

Departments at War

What trust building through networks can do to help

In this paper we will explore issues of inter-departmental trust. We look at Organisational Network Analysis as a way to visualise trust networks across several organisations and sectors. We explore issues like; is there a generic mistrust in management? Do trustful clusters exist only within formal organisational boundaries, but not between them? Who are the most trusted members of your organisation?



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INTRODUCTION

“The competition is OUTSIDE” says the sign on the frustrated staff member’s wall. Regrettably, the humour in the sign comes from a home truth. We have all experienced the frustration of internal competition, that at times can rival or even exceed that of our real competitors. Operations vs Maintenance; Sales vs Marketing; Human Resources vs Services; and the list goes on. Unfortunately the situation can only get worse as our business environments become more networked and interdependent. Current organisational structures are more suited to the industrial world from whence they came. In an industrial world organisations were designed to suite the mechanistic tasks of the day. Job roles could be precisely defined and departments co-ordinated with mathematical precision. Generally staff did not have the scope or even desire to move beyond their defined tasks. The transition from an industrial to a knowledge based economy has changed all that. People centric services have replaced manufacturing as the dominant sector for employment. Service tasks are less crisply defined with more discretion available for the knowledge worker to employ their individual talents. Intangibles now account for on average 60-70% of share market values¹.

¹ See Quinn, J. B. (1992). [Intelligent Enterprise: A Knowledge and Service Based Paradigm for Industry](#), Free Press.

Conflicting business unit and personal KPIs more often pitch one department against another. Bureaucratic internal rules and policies designed to “manage” the increased complexity have generated a new organisational competence; that of knowing how to navigate around them. The bottom line is that trust based relationships are being driven out of organisations. The cost is an alarming loss of potential productivity as our energies are misspent on beating our neighbour rather than our competitors.

We can all accept that trustful relationships in organisations are a good thing and of course the corollary of distrust in organisations is bad. So the big issue we are facing is if more trust is good but fast changing business environments are breeding grounds for mistrust, what should we be doing? How can we accelerate the process of trust building

that underpins profitable business relationships? Importantly, how can we quickly assess the potential areas of distrust that are holding back our organisations and to enable us to more accurately target areas for accelerated trust building?

building?

In this paper we will explore the status quo in terms of trust management. We then proceed to use Organisational Network Analysis (ONA) to visualise trust networks across several organisations and sectors. We explore issues like; is there a generic mistrust in management? Do trustful clusters exist only within formal organisational boundaries, but not between them? Who are the most trusted members of your organisation? We find that indeed internal trust networks across departments are disturbingly sparse. We provide a method for assessing trust networks in your organisations based on the use of ONA. We then provide some techniques for turning

warring departments into productive co-operatives using Value Network Analysis (VNA) and Partnership Scorecard (PSC) techniques.

