

Reflections

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The Connected Company

Peter Gumpert



Peter Gumpert

In 1997 Arie de Geus¹ published a set of case studies describing the characteristics of some 40 companies that had prospered for 200 years or more. He contrasted them with the majority of large companies worldwide, which tended to have a far shorter life span – 40 years or fewer. In 1996 the New York Stock Exchange celebrated its 100th birthday. Only one of its listed companies (General Electric) had survived as long.

The first characteristic described by de Geus is that long-lived companies are sensitive to their environments; despite obstacles, such as slow means of communication, they have remained aware of and in harmony with the world around them. The second characteristic of these companies is that they are internally cohesive, with a strong sense of identity. No matter how diversified they are, their employees – and even their suppliers in some cases – feel they are part of one entity, one community.

Companies that are 200 years old or more have survived enormous changes: political, economic, technological, demographic, leadership, and market fluctuations. Such transitions now occur more rapidly and are felt much sooner than was the case in the eighteenth and nineteenth centuries – and they may be even more difficult to predict or manage. We live in an era of accelerated change and complexity, sometimes verging on chaos.

How can today's companies survive and prosper in such challenging times? I believe that, like de Geus's long-lived companies, today's companies survive in part through their connectedness – through

strong internal connections and trusted relationships with customers, suppliers, business allies, and people in the broader community.²

Connectedness is a property of the relationships that exist between coworkers inside an organization, including relationships with cooperators outside. The term also refers to the organizations in which these relationships exist. At the individual relationship level, connectedness refers to the degree to which people engage in exchanges of information, ideas, influence, and approaches to their work. At the organizational level, connectedness refers to the degree of idea and influence exchange available in individual relationships, and the proportion of relationships in which connected exchanges occur.

Connected organizations receive support internally and from their environments. The benefits of this support include:

- *Earlier identification of challenges.* Companies with strong external as well as internal connections have the means to see problems sooner, and may therefore have more time to prepare for them and/or adapt to them.
- *Broader bases for making and implementing decisions.* Detecting and understanding marketplace changes, for example, can require a broad set of “sensors” both within the company and without. Likewise, reliable feedback about the effects of policy decisions is valuable.
- *Innovation.* A clear understanding of customer needs, wishes, and problems helps set company goals. In software companies, for example, there is a recurring conflict between forces that favor dedicating resources to the next release of an

older product and forces that favor development of a broader, novel technology.

- *Timely availability of resources.* There are times when sympathetic assistance from banks and extensions of credit by suppliers are needed; likewise, customer loyalty is particularly important when a product is commoditized and price competition escalates.

Thus connectedness can lead to improvements in both agile adaptation to change and resilience when environmental changes present unusual challenges and difficulties.

Some local businesses in smaller communities become involved in community affairs. Their owners serve on town committees, contribute to education and the arts, and take other actions that involve them in the community. These actions are frequently explained as indirect attempts to market, gain visibility, curry favor, obtain influence, and the like. While such “exchange” motives may be involved, they tell far less than the whole story. The small town and its businesses are interdependent, and often act on that recognition. Each preserves the other. In the same way, the members of these businesses are involved in each others’ lives, and often help and support one another during difficult periods.

The relationships among people within a company, and between the company and significant stakeholders, should be considered an important company asset, independent of the individuals involved. If we could obtain indicators of the degree of connectedness of a company, both internally and with its external environment, the indicators would be strong predictors of the company’s adaptability, effectiveness, and long-term viability.

The related idea of “social capital” has been examined on a larger scale by sociologists, economists, and administrators of social policy.³ This notion of social capital refers to the measurable value created by social networks, and the inclinations that these networks generate for people to do things for each other. The term suggests that a variety of quite specific benefits flow from the trust,

reciprocity, information, and cooperation associated with social networks. Social capital works through information flows, norms of reciprocity (mutual aid), bonding networks that connect people who are similar, and bridging and linking networks that connect individuals and groups diverse in geography, interests, and other characteristics. The 2002 report on social connectedness by the New Zealand Ministry of Social Development⁴ suggests that social connectedness in communities is associated with higher income, better health, greater educational achievements, and longevity. In general, the report suggests, the more linkages the better, two-way relationships are better than one-way relationships, and linkages that are regularly updated are better than those that are only historically embedded.⁵

Connectedness has also been discussed on a global level. Thomas P.M. Barnett’s work, for example, emphasizes the opportunity costs and other major costs associated with the existence of a set of nations throughout the world that are more or less disconnected from the “functioning core” of nations that are actively integrating their economies into a global economy.⁶

What Inhibits Connectedness in Companies?

