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Accept—and Actively Manage—Conflict

by Jeff Weiss and Jonathan Hughes

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The challenge is a long-standing one for senior managers: How do you get people in your organization to work together across internal boundaries? But the question has taken on urgency in today's global and fast-changing business environment. To service multinational accounts, you increasingly need seamless collaboration across geographic boundaries. To improve customer satisfaction, you increasingly need collaboration among functions ranging from R&D to distribution. To offer solutions tailored to customers' needs, you increasingly need collaboration between product and service groups.

Meanwhile, as competitive pressures continually force companies to find ways to do more with less, few managers have the luxury of relying on their own dedicated staffs to accomplish their objectives. Instead, most must work with and through people across the organization, many of whom have different priorities, incentives, and ways of doing things.

Getting collaboration right promises tremendous benefits: a unified face to customers, faster internal decision making, reduced costs through shared resources, and the development of more innovative products. But despite the billions of dollars spent on initiatives to improve collaboration, few companies are happy with the results. Time and again we have seen management teams employ the same few strategies to boost internal cooperation. They restructure their organizations and reengineer their business processes. They create cross-unit incentives. They offer teamwork training. While such initiatives yield the occasional success story, most of them have only limited impact in dismantling organizational silos and fostering collaboration—and many are total failures. (See the sidebar "The Three Myths of Collaboration.")

So what's the problem? Most companies respond to the challenge of improving collaboration in entirely the wrong way. They focus on the symptoms ("Sales and delivery do not work together as closely as they should") rather than on the root cause of failures in cooperation: conflict. The fact is, you can't improve collaboration until you've addressed the issue of conflict.

This can come as a surprise to even the most experienced executives, who generally don't fully appreciate the inevitability of conflict in complex organizations. And even if they do recognize this, many mistakenly assume that efforts to increase collaboration will significantly reduce that conflict, when in fact some of these efforts—for example, restructuring initiatives—actually produce more of it.

Executives underestimate not only the inevitability of conflict but also—and this is key—its importance to the organization. The disagreements sparked by differences in perspective, competencies, access to information, and strategic focus within a company actually generate much of the value that can come from collaboration across organizational boundaries. Clashes between parties are the crucibles in which creative solutions are developed and wise trade-offs among competing objectives are made. So instead of trying simply to reduce disagreements, senior executives need to embrace conflict and, just as important, institutionalize mechanisms for managing it.

Even though most people lack an innate understanding of how to deal with conflict effectively, there are a number of straightforward ways that executives can help their people—and their organizations—constructively manage it. These can be divided into two main areas: strategies for managing disagreements at the point of conflict and strategies for managing conflict upon escalation up the management chain. These methods can help a company move through the conflict that is a necessary precursor to truly effective collaboration and, more important, extract the value that often lies latent in intra-organizational differences. When companies are able to do both, conflict is transformed from a major liability into a significant asset.

Strategies for Managing Disagreements at the Point of Conflict

Conflict management works best when the parties involved in a disagreement are equipped to manage it themselves. The aim is to get people to resolve issues on their own through a process that improves—or at least does not damage—their relationships. The following strategies help produce decisions that are better informed and more likely to be implemented.

Devise and implement a common method for resolving conflict. Consider for a moment the hypothetical Matrix Corporation, a composite of many organizations we've worked with whose challenges will likely be familiar to managers. Over the past few years, salespeople from nearly a dozen of Matrix's product and service groups have been called on to design and sell integrated solutions to their customers. For any given sale, five or more lead salespeople and their teams have to agree on issues of resource allocation, solution design, pricing, and sales strategy. Not surprisingly, the teams are finding this difficult. Who should contribute the most resources to a particular customer's offering? Who should reduce the scope of their participation or discount their pricing to meet a customer's budget? Who should defer when disagreements arise about account strategy? Who should manage key relationships within the customer account? Indeed, given these thorny questions, Matrix is finding that a single large sale typically generates far more conflict inside the company than it does with the customer. The resulting wasted time and damaged relationships among sales teams are making it increasingly difficult to close sales.

Most companies face similar sorts of problems. And, like Matrix, they leave employees to find their own ways of resolving them. But without a structured method for dealing with these issues, people get bogged down not only in what the right result should be but also in how to arrive at it. Often, they will avoid or work around conflict, thereby forgoing important opportunities to collaborate. And when people do decide to confront their differences, they usually default to the approach they know best: debating about who's right and who's wrong or haggling over small concessions. Among the negative consequences of such approaches are suboptimal, "split-the-difference" resolutions—if not outright deadlock.