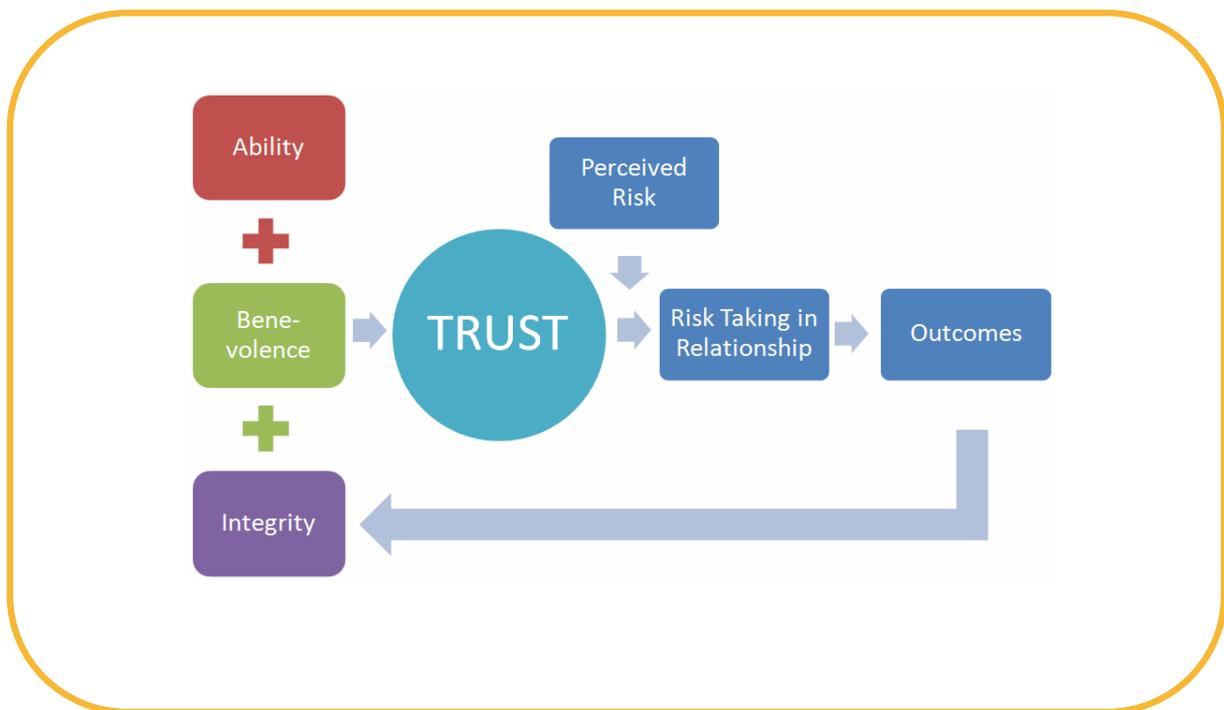
THINKING ABOUT TRUST

Given the importance of trust to organisational performance it is little wonder why organisations would like to have a way to analyse and measure trust and then take targeted action to reduce the levels of distrust that may exist. Not surprisingly the topic has achieved ample attention from the academic and business community. But just how useful have these results been to the practicing executive?

different types of trust, for example, *expertise* trust, *personal* trust, *structural* (position based) trust².

To better understand the dynamics of trust, the model from Mayer, Davis and Schoorman³ is provided.

Their integrative model of trust identifies three precursors for the establishment of trust. The ability factor is related to particular skills or competencies. Benevolence suggests some level of goodwill exists and integrity refers to the existence of accepted principles. Together they are seen as impacting one's propensity to trust and perceived "trustworthiness". Risk is introduced as a "willingness to be



A good place to start in a study of trust is with definitions. While there are clearly widely varying definitions of trust that have been offered, a common theme for definitions of trust is that it is *relationship based* and is related to some *risk* of the parties being *vulnerable* to exploitation. In most cases there also needs to be a sense of *reciprocity* i.e. an exchange occurs, though some have argued that trust can be one-way. Additionally other commentators speak of

vulnerable". In other words, unless we are prepared to take a risk with someone then we have not demonstrated trust in someone, despite their perceived trustworthiness. Taking a risk in a relationship actively demonstrates trust. The outcome of this action will reinforce the level of trust one way or the

² See Joni, S.A (2004)., "The Geography of Trust", Harvard Business Review, March.

³ Mayer, R., Davis, J. and Schoorman, F (1995), "An Integrative Model of Organizational Trust", Academy of Management Review,20(3), pp. 709-734

other. The model effectively separates the precedents and antecedents of trust to better articulate trust in action.

THE PRICE FOR MISTRUST

Stewart Levine⁴, the founder of ResolutionWorks addresses the trust versus compliance contention by measuring the “cost of conflict” which taken to its extremes, invariably plays out as costly legal proceedings. Levine claims that today litigation would not be economic if the risk at stake was less than \$1million. Levine claims that up to 20% of Fortune 500 senior executives’ time is spent in litigation-related activities. Of course the legal costs are only the tip of the iceberg.

At the base of the iceberg are the day to day conflicts between internal departments, with suppliers and partners, between staff and management that fall way below the litigation threshold, but collectively could total far more in lost productivity than the more visible and high profile litigation costs. Each policy or work procedure put in place commits the organisation to on-going maintenance and compliance costs if it is to remain effective. However policies, rules and regulations are explicit. We can touch them, read them and they form a base from which a common understanding of intent and sometimes resolution can be built. When faced with conflict and resolution, it is seductive to believe that a new policy or set of rules and regulations will be the answer. In practice however, most organisations are awash with out of date policies and inadequate compliance mechanisms that are woefully inadequate for governing all the forms of conflict that can arise within and between organisations. The onus therefore inevitably falls on the executive, who with ever increasing spans of control are being overloaded by demands to act as peacemakers. In the words of one frustrated executive “Why can’t they take some accountability and sort things out be-

⁴ See <http://www.mediate.com/people/personprofile.cfm?aid=172>

tween themselves!” reflecting the times that we now live in.

COMPLIANCE VS TRUST

So what we have is the norm of building regulatory instruments for governance that has grown to be far too complex and costly to sustain. These instruments alone have not proven effective in avoiding the unprecedented economic crisis we are in today. The regular alternative being offered is trust based co-operation and governance. However, trust is intangible, invisible and therefore hard to measure and manage. It doesn’t promulgate the same tangible assurance of management and control as a thick policy manual or reams of legislation. The remedies for recalcitrance are not as crisp as those for law or rule breaking. In other words, while we can all accept that trust is good and distrust is bad, we are loath to release our governance commitments to trust alone. But is there such a thing as a happy balance between compliance and trust?