Many larger businesses do not recognize their interdependence with their social environments and act as if they function in isolation. What accounts for this?

The Effect of Broad Cultural Values

American culture, and perhaps American male culture in particular⁷, values individual responsibility, independence, and individual action, and is reluctant to acknowledge the positive aspects of dependency or interdependence. The success of a business or project tends to be attributed to its most visible leader. The working groups of people that actually accomplish tasks are seldom recognized (except in speeches by an appropriately humble executive). People speak as if the president of the country is

responsible for the nation's decisions, judgments, actions, and outcomes. Even the success of sports teams is often attributed to their star performers. If something does not go well, we try first to look for the particular person responsible for the failure. We seldom even wonder about the human system that is always involved; that issue will be discussed further later in this article.

Our culture also tends to assume that people are motivated by *individual* rewards, mainly material ones such as personal advancement in status, wealth, security, benefits, or power. Except in family relationships, we tend to be skeptical and suspicious of the “softer” motives and principles of distributive justice (such as the equality or caring principles).⁸

A particular aspect of Darwin's early theory of evolution has also caught on as a social truism: his doctrine of “natural selection” or “survival of the fittest” has often been used as if it were a scientific justification for the individualist and competitive values we tacitly or explicitly accept as normal and desirable. This notion (which has been challenged by modern evolutionary scientists)⁹ fits with both nineteenth century Calvinism and the traditional American value system, assigning virtue to individual “winners” and those who accumulate wealth – and fundamental inferiority to “losers.” The most valued businesses, like the most valued sports teams, are those that win through sheer strength, and defeat their competition.

Our larger companies are widely dispersed, and may not particularly identify with a single place. It may be hard for them to recognize the aspects of the environment with which they are interdependent. Larger, more geographically distributed companies often speak the language of “social responsibility” and act as if they were isolated from others, as if they do not depend on them. In some cases, companies treat their end-use customers and suppliers with suspicion, arrogance, or even contempt.

Thus some larger companies act as if people (employees, customers, suppliers) are replaceable commodities. In one company familiar to us, employees are informally referred to as “heads,” which

can be “cut” as needed to manage near-term costs. Decision makers do not fully recognize that every time they lay off an employee they disrupt a number of relationships, lose knowledge and experience, and incur the hidden and often substantial costs involved in the downstream replacement of that person. It takes time and effort to train, build new relationships, establish trust, and recreate lost synergy. Similarly, it is usually much more expensive to replace a lost customer than to keep an old one.

What External Pressures Prevent Connectedness?

The demands of securities markets. Many larger companies have accepted two ideas. First, they accept the idea that they must continually grow in size and revenue or risk being consumed or relegated to a backwater role. Second, they accept the notion that quarterly profit figures can determine the company's fate in the securities marketplace. These ideas, which come from stock market analysts and brokers, are internalized by companies and have strong consequences: constant worry about the company's growth path, and constant worry about profit-related performance. Thus companies try their best to manage these factors, and pay less attention to maintaining and strengthening the relationships that really contribute to their long term viability.