Establishing a companywide process for resolving disagreements can alter this familiar scenario. At the very least, a well-defined, well-designed conflict resolution method will reduce transaction costs, such as wasted time and the accumulation of ill will, that often come with the struggle to work though differences. At best, it will yield the innovative outcomes

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The Three Myths of Collaboration

Companies attempt to foster collaboration among different parts of their organizations through a variety of methods, many based on a number of seemingly sensible but ultimately misguided assumptions:

Effective collaboration means "teaming."

Many companies think that teamwork training is the way to promote collaboration across an organization. So they'll get the HR department to run hundreds of managers and their subordinates through intensive two- or three-day training programs. Workshops will offer techniques for getting groups aligned around common goals, for clarifying roles and responsibilities, for operating according to a shared set of behavioral norms, and so on.

Unfortunately, such workshops are usually the right solution to the wrong problems. First, the most critical breakdowns in collaboration typically occur not on actual teams but in the rapid and unstructured interactions between different groups within the organization. For example, someone from R&D will spend weeks unsuccessfully trying to get help from manufacturing to run a few tests on a new prototype. Meanwhile, people in manufacturing begin to complain about arrogant engineers from R&D expecting them to drop everything to help with another one of R&D's pet projects. Clearly, the need for collaboration extends to areas other than a formal team.

The second problem is that breakdowns in collaboration almost always result from fundamental differences among business functions and divisions. Teamwork training offers little guidance on how to work together in the context of competing objectives and limited resources. Indeed, the frequent emphasis on common goals further stigmatizes the idea of conflict in organizations where an emphasis on "polite" behavior regularly prevents effective problem solving. People who need to collaborate more effectively usually don't need to align around and work toward a common goal. They need to quickly and creatively solve problems by managing the inevitable conflict so that it works in their favor.

An effective incentive system will ensure collaboration.

It's a tantalizing proposition: You can hardwire collaboration into your organization by rewarding collaborative behavior. Salespeople receive bonuses not only for hitting targets for their own division's products but also for hitting cross-selling targets. Staff in corporate support functions like IT and procurement have part of their bonuses determined by positive feedback from their internal clients.

Unfortunately, the results of such programs are usually disappointing. Despite greater financial incentives, for example, salespeople continue to focus on the sales of their own products to the detriment of selling integrated solutions. Employees continue to perceive the IT and procurement departments as difficult to work with, too focused on their own priorities. Why such poor results? To some extent, it's because individuals think—for the most part correctly—that if they perform well in their own operation they will be "taken care of" by their bosses. In addition, many people find that the costs of working with individuals in other parts of the organization—the extra time required, the aggravation—greatly outweigh the rewards for doing so.

Certainly, misaligned incentives can be a tremendous obstacle to cross-boundary collaboration. But even the most carefully constructed incentives won't eliminate tensions between people with competing business objectives. An incentive is too blunt an instrument to enable optimal resolution of the hundreds of different trade-offs that need to be made in a complex organization. What's more, overemphasis on incentives can create a culture in which people say, "If the company wanted me to do that, they would build it into my comp plan." Ironically, focusing on incentives as a means to encourage collaboration can end up undermining it.

Organizations can be structured for collaboration.

Many managers look for structural and procedural solutions—cross-functional task forces, collaborative "groupware," complex webs of dotted reporting lines on the organization chart—to create greater internal collaboration. But bringing people together is very different from getting them to collaborate.

Consider the following scenario. Individual information technology departments have been stripped out of a company's business units and moved to a corporatewide, shared-services IT organization. Senior managers rightly recognize that this kind of change is a recipe for conflict because various groups will now essentially compete with one another for scarce IT resources. So managers try mightily to design conflict out of, and collaboration into, the new organization. For example, to enable collaborative decision making within IT and between IT and the business units, business units are required to enter requests for IT support into a computerized tracking system. The system is designed to enable managers within the IT organization to prioritize projects and optimally deploy resources to meet the various requests.

