AN ORGANIZATION DESIGN FOR COLLABORATIVE PURPOSE

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Abstract

“Purpose,” understood as a widely-shared commitment to the organization’s fundamental *raison d’être*, can be a powerful driver of organizational performance by providing both motivation and direction to members’ efforts. But different contexts call for different types of purpose, and different types of purpose require different organizational forms to support them. This paper aims to characterize the organizational form that can support the distinctively collaborative type of purpose that is needed in the context of large, complex, business enterprises facing dynamic environments. Building on the work of Selznick and Weber, we argue that purpose in such contexts requires a new organizational form that we call (to parallel the type of purpose it supports) collaborative. The collaborative organizational form is based on Weber’s value-rational type of action, and overcomes the scale limitations of the collegial form of organization that is conventionally associated with value-rational action. We identify four organizational principles that characterize this collaborative form, and illustrate them with examples drawn from one healthcare organization, Kaiser Permanente.
AN ORGANIZATION DESIGN FOR COLLABORATIVE PURPOSE

Under both competitive and social-cultural pressure, many enterprises attempt to create and sustain a shared commitment to the organization’s purpose (Hollensbe, Wookey, Hickey, George, & Nichols, 2014: 1228). Such efforts encounter distinctive challenges in larger, complex organizations facing dynamic environments. In such contexts, purpose needs to support collaboration within and between heterogeneous, specialized subunits engaged in interdependent activities oriented to meeting ever-changing external demands. This paper attempts to characterize the organizational form that can support such collaborative purpose.

By organizational purpose we refer to the organization’s fundamental raison d’être, the ultimate reason for the organization’s existence—what it contributes to society, as distinct from the goals pursued by the individuals in it. By commitment to this purpose, we mean a “volitional psychological bond reflecting dedication to and responsibility for” this purpose (Klein, Molloy, & Brinsfield, 2012). By shared commitment, we refer to the commitment experienced by a large proportion of the organization’s members: the degree of sharing may vary, but at a minimum, it goes beyond the top management team. For the sake of simplicity, we refer to this construct as “shared purpose” or simply “purpose.”

Purpose matters. Purpose provides motivation and direction of employees’ efforts and thereby affects firm performance. Purpose is related to the job characteristics model concept of “task significance”—the feeling that one’s job will have an impact on the well-being of others (Grant, 2008; Hackman & Oldham, 1976; Humphrey, Nahrgang, & Morgeson, 2007). Our focus here, however, is not on what I do and my individual efforts’ effect on other people: it is on what we do as an organization and the impact of our collective efforts on the broader society. Our focal question is not about motivation and task-design enablers at an individual level (important though these are), but about collective motivation and its organization-design enablers (Chen & Kanfer, 2006). Purpose in our sense is more closely related to concepts such as organizational mission—how the organization aims to fulfill its purpose; organizational vision—what the organization (or the society it serves) will look like if its purpose is fulfilled; and organizational identity—the central, enduring, and distinctive features that define who we are and what we do when we pursue this purpose.

Using purpose in this sense, Bill George, former Medtronic Chairman, expressed his view of its importance to motivation this way:

“Everyone wants to be fairly compensated for his or her efforts. But that is not enough […] Real motivation comes from believing that their work has a purpose, and that they are a part of a larger effort to achieve something truly worthwhile. When a company offers them this sense of purpose consistently over a long period of time—without deviating and without vacillating—then employees will buy into the company’s mission and make the commitment to fulfilling it. They will go the extra mile to serve customers. That may mean working well into the night or accelerating the timetable for a crucial new-product introduction” (George, 2001).

Purpose matters for direction as well as motivation. Nordstrom’s purpose—“provide a fabulous customer experience by empowering customers and the employees who serve them”—helps orient everyday problem-solving at all levels of the organization (Ross, Beath, & Sebastian, 2015).

Thanks to an earlier generation of research—most notably by Selznick (1957)—we understand the importance of purpose to organizational performance, and we have some insight into the pathways for its infusion. Selznick’s basic argument was that the formal rationality provided by bureaucracy cannot by itself provide the unity of action and institutional robustness.
that is afforded by the “infusion of value” (1957: 21) that provides shared purpose. He outlined a portfolio of leadership actions that can create such unity of purpose across large, complex organizations (see Kraatz, 2015 for discussions of Selznick’s contemporay relevance).

However, Selznic’s research offers little guidance on the specific challenges facing those aiming to infuse purpose in large, complex organizations facing more dynamic environments. In such settings, the creation of shared purpose encounters a practical impediment—and a corresponding theoretical puzzle—that Selznic does not address.