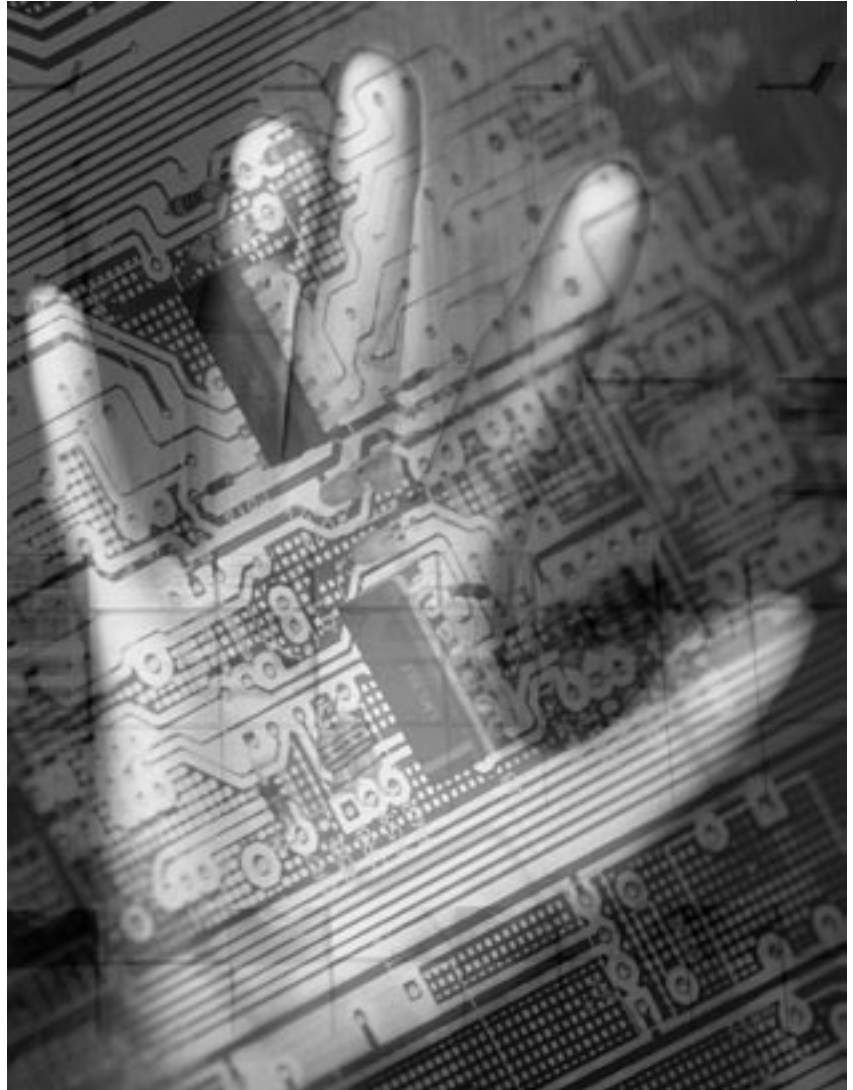
These pressures exert particular force on the company's executive team – the people who occupy “C” positions (Chief Operating Officer, Chief Executive Officer, et al.). People in those positions feel keen personal accountability for what they think of as important results, often acting as if profit and growth are more important than product/service success, market share, or other aspects of the longer-term future. Since they worry about being blamed for what the market considers failures, they can become tightly focused on financials, which amounts to steering the boat by watching its wake.¹⁰ Relationships and long-term viability are not a primary focus if your job is on the line this very quarter.

The internal consequences of such external pres-

asures are more subtle, and hard to recognize. The insidious problem of managing for the short term and under-attending to long-term viability can be exacerbated by short-term success. If a company succeeds in increasing its revenue/profit for several quarters, its executives are more likely to continue using the methods they see as having led to their successes. As one example, the business process re-engineering movement of the late 1980s and early 1990s was often used primarily to lower personnel costs, and led many companies into unanticipated difficulty.

Electronic communication and the span of attention. One of the unintended consequences of rapid electronic communication methods is that people in organizations are often overwhelmed by the sheer volume of what they are asked to attend to. Executives and others complain about the extraordinary amount of time it takes to manage or even cope with the dozens or hundreds of communications and demands for response they receive each day, and by the staggering amount of information they are exposed to. They are forced to manage priorities carefully, dealing first with urgent matters; problems that may have long-term consequences are easier to push out of awareness. Little wonder that the company's internal or external connectedness is not high on the priority list.

Impersonal electronic devices as substitutes for direct connection. Johnson and Bröms (see above) showed a remarkable contrast between the Toyota manufacturing system, which relies heavily on direct communication among production workers, and American automobile production systems, which tend to use elaborate "information factories" such as MRP systems to make decisions about the timing of manufacturing processes. MRP and ERP systems have had many difficulties (such as people working hard to get around them), and they also have the



unintended consequence of cutting workers off from direct contact with one another. People who work together, talk together, and solve problems together often invent and maintain better ways of doing things.

How Internal Pressures Are Involved

Organizational "stovepipes." In the quest for functional efficiency, companies often drift toward creating functional groups that act as if they were organizational "stovepipes" or "silos" with poor or minimal connections with one another. Employees in such stovepipes are encouraged to focus their attention primarily or exclusively on the task of their group. Often they are also implicitly encouraged to restrict their communication to people in their own

departments, leaving cross-departmental communication to senior managers. In some cases, these silos protect the reputations and the internal fiefdoms of their managers; the people in them are enjoined from sharing with “outsiders” what their problems or difficulties might be. Each group can then blame others for problems, which may provoke defensive or retaliatory responses and the further tightening of each group’s borders.