Despite painstaking process design, results are disappointing. To avoid the inevitable conflicts between business units and IT over project prioritization, managers in the business units quickly learn to bring their requests to those they know in the IT organization rather than entering the requests into the new system. Consequently, IT professionals assume that any project in the system is a lower priority—further discouraging use of the system. People's inability to deal effectively with conflict has undermined a new process specifically designed to foster organizational collaboration.

that are likely to emerge from discussions that draw on a multitude of objectives and perspectives. There is an array of conflict resolution methods a company can use. But to be effective, they should offer a clear, step-by-step process for parties to follow. They should also be made an integral part of existing business activities—account planning, sourcing, R&D budgeting, and the like. If conflict resolution is set up as a separate, exception-based process—a kind of organizational appeals court—it will likely wither away once initial managerial enthusiasm wanes.

At Intel, new employees learn a common method and language for decision making and conflict resolution. The company puts them through training in which they learn to use a variety of tools for handling discord. Not only does the training show that top management sees disagreements as an inevitable aspect of doing business, it also provides a common framework that expedites conflict resolution. Little time is wasted in figuring out the best way to handle a disagreement or trading accusations about "not being a team player"; guided by this clearly defined process, people can devote their time and energy to exploring and constructively evaluating a variety of options for how to move forward. Intel's systematic method for working through differences has helped sustain some of the company's hallmark qualities: innovation, operational efficiency, and the ability to make and implement hard decisions in the face of complex strategic choices.

Provide people with criteria for making trade-offs. At our hypothetical Matrix Corporation, senior managers overseeing cross-unit sales teams often admonish those teams to "do what's right for the customer." Unfortunately, this exhortation isn't much help when conflict arises. Given Matrix's ability to offer numerous combinations of products and services, company managers—each with different training and experience and access to different information, not to mention different unit priorities—have, not surprisingly, different opinions about how best to meet customers' needs. Similar clashes in perspective result when exasperated senior managers tell squabbling team members to set aside their differences and "put Matrix's interests first." That's because it isn't always clear what's best for the company given the complex interplay among Matrix's objectives for revenue, profitability, market share, and long-term growth.

Even when companies equip people with a common method for resolving conflict, employees often will still need to make zero-sum trade-offs between competing priorities. That task is made much easier and less contentious when top management can clearly articulate the criteria for making such choices. Obviously, it's not easy to reduce a company's strategy to clearly defined trade-offs, but it's worth trying. For example, salespeople who know that five points of market share are more important than a ten point increase on a customer satisfaction scale are much better equipped to make strategic concessions when the needs and priorities of different parts of the business conflict. And even when the criteria do not lead to a straightforward answer, the guidelines can at least foster productive conversations by providing an objective focus. Establishing such criteria also sends a clear signal from management that it views conflict as an inevitable result of managing a complex business.

At Blue Cross and Blue Shield of Florida, the strategic decision to rely more and more on alliances with other organizations has significantly increased the potential for disagreement in an organization long accustomed to developing capabilities in-house. Decisions about whether to build new capabilities, buy them outright, or gain access to them through alliances are natural flashpoints for conflict among internal groups. The health insurer might have tried to minimize such conflict through a structural solution, giving a particular group the authority to make decisions concerning whether, for instance, to develop a new claims-processing system in-house, to do so jointly with an alliance partner, or to license or acquire an existing system from a third party. Instead, the company established a set of criteria designed to help various groups within the organization—for example, the enterprise alliance group, IT, and marketing—to collectively make such decisions.

The criteria are embodied in a spreadsheet-type tool that guides people in assessing the trade-offs involved—say, between speed in getting a new process up and running versus ensuring its seamless integration with existing ones—when deciding whether to build, buy, or ally. People no longer debate back and forth across a table, advocating their preferred outcomes. Instead, they sit around the table and together apply a common set of trade-off criteria to the decision at hand. The resulting insights into the pros and cons of each approach enable more effective execution, no matter which path is chosen. (For a simplified version of the trade-off tool, see the exhibit "Blue Cross and Blue Shield: Build, Buy, or Ally?")

Use the escalation of conflict as an opportunity for coaching. Managers at Matrix spend much of their time playing the organizational equivalent of hot potato. Even people who are new to the company learn within weeks that the best thing to do with cross-unit conflict is to toss it up the management chain. Immediate supervisors take a quick pass at resolving the dispute but, being busy themselves, usually pass it up to *their* supervisors. Those supervisors do the same, and before long the problem lands in the lap of a senior-level manager, who then spends much of his time resolving disagreements. Clearly, this isn't ideal. Because the senior managers are a number of steps removed from the source of the controversy, they rarely have a good understanding of the situation. Furthermore, the more time they spend resolving internal clashes, the less time they spend engaged in the business, and the more isolated they are from the very information they need to resolve the disputes dumped in their laps. Mean-

Blue Cross and Blue Shield: Build, Buy, or Ally?