Specifically: on the one hand, such contexts—as are common in, for example, the healthcare delivery or management consulting industries—call for a distinctively collaborative type of purpose. Here, the concrete meaning of the organization’s purpose—for example: ensuring the health of our community or the success of our clients—and how best to achieve it need constantly to be reevaluated by members at every level of the organization in their daily work. This type of purpose, we argue, requires the infusion of a specific type of value, namely that associated with what Weber (1978) as “value-rationality,” characterized by “the conscious belief in the value, for its own sake, of some ethical, religious, political, aesthetic or other form of behavior, independently of its prospects of success” (Weber, 1968, p. 24).

But on the other hand, there is considerable doubt that value-rationality can be institutionalized in larger, more heterogeneous enterprises. Value-rationality serves as the foundation for what Weber called the “collegial” type of organization. Here, shared socialization and small scale support a highly egalitarian decision-making structure oriented to an ultimate value (Satow, 1975; Waters, 1989; Weber, 1978, pp. 263, 271-82, 994-98, 1089-90). This gives the collegial organization great flexibility in responding to changing contexts. However, Weber himself and many since him have argued that once collegial organizations come under the pressures of greater size, functional complexity, heterogeneous skills, and intensified performance demands, its value-rational foundations must crumble.

We argue that this practical impediment and theoretical puzzle have been resolved by the historical emergence of a new organizational form that we call “collaborative.” Since Weber’s time, sustained, albeit dispersed, efforts at management innovation have given rise to a family of new organizational technologies that enable the scaling-up of value-rationality so that it can support not only responsive adaptation to a dynamic external environment, but also unity of action across a complex division of labor in large organizations under performance pressure. We show that a family of innovations in strategy processes, operational systems, reporting structures, as well as skill formation and compensation policies yields a mutation that takes us from Weber’s collegial form of purpose and organization to a historically new, collaborative form of value-rational-based purpose and organization.

This collaborative organizational form (or design or model—we will use the terms interchangeably) and the corresponding collaborative type of purpose sit uneasily within the profitability constraints of the business sector. While those profitability constraints sometimes encourage the emergence of the collaborative form, they sometimes undermine it, in particular by pushing executives to make decisions that reinforce employees’ instrumental orientation or that contradict employees’ understanding of the organization’s purpose. As a result, the implementation of this collaborative model is precarious, even as the model itself has been progressively refined through these various management innovations. This precariousness has rendered almost invisible that progress, and we aim to remedy this invisibility by showing how these various managerial innovations resolve the fundamental challenges involved in scaling-up value-rationality.
We begin by clarifying further the concept of purpose and by identifying the key practical impediments to achieving it. We then explain why value-rationality would be a suitable foundation for an organizational form aiming to surmount those impediments in the context of a dynamically changing environment. The subsequent section uses Weber’s theory to identify four key challenges facing efforts to scale up value-rationality in the context of large, complex organizations. We then leverage other concepts in Weber’s corpus to characterize theoretically the organizational principles that could overcome each of those challenges, and we identify several management techniques that embody each of those principles and that jointly characterize the emergent collaborative form. To illustrate these techniques and show how they can be combined, we draw on studies of one large healthcare delivery organization—Kaiser Permanente. We conclude by discussing the costs and benefits of this collaborative model and some directions for future research.

PURPOSE AND ITS IMPEDIMENTS

The idea of purpose has only recently resurfaced in management discourse after a long period of neglect (Singleton, 2014; Singleton, 2011). Mary Parker Follett wrote in 1927:

“The leader releases energy, unites energies, and all with the object not only of carrying out a purpose, but of creating further and larger purposes. And I do not mean here by larger purposes mergers or more branches; I speak of larger in the qualitative rather than the quantitative sense. I mean purposes which will include more of those fundamental values for which most of us agree we are really living” (Follett, Metcalf, & Urwick, 1942: 168).

A decade later, Chester Barnard further developed this idea, arguing that formal organizations were defined by the conjunction of purpose, participants willing to serve that purpose, and a communication system tying their efforts together (Barnard, 1938: 82). Barnard saw purpose as a universal requirement in business. He postulated that the organization could not be effective unless it functioned as a “cooperative” system, by which he meant that all its personnel were willing to subordinate their personal needs and preferences to the cooperative pursuit of that purpose. The primary function of the communication system was not to communicate management orders downward, but rather to “inculcate” this sense of purpose across the entire organization: “The inculcation of belief in the real existence of a common purpose is an essential executive function” (Barnard, 1938: 87).