Is there such a thing as a happy balance between compliance and trust?

Much of the success of western world economies can be attributed to the increasingly sophisticated regulatory environments that have been put in place. They have enabled companies to grow to unprecedented sizes and breadths of operations. There have been many benefits from the use of effective compliance regimes. This is no more evident than when comparing with eastern world economies, which traditionally rely on trust based governance mechanisms or family and friends networks. Asian businesses have typically not been able to achieve the same scale and breadth of operations as western world businesses. However, examples of the efficacy of trust based governance over more

regulatory driven approaches could no better be exemplified when comparing Toyota with the US car manufacturers. Francis Fukuyama in his book on 'Trust: the Social Virtues and Creation of Prosperity' states that "Past a certain point, the proliferation of rules to regulate wider and wider sets of social relationships becomes not a hallmark of rational efficiency but a sign of social dysfunction. There is usually an inverse relationship between rules and trust: the more people depend on rules to regulate their interaction, the less they trust each other and visa versa." He then goes on to compare the productivity of Toyota in the late 1980s producing 4.5million cars per year with 65,000 workers, where General Motors was producing 8 million cars with 750,000 workers. Given the current state of the US car manufacturers' one would think that the gap may have even widened in the mean time.

Fukuyama supports the common view that compliance and trust are substitutes. More recently however, arguments have been made for the two approaches to be complements more so than simply substitutes. Comparing formal contracts and relational governance functions, Laura Poppo and Todd Zenger⁵ demonstrate through their research that partnership performance can actually be improved when marrying increasingly customised contracts with high levels of relational governance i.e. trust. What appears to be in operation here is that the more customised contracts contain more than just outcome measures. They also contain procedural guidelines as to how co-operation is to be achieved.

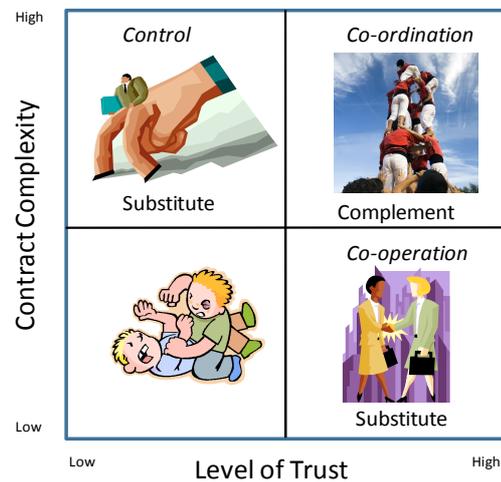
Compliance and trust –
can they live together?

Subtlety, it is not so much the compliance to the pre-determined guidelines that is having the sole

⁵ Poppo, L. and Zenger, T. (2002), "Do Formal Contracts and Relational Governance Function as Substitutes or Complements?", *Strategic Management Journal*, Vol 23. pp. 707-725.

effect, but also the trust building that is occurring while jointly designing and articulating the co-operative procedures.

The Poppo and Zenger research therefore identifies another alternative to the control through regulation and co-operation through trust by blending these two approaches. By "blending" this does not mean doing both, but blending the best attributes of each approach. For instance, the act of articulating the methods for effective co-operation facilitates trust building leading to the achievement of the intended outcomes without the need to resort to punitive actions. This would indeed be an attractive balanced governance approach.



SOCIAL NETWORKS AND MEASURES OF TRUST

This now brings us to consider the role of social networks, governance and measures of trust. The whole social networking phenomena surrounding social software like Facebook, LinkedIn, MySpace and the like highlights the increasing role that relational trust will play in both our business and personal lives. Ebay provided us with some early exposure to on-line social remedies for errant traders resulting in a focus on the need to sustain a trusted on-line reputation. The big question is whether such social remedies can still work with larger and more complex transactions? We opened this paper by

noting that in today's business environment we no longer have the luxury of long time frames for building trustful relationships. We therefore need mechanisms for measuring trust that can at least signal a propensity to trust and therefore facilitate a potential profitable exchange. When employed with a complementary suite of compliance mechanisms e.g. Ebay's trading rules for participation, then its possible to achieve a governance environment which contains the best of both worlds.

The rapid growth in the popularity of social networking has led to a resurgence of interest on the decades old science of social network analysis (SNA)⁶, also referred to as Organisational Network Analysis (ONA). Awash with social network metrics, SNA researchers have developed a plethora of social measures that can be teased from SNA data⁷. SNA typically measures connectivity within networks of mostly people. The majority of measures take advantage of the graph like structures of social networks. Concepts like degrees of connections for individual nodes or their closeness or betweenness with all other nodes are readily calculable. While SNA scholars fall short of claiming a measure for trust, the measures of network density (proportion of potential connections for a given network that actually exist) and reciprocity (proportion of connections in the network that are reciprocated) provide useful proxies for trusting behaviour. In particular many scholars claim that reciprocity is an essential ingredient for a trustful relationship.

