoline.

The stalemate in the debate has been broken. Fired by the forces of change that occurred in the mid-late 1990s, what was once a somewhat predictable world almost instantaneously suffered a tectonic shift, becoming fast, discontinuous, and unpredictable. (see Figure 2)

Figure 2: Acceleration Curve in a Rapidly Changing World

Note: the Curve is drawn as a composite of the inputs from over 15,000 executives over the past decade. The graphics and notations on the chart have been added to explain the phenomenon. Bottom Line: Old style hierarchical leadership is more effective in stable environments, whereas collaborative leadership is necessary in highly complex environments where ambiguity and uncertainty prevails.

> For example, with the magnitude of change and uncertainty, many long term strategic plans have had their time horizons shortened (or even suspended), sales forecasts have been scaled into shorter horizons, and alliances have burgeoned to enable adaptation to the shift. This is expected to continue throughout the century, with little abatement.

The Case for Collaborative Leadership

In the world prior to cell phones and internet connectivity, business tended to be far more isolated, stand-alone, and capable of determining their own fate. *Transactional* leadership imposed "command and control" authority over mini-empires where the CEO was king.

The Difficulty with Command & Control in a Fast World

But in the new world, with the advent of globalization, computers, and the internet, things began to shift dramatically. Command and control unraveled. With less predictability came stiffer pressures and penalties from Wall Street. Now everything happens significantly faster than just one or two generations ago.

> **What is Culture?**
> While invisible, culture is like radio waves, pervasive and everywhere. Culture tells people what is expected of them, what is valued by leaders, what beliefs they should hold, how people should interact, what they should achieve and protect, how they will be rewarded or punished, and what is important. Culture, more than any other factor (such as personality) will determine human behavior.

The system of Command and Control, which is inherently hierarchical and thus transactional, suffers immensely when speed and rapid adaptation is required.

Business as usual is a thing of the past.

And as the world of commerce has become increasingly complex and changing, it has brought with it much higher levels of ambiguity and

In today's complex networked and rapidly changing world, the most effective way to create competitive advantage is through a collaborative approach to business and leadership.

uncertainty; conditions which demand a *shift in leadership styles and organizational structures*. The *transactional* leadership styles and structures of a past world collapse under the stress of greater needs for integration, innovation and rapid adaptation, and inter-connected decision-making.

Old stalwart bricks and mortar companies are quickly being displaced by highly adaptable rivals like Apple, Microsoft, and Amazon. For the old guard, stock values became volatile, and new companies exploded and often imploded (recall the "dot com bomb" of 2000). Downsizing, rightsizing, and outsourcing, coupled with cutbacks in R&D were made to boost shareholder's bottom line demands. Criticism was leveled that companies had "hollowed out their core."

Innovation Comes of Age

In the face of this massive shift in speed, complexity, and change, the need for innovation becomes essential for business survivability. Out of our survey groups, the overwhelming majority concurred that *"In a fast moving, rapidly changing world, the most sustainable competitive advantage is innovation."*

Collaborative leaders understand the need for rapid adaption, and call upon their employees, their suppliers, their alliance partners, and their customers to engage in a wide variety of forms of innovation to maintain competitive advantage.

The Impact of Collaborative Leadership in a Complex World

Does collaborative leadership actually produce a substantial competitive advantage? This is one of the most compelling leadership questions of our era.

To compare the impact of *adversarial, transactional,* and *collaborative* leadership styles and cultures on complex systems, the author, along with colleague George Jergeas[a] analyzed the three approaches on the construction of multi-billion dollar Megaprojects in the Oil and Gas and Transportation industries in Canada. Professor Jergeas had intimate knowledge of ninety large scale construction projects. The standard of success was simple: the ability to deliver the project on-time and on-budget.

A complex MegaProject has a massive set of factors and interfaces that must be carefully managed and synchronized, as described in Figure 3: Typical Magnitude & Complexity of a Megaproject.

Which of the three approaches – *adversarial, transaction, collaborative* -- was most effective? The answer is very revealing. There was overwhelming evidence that the neither the *adversarial* nor the *transactional* leadership delivery styles had a positive impact on the outcomes as evidenced in Table 2: Leadership Style/Culture's Impact on Delivery.