Barnard’s work was deepened and extended in Philip Selznick’s classic work on Leadership in Administration (Selznick, 1957). Selznick here distinguished the “technical” from the “institutional” dimensions of the organization. The technical dimension calls for deployment of formally-rational bureaucratic structures. The institutional dimension requires the articulation and “institutional embodiment” of organizational purpose. By institutional embodiment, Selznick referred to the deployment of both formal and informal structure to consolidate the salience of and commitment to purpose (Besharov & Khurana, 2015; Hinings & Greenwood, 2015; Kraatz & Flores, 2015).

Since Selznick, some popular business writers continued to highlight the centrality of purpose. Peter Drucker, for example, argued that the purpose of the firm could only be to meet a customer’s needs; that this purpose should take precedence over the search for profits; that this logical ordering would be the best way to assure long-term profitability; and that the customer’s needs should guide the daily work of everyone in the organization (Drucker & Maciariello, 2008: 101). More recently, Collins and Porras (Collins & Porras, 1996; Porras & Collins, 1997) have sought to make the concept of purpose central to their theory of organizational and strategic effectiveness.
Scholars, however, have been critical of what they see as the excessively normative framing implied by the concept of purpose. Indeed, a venerable lineage of organization theory has been skeptical of the concept of organizational purpose, as noted by March and Sutton (1997):

“Organizations are commonly defined as instruments of purpose. They are seen as coordinated by intentions and goals. Such a formulation has often troubled students of organizations. It is not clear that organizational purpose can be portrayed as unitary or that the multiple purposes of an organization are reliably consistent. It is not clear that a single conception of purposes is shared among participants in an organization” (March & Sutton, 1997: 698).

Let us briefly review the main reasons for this skepticism. They fall into two clusters: lack of purpose and multiplicity of purposes.

First, some scholars argue that business enterprises today are still mostly based on wage-labor—alternative governance structures such as self-employment and partnerships are relatively rare—and in such organizations, employees’ relations to the enterprise are essentially instrumental. Such a premise is shared by both standard micro-economic theory and a long lineage of critical sociology (Bendix, 1956; Etzioni, 1975; Marx, 1990 [1867]). Employees work to earn a wage, not to participate in the pursuit of any collective purpose that their managers might have in view. In this same line of reasoning, many argue that even if the idea of shared purpose is attractive for motivational reasons, managers of business organizations must first and foremost satisfy the demands of investors for the highest possible financial returns: if the ultimate purpose of the firm is to enrich investors, such a purpose is unlikely to garner the commitment of many employees (Marens, 2009).

The second impediment is the possible multiplicity of purposes. Purposes within the capitalist firm are often in tension with each other. The most prominent tension concerns profit. Profit is itself an ultimate value in our capitalist society, in the sense that actions aiming at increasing profit are ceteris paribus regarded as legitimate. To realize any profits, however, the firm must provide use-values desired by its customers, and must maintain enough social legitimacy to assure its license to operate: these other stakeholder expectations constitute equally important ultimate values. But the pressures from investors to maximize profits are not always easy to reconcile with the pressures from customers or community. Moreover, on the use-value side of this tension, there are typically multiple dimensions of quality whose relative importance is contested and not easily commensurated. Not surprisingly, therefore, we often find that different

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1 As we see it, both profit and use-value are “ultimate values”: the debate between those who see the fundamental purpose of the firm as creating shareholder wealth and those who see it as meeting the needs of customers and other stakeholders (for example Freeman, Wicks, and Parmar (2004); Sundaram and Inkpen (2004)) seems to us to miss an essential point—that the capitalist firm is characterized precisely by the tension between these two sets of values—exchange-value and use-value. There is no shareholder wealth (exchange-value) created except by offering a product or service whose utility is valued enough by customers (use-value). These two types of value sometimes reinforce each other, but sometimes not. The disjunction between the two types is not only a contingent result of the confrontation of the complexity of the world with human frailties—for example, in our difficulty seeing how to reconcile short-term and long-term goals—but a structural feature of our capitalist economies, a feature that gives it both its characteristic dynamism and its market failures. Shareholder wealth-creation is an institutionalized value in capitalist societies that people in firms do indeed successfully invoke to justify decisions. Moreover, shareholder wealth-creation might sometimes provide motivation and direction to employees’ efforts if they see this purpose as instrumental to their own goals of maintaining their employment. But that justification can be contested—and often is—by appealing to other ultimate values, such as the use-value of the product to customers or environmental sustainability.
groups within the organization pursue divergent purposes. In a hospital for example, we might find that doctors, nurses, patients, and administrators have different views of ultimate purpose of the organization (e.g. Morgan & Ogbonna, 2008).