⁶ See www.INSNA.org

⁷ See Wasserman, S. and K. Faust (1994). Social Network Analysis: Methods and Applications UK: Cambridge University Press.

The advantage of using SNA reciprocity measures as a trust measure, is that it can be both contextual to the actually work environment as well as work down to the individual or group level. SNA surveys typically collect data on actions like advice or information seeking, rather than simply perceptions. Modern net mining technologies⁸ are able to generate social network maps from analysing usage logs from social media applications or even email usage patterns. In this way there is the potential to measure and monitor the development or destruction of trust based relationships on a day to day basis.

Social networking sites have led to a resurgence of interest on Social Network Analysis.

TRUST NETWORK CASE STUDIES

We have conducted over 30 SNA studies over the past decade or so. These studies have ranged across many industries and organisational contexts. For the majority of these studies we have commonly looked to identify knowledge based connections by surveying respondents for trusted advisors. Additionally we also look for information based connections that are meant to reflect business process flows.

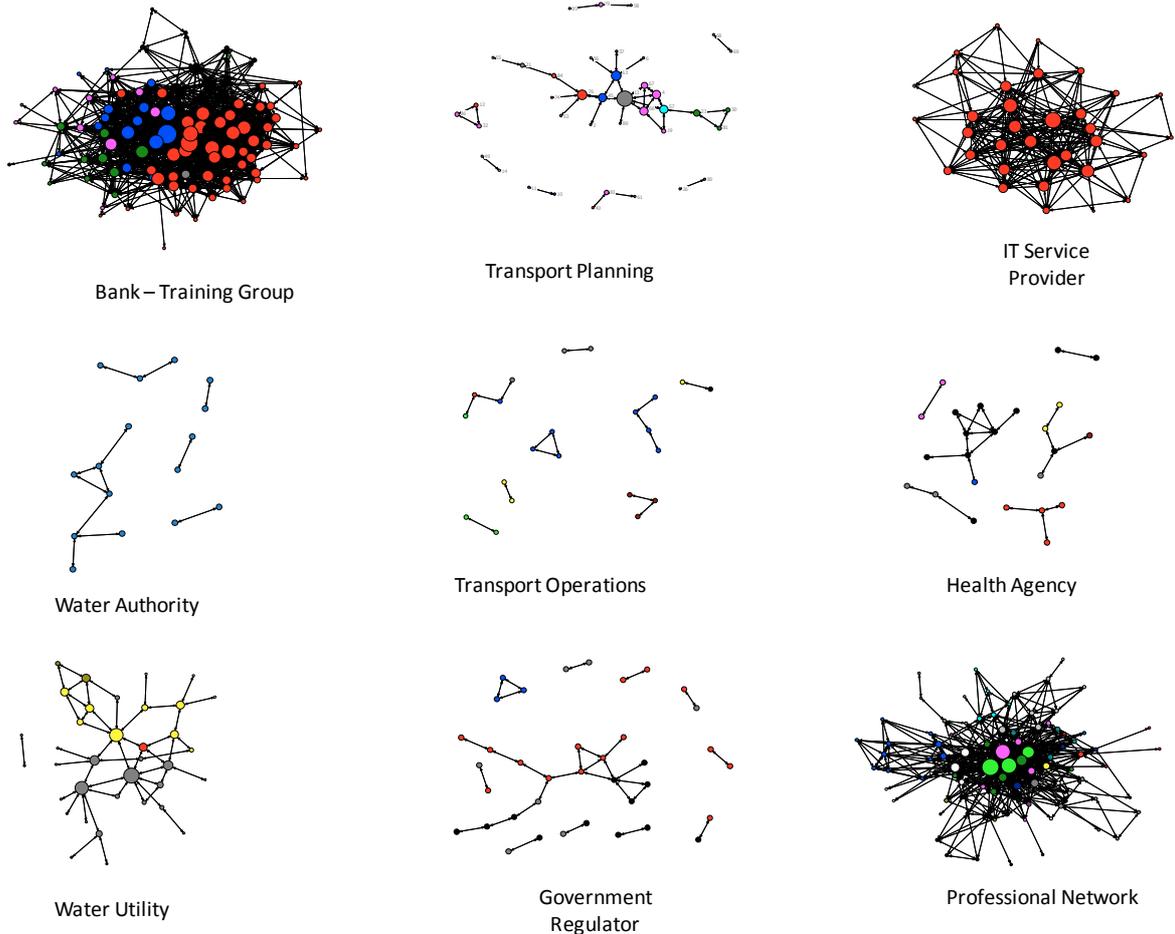
For the large part we have found the proportion of reciprocated ties or connections to be a very small proportion of the overall number of connections identified. However with one recent study we found this not to be the case, with a relatively high proportion of reciprocal ties being present. This prompted us to take a closer look at some of our previous studies to explore this potential link between reciprocal ties and trust.