In fact, the *adversarial* and *transactional* leadership systems not only underperformed, but consistently produced 50-100% over-time, over-budget conditions – highly expensive while eroding ROI (Return On Investment).

Only the *collaborative* approach produced consistent success. Similar results were produced in Australia[3] and the United Kingdom. In the United States, projects initiated with a collaborative approach also consistently came in on-time and on-budget, or better.[4]

Magnitude of a Typical MegaProject

A large scale MegaProject provides a very apropos framework for examining complexity. A typical $2.5 billion project will contain thousands of complex interconnected interfaces, including

- ■ Engineering Effort
  - 3.5 million man-hours
  - 40 - 50,000 design drawings
  - 10 - 20,000 vendor & shop drawings
- ■ Supply Chain Logistics
  - Organize, order, store and retrieve 80,000,000 material items
- ■ Construction Effort
  - 15 million construction hours
  - Labour force of 8,000 workers with a turnover of 200%
  - Supported by 500 - 800 staff personnel
- ■ Management Effort
  - Managing a craft mix of 8,000 workers working in pairs doing at least two different activities per day results in a never ending 80,000 individual jobs in a 10 day shift.
- ■ Operational Requirements
  - Each job requires a combination of the correct, materials, location, access, tools, equipment, scaffold, safety, quality, rigging, consumables, welding, x-ray and many other inputs to allow the worker to get his job done.

Figure 3: Typical Magnitude & Complexity of a Megaproject

High levels of complexity require high levels of collaboration and trust in order to have a fluid flow of interactions across a network of complex interfaces.

Table 2: Leadership Style/Culture's Impact on Delivery of On-Time, On-Budget Performance

Leadership Style/Culture	ADVERSARIAL	TRANSACTIONAL	COLLABORATIVE
% chance of On-Time, On-Budget, On-Target Project Delivery	**Under 10%**	**20-30%**	**80-100%**

Why did the *collaborative* approach have such a significant impact on results?

---

[a] Senior Professor of Project Management at Schulich School of Engineering at University of Calgary.

The Case for Collaborative Leadership

In Figure 4: Why Collaboration is Needed to Manage Complexity, the nature of a complex system is mapped in Panel A. The MegaProject is an inter-related set of highly inter-dependent networks that must function collaboratively with high levels of synchronicity.