One of the most effective ways senior managers can help resolve cross-unit conflict is by giving people the criteria for making trade-offs when the needs of different parts of the business are at odds with one another. At Blue Cross and Blue Shield of Florida, there are often conflicting perspectives over whether to build new capabilities (for example, a new claims-processing system, as in the hypothetical example below), acquire them, or gain access to them through an alliance. The company uses a grid-like poster (a simplified version of which is shown here) that helps multiple parties analyze the trade-offs associated with these three options. By checking various boxes in the grid using personalized markers, participants indicate how they assess a particular option against a variety of criteria: for example, the date by which the new capability needs to be implemented; the availability of internal resources such as capital and staff needed to develop the capability; and the degree of integration required with existing products and processes. The table format makes criteria and trade-offs easy to compare. The visual depiction of people's "votes" and the ensuing discussion help individuals see how their differences often arise from such factors as access to different data or different prioritizing of objectives. As debate unfolds—and as people move their markers in response to new information—they can see where they are aligned and where and why they separate into significant factions of disagreement. Eventually, the criteria-based dialogue tends to produce a preponderance of markers in one of the three rows, thus yielding operational consensus around a decision.

New Claims-Processing System

Required Implementation Time Frame	Organizational Experience Level	Availability of Internal Resources	Volatility of Environment	Complexity of Solution	Availability of External Resources	Required Degree of Integration	Required Control	
>12 months	High	High	Low	Low	Low	High	High	BUILD
<6 months	Low	High to moderate	Medium	High	High	Medium	Medium	BUY
6–12 months	Medium	Moderate to low	High	Moderate	Moderate	Low	Low	ALLY

Participant 1 = Participant 2 = Participant 3 = Participant 4 = Participant 5 =

Source: Blue Cross and Blue Shield of Florida while, Matrix employees get so little opportunity to learn about how to deal with conflict that it becomes not only expedient but almost necessary for them to quickly bump conflict up the management chain.

While Matrix's story may sound extreme, we can hardly count the number of companies we've seen that operate this way. And even in the best of situations—for example, where a companywide conflict-management process is in place and where trade-off criteria are well understood—there is still a natural tendency for people to let their bosses sort out disputes. Senior managers contribute to this tendency by quickly resolving the problems presented to them. While this may be the fastest and easiest way to fix the problems, it encourages people to punt issues upstairs at the first sign of difficulty. Instead, managers should treat escalations as opportunities to help employees become better at resolving conflict. (For an example of how managers can help their employees improve their conflict resolution skills, see the exhibit "IBM: Coaching for Conflict.")

At KLA-Tencor, a major manufacturer of semiconductor production equipment, a materials executive in each division oversees a number of buyers who procure the materials and component parts for machines that the division makes. When negotiating a companywide contract with a supplier, a buyer often must work with the company commodity manager, as well as with buyers from other divisions who deal with the same supplier. There is often conflict, for example, over the delivery terms for components supplied to two or more

IBM: Coaching for Conflict

Managers can reduce the repeated escalation of conflict up the management chain by helping employees learn how to resolve disputes themselves. At IBM, executives get training in conflict management and are offered online resources to help them coach others. One tool on the corporate intranet (an edited excerpt of which is shown here) walks managers through a variety of conversations they might have with a direct report who is struggling to resolve a dispute with people from one or more groups in the company—some of whom, by design, will be consulted to get their views but won't be involved in negotiating the final decision.

If you hear from someone reporting to you that . . .	The problem could be that . . .	And you could help your report by saying something like . . .
"Everyone still insists on being a decision maker."	The people your report is dealing with remain concerned that unless they have a formal voice in making the decision—or a key piece of the decision—their needs and interests won't be taken into account.	**"You might want to explain why people are being consulted and how this information will be used."** **"Are there ways to break this decision apart into a series of subissues and assign decision-making roles around those subissues?"** **"Consider talking to the group about the costs of having everyone involved in the final decision."**
"If I consult with this person up front, he might try to force an answer on me or create roadblocks to my efforts to move forward."	The person you are coaching may be overlooking the risks of not asking for input—mainly, that any decision arrived at without input could be sabotaged later on.	**"How would you ask someone for input? What would you tell her about your purpose in seeking it? What questions would you ask? What would you say if she put forth a solution and resisted discussing other options?"** **"Is there a way to manage the risk that she will try to block your efforts other than by not consulting her at all? If you consult with her now, might that in fact lower the risk that she will try to derail your efforts later?"**
"I have consulted with all the right parties and have crafted, by all accounts, a good plan. But the decision makers cannot settle on a final decision."	The right people were included in the negotiating group, but the process for negotiating a final decision was not determined.	**"What are the ground rules for how decisions will be made? Do all those in the group need to agree? Must the majority agree? Or just those with the greatest competence?"** **"What interests underlie the objective of having everyone agree? Is there another decision-making process that would meet those interests?"**