The following maps show examples of ONA studies showing just reciprocated ties. What is immediately apparent is the vast variety in the density of reciprocated ties that we find across the examples shown. The context of the studies can explain the differ-

⁸ See <http://www.trampolinesystems.com/>

ences to some extent, but not fully. For example, the professional network is an open network established for the principal reason of networking and knowledge sharing. It is therefore not surprising that the network of reciprocated ties is quite dense and one would suggest a high level of "expertise" would exist. Like the Professional Network we saw that

Saj-nicole Joni⁹ identifies three different types of trust. "Personal Trust" is said to be based on personal integrity. "Expertise Trust" relates to a particular subject area of competence. Finally "Structural Trust" is seen as relating to organisational roles or positions within organisations. The professional network has discipline based connections e.g. where



other networks developed around specialist disciplines were also denser i.e. the Bank Training Group, the IT Service Provider and the Water Utility. The other networks were all inter-departmental networks without a common strong discipline theme. The inference from these cases is that it is easier to build trust within a technical discipline than across organisational boundaries. This effect can be explained by looking at the different types of trust.

network members share a common and deep understanding of a particular technical discipline, leading to higher levels of "expertise" trust. This argument holds for the IT service provider and the Bank Training Group who shared a common and specialised discipline and operate as specialised functional areas. The Water Utility study was also discipline based though across several functional groups, yet a reasonable level of reciprocation is evident. In this case the colours showed the different disciplines

⁹ Joni, S. (2004), "The Geography of Trust", Harvard Business Review, March.

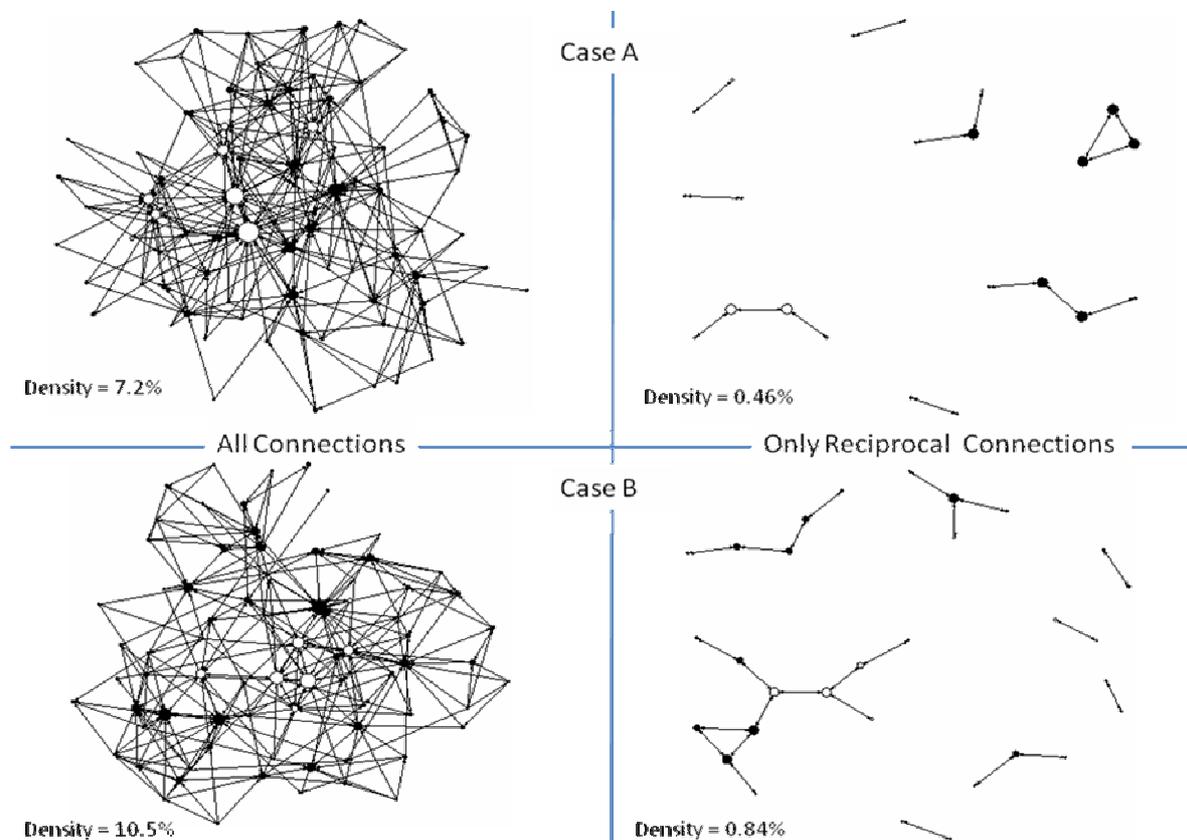
showing the clustering around a given discipline being evident. The Water Authority, Transport Operations Transport Planning, Health Agency and Government Regulator were not specifically discipline based studies and looked at inter-divisional collaboration. What is clear in comparison is that reciprocity between operating divisions is likely to be much poorer than for discipline based networks. Where clusters do exist in these networks they were usually within single business units. No doubt formal organisational boundaries can play a part in breeding mistrust and lower levels of reciprocal ties. Even with the strong functional networks, anecdotally we believe that the trustful connections between say the functions and their "customers" in other business units are equally poor.