Figure 4: Why Collaboration is Needed to Manage Complexity
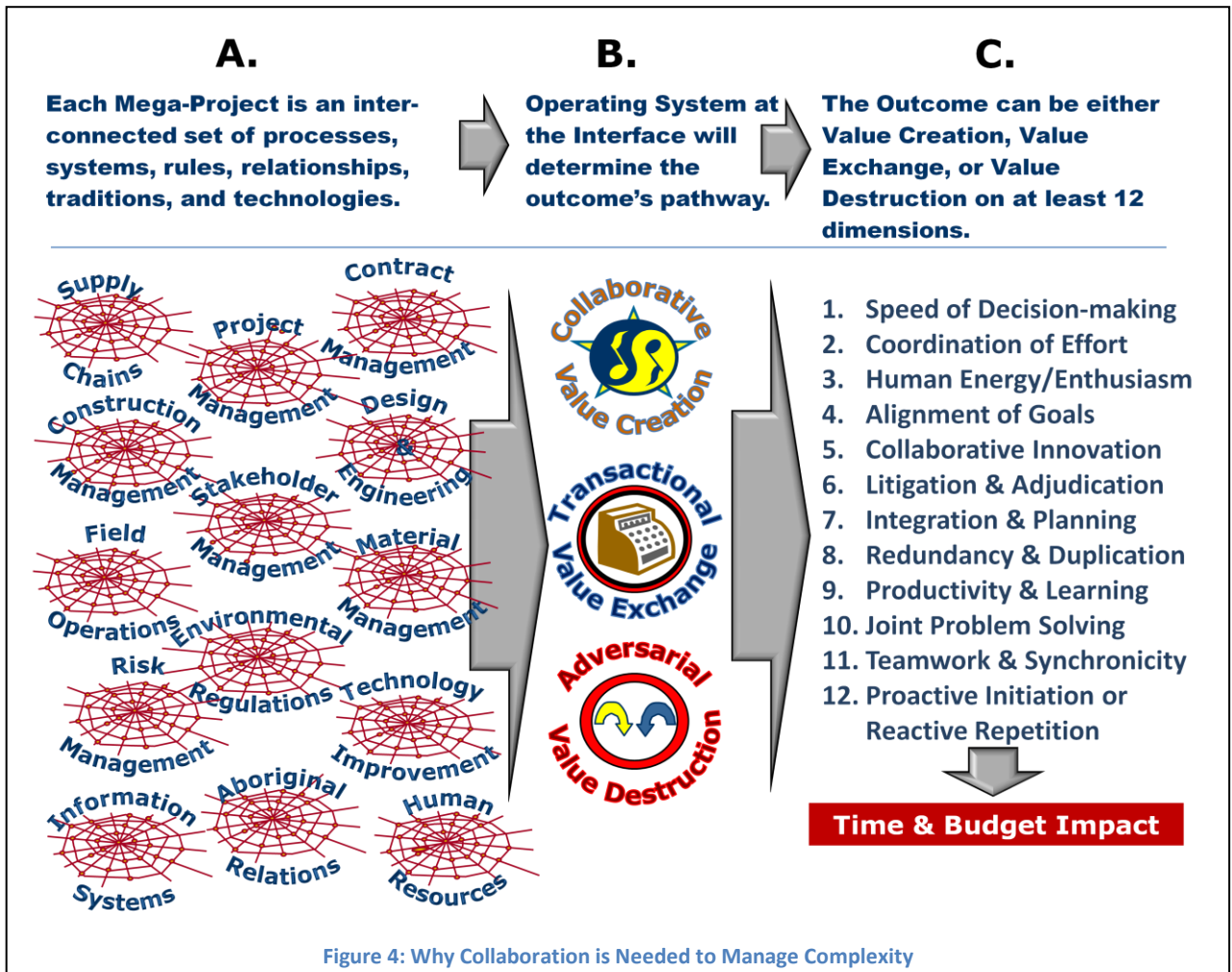
A MegaProject leader has the options of creating either an *adversarial, transactional,* or *collaborative* culture (Panel B) in which the networks must function. Additionally the MegaProject, because it exists in a world where there are many uncertainties, ambiguities, and changes (forest fires, supply chain breakdowns, market price fluctuations, acquisitions, and so forth), major adjustments must continually be made to ensure schedules and budgets do not spin out of control. The "culture" serves like the "operating system" – if the operating system is *adversarial*, all the interactions are filled with aggression, protection, and isolationism, which impacts the 12 factors in Panel C. Similarly, a collaborative operating system will ensure that the interactions are trustworthy, serve mutual benefit, and innovative.

Adversarial leadership introduces immense levels of confusion, self- protection, and rigidity into a complex system that needs just the opposite. *Transactional* leadership, which is inherently hierarchical with one-way communications, does not create the alignment, fluidity, and flow of information and joint problem-solving necessary to manage complexity.

Similar results were obtained when our team developed a complex Supply Chain simulation, which compared *transactional* supply interaction against high-trust integrated *collaborative* buyer-supplier value networks. Over 500 seasoned purchasing managers have gone through the simulation. The results were equally dramatic. Fulfillment rates jumped from 50% to 90-100% when shifting from *transactional* to *collaborative* systems, while costs of running the entire supply chain inventory dropped 50-80%.[5]

Collaborative leaders typically have far more productive, innovative, adaptive, and profitable organizations than their adversarial and transactional counterparts.

Productivity results from people working from many collaborative interactions that enable people solve hundreds of small problems every day – a condition made vastly more difficult in the presence of distrust.

Increases in Productivity

One of the key factors that produce better results in collaborative systems is they are inherently more productive. Consistently studies show adversarial systems result in significantly higher levels of non-value added work, which manifest as labour strikes, siloes that don't communicate across boundaries, slow/poor decision-making, high employee turnover rates, and poor adaptation to change.

For example, in the airline industry in the 1980's & 90's, CEO Bob Crandall of American Airlines was noted for the worst labour relations in the industry.

Leadership is about people. While "things" can be "managed," " things" cannot be led.

He referred to his people as "liabilities on the balance sheet," and suffered consistently poor profitability due to work shutdowns. Frank Lorenzo, a equally combative leader, took Continental Airlines into two successive bankruptcies until is collaborative successor, Gordon Bethune led the company to prosperity.[6] Southwest Airlines, recognized for its strong *collaborative* culture, consistently outperforms its more *transactional* and *adversarial* competitors.