Restricting communication tasks to particular people. Communication with suppliers, customers, or others outside the organization may be restricted to people whose explicit responsibility includes working with those groups. Customers become the exclusive province of sales, marketing, and customer service people; suppliers are the province of materials management, purchasing, or the occasional engineer. There are many examples in manufacturing of production workers who experience problems with internally-made parts that don’t work properly for them. They are instructed to take the problem to a supervisor, who takes it to a superintendent, who communicates with the supplier’s superintendent, who communicates with the supplier’s supervisor; that person may find fault with production workers who may have made an error or misunderstood requirements. Communication is often distorted, and undermines trust. People do whatever they can to avoid blame, and the original problem can take a long time to correct. In contrast, when line workers are encouraged to make direct connections with their supplier counterparts, problems are resolved more effectively, with attendant cost reductions.

The difficulties involved in systems thinking. As mentioned earlier, many people are prone to making what social psychologists call “the fundamental attributional error.”¹¹ We tend to attribute motivation, progress, success, failure, etc. to the stable personal characteristics of individual persons. In most cases, an understanding of the systemic forces and counter-forces that may be involved is a far better predictor of events; the social system tends to have stronger and more durable impact on the direction of events than does any individual actor.¹²

Systems thinking takes into account complex and uncertain social forces that are often not directly visible, so systems thinking is not natural to or comfortable for many people. It is easier to assume that “Frank behaved that way because that’s the kind of person he is” than to consider the many forces that may have been acting on Frank when he decided to take the action in question. Many people seem prone to assuming that the CEO is the cause of major company events or trends. It is far more difficult to figure out the interactive contributions of various parts of the system and its environment. The less visible executives in the leadership group, the architects of new technologies and products, the managers who coordinate people’s efforts, the line workers responsible for product or service quality, and the culture of the company are all integral, and often ignored.

The tendency to undervalue collaboration. We tend to ignore or undervalue collaboration as a source of innovation and effectiveness, and are inclined to settle for simple coordination of effort, or basic cooperation. James Watson and Francis Crick, the biologists who in 1951 proposed the “double helix” model of DNA, have both agreed that neither could have solved this difficult, resistant problem without the other; their collaboration was critical to the achievement.¹³ Indeed, many difficult problems are solved through collaboration, which requires agreed-to goals, focused attention on an agreed-to problem, repeated, persistent communication, and mutual trust and respect – in short, the connections among people that truly makes the whole greater than the sum of its parts.

Toward Measures of Connectedness

Connectedness between particular people can be viewed as a matter of degree. One could, for example, define the connective *bandwidth* between any two people as wider when more of the following components are included:

1. The availability and use of *bi-directional* communication, such as email or phone messages con-

taining useful information. Routine “broadcast” informational email or newsletters from managers or executives to employees, while useful, probably should be weighted very lightly as indicators of connectedness. It may also be useful to distinguish between people who are primarily users of information and those who also contribute.

2. Availability *and use* of face-to-face communication between people (informal or formal meetings, video conferencing, etc.).

3. A history of truthful, unguarded information and knowledge transfer between people in response to needs or requests.

4. Evident willingness to persuade the other and

to genuinely consider conflicting opinions and perspectives – evidence of dialogue.

5. Expressed willingness to work together on a problem or to provide support.

6. High perceived value of the connection to the person.

The order of these indicators of connective bandwidth moves from lower to higher degrees of connection; people whose connections with others include the latter indicators also make use of the earlier ones in the list. A system of weights would have to be devised, therefore, to evaluate the bandwidth of a particular relationship, with numbers 3 through 6 having higher weight. Indicators 3 through 6 above

Table 1: Example of a Sociometric Measure of Connectedness Bandwidth

You have been selected by a random process to participate in a study of the connections we make inside our company and beyond its borders. The tables that follow ask you to help us by writing down the names of people with whom you are in contact, and the characteristics of that contact.

In the first column, please write the names of 1-10 people inside your own department or project, and 1-10 people inside your company *but outside your department or project*, that you communicate with. For each contact, answer the questions in the columns to the right of the name. For the questions that require a rating, please use the following scale:

1=seldom; 2=occasionally; 3=sometimes; 4=frequently.