WHAT ABOUT TRUST IN MANAGEMENT?

The figure below shows two cases from the same transport industry sector. Case A is a public sector organisation and Case B is a private sector organisation.

The left hand side shows the full network of connections. The white nodes are members of the leadership team. The size of the nodes reflects the number of inward connections. One can see that organisation A is fairly hierarchical. On the right hand side only the reciprocal links are shown, inferring trust linkages. The density figures identify the proportion of links that exist as a proportion of potential links i.e. if everyone were connected to everyone else. Density can be thought of as a relative cohesion. For the reciprocal ties this could be seen as a "trust index".

In terms of structural trust, one obvious area of interest is the trust between management and staff. We can see reciprocal connections between management provide only 2 connections out of a total of 15 for Case A. Case B is somewhat less hierarchical with some quite central nodes amongst those not on the leadership team. However, when we look at the reciprocal connections the pattern is similar. Some reciprocal connections between leaders and reciprocal connections between staff, but in this instance only 4 out of 24 links are between a man-



ager and staff. This would suggest that trust runs across, rather than between the layers of management.

As an overall conclusion, we can see that these case studies demonstrate that for the most part reciprocal ties are more easily formed in areas of lower organisational risk e.g. within a given discipline. We find that "expertise" trust is easier to build both internal (within functional groups) and external (professional groups) to organisations. Once we move beyond particular technical disciplines to inter-departmental collaboration networks the levels of reciprocation and trust, drops off dramatically. In other words "structural" trust is much harder to achieve than "expertise" trust. In thinking about structural trust the obvious question is whether staff trusts management and visa versa. We would say, not much. The proportion of reciprocal ties between manager and staff is only a small proportion of all reciprocal ties. The reasons for this can be many and varied.

IMPLICATIONS FOR TRUST BUILDING AND RECIPROCITY

The implications for improved performance however could be dramatic if the levels of structural trust could match what can be achieved with expertise trust. What we are seeing from this analysis is that formal organisations are potentially working against effective trust building. Layers of management create mistrust as those lower in the organisations feel more vulnerable than those higher up. Looking across supply chains there is a "power" or "risk/vulnerability" mismatch across the chain. In customer driven supply chains those organisational units closer to the customer are in the strongest positions. The further your unit is away from the customer the more vulnerable you are. For product driven supply chains, the product is king and therefore the further you are away from product development the more vulnerable you are. This power mismatch is a key reason for the sparseness of the

reciprocated connections network and therefore the trust in the network.

We subscribe to the reciprocation = trust proponents¹⁰. By creating an environment where reciprocation is facilitated and encouraged, we can increase the number of trust relationships that exist, with the attendant business benefits. Of course virtually all business interactions call for some form of exchange. It is often the case however that the power/risk mismatch occurs because there is a mismatch in the tangibility of the value flows. For example, a customer may be buying a service that is not as tangible as the cash they are handing over for its delivery. An employee or service provider may feel very vulnerable as poor performance can lead directly to termination. The manager or client may



be equally vulnerable because of poor performance of an employee or service provider but the consequences are less tangible and therefore there appears to be less at risk. Therefore to facilitate reciprocity, it is important to make visible the vulnerabilities on both sides of a relationship. This is nothing

new. Negotiation specialists have been arguing for empathy to be demonstrated by warring parties for decades, in order to achieve an equitable result. What a reciprocation measure of trust does bring however, is the ability to measure and visualise the extent to which it is actually happening.

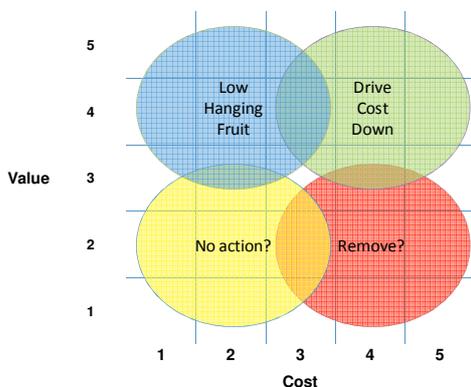
To facilitate greater levels of reciprocation we would encourage readers to explore Value Network Analy-

¹⁰ As an example see Serva, M., Fuller, M. and Mayer, R. (2005) "The reciprocal nature of trust: a longitudinal study of interacting teams", *Journal of Organizational Behavior*, Vol. 26, pp. 625 – 648.

