

The absence of conflict is not harmony, it's apathy.

HOW MANAGEMENT TEAMS CAN HAVE A GOOD FIGHT



by Kathleen M. Eisenhardt, Jean L. Kawhajy, and L.J. Bourgeois III

Top managers are often stymied by the difficulties of managing conflict. They know that conflict over issues is natural and even necessary. Reasonable people, making decisions under conditions of uncertainty, are likely to have honest disagreements over the best path for their company's future. Management teams whose members challenge one another's thinking develop a more complete understanding of the choices, create a richer range of options, and ultimately make the kinds of effective decisions necessary in today's competitive environments.

But, unfortunately, healthy conflict can quickly turn unproductive. A comment meant as a substantive remark can be interpreted as a personal attack. Anxiety and frustration over difficult choices can evolve into anger directed at colleagues. Personalities frequently become intertwined with issues. Because most executives pride themselves on being rational decision makers, they find it difficult even to acknowledge—let alone manage—this emotional, irrational dimension of their behavior.

The challenge—familiar to anyone who has ever been part of a management team—is to keep constructive conflict over issues from degenerating into dysfunctional interpersonal conflict, to encourage managers to argue without destroying their ability to work as a team.

We have been researching the interplay of conflict, politics, and speed in strategic decision making

In 4 of the 12 companies, there was little or no substantive disagreement over major issues and therefore little conflict to observe. But the other 8 companies experienced considerable conflict. In 4 of them, the top-management teams handled conflict in a way that avoided interpersonal hostility or discord. We've called those companies Bravo Microsystems, Premier Technologies, Star Electronics, and Triumph Computers. Executives in those companies referred to their colleagues as "smart," "team player," and "best in the business." They described the way they work as a team as "open," "fun," and "productive." The executives vigorously debated the issues, but they wasted little time on politicking and posturing. As one put it, "I really don't have time." Another said, "We don't gloss over the issues; we hit them straight on. But we're not political." Still another observed of her company's management team, "We scream a lot, then laugh, and then resolve the issue."

The other four companies in which issues were contested were less successful at avoiding interpersonal conflict. We've called those companies Andromeda Processing, Mega Software, Mercury Micro-devices, and Solo Systems. Their top teams were plagued by intense animosity. Executives often failed to cooperate, rarely talking with one another, tending to fragment into cliques, and openly displaying their frustration and anger. When executives described their colleagues to us, they used words such as "manipulative," "secretive," "burned out," and "political."

The teams with minimal interpersonal conflict were able to separate substantive issues from those based on personalities. They managed to disagree over questions of strategic significance and still get along with one another. How did they do that? After analyzing our observations of the teams' behavior, we found that their companies used the same six tactics for managing interpersonal conflict. Team members

- worked with more, rather than less, information and debated on the basis of facts;
- developed multiple alternatives to enrich the level of debate;
- shared commonly agreed-upon goals;
- injected humor into the decision process;
- maintained a balanced power structure;
- resolved issues without forcing consensus.

Those tactics were usually more implicit than explicit in the decision-making work of the management teams, and if the tactics were given names,

The challenge is to encourage members of management teams to argue without destroying their ability to work together.

ing by top-management teams for the past ten years. In one study, we had the opportunity to observe closely the work of a dozen top-management teams in technology-based companies. All the companies competed in fast changing, competitive global markets. Thus all the teams had to make high-stakes decisions in the face of considerable uncertainty and under pressure to move quickly. Each team consisted of between five and nine executives; we were allowed to question them individually and also to observe their interactions firsthand as we tracked specific strategic decisions in the making. The study's design gives us a window on conflict as top-management teams actually experience it and highlights the role of emotion in business decision making:

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the names varied from one organization to the next. Nonetheless, the consistency with which all four companies employed all six tactics is testimony to their effectiveness. Perhaps most surprising was the fact that the tactics did not delay – and often accelerated – the pace at which the teams were able to make decisions.