People inside our company with whom you communicate:

Person's Name	Is this person in my department or project or outside it? If outside, where is he or she located?	Does one of us report to the other?		Do we communicate back and forth by email or voicemail? (rating 1-4)	Do we talk face to face in meetings, and/or informal occasions? (rating 1-4)	Do we ask each other for – and provide – knowledge and/or useful information? (rating 1-4)	Do we exchange views in a context of mutual respect? (rating 1-4)	Do we work on problems together, or provide support or help to each other? (rating 1-4)	How often do think of this connection as valuable to you? (rating 1-4)
		Yes	No						

Table 1: Example of a Sociometric Measure of Connectedness Bandwidth (CONTINUED)

People outside our company with whom you communicate:

Please name 1-10 people *outside* our company that you communicate with about matters of concern to our company. Write the names in Column 1, and answer the questions in each column for each contact. For the questions that require a rating, please use the following scale:

1 = seldom; 2=occasionally; 3=sometimes; 4=frequently

Person's Name	Is this person a customer, a supplier, in an allied company, or in another role? (please specify)	Do we communicate <i>back and forth</i> by email or voicemail? (rating 1-4)	Do we talk face to face in meetings, and/or informal occasions? (rating 1-4)	Do we ask each other for – and provide – knowledge and/or useful information? (rating 1-4)	Do we exchange views in a context of mutual respect? (rating 1-4)	Do we work on problems together, or provide support/help to each other? (rating 1-4)	How often do think of this connection as valuable to you? (rating 1-4)

are not easily counted; they are likely to require subjective measures (Table 1 provides a sociometric example).

The bandwidth required for a particular connection among people to be successful over time depends on the purpose of the connection. Tasks that involve coordination of effort or simple problem solving, for example, may require less bandwidth than tasks that require substantial innovation.

The *density* of connectedness *within and across* organizational boundaries and with external stakeholders is a function of the number of people who are connected in the ways described above, with each connection at least roughly weighted. People inside an organization can be connected by reporting relationships, geography, function, professional discipline, joint responsibility for a project or outcome,

the need to obtain information about or deal with local or broader problems, and the need for support in times of difficulty or unusual stress. Density that transcends traditional hierarchy and propinquity is particularly worth measuring.

The degree of connectedness can be defined as a joint function of *density* and *bandwidth*. It can be roughly measured both inside the organization's boundaries and beyond them, through worker surveys, examination of bidirectional communication and influence patterns, and the like (Table 1). Separate indexes of connectedness would have to be developed for each significant internal group, and each important external stakeholder group.

If it is true that connectedness leads to more successful adaptation to change and thus to longer-term survival, it becomes particularly important to under-

stand it, make serious attempts to measure it, relate it to outcome variables, and encourage it. Indexes of internal and external connectedness in a project, department, or functional group can be related to achievement of the goals of the group; indexes of company connectedness can be related to achievement of measurable company goals. It is possible that one major function of future senior executives will be to understand and promote both internal and cross-boundary connectedness as an important company asset.

How to Become More Fully Connected

I have argued that connectedness should be thought of as an important *potential* asset of a company. In many companies, this potential is untapped, and is therefore virtually invisible. We must pay attention, therefore, not only to measurement, but to methods of identifying these potential assets, and strengthening the important connections inside the company and beyond its boundaries.

Each company must determine what areas of connectedness are important to its future, and the extent to which additional emphasis should be given to each area. Figure 1 suggests a beginning approach to this question, using Treacy and Wiersema’s distinction among the central “value disciplines” adopted by companies.¹⁴ Some companies choose to emphasize product leadership (best product), some empha-

size operational excellence (low cost), and some depend on customer intimacy for their success (providing deep understanding and total solutions to their customers). The connectedness emphasis that should be considered by companies in each category is suggested in Figure 1. Operational efficiency and product leadership companies, for example, may be particularly dependent on suppliers, and would emphasize connectedness with them. Companies that depend on customer intimacy must establish a greater degree of connectedness with customers than companies in the other two categories. Figure 1 also suggests that companies in each category would profit from high internal connectedness, both within and between departments. While the purpose of establishing strong internal connectedness varies across company types, the importance of internal connectedness is high in all companies.

General Principles

Most of the time, building and maintaining connectedness requires attention to the same set of tasks:

- Demonstrations of competence and reliability (non-competent or unreliable cooperators are not particularly desirable);
- Development and maintenance of trust, through
 - Open, lively, consistently truthful bidirectional communication
 - Mutual understanding of needs and operating methods

Figure 1: Connectedness Emphasis in Three Company Types

Company type Connectedness	Operational Efficiency Companies	Product Leadership Companies	Customer Intimacy Companies
Internal (within department/project)	High	High	High
Internal (cross-department/project)	High	High	High
Customers	Lower	Moderate	High
Allies	Lower	Moderate	Moderate
Suppliers	High	High	Moderate

- Accepting accountability, and keeping agreements
- Sensitivity to common interests and common values;
- Readiness to respond to the others' expressed needs;
- Productive management of conflicts of interest;
- Keeping track of and recognizing collaborative successes and mutual benefits.