“unwrittens” which will make the difference with trust building and profitable co-operation.

MAINTAINING RELATIONSHIP ACCOUNTABILITY WITH PARTNERSHIP SCORECARDS

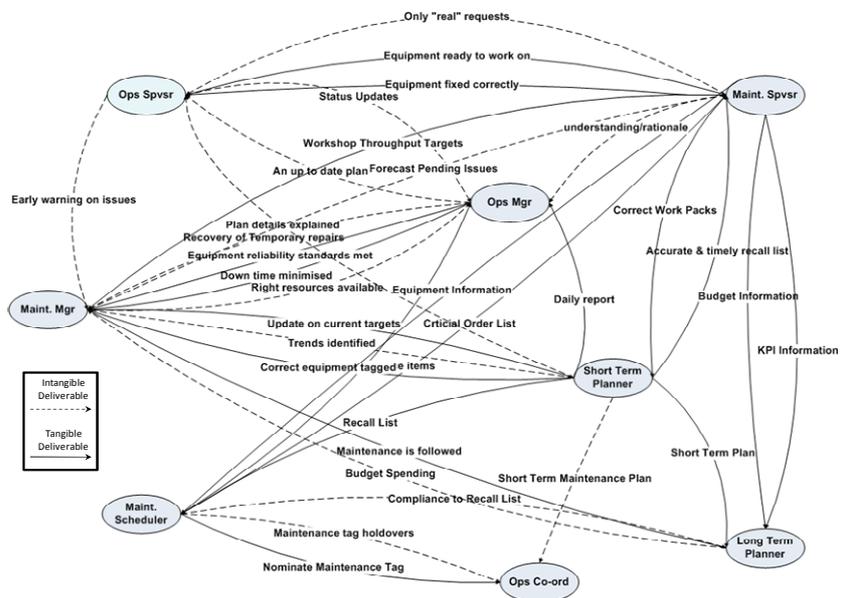
Value Network Analysis is the technique of choice for surfacing intangible value deliverables and therefore facilitating their negotiated exchange between potentially warring departments. A VNA is a natural flow on from a diagnostic ONA study. Once the dynamics of value exchanges are understood holistically, a Partnership Scorecard™ (PSC) can be used to manage performance across previously warring departments. By making all value elements visible, both tangibles and intangibles, we can begin to take a more holistic approach to accountability for those deliverables. In this way there is no “hiding behind the contract”. Each role will be accountable for intangibles like responsiveness, business intelligence, technical advice, endorsements, and the like. Using a PSC, each role will have its value deliverables assessed by the receptors



and likewise will act as “value assessors” for deliverables that it receives. By astutely balancing value

flows across the network of roles within and between organisations, trust can be built, rather than destroyed. A business environment facilitating productive and profitable partnerships can therefore be achieved.

The network graphic¹³ provides an example of a value network showing both tangible (solid lines) and intangible (dotted lines) deliverables being exchanged between roles. In this case the departments “at war” are an operations and maintenance departments. This common archetypal partnership



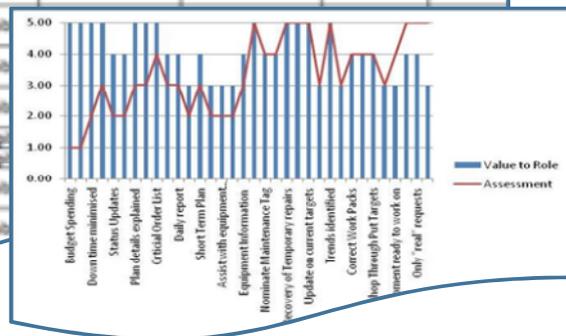
pits the Operations role against the Maintenance role. Tangible short term operational performance is pitched against less tangible longer term equipment reliability. By surfacing the intangibles along with the expected tangible or contracted value deliverables each role can negotiate an equitable exchange. The criticality of each value flow can be assigned to each deliverable by the value receiver, along with the relative cost to deliver, as assigned by the provider role. Each value flow can be categorised according to its critical value and cost to deliver to identify appropriate actions for improvement e.g. harvest low hanging fruit, drive down the cost of high value but high cost deliverables, stop

¹³ Graphic produced by valuenetworks.com

doing high cost low value activities etc.. Once value flows have been negotiated between roles, accountability and performance can be monitored

high level strategy through to individual workers, without addressing how such targets are to be achieved in a collaborative sense. In essence the