Focus on the Facts

Some managers believe that working with too much data will increase interpersonal conflict by expanding the range of issues for debate. We found that more information is better – if the data are objective and up-to-date – because it encourages people to focus on issues, not personalities. At Star Electronics, for example, the members of the top-management team typically examined a wide variety of operating measures on a monthly, weekly, and even daily basis. They claimed to "measure everything." In particular, every week they fixed their attention on indicators such as bookings, backlogs, margins, engineering milestones, cash, scrap, and work-in-process. Every month, they reviewed an even more comprehensive set of measures that gave them extensive knowledge of what was actually happening in the corporation. As one executive noted, "We have very strong controls."

Star's team also relied on facts about the external environment. One senior executive was charged with tracking such moves by competitors as product introductions, price changes, and ad campaigns. A second followed the latest technical developments through his network of contacts in universities and other companies. "We over-M.B.A. it," said the CEO, characterizing Star's zealous pursuit of data. Armed with the facts, Star's executives had an extraordinary grasp of the details of their business, allowing them to focus debate on critical issues and avoid useless arguments rooted in ignorance.

At Triumph Computer, we found a similar dedication to current facts. The first person the new CEO hired was an individual to track the progress of engineering-development projects, the new-product lifeblood of the company. Such knowledge allowed the top-management team to work from a common base of facts.

In the absence of good data, executives waste time in pointless debate over opinions. Some resort to self-aggrandizement and ill-formed guesses about how the world might be. People – and not issues – become the focus of disagreement. The result is interpersonal conflict. In such companies, top managers are often poorly informed both about internal operations, such as bookings and engineer-

ing milestones, and about external issues, such as competing products. They collect data narrowly and infrequently. In these companies, the vice presidents of finance, who oversee internal data collection, are usually weak. They were often described by people in the companies we studied as "inexperienced" or "detached." In contrast, the vice president of finance at Premier Technologies, a company with little interpersonal conflict, was described as being central to taking "the constant pulse of how the firm is doing."

Management teams troubled by interpersonal conflict rely more on hunches and guesses than on current data. When they consider facts, they are more likely to examine a past measure, such as profitability, which is both historical and highly refined. These teams favor planning based on extrapolation and intuitive attempts to predict the future, neither of which yields current or factual results. Their conversations are more subjective. The CEO of one of the four high-conflict teams told us his interest in operating numbers was "minimal," and he described his goals as "subjective." At another such company, senior managers saw the CEO as "visionary" and "a little detached from the day-to-day operations." Compare those executives with the CEO of Bravo Microsystems, who had a reputation for being a "pragmatic numbers guy."

There is a direct link between reliance on facts and low levels of interpersonal conflict. Facts let people move quickly to the central issues surrounding a strategic choice. Decision makers don't become bogged down in arguments over what the facts *might* be. More important, reliance on current data grounds strategic discussions in reality. Facts (such as current sales, market share, R&D expenses, competitors' behavior, and manufacturing yields) depersonalize the discussion because they are not someone's fantasies, guesses, or self-serving desires. In the absence of facts, individuals' motives are likely to become suspect. Building decisions on facts creates a culture that emphasizes issues instead of personalities.

Multiply the Alternatives

Some managers believe that they can reduce conflict by focusing on only one or two alternatives, thus minimizing the dimensions over which people can disagree. But, in fact, teams with low incidences of interpersonal conflict do just the opposite. They deliberately develop multiple alternatives, often considering four or five options at once. To promote debate, managers will even introduce options they do not support.

For example, Triumph's new CEO was determined to improve the company's lackluster performance. When he arrived, new products were stuck in development, and investors were getting anxious. He launched a fact-gathering exercise and asked senior executives to develop alternatives. In less than two months, they developed four. The first was to sell some of the company's technology. The second was to undertake a major strategic redirection, using the base technology to enter a new market. The third was to redeploy engineering resources and adjust the marketing approach. The final option was to sell the company.

Working together to shape those options enhanced the group's sense of teamwork while promoting a more creative view of Triumph's competitive situation and its technical competencies. As a result, the team ended up combining elements of several options in a way that was more robust than any of the options were individually.