What all these comparisons of *adversarial/transactional* versus *collaborative* strategies ultimately prove is that high levels of complexity require high levels of collaboration and trust in order to have a fluid flow of interactions across a network of complex interfaces. *Adversarial* and *trans-actional* systems breakdown under the burdens of complexity and the demands for speed.

Creating a collaborative culture aims at trust and teamwork as the central organizing principles.

The Case for Collaborative Leadership

Law of Unintended Consequences

The Nature of Complexity

Human Systems do not respond the same way as Mechanical Systems

Most people have very little understanding of the nature of complexity, how it functions, and what to do about it. Here are some thoughts:

Bio-Economics tells us that Complexity (in any field) has two fundamental options or routes: [which can be done simultaneously]

- Simplify – Remove, Reduce, or Eliminate, Shorten, Accelerate (this is the objective of Lean)
- Specialize – do certain things really well
- Synergize – Integrate, Collaborate, Innovate, Synchronize based on Trust (this is the objective of Alliances) (requires understanding the synergy code)

One's first response is usually to choose the obvious route

- Simplify by removing, reducing, cutting, eliminating, shortening, and accelerating. This works well in mechanical systems, but often backfires in human systems.   Here's why;
- Simplification usually will threaten people, generate fear and distrust, and invoke high levels of resistance to change. From a 'systems' perspective, the 'Simplification First' approach will often set one part of the system in contradiction from another part of the system.

 In Human Systems, generally, making Synergy (collaborate, innovate, integrate, synchronize based on trust) the foundation stone of change will enable and catalyze the process of Simplification (remove, reduce, eliminate, shorten, accelerate).

For example, if a Customer sees too high a cost from a Supplier, the Customer's first reaction is to cut costs, reduce expenses, or eliminate that supplier. This typically creates distrust, which spawns an adversarial interaction with large contracts, bargaining and deception in negotiations, and the potential for litigation. This becomes self-degenerative, as the Supplier reacts with higher thresholds of Risk Management as fear drives every possible eventuality into a dreaded reality.

This explains why "Sadly 80 percent of Lean initiatives are abandoned within three years of their launch. In addition, only two percent of organizations that venture into Lean get the results they expected." – John M. Bernard, Lean Management Institute, Oct 29, 2012

Collaborative Systems Outperform Adversarial Systems

because they enable far more efficient and effective use of resources.

Note: An Adversarial System should not be confused with a Competitive System.

- A Competitive system usually pits collaborative teams against each other.
  An Adversarial System is one that should be working collaboratively to create collective value or joint competitive advantage.
- For example, at General Motors:
  - supply chain management strategy was to make an enemy out of their suppliers.
  - Labor-management strategy was to make an enemy out of the union.

    This was an Adversarial Strategy.

- Toyota, on the other hand:
  - saw suppliers and labor as teammates who would help them create competitive advantage against GM.
  - In the end, GM squandered its precious resources and its dominant market share, while Toyota and Honda gained the high ground.

It's not 'survival of the fittest,' it's 'thrival of the most collaborative.'

Impact on Consequences

Law of Unintended Consequences operates in the realm of human systems where unforeseen/unpredicted outcomes tend to overwhelm the intended/predicted outcomes. Consequences can fall into three categories:

(-) Negative in Adversarial Cultures	(-/+) Mixed in Transactional Cultures	(+) Positive in Collaborative Cultures
Perverse Results: An effect contrary to what was originally intended, making a problem worse, or triggering a wildly monumental catastrophe (such as a spark triggering a forest fire, or an action triggering a class action law suit or labor strike). Often referred to as 'backfire'. Most likely to occur in *adversarial, disconnected, or neglectful* environments as things begin to polarize, fragment, and divide – leading to embattlement. This is often referred to as a "vicious circle."	***Unexpected Drawbacks***: This is a dual outcome typical in *transactional* environments where unconnected people or systems failed to anticipate the outcomes (such as the internet being used to recruit terrorists). Deals, trade-offs, compromises, "back-filling," and isolation into silos is common as people see themselves in a tribal mode (as isolated, ethno-centric, & misunderstood). This is often considered "normal."	***Unexpected Benefits***: Sometimes this is a result of good luck, but more often occurs in *collaborative* environments when one action sparks another positive idea that builds on another idea that connects with a possibility of something new, resulting in a outcome more *synergistic* than anticipated. Moreover, in *collaborative* systems, breakdowns have a higher chance of being turned into learning & breakthroughs, and problems into opportunities. This is often referred to as a "virtuous circle."