divisions under the contract. In such cases, the commodity manager and the division materials executive will push the division buyer to consider the needs of the other divisions, alternatives that might best address the collective needs of the different divisions, and the standards to be applied in assessing the trade-offs between alternatives. The aim is to help the buyer see solutions that haven't yet been considered and to resolve the conflict with the buyer in the other division.

Initially, this approach required more time from managers than if they had simply made the decisions themselves. But it has paid off in fewer disputes that senior managers need to resolve, speedier contract negotiation, and improved contract terms both for the company as a whole and for multiple divisions. For example, the buyers from three KLA-Tencor product divisions recently locked horns over a global contract with a key supplier. At issue was the trade-off between two variables: one, the supplier's level of liability for materials it needs to purchase in order to fulfill orders and, two, the flexibility granted the KLA-Tencor divisions in modifying the size of the orders and their required lead times. Each division demanded a different balance between these two factors, and the buyers took the conflict to their managers, wondering if they should try to negotiate each of the different trade-offs into the contract or pick among them. After being coached to consider how each division's business model shaped its preference—and using this understanding to jointly brainstorm alternatives—the buyers and commodity manager arrived at a creative solution that worked for everyone: They would request a clause in the contract that allowed them to increase and decrease flexibility in order volume and lead time, with corresponding changes in supplier liability, as required by changing market conditions.

Strategies for Managing Conflict upon Escalation

Equipped with common conflict resolution methods and trade-off criteria, and supported by systematic coaching, people are better able to resolve conflict on their own. But certain complex disputes will inevitably need to be decided by superiors. Consequently, managers must ensure that, upon escalation, conflict is resolved constructively and efficiently—and in ways that model desired behaviors.

Establish and enforce a requirement of joint escalation. Let's again consider the situation at Matrix. In a typical conflict, three salespeople from different divisions become involved in a dispute over pricing. Frustrated, one of them decides to hand the problem up to his boss, explaining the situation in a short voice-mail message. The message offers little more than bare acknowledgment of the other salespeoples' viewpoints. The manager then determines, on the basis of what he knows about the situation, the solution to the problem. The salesperson, armed with his boss's decision, returns to his counterparts and shares with them the verdict—which, given the process, is simply a stronger version of the solution the salesperson had put forward in the first place. But wait! The other two salespeople have also gone to *their* managers and carried back stronger versions of *their* solutions. At this point, each salesperson is locked into what is now "my manager's view" of the right pricing scheme. The problem, already thorny, has become even more intractable.

The best way to avoid this kind of debilitating deadlock is for people to present a disagreement jointly to their boss or bosses. This will reduce or even eliminate the suspicion, surprises, and damaged personal relationships ordinarily associated with unilateral escalation. It will also guarantee that the ultimate decision maker has access to a wide array of perspectives on the conflict, its causes, and the various ways it might be resolved. Furthermore, companies that require people to share responsibility for the escalation of a conflict often see a decrease in the number of problems that are pushed up the management chain. Joint escalation helps create the kind of accountability that is lacking when people know they can provide their side of an issue to their own manager and blame others when things don't work out.

A few years ago, after a merger that resulted in a much larger and more complex organization, senior managers at the Canadian telecommunications company Telus found themselves virtually paralyzed by a daily barrage of unilateral escalations. Just determining who was dealing with what and who should be talking to whom took up huge amounts of senior management's time. So the company made joint escalation a central tenet of its new organizationwide protocols for conflict resolution—a requirement given teeth by managers' refusal to respond to unilateral escalation. When a conflict occurred among managers in different departments concerning, say, the allocation of resources among the departments, the managers were required to jointly describe the problem, what had been done so far to resolve it, and its possible solutions. Then they had to send a joint write-up of the situation to each of their bosses and stand ready to appear together and answer questions when those bosses met to work through a solution. In many cases, the requirement of systematically documenting the conflict and efforts to resolve it—because it forced people to make such efforts—led to a problem being resolved on the spot, without having to be kicked upstairs. Within weeks, this process resulted in the resolution of hundreds of issues that had been stalled for months in the newly merged organization.