Relationships involving trust are, at the beginning, highly personal, and always begin with two (or a few) people. As they become stronger, they can be extended to include others and eventually transcend the movement of the particular individuals involved in creating them. Their initial creation, however, requires substantial interpersonal sensitivity and skill, and careful attention to the factors listed above.

Connected relationships require periodic maintenance – a certain amount of care and feeding. All such relationships are best considered fragile, particularly during difficult or changing times. Responsibility for them should be distributed to people at various organizational levels, and should not be the exclusive province of a few designated people, or a few executives and managers.

The importance of starting with internal connectedness, and the concept of “parallel process”

Companies that are only sparsely connected internally have greater difficulty creating and maintaining external connectedness. If people in the company are under-connected with others inside their own boundaries, they will be less likely to connect with people across those boundaries. If people don't know how, or are constrained from, relying on people across departmental or project boundaries inside their own organization, they will have greater difficulty creating and maintaining connections with people and groups outside the organization. This idea is

an extension of the organizational principle of “isomorphism,” which some people refer to as “parallel process.” As applied to organizations, the principle roughly states that an interpersonal process that typically goes on in one part of an organization is also likely to be seen in other parts of the organization.

Apart from this assumption about the relationship between internal connectedness and connectedness with extra-organizational stakeholders, why should we improve connectedness *inside* the organization?

- Knowledge transfer is far more effective when it involves personal contact, even if there are electronic means for knowledge transfer. Being able to call an experienced person and talk with her or him about the specifics of a situation is likely to be enormously helpful in deciding on the applicability of the more abstract knowledge that might have been stored in a knowledge management database.
- If people in the organization don't connect with one another, they don't find out what the others know, and what they know how to do. Thus company resources remain untapped and underutilized.
- Fresh eyes on a difficult problem can be important to developing a useful solution. Likewise, innovation and invention are facilitated by collaborative work. Collaboration and dialogue, the art of active inquiry, can provide important keys to success; collaborators in the company often learn much from each other.
- Many problems and tasks extend across organizational boundaries. An IT department that is trying to develop new or improved information systems, for example, must rely on its internal customers to provide information and expertise about the needs and requirements of each department. Often the departmental managers know less about what's needed than the people who work with the older systems on a daily basis.

- Decisions about how to design and build a new product or service should include input from builders, users, people close to the customer community, etc.
- It is important to keep abreast of events outside the company. Employees provide many eyes and ears that can help everyone detect emerging change and enhance the company's fund of peripheral vision.

The company can enhance its internal connectedness by providing structures that facilitate it, and by advocating for it. The strengthening of internal connectedness is most effectively begun at the top of the company, emphasizing dialogue and genuine collaboration. If executives demonstrate in a public way that they can and do work collaboratively together, their subordinates will get the message. Further, executives who learn to value genuine collaboration in their work with each other are more likely to create connectedness below them, such as by forming cross-functional groups and holding the groups accountable for the cross-departmental goals that employees can contribute to. Employees at all levels can also be brought together in other ways – through interest groups, educational forums, professional discussion groups, and peer consultation groups. A company working on a number of demanding systems engineering projects found that staff members in each project group were isolated from staff members in other, related groups. The company established an engineering council of senior engineers who could act in a consulting capacity to project engineers facing either local problems or issues that were likely to require a broad view. Project staff members were encouraged to bring their concerns and suggested solutions to the council for discussion. A database of problems and solutions was created, and an agenda for each weekly council meeting was widely published. The council was exceptionally successful as an integrative device and as a connector of people to one another. The company responded by enlarging the council's scope to include work that was being done for all of its customers.