Delivered By	Delivered To	Deliverable	Type	Cost of Provision	Value to Role	Assessment	Gap
Long Term Planner	Maint. Mgr	Budget Spending	Intangible	5.00	5.00	1.00	4.00
Ops Mgr	Ops Spvsr	An up to date plan	Intangible	1.00	5.00	1.00	4.00
Maint. Mgr	Ops Mgr	Down time minimised	Tangible	2.00	5.00	2.00	3.00
Maint. Scheduler	Ops Co-ord	Maintenance tag holdovers	Intangible	1.00	5.00	3.00	2.00
Ops Spvsr	Ops Mgr	Status Updates	Intangible	3.00	4.00	2.00	2.00
Maint. Mgr	Ops Mgr	Equipment reliability standards met	Tangible	2.00	4.00	2.00	2.00
Short Term Planner	Ops Spvsr	Plan details explained	Intangible	4.00	5.00	3.00	2.00
Short Term Planner	Ops Co-ord	Short Term Maintenance Plan	Intangible	2.00	5.00	3.00	2.00
Maint. Scheduler	Maint Spr	Critical Order List	Tangible	3.00	5.00	4.00	1.00
Long Term Planner	Maint. Mgr	Maintenance is followed	Tangible	2.00	4.00	3.00	1.00
Short Term Planner	Ops Mgr	Daily report	Tangible	3.00	4.00	3.00	1.00
Short Term Planner	Maint. Mgr	Correct equipment tagged	Tangible				
Short Term Planner	Long Term Planner	Short Term Plan	Tangible				
Short Term Planner	Maint. Scheduler	Recall List	Tangible				
Maint Spr	Ops Spvsr	Assist with equipment preparation	Intangible				
Maint Spr	Maint. Mgr	Forecast Pending Issues	Intangible				
Maint Spr	Maint. Scheduler	Equipment Information	Tangible				
Maint. Scheduler	Ops Mgr	Correct maintenance items	Tangible				
Maint.	Ops Co-ord	Nominate Maintenance T					



through a PSC. The following table provides an example of a PSC assessment. Each value flow from the value network analysis is captured in the PSC, recording the source and receiver along with its criticality and relative cost to deliver, respectively. Periodically each role is surveyed to assess the value flows they are receiving from other roles. Those value flows where assessed value falls short of the criticality score are flagged for remedial action.

PSC is a vehicle for facilitating the achievement of BSC goals.

The important differentiator for a Partnership Scorecard™ from other scorecards like the Balanced Scorecard (BSC) is that it is designed to work across the organisations, facilitating peer to peer collaborative performance. A PSC is operationally focused, working down to the individual role level. It addresses the “departments at war” issue by facilitating the development of peer to peer trust relationships and consequently higher levels of collaborative performance. In contrast the BSC is a top down performance tool directing performance targets from

CONCLUSIONS

So can building trust through networks help resolve inter-departmental wars? We think so. In this paper we reviewed the status quo with regards to trust and trust management within organisations. We then proceeded to demonstrate how viewing the reciprocal connections within and between organisational networks can provide some new insight into how trust is distributed or not. We found that it was easier to build expertise based trust within organisations than structural based trust across operating departments. Our data adds credence to the “departments at war” perception. The lost productivity potential through not effectively collaborating across departments or partner organisations becomes alarmingly obvious when we see the sparseness of the trust networks in our studies.

Using ONA to develop proxy measures of trust therefore provides us with the granularity of analysis executives need to effectively address the issue. The next challenge is how indeed can the distrust issue be effectively addressed? To this end we argued that the mismatch in risk profiles between departments was a key cause of distrustful situations existing. To achieve higher levels of reciprocity and trust we offered the Value Network Analysis approach to surface the important intangible elements required of an effective relationship. Through the negotiation of an equitable exchange of both tangible and intangible value deliverables, we believe reciprocation and therefore trust can be enhanced. Further, we also introduced the concept of a Partnership Scorecard™ as a means for facilitating the on-going monitoring and management of cross departmental peer to peer collaboration. In this way the executive are relieved of the loathsome task of adjudicating between their warring departments, and ensuring accountability is placed at the appropriate point of action.

So let's end the internal wars and move on to where the real competition lies!

ABOUT OPTIMICE

Optimice provides specialised consulting services to help organisations map and improve business relationships at multiple levels. Optimice identifies relationship patterns between people, organisations or markets, and we have improved the basic techniques to optimise these relationships in a compelling business-focused context.

Our Partnership Scorecard™ helps organisations manage the intangible relationship aspects of outsourcing, smart sourcing, alliances, joint-ventures and similar complex business frameworks.

Our specialized survey tool www.onasurveys.com provides consultants and other practitioners the most effective and user friendly tool available on the market to collect data on business relationships.

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