The other teams we observed with low levels of interpersonal conflict also tended to develop multiple options to make major decisions. Star, for example, faced a cash flow crisis caused by explosive growth. Its executives considered, among other choices, arranging for lines of credit from banks, selling additional stock, and forming strategic alliances with several partners. At Bravo, managers explicitly relied on three kinds of alternatives: sincere proposals that the proponent actually backed; support for someone else's proposal, even if only for the sake of argument; and insincere alternatives proposed just to expand the number of options.

There are several reasons why considering multiple alternatives may lower interpersonal conflict. For one, it diffuses conflict: choices become less black and white, and individuals gain more room to vary the degree of their support over a range of choices. Managers can more easily shift positions without losing face.

Generating options is also a way to bring managers together in a common and inherently stimulating task. It concentrates their energy on solving problems, and it increases the likelihood of obtaining integrative solutions – alternatives that incorporate the views of a greater number of the decision makers. In generating multiple alternatives, managers do not stop at obvious solutions; rather, they continue generating further – usually more original – options. The process in itself is creative and fun, setting a positive tone for substantive, instead of interpersonal, conflict.

By contrast, in teams that vigorously debate just one or two options, conflict often does turn personal. At Solo Systems, for instance, the top-management team considered entering a new business area as a way to boost the company's performance. They debated this alternative versus the status quo but failed to consider other options. Individual executives became increasingly entrenched on one side of the debate or the other. As positions hardened, the conflict became more pointed and personal. The animosity grew so great that a major proponent of change quit the company in disgust while the rest of the team either disengaged or slipped into intense and dysfunctional politicking.

Create Common Goals

A third tactic for minimizing destructive conflict involves framing strategic choices as collaborative, rather than competitive, exercises. Elements of collaboration and competition coexist within any management team: executives share a stake in the company's performance, yet their personal ambitions may make them rivals for power. The successful groups we studied consistently framed their decisions as collaborations in which it was in everyone's interest to achieve the best possible solution for the collective.

They did so by creating a common goal around which the team could rally. Such goals do not imply homogeneous thinking, but they do require everyone to share a vision. As Steve Jobs, who is associated with three high-profile Silicon Valley companies – Apple, NeXT, and Pixar – has advised, "It's okay to spend a lot of time arguing about which route to take to San Francisco when every-

More information is better. There is a direct link between reliance on facts and low levels of interpersonal conflict.

one wants to end up there, but a lot of time gets wasted in such arguments if one person wants to go to San Francisco and another secretly wants to go to San Diego."

Teams hobbled by conflict lack common goals. Team members perceive themselves to be in competition with one another and, surprisingly, tend to frame decisions negatively, as reactions to threats.

At Andromeda Processing, for instance, the team focused on responding to a particular instance of poor performance, and team members tried to pin the blame on one another. That negative framing contrasts with the positive approach taken by Star Electronics executives, who, sharing a common goal, viewed a cash crisis not as a threat but as an opportunity to "build the biggest war chest" for

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an impending competitive battle. At a broad level, Star's executives shared the goal of creating "*the* computer firm of the decade." As one Star executive told us, "We take a corporate, not a functional, viewpoint most of the time."

Likewise, all the management team members we interviewed at Premier Technologies agreed that their common goal—their rallying cry—was to build "the best damn machine on the market." Thus in their debates they could disagree about critical technical alternatives—in-house versus offshore manufacturing options, for example, or alternative distribution channels—without letting the conflict turn personal.

Many studies of group decision making and inter-group conflict demonstrate that common goals build team cohesion by stressing the shared interest of all team members in the outcome of the debate. When team members are working toward a common goal, they are less likely to see themselves as individual winners and losers and are far more likely to perceive the opinions of others correctly and to learn from them. We observed that when executives lacked common goals, they tended to be closed-minded and more likely to misinterpret and blame one another.

