



Spanning the Boundaries That Limit Organisational Innovativeness

Managers must bridge across their firms' geographic, cultural and institutional diversity to gain a unique competitive advantage.

By their very nature, multinational corporations (MNCs) straddle many boundaries, most obviously national, cultural, economic, institutional and organisational. Adding to the challenge is the fact that these boundaries span both the external and internal contexts in which the firm's units operate. As such, they can become a source of conflict as organisations try to reconcile the search for efficient global integration with the need to compete in diverse local environments.

External boundaries range from tangible ones such as accounting practices, reporting standards or labour laws, to more subtle ones such as customers' cultural preferences or channel practices. Internal boundaries include cognition and modes of action across geographies and cultures, as well as functional and knowledge domains. As many managers will be aware, mergers and alliances can add further layers of professional and organisational boundaries which are difficult to erase. For example, even though they merged in 2004, Air France and KLM still retain distinct cultures, attitudes and behaviours. And years after the merger that led to the creation of Novartis, staff continued to identify as either Ciba-Geigy or Sandoz employees.

Boundaries are also constantly shifting, adding a

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further element of challenge. External conditions can strengthen or weaken boundaries. Political sentiment, for example, whether towards globalisation and open trade or centring on the nation state, will obviously have an impact on the nature of a firm's boundaries. As subsidiaries or business units leverage local knowledge and skills to create value, each is likely to become more embedded locally, resulting in deeper boundaries in the internal network of an MNC. And, as mentioned, mergers, acquisitions and alliances have a tendency to bolster boundaries as groups and individuals struggle to retain their identity.

If they are to avoid undermining the very *raison d'être* of being a global company, managers need to find ways to span the myriad boundaries present in the environment in which the MNC operates. Yet, bridging these divides requires a balancing act of retaining enough diversity and local uniqueness to add value whilst integrating multiple contributions to create products, processes, services or business models that local competitors or centralised global firms will find difficult to copy.

As I detail in my paper, "**Boundary Spanning in Global Organizations**" in the *Journal of Management Studies*, for boundary spanning to be effective, it is imperative that both organisational

and individual capabilities are developed to bridge different contexts, cultures, structures and geographies. The paper's co-authors are Andreas Schotter, Ram Mudambi and Ajai Gaur.

Overcoming organisational boundaries

At the organisational level, there are a number of processes, tools and systems that can be employed to enable MNCs to harness the diversity across multiple locations. Key amongst which are those which enhance the quality of communication across functional, cultural and geographic boundaries. The goal here is to replicate as much as possible the richness of communication found in co-located environments. For this to happen, not only are shared systems and practices vital, but there needs to be a common language in terms of tools, protocols, project design and metrics to provide a common foundation across the entire organisation.

Communication technologies obviously play a role by connecting people. However, they do have limitations and so need to be supplemented by face-to-face team meetings and secondments that will help foster trust and mutual understanding as well as support the sharing and integration of complex knowledge across different domains.

Collaboration is an obvious route to boundary spanning and this can be designed into the workflow via **global projects**. These not only create the mechanism to integrate dispersed knowledge and skills into new products and services, but when designed well also provide the means to drive culture change towards a more open, cross-functional and cross-national, collaborative way of working.

The wider organisational structure will also help determine the ability of a firm to span boundaries. In structures that promote internal competition for resources for example, collaborating with an internal 'competitor' makes little sense in terms of rewards and culture. Similarly, multi-domestic structures which support strong local entities may lack the linkages to recognise the opportunity for internal collaboration. At the other end of the spectrum, radically different structures, such as self-organising, decentralised ones, tend to encourage much stronger collaboration as their design is based on agility and flexibility.

Developing individual boundary spanners

Although most individuals are not naturally attuned to working in boundary-spanning roles, practice on small non-critical projects can help build trust with distant colleagues and equip them with the skills and confidence to use collaboration tools and processes. Leaders can navigate boundaries more

successfully by using what I call the 3 Ts. First is 'tolerance' for diversity. Second, 'transparency' – especially in decision making. And third is the 'trust' that arises from the practice of tolerance and transparency.

There are however some people who are natural boundary spanners, namely **multicultural people**. Having been brought up in more than one culture, they understand the subtleties of different social norms, behaviours and beliefs. Due to their ability to switch cultural frames, these people not only work well in dispersed teams, but they have a greater ability to absorb, interpret and utilise new knowledge. At **L'Oréal**, for example, multicultural people play a vital role in global product development teams, bridging different markets and cultures to help develop and market new products.

Boundaries with external partners

With industry convergence and the increasing importance of ecosystems as a means to develop and deliver innovations, MNCs increasingly find themselves having to overcome external and internal boundaries, as the need to partner with other firms becomes the norm. This requires an extension to the set of skills required for internal collaboration, as well as a patient, careful approach to the design of the partnership.

Under the prudent leadership of Carlos Ghosn, the **Renault-Nissan Alliance** (which now includes Mitsubishi) provides a good example of building an alliance that spans multiple boundary layers. The two partners spent time building bridges between their organisations, involving middle managers in designing the content of the alliance and seconding staff between Japan and France to learn about each other, their processes and working methods. Only once senior managers were confident that boundaries had been bridged between the two firms did they begin to integrate operations and reap major synergy benefits from their collaboration.

Whether the capacity to span boundaries is at the individual manager level or the organisational level, **global firms function best** when the firm has a strategy on how to capitalise on both internal and external differences: How and where to deploy its resources, how to encourage and nurture communication, and how to foster collaboration around global innovation projects.

Locally embedded, globally integrated or both?

Conventional wisdom would have us believe that to be a truly global enterprise, organisations need to "think global and act local". This is deeply mistaken. The more successful global companies

turn this old maxim on its head. Executives in these firms “think local”, i.e. how can the various locations in which they operate offer distinct knowledge, nurture strong distinctive local skills and benefit from those in other subsidiaries, and “act global” to share and integrate dispersed new learning and skills of value to other units.

To “think local and act global” calls for much stronger boundary spanning internally and externally at both the organisational and individual level. For this purpose, boundary spanning can be thought of as a flexible coordination process to reconcile and integrate different tasks and value-creating processes that have both local and global features. Like a rubber band which holds things together (a metaphor we developed in the **special issue of the *Journal of Management Studies* I co-edited** and mentioned above), it can stretch and twist within limits to let a company avail itself of both global and local sources of advantage.

Despite globalisation’s detractors, global trade in goods and services was **projected** to grow by over 4 percent in 2017 (up from 2.4 percent in 2016). It seems more likely than not that the trend towards the MNC as a globally integrated entity will strengthen rather than weaken over the coming years. It is therefore crucial that managers understand the nature of boundaries they face and how to overcome these to compete successfully.

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