Ensure that managers resolve escalated conflicts directly with *their* counterparts. Let's return to the three salespeople at Matrix who took their dispute over pricing to their respective bosses and then met again, only to find themselves further from agreement than before. So what did they do at that point? They sent the problem *back* to their bosses. These three bosses, each of whom thought he'd already resolved the issue, decided the easiest thing to do would be to escalate it themselves. This would save them time and put the conflict before senior managers with the broad view seemingly needed to make a decision. Unfortunately, by doing this, the three bosses simply perpetuated the situation their salespeople had created, putting forward a biased viewpoint and leaving it to their own managers to come up with an answer. In the end, the decision was made unilaterally by the senior manager with the most organizational clout. This result bred resentment back down the management chain. A sense of "we'll win next time" took hold, ensuring that future conflict would be even more difficult to resolve.

It's not unusual to see managers react to escalations from their employees by simply passing conflicts up their own functional or divisional chains until they reach a senior executive involved with all the affected functions or divisions. Besides providing a poor example for others in the organization, this can be disastrous for a company that needs to move quickly. To avoid wasting time, a manager somewhere along the chain might try to resolve the problem swiftly and decisively by herself. But this, too, has its costs. In a complex organization, where many issues have significant implications for numerous parts of the business, unilateral responses to unilateral escalations are a recipe for inefficiency, bad decisions, and ill feelings.

The solution to these problems is a commitment by managers—a commitment codified in a formal policy—to deal with escalated conflict directly with their counterparts. Of course, doing this can feel cumbersome, especially when an issue is time-sensitive. But resolving the problem early on is ultimately more efficient than trying to sort it out later, after a decision becomes known because it has negatively affected some part of the business.

In the 1990s, IBM's sales and delivery organization became increasingly complex as the company reintegrated previously independent divisions and reorganized itself to provide customers with full solutions of bundled products and services. Senior executives soon recognized that managers were not dealing with escalated conflicts and that relationships among them were strained because they failed to consult and coordinate around cross-unit issues. This led to the creation of a forum called the Market Growth Workshop (a name carefully chosen to send a message throughout the company that getting cross-unit conflict resolved was critical to meeting customer needs and, in turn, growing market share). These monthly conference calls brought together managers, salespeople, and frontline product specialists from across the company to discuss and resolve cross-unit conflicts that were hindering important sales—for example, the difficulty salespeople faced in getting needed technical resources from overstretched product groups.

The Market Growth Workshops weren't successful right away. In the beginning, busy senior managers, reluctant to spend time on issues that often hadn't been carefully thought through, began sending their subordinates to the meetings—which made it even more difficult to resolve the problems discussed. So the company developed a simple preparation template that forced people to document and analyze disputes before the conference calls. Senior managers, realizing the problems created by their absence, recommitted themselves to attending the meetings. Over time, as complex conflicts were resolved during these sessions and significant sales were closed, attendees began to see these meetings as an opportunity to be involved in the resolution of high-stakes, high-visibility issues.

Make the process for escalated conflict resolution transparent. When a sales conflict is resolved by a Matrix senior manager, the word comes down the management chain in the form of an action item: Put together an offering with this particular mix of products and services at these prices. The only elaboration may be an admonishment to "get the sales team together, work up a proposal, and get back to the customer as quickly as possible." The problem is solved, at least for the time being. But the salespeople—unless they have been able to divine themes from the patterns of decisions made over time—are left with little guidance on how to resolve similar issues in the future. They may justifiably wonder: How was the decision made? Based on what kinds of assumptions? With what kinds of trade-offs? How might the reasoning change if the situation were different?

In most companies, once managers have resolved a conflict, they announce the decision and move on. The resolution process and rationale behind the decision are left inside a managerial black box. While it's rarely helpful for managers to share all the gory details of their deliberations around contentious issues, failing to take the time to explain how a decision was reached and the factors that went into it squanders a major opportunity. A frank discussion of the trade-offs involved in decisions would provide guidance to people trying to resolve conflicts in the future and would help nip in the bud the kind of speculation—who won and who lost, which managers or units have the most power—that breeds mistrust, sparks turf battles, and otherwise impedes cross-organizational collaboration. In general, clear communication about the resolution of the conflict can increase people's willingness and ability to implement decisions.