Connecting with the Customer Community

The question of who in the company should establish connections with the company's customers is an interesting one. A manufacturing company, for example, may have several "levels" of customers: wholesalers, retailers or dealers, repair facilities, and end-users. Each group is important to the manufacturer in a different way. The end user provides invaluable information about needs and desires, satisfaction and potential problems, durability of the product, and other matters of great interest. The end user's loyalty is to the product and its manufacturer – provided the product is properly supported and maintained. If the end-user customer is satisfied with the product and service or support, the retailer is strengthened. If the retailer is well-supported by the wholesaler and the service network, the wholesaler is more stable. If the end-use customer is well-supported by the retailer, the entire system is strengthened. So it is in the best interests of all concerned to strengthen the network of connections involved. It may be important for some people in the manufacturing company itself (such as engineers, designers, and even line workers) to have direct connection with end users and to avoid relying entirely on the information provided by retailers.

The immediate customers of the publisher of a fictional high-end home magazine include both its readers and its advertisers. One of the functions of the magazine is to connect the community of high-end home buyers and owners with the architects, contractors, designers, furniture makers, and artists they may decide to employ. The publishing company could think of itself as a connector between two communities that may have difficulty reaching one another. The magazine's designers and writers could learn about the needs and capabilities of advertisers by accompanying salespeople on sales calls. The company could hold informative seminars and workshops (without a sales agenda) for homeowners and homebuyers. Such events lead the publisher's staff to understand more about, and be more respon-

sive to, the needs of the magazine's buyers.

Service companies tend to do better when they remain in close connection with their customers¹⁶, and find ways of contributing actively to their customers' success. The MITRE Corporation, for example, is a public service corporation that operates Federally Funded Research and Development Centers (FFRDCs), which are created to provide technical assistance to sponsoring government agencies. MITRE works explicitly to move toward and maintain "mission partnership" relationships with its government sponsors; MITRE measures its success in terms of its impact on its sponsors' success, and in terms of the state of its relationships with sponsors. Likewise certain retailers, such as L. L. Bean and the Container Company have developed a strong and valuable reputation for an unusual level of support to customers.

Connecting with Businesses – Allies and Potential Adversaries

Companies building strategic alliances with other companies can build connectedness between themselves and their allies at several organizational levels. Their connections are strengthened to the extent that they emphasize their common goals, share important knowledge, engage in joint problem-solving, communicate often and thoroughly, and so on. Such efforts can include short-duration employee exchanges that result in both parties having more intimate knowledge of each other's culture and capabilities.

Alliances that include conflicting goals. Sometimes companies create alliances that involve conflicts of interest as well as some goals in common, such as in the joint work that competing software companies choose to do to develop standards that improve the interoperability of their products. Allies can build a mutual understanding of the potential areas of conflict, and can devise productive ways to manage those conflicts. One example that comes to mind does not involve business alliances in the usual sense of the term. The MITRE Corporation often assists government agencies with the acquisition of new capabilities in which commercial contractors are

principal players. In such instances, MITRE and the commercial contractor have a common interest in making the government agency successful, but may find themselves with opposing interests in respect to how the job is accomplished, or how the contract between the government and the contractor is written or implemented. When MITRE staff members and the contractor's staff members work in a climate of strong mutual understanding, the contractor does better in terms of eventual revenue as well as in other ways. If the relationship becomes adversarial, however, all parties (including the government) can suffer. It is therefore in the interest of MITRE and government contractors to build and maintain relationships based on full mutual understanding that end up being productive for all concerned. Since the government typically works with a relatively few major commercial contractors, it should be possible for useful relationships to be built with many of them. If such relationships are built at senior levels only, however, they can break down at the local level in any instance. Attention therefore has to be paid to transferring the relationship from the executive level to the program level, and to maintaining that relationship through trying times.

Connecting with Suppliers

It can be expensive and difficult for companies to change important suppliers. A company's major suppliers come to know their customers' requirements and preferences. Much time and effort has usually been invested in developing knowledge about what works in the exchange, and what doesn't work. If the connection between the customer and the supplier is strong, areas of dissatisfaction or conflict between them can be discussed and often resolved to everyone's satisfaction. If the connection is not strong, it is easier to terminate the customer-supplier relationship – but a substitute has to be found, and experience, knowledge, and trust has to be painstakingly built. The task of developing durable connections with suppliers requires the same steps or tasks that are required in the development of other collaborative relationships.

Connecting with the Other Supportive Entities

This is the most difficult category to consider, because the important connections are not immediately obvious. We can begin by asking the following questions:

- What groups is our company dependent on for its resources, environmental sensing, infrastructure, and other supports?
- Where does our company get its employees, and who educates them? Where do most of them live? What community functions and services do they depend on for their families and themselves?
- What industries and industry groups are durably important to our company?
- What gives us the visibility and reputation we find useful?
- What groups or entities depend on us?