The Collaborative Leader
Seeks First to:

- Unite, Not Smite
- Guide, Not Divide
- Inspire, Not Open Fire
- Elevate, Not Denigrate
- Embrace, Not Disgrace
- Enlighten, Not Frighten
- Enthuse, Not Confuse
- Engage, Not Enrage
- Align, Not Malign
- Integrate, Not Segregate
- Lift, Not Rift
- Trust, Not Disgust
- Learn, Not Spurn
- Innovate, Not Desecrate
- Empower, Not Overpower
- Create, Not Hate
- Explore, Not Deplore
- Resolve, Not Devolve
- Demonstrate, Not Castigate
- Understand, Not Reprimand
- Reclaim, Not Blame
- Use Differences as Engines of Innovation, Not Destruction

International Collaborative Leadership Institute

© 2019

The Collaborative Leader's View of the World

Adversarial Leadership

In the 1980s and '90s, the most adversarial company in the airlines industry was American Airlines. Management was always at odds with labor, strikes were frequent, unrest was rampant. CEO Robert Crandall constantly poked his workforce in the eye. He was reputed to say: "People are liabilities on the Balance Sheet and an expense on the Profit & Loss Statement."

Productivity and Profitability always suffered. Crandall blamed the union, deregulation, and government. Never did he accept responsibility for triggering massive levels of "non-value added" work in his company.

Transactional Leadership

Many CEO's see their workforce as "replaceable parts" – people can be bargained with, the lowest price labor is the best. During the last 20 years, this attitude resulted in outsourcing millions of jobs overseas. People were regarded as "workers" who just did what they were told.

General Motors and Ford took this approach – and lost market share year after year. Eventually it drove GM into bankruptcy and drove hundreds of suppliers out of business every year.

Collaborative Leadership

Collaborative Leaders see their workforce as far more than just "workers;" they see people as a source of innovation, problem solving, and idea generators.

In the Airlines Industry, Southwest piloted this attitude and gained market share year after year, including a track record of continuous profits. Employees own a large portion of the company. Year after year they left American Airlines in their wake.

In the Automobile Industry, Toyota and Honda saw their workers, their suppliers, their service dealers, and their customers as valued partners who could help create innovative solutions. Year after year they chipped away at GM's market share, while making much higher profit margins. When the Great Recession hit in 2008, GM declared bankruptcy, put Toyota and Honda remained profitable.

Endnotes

[1] The only difference among these 90% was the point of inflection where the curve changes direction radically. For those in very rapid change industries, such as high tech, the point was generally between 1986 and 1990. For those in slower changing businesses, such as petro-chemicals the point tended toward 1995-7. The primary reasons for the shift cited by executives were: computers, faxes, globalization, cell phones, then the internet, each compounding upon the other. This curve is a "Baby Boomer" perspective. Ironically, those who entered into the business world after about 2000 draw only the skyrocketing part of the curve – they have no perspective on what the world looked like in the 1960-1980 period.

[2] The only difference among these 90% was the point of inflection where the curve changes direction radically. For those in very rapid change industries, such as high tech, the point was generally between 1986 and 1990. For those in slower changing businesses, such as petro-chemicals the point tended toward 1995-7. The primary reasons for the shift cited by executives were: computers, faxes, globalization, cell phones, then the internet, each compounding upon the other. This curve is a "Baby Boomer" perspective. Ironically, those who entered into the business world after about 2000 draw only the skyrocketing part of the curve – they have no perspective on what the world looked like in the 1960-1980 period.

[3] See AECOM, Australia

[4] See American Institute of Architects, Integrated Project Delivery

[5] See Go Productivity, Supply Chain Simulation which resulted in improvements from a baseline of 50% fulfillment to a 95% fulfillment when using *collaborative* systems, while reducing inventories by 60-80%.

[6] See Bethune, Gordon; From Worst to First; 1995