During the past two years, IBM's Market Growth Workshops have evolved into a more structured approach to managing escalated conflict, known as Cross-Team Workouts. Designed to make conflict resolution more transparent, the workouts are weekly meetings of people across the organization who work together on sales and delivery issues for specific accounts. The meetings provide a public forum for resolving conflicts over account strategy, solution configuration, pricing, and delivery. Those issues that cannot be resolved at the local level are escalated to regional workout sessions attended by managers from product groups, services, sales, and finance. Attendees then communicate and explain meeting resolutions to their reports. Issues that cannot be resolved at the regional level are escalated to an even higher-level workout meeting attended by cross-unit executives from a larger geographic region—like the Americas or Asia Pacific—and chaired by the general manager of the region presenting the issue. The most complex and strategic issues reach this global forum. The overlapping attendance at these sessions—in which the managers who chair one level of meeting attend sessions at the next level up, thereby observing the decision-making process at that stage—further enhances the transparency of the system among different levels of the company. IBM has further formalized the process for the direct resolution of conflicts between services and product sales on large accounts by designating a managing director in sales and a global relationship partner in IBM global services as the ultimate point of resolution for escalated conflicts. By explicitly making the resolution of complex conflicts part of the job descriptions for both managing director and global relationship partner—and by making that clear to others in the organization—IBM has reduced ambiguity, increased transparency, and increased the efficiency with which conflicts are resolved.

Tapping the Learning Latent in Conflict

The six strategies we have discussed constitute a framework for effectively managing organizational discord, one that integrates conflict resolution into day-to-day decision-making processes, thereby removing a critical barrier to cross-organizational collaboration. But the strategies also hint at something else: that conflict can be more than a necessary antecedent to collaboration.

Let's return briefly to Matrix. More than three-quarters of all cross-unit sales at the company trigger disputes about pricing. Roughly half of the sales lead to clashes over account control. A substantial number of sales also produce disagreements over the design of customer solutions, with the conflict often rooted in divisions' incompatible measurement systems and the concerns of some people about the quality of the solutions being assembled. But managers are so busy trying to resolve these almost daily disputes that they don't see the patterns or sources of conflict. Interestingly, if they ever wanted to identify patterns like these, Matrix managers might find few signs of them. That's because salespeople, who regularly hear their bosses complain about all the disagreements in the organization, have concluded that they'd better start shielding their superiors from discord.

The situation at Matrix is not unusual—most companies view conflict as an unnecessary nuisance—but that view is unfortunate. When a company begins to see conflict as a valuable resource that should be managed and exploited, it is likely to gain insight into problems that senior managers may not have known existed. Because internal friction is often caused by unaddressed strains within an organization or between an organization and its environment, setting up methods to track conflict and examine its causes can provide an interesting new perspective on a variety of issues. In the case of Matrix, taking the time to aggregate the experiences of individual salespeople involved in recurring disputes would likely lead to better approaches to setting prices, establishing incentives for salespeople, and monitoring the company's quality control process.

At Johnson & Johnson, an organization that has a highly decentralized structure, conflict is recognized as a positive aspect of cross-company collaboration. For example, a small internal group charged with facilitating sourcing collaboration among J&J's independent operating companies—particularly their outsourcing of clinical research services—actively works to extract lessons from conflicts. The group tracks and analyzes disagreements about issues such as what to outsource, whether and how to shift spending among suppliers, and what supplier capabilities to invest in. It hosts a council, comprising representatives from the various operating companies, that meets regularly to discuss these differences and explore their strategic implications. As a result, trends in clinical research outsourcing are spotted and information about them is disseminated throughout J&J more quickly. The operating companies benefit from insights about new offshoring opportunities, technologies, and ways of structuring collaboration with suppliers. And J&J, which can now piece together an accurate and global view of its suppliers, is better able to partner with them. Furthermore, the company realizes more value from its relationship with suppliers—yet another example of how the effective management of conflict can ultimately lead to fruitful collaboration.

J&J's approach is unusual but not unique. The benefits it offers provide further evidence that conflict—so often viewed as a liability to be avoided whenever possible—can be valuable to a company that knows how to manage it.

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