Use Humor

Teams that handle conflict well make explicit—and often even contrived—attempts to relieve tension and at the same time promote a collaborative esprit by making their business fun. They emphasize the excitement of fast-paced competition, not the stress of competing in brutally tough and uncertain markets.

All the teams with low interpersonal conflict described ways in which they used humor on the job. Executives at Bravo Microsystems enjoyed playing gags around the office. For example, pink plastic flamingos—souvenirs from a customer—graced Bravo's otherwise impeccably decorated headquarters. Similarly, Triumph Computers' top managers held a monthly "dessert pig-out," followed by group weight watching. Those seemingly trivial activities were part of the CEO's deliberate plan to make work more fun, despite the pressures of the industry. At Star Electronics, making the company "a fun place" was an explicit goal for the top-management team. Laughter was common during management meetings. Practical jokes were popular at Star, where executives—along with other employees—always celebrated Halloween and April Fools' Day.

At each of these companies, executives acknowledged that at least some of the attempts at humor were contrived—even forced. Even so, they helped to release tension and promote collaboration.

Humor was strikingly absent in the teams marked by high interpersonal conflict. Although pairs of individuals were sometimes friends, team members shared no group social activities beyond a standard holiday party or two, and there were no conscious attempts to create humor. Indeed, the climate in which decisions were made was often just the opposite—hostile and stressful.

Humor works as a defense mechanism to protect people from the stressful and threatening situations that commonly arise in the course of making strategic decisions. It helps people distance themselves psychologically by putting those situations into a broader life context, often through the use of irony. Humor—with its ambiguity—can also blunt the threatening edge of negative information. Speakers can say in jest things that might otherwise give offense because the message is simultaneously serious and not serious. The recipient is allowed to save face by receiving the serious message while appearing not to do so. The result is communication of difficult information in a more tactful and less personally threatening way.

Humor can also move decision making into a collaborative rather than competitive frame through its powerful effect on mood. According to a large body of research, people in a positive mood tend to be not only more optimistic but also more forgiving of others and creative in seeking solutions. A positive mood triggers a more accurate perception of

How Teams Argue but Still Get Along

Tactic

Strategy

Base discussion on current, factual information.

Develop multiple alternatives to enrich the debate.

Focus on issues, not personalities.

Rally around goals.

Inject humor into the decision-making process.

Frame decisions as collaborations aimed at achieving the best possible solution for the company.

Maintain a balanced power structure.

Resolve issues without forcing consensus.

Establish a sense of fairness and equity in the process.

others' arguments because people in a good mood tend to relax their defensive barriers and so can listen more effectively.

Balance the Power Structure

We found that managers who believe that their team's decision-making process is fair are more likely to accept decisions without resentment, even when they do not agree with them. But when they believe the process is unfair, ill will easily grows into interpersonal conflict. A fifth tactic for taming interpersonal conflict, then, is to create a sense of fairness by balancing power within the management team.

Our research suggests that autocratic leaders who manage through highly centralized power

members do wield substantial power, especially in their own well-defined areas of responsibility. In balanced power structures, all executives participate in strategic decisions.

At Premier Technologies, for example, the CEO—described by others as a "team player"—was definitely the most powerful figure. But each executive was the most powerful decision maker in some clearly defined area. In addition, the entire team participated in all significant decisions. The CEO, one executive observed, "depends on picking good people and letting them operate."

The CEO of Bravo Microsystems, another company with a balanced power structure, summarized his philosophy as "making quick decisions involving as many people as possible." We watched the Bravo team over several months as it grappled with

a major strategic redirection. After many group discussions, the final decision was made at a multiday retreat involving the whole team.

In contrast, the leaders of the teams marked by extensive interpersonal conflict were either highly autocratic or weak. The CEO at Mercury Microdevices, for example, was the principal decision maker. There was a substantial gap in power between him and the rest of the team. In the decision we tracked, the CEO dominated the process from start to finish, identifying the problem, defining the analysis, and making the choice. Team members described the CEO as "strong" and "dogmatic." As one of them put it, "When Bruce makes a decision, it's like God!"