A company may discover, for example, that its employees are located mainly in one or two communities, and that the quality of schools in those communities is important to them. They may wish to contribute time or effort to those schools, or to the arts, music, and culture of the communities in question. They might also discover that many key employees have come from a particular university, and may decide to become involved in supporting research or accepting internships from students at that school. The company may wish to build a relationship with a newspaper that reaches people in its area. In considering the taxes the company pays to a city or county, they may wish to cultivate relationships with a local government entity, offering assistance with problems, helping with infrastructure projects, and so on.

Much of the time required for the building of such community connections can be donated by the company's employees; it does not have to be costly, or require that people be hired specifically to manage those relationships.

The Need for Balance

The notion that building and maintaining connectedness requires attention, energy, thought, and periodic maintenance should alert us to the possibility that if too many resources are consumed by this set of tasks, enough may not be available for other essential activities, such as the ordinary daily tasks of the company, solitary work, and even creative idleness. Furthermore, it is conceivable that a narrow focus on a particular set of connections with people could impede as well as enhance the peripheral vision that is essential to detecting potential changes, problems, and opportunities. It may be, then, that there are points of diminishing returns in connectedness, and that past those points the costs of connectedness with any particular set of stakeholders could exceed its rewards. Thus a degree of “creative tension” between advocates of connectedness and advocates of other activities is important for an organization to assist in maintaining an appropriate balance among activities. I suspect, however, that many organizations are very far away from the optimal balance points.

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Endnotes

- 1 Arie De Geus, *The Living Company: Habits for Survival in a Turbulent Business Environment* (Cambridge, MA: Harvard Business School Press, 1997, 2002)
- 2 The 17th century poet John Donne's meditation XVII seems appropriate here: "No man is an island, entire of itself...any man's death diminishes me, because I am involved in mankind; and therefore never send to know for whom the bell tolls; it tolls for thee."
- 3 R. D. Putnam, *Bowling Alone: The Collapse and Revival of American Community* (Princeton, N.J.: Princeton University Press, 2000)
- 4 Social Report on Social Connectedness of the New Zealand Ministry of Social Development, 2002 <http://socialreport.msd.govt.nz/2002/social-connectedness/social-connectedness.shtml>.
- 5 *Social network theory* makes use of maps of the ways people are connected; research on this topic suggests that social networks play an important role in problem solving, and the degree to which individuals succeed in achieving goals. See, for example, R. Guimera, B. Uzzi, J. Spiro and L. A. Nunez Amaral in *Science*, 308, 697, 2005.
- 6 T. P. M. Barnett, *The Pentagon's New Map: War and Peace in the Twenty-first Century* (New York: G.P. Putnam's Sons, 2004)
- 7 M. Niederle, and L. Vesterlund, "Do Women Shy Away from Competition?" <http://www.stanford.edu/~niederle/Women.Competition.pdf>. 2005.
- 8 M. Deutsch, *Distributive Justice: A Social-Psychological Perspective* (New Haven: Yale University Press, 1985)
- 9 For example, see: S. Kauffman, *The Origins of Order: Self-Organization and Selection in Evolution* (New York: Oxford University Press, 1993). Another view can be found in the commentary by Vincent Vesterby in www.comdig.com/topic2.php?id_topic=319&sort=1&haction=add_com&id_msgboard=319.
- 10 H. T. Johnson, & A. Bröms, *Profit Beyond Measure: Extraordinary Results through Attention to Work and People* (New York: The Free Press, 2000)
- 11 John Stuart Mill, in his *Principles of Political Economy* (1848), said: "Of all the vulgar modes of escaping from the consideration of social and moral influence on the human mind, the most vulgar is that of attributing the diversities of conduct and character to inherent natural differences." Much later, social psychologist Lee Ross named this common error, and stimulated a substantial amount of research about it [see L. Ross, "The Intuitive Psychologist and His Shortcomings: Distortions in the Attribution Process, in L. Berkowitz (Ed.), *Advances in Experimental Social Psychology* (vol. 10) (New York: Academic Press, 1977.)]
- 12 J. Gharajedaghi, *Systems Thinking: Managing Chaos and Complexity* (Boston: Butterworth Heinemann, 1999)
- 13 J. D. Watson, *The Double Helix: A Personal Account of the Discovery of the Structure of DNA* (New York: Atheneum, 1980)
- 14 M. Treacy and F. Wiersema, *The Discipline of Market Leaders* (Reading, MA: Addison Wesley, 1997)