Notwithstanding the challenges involved, some executives see the potential benefits of shared purpose as sufficient to warrant serious efforts to move from a “contested” or “estranged” relationship among competing purposes to an “aligned” relationship (Besharov and Smith 2014), from segmenting or compromise solutions to creative integration and synthesis solutions (Battilana and Lee 2014, Pratt and Foreman 2000), and from multiple, competing, material goals to a shared purpose (Bartlett and Ghoshal 1994, 2002; Carton et al 2015).

VALUE-RATIONALITY AS A PATH TO PURPOSE

The previous section leads us to the conclusion that efforts to create and sustain shared purpose encounter important practical impediments, but that these impediments do not deter everyone from trying. Those who would try, however, find little theoretical guidance on the form of organization that could support their efforts.

As suggested earlier, Selznick’s classic work on Leadership in Administration (Selznick, 1957) is a key starting point. Here we find a compelling argument that an organization deploying formal rationality in its structure and process need not as a result deprive itself the substantive rationality afforded by a shared purpose. It is, Selznick argued, the primary responsibility of the institutional leader to infuse such meaning into the formal structure. Selznick’s account, however, is silent on the content of the purpose that should be infused.

Selznick notwithstanding, it is not hard to see that the type of purpose needs to correspond to the organization’s challenges if purpose is to provide effective motivation and direction. For a typology of purpose, we turn to Weber. Weber argued that social action—our interactions with other people—can be characterized in terms of four basic types (Weber, 1978: 24 ff.). Each of these four types of action can be institutionalized as the modal type of action in a distinct ideal-type of organization, each affording a distinct type of purpose and with distinct performance potentialities.

We argue that to meet the challenges of a dynamically changing external environment, organizations need to institutionalize a value-rational type of purpose. Value-rational action is uniquely suited to dynamic contexts because it is the type of action characterized by continual and rational consideration of ultimate values in charting the appropriate course of conduct in changing circumstances. By contrast, traditionalistic action aims to reproduce established patterns of interaction and status, regardless of changes in the external context, and affectual action is governed by emotional bonds to internal peers and leaders. These latter two types of purpose can provide powerful glue in large, complex organizations; but it is difficult to see how they could equip lower-level members of a complex organization with the motivation and direction needed to adapt effectively to a dynamically changing environment. The following paragraphs elaborate on this argument.

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2 Weber: “We shall speak of ‘action’ insofar as the acting individual attaches a subjective meaning to his behavior—be it overt or covert, omission or acquiescence. Action is ‘social’ insofar as its subjective meaning takes account of the behavior of others and is thereby oriented in its course” (Weber, 1978: p. 4). As noted by Krygier (2012: 71-72), Selznick’s basic argument was that the ideal-types of social action and organization which Weber differentiated so carefully were often in practice combined, and it was precisely this combination that Selznick sought to highlight.
As we noted above, Weber defines value-rational action as action "determined by the conscious belief in the value, for its own sake, of some ethical, religious, political, aesthetic or other form of behavior, independently of its prospects of success" (Weber, 1968, p. 24). Value-rational action is thus action oriented towards an ultimate value—a goal that is not merely a means to some other end. Value-rationality grounds the “collegial” type of organization: a group of equals, making decisions based on consensus, bound together by their common commitment to that ultimate value. One example: doctors share a commitment to the ultimate value of restoring the health of the patient, and this common purpose enables smooth integration of their various efforts as they gather to diagnose and cure a patient. Doctors’ cooperation will be far less effective if it is driven exclusively by financial incentives or bureaucratically-defined procedures (James, 2012). To be maximally effective, doctors can never lose sight of the end-value of their actions—the patient’s health—but must continually orient their action by explicit reference to this ultimate purpose: this puts them squarely in the category of value-rational action.

Action is traditional ("traditionalistic" would be a less ambiguous translation) when it is oriented by reverence for established customs. Traditionalistic action grounds the clan type of organization. (On this grounding, see Ouchi (1979: 838); Ouchi and Jaeger (1978: 307).) Action and organization here are not goal-oriented, but defined by the actors’ non-rational attachment to specific means. Traditionalistic action and the corresponding clan form of organization can therefore engender great organizational cohesion but provide a very weak foundation for flexible and innovative adaptation to a dynamic environment.