Autocratic leaders often tend to generate high levels of interpersonal friction.

structures often generate high levels of interpersonal friction. At the other extreme, weak leaders also engender interpersonal conflict because the power vacuum at the top encourages managers to jockey for position. Interpersonal conflict is lowest in what we call *balanced power structures*, those in which the CEO is more powerful than the other members of the top-management team, but the

At Andromeda, the CEO exercised only modest power, and areas of responsibility were blurred within the top-management team, where power was diffuse and ambiguous. Senior executives had to politick amongst themselves to get anything accomplished, and they reported intense frustration with the confusion that existed at the top.

Most executives expected to control some significant aspect of their business but not the entirety. When they lacked power – because of either an autocrat or a power vacuum – they became frustrated by their inability to make significant decisions. Instead of team members, they became politicians. As one executive explained, "We're all jockeying for our spot in the pecking order." Another described "maneuvering for the CEO's ear."

The situations we observed are consistent with classic social-psychology studies of leadership. For example, in a study from the 1960s, Ralph White and Ronald Lippitt examined the effects of different leadership styles on boys in social clubs. They found that boys with democratic leaders – the situation closest to our balanced power structure – showed spontaneous interest in their activities. The boys were highly satisfied, and within their groups there were many friendly remarks, much praise, and significant collaboration. Under weak leaders, the boys were disorganized, inefficient, and dissatisfied. But the worst case was autocratic rule, under which the boys were hostile and aggressive, occasionally directing physical violence against innocent scapegoats. In imbalanced power situations, we observed adult displays of verbal aggression that colleagues described as violent. One executive talked about being "caught in the cross fire." Another described a colleague as "a gun about to go off." A third spoke about "being beat up" by the CEO.

Seek Consensus with Qualification

Balancing power is one tactic for building a sense of fairness. Finding an appropriate way to resolve conflict over issues is another – and, perhaps, the more crucial. In our research, the teams that managed conflict effectively all used the same approach to resolving substantive conflict. It is a two-step process that some executives call *consensus with qualification*. It works like this: executives talk over an issue and try to reach consensus. If they can, the decision is made. If they can't, the most relevant senior manager makes the decision, guided by input from the rest of the group.

When a competitor launched a new product attacking Premier Technologies in its biggest market, for example, there was sharp disagreement about how to respond. Some executives wanted to shift R&D resources to counter this competitive move, even at the risk of diverting engineering talent from a more innovative product then in design. Others argued that Premier should simply repackage an existing product, adding a few novel features. A third

Executives may believe that consensus is always possible, but insisting on agreement can lead to endless haggling.

group felt that the threat was not serious enough to warrant a major response.

After a series of meetings over several weeks, the group failed to reach consensus. So the CEO and his marketing vice president made the decision. As the CEO explained, "The functional heads do the talking. I pull the trigger." Premier's executives were comfortable with this arrangement – even those who did not agree with the outcome – because everyone had had a voice in the process.

People usually associate consensus with harmony, but we found the opposite: teams that insisted on resolving substantive conflict by forcing consensus tended to display the most interpersonal conflict. Executives sometimes have the unrealistic view that consensus is always possible, but such a naïve insistence on consensus can lead to endless haggling. As the vice president of engineering at Mega Software put it, "Consensus means that everyone has veto power. Our products were too late, and they were too expensive." At Andromeda, the CEO wanted his executives to reach consensus, but persistent differences of opinion remained. The debate dragged on for months, and the frustration mounted until some top managers simply gave up. They just wanted a decision, any decision. One was finally made when several executives who favored one point of view left the company. The price of consensus was a decimated team.

In a team that insists on consensus, deadlines can cause executives to sacrifice fairness and thus weaken the team's support for the final decision. At Andromeda, executives spent months analyzing their industry and developing a shared perspective on important trends for the future, but they could

Building a Fighting Team



How can managers encourage the kind of substantive debate over issues that leads to better decision making? We found five approaches that help generate constructive disagreement within a team:

1. Assemble a heterogeneous team, including diverse ages, genders, functional backgrounds, and industry experience. If everyone in the executive meetings looks alike and sounds alike, then the chances are excellent that they probably think alike, too.

2. Meet together as a team regularly and often. Team members that don't know one another well don't know one another's positions on issues, impairing their ability to argue effectively. Frequent interaction builds the mutual confidence and familiarity team members require to express dissent.

3. Encourage team members to assume roles beyond their obvious product, geographic, or functional responsibilities. Devil's advocates, sky-gazing visionaries, and action-oriented executives can work together to ensure that all sides of an issue are considered.

4. Apply multiple mind-sets to any issue. Try role-playing, putting yourself in your competitors' shoes, or conducting war games. Such techniques create fresh perspectives and engage team members, spurring interest in problem solving.

5. Actively manage conflict. Don't let the team acquiesce too soon or too easily. Identify and treat apathy early, and don't confuse a lack of conflict with agreement. Often, what passes for consensus is really disengagement.

never focus on making the decision. The decision-making process dragged on. Finally, as the deadline of a board meeting drew imminent, the CEO formulated and announced a choice – one that had never even been mentioned in the earlier discussions. Not surprisingly, his team was angry and upset. Had he been less insistent on reaching a consensus, the CEO would not have felt forced by the deadline to act so arbitrarily.

How does consensus with qualification create a sense of fairness? A body of research on procedural justice shows that process fairness, which involves significant participation and influence by all concerned, is enormously important to most people. Individuals are willing to accept outcomes they dislike if they believe that the process by which those results came about was fair. Most people want their opinions to be considered seriously but are willing to accept that those opinions cannot always prevail. That is precisely what occurs in consensus with qualification. As one executive at Star said, "I'm happy just to bring up my opinions."

Apart from fairness, there are several other reasons why consensus with qualification is an important deterrent to interpersonal conflict. It assumes that conflict is natural and not a sign of interpersonal dysfunction. It gives managers added influence when the decision affects their part of the organization in particular, thus balancing managers' desires to be heard with the need to make a choice. It is an equitable and egalitarian process of decision making that encourages everyone to bring ideas to the table but clearly delineates how the decision will be made.

Finally, consensus with qualification is fast. Processes that require consensus tend to drag on endlessly, frustrating managers with what they see as time-consuming and useless debate. It's not surprising that the managers end up blaming their frustration on the shortcomings of their colleagues and not on the poor conflict-resolution process.

Linking Conflict, Speed, and Performance

A considerable body of academic research has demonstrated that conflict over issues is not only likely within top-management teams but also valuable. Such conflict provides executives with a more inclusive range of information, a deeper understanding of the issues, and a richer set of possible solutions. That was certainly the case in the companies we studied. The evidence also overwhelmingly indicates that where there is little conflict over issues, there is also likely to be poor decision

making. "Groupthink" has been a primary cause of major corporate- and public-policy debacles. And although it may seem counterintuitive, we found that the teams that engaged in healthy conflict over issues not only made better decisions but moved more quickly as well.

Without conflict, groups lose their effectiveness. Managers often become withdrawn and only superficially harmonious. Indeed, we found that the alternative to conflict is usually not agreement but apathy and disengagement. Teams unable to foster substantive conflict ultimately achieve, on average, lower performance. Among the companies that we observed, low-conflict teams tended to forget to consider key issues or were simply unaware of im-

portant aspects of their strategic situation. They missed opportunities to question falsely limiting assumptions or to generate significantly different alternatives. Not surprisingly, their actions were often easy for competitors to anticipate.

In fast-paced markets, successful strategic decisions are most likely to be made by teams that promote active and broad conflict over issues without sacrificing speed. The key to doing so is to mitigate interpersonal conflict.

If you are interested in reading further about managing conflict in the workplace, see "Fair Process: Managing in the Knowledge Economy" and "Putting Your Company's Whole Brain to Work," also in this issue.

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