Affectual action—where action is oriented by emotional attachments—grounds the charismatic type of organization, which is based on an emotional connection to an inspiring leader and his or her vision. Affectual action, like value-rational action, is oriented by a focus on its ends rather than its means, but, unlike value-rational action, it is non-rational in its choice of both means and ends. As a result, the charismatic organizational type can effectively support shared purpose in organizations characterized by a less differentiated, more organic structure (Pillai & Meindl, 1998); and it can be effective where the purpose is essentially creative and revolutionary (Howell & Avolio, 1993; Jyoti & Dev, 2015); but it is unsuited to sustaining purpose in larger, more complex, business enterprises (Weber, 1978: Vol. 2, Ch. III), where effective performance typically requires disciplined, cooperative action across a complex division of labor, nor to the challenges of continuous adaptation by lower-level participants to a dynamically evolving environment.

Action is instrumentally-rational when it is oriented to selecting the most efficient means for achieving a given, taken-for-granted end of individual material self-interest. Instrumentally-rational actions grounds two complementary organizational forms—the legal-rational bureaucracy and the competitive market: in both cases, individual material interests bind the collectivity. As Weber argued, bureaucracy is a very powerful means by which "masters" (top executives) can orchestrate the action of others to achieve these masters’ purposes, but both bureaucracy and market are poor vehicles for building shared commitment to those organizational purposes among

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3 Note that the taken-for-granted end-value of instrumentally-rationality is not always presented in the scholarly literature as individual material self-interest; but Wallace (1990) quoting Weber (1978: p. 30, 331) makes a convincing case that this is the logical implication of positing instrumentally-rationality as a type of action unto itself, rather than merely as a contingent feature of the other three types.

4 To clarify our terminology: We will use the term organizational type to refer to the four “ideal-types” of organization delineated by Weber. We will use the terms form, design, and model interchangeably to refer to the more concrete expressions of these ideal-types. Thus, the legal-rational ideal-type yields two related organizational forms—bureaucracy and market. Similarly, we will argue below that the value-rational ideal-type yields two related organizational forms—collegial and collaborative.
lower-level participants—it is preferred precisely when the masters cannot rely on members’ commitment.

In terms of Weber’s typology, Selznick’s portrait of purpose relies on a mix of traditionalistic, affectual, and value-rational action operating alongside the formal organizational structure. Nowhere in this volume nor in his later work did Selznick refer either explicitly or implicitly to value-rationality or collegiality, nor indeed to either of the other two types. Instead, his account marries all three as forms of “substantive rationality” in their contrast with the “formal rationality” of bureaucratic structure. We note in passing that Etzioni’s “normative” type of organization (contrasted with his utilitarian and coercive types) is even narrower, relying entirely on affectual-action-based charisma as the source of the shared norms and goals (Etzioni, 1975: XII, XIII). Mintzberg’s “missionary” type is in this respect identical to Etzioni’s normative type (Mintzberg, 1989: ch. 12).

FOUR CHALLENGES IN SCALING-UP VALUE-RATIONALITY

Having argued in the previous section that large, complex organizations facing dynamic environments need a form of purpose based on value-rationality, we are led to the central puzzle motivating our paper. As we noted in the Introduction, Weber argued that value-rationality could be institutionalized in small-scale collegial groups, but he doubted that value-rationality could be sustained in larger, more complex organizations under pressure to make “precise, clear, and above all, rapid decisions” (Weber, 1978: Vol. I, p. 277). In his view, value-rationality lacked a feature essential for adequate performance in such settings, namely “legitimate domination” and the associated capacity for imperative command. Indeed, as we have just seen, under value-rationality, each individual actor’s behavior is oriented above all by his or her personal commitment to ultimate end-values; in a social order based on value-rationality, action is coordinated among actors not by commands but by their shared commitment those end-values. Such a social order is

5 Selznick’s text makes passing reference to situations that seem to implicate different types of values and purposes—traditionalistic (p. 17), affectual (p. 18) and value-rational (p. 57)—but never calls out these types as distinct. The closest he comes to any differentiation is on p. 102 where he quotes Katz suggesting that early in the lifecycle of an institution the leader “may emphasize initiative, creativity, daring and to some extent a rejection of traditional pathways to goals and even a reformulation of organizational goals” (with echoes of charisma), whereas later in the lifecycle the emphasis might shift to “conformity to tradition, an emphasis on traditional pathways to conventional goals” (with echoes of traditionalism). But Selznick does not build on Katz’s idea in any systematic way.

6 Note that in our understanding of substantive rationality we depart from Kalberg (1980), (Levine, 1981), and others who equate substantive rationality and value-rationality, sometimes even mistranslating Wertrationalität (value-rationality) as substantive rationality (materiale Rationalität). (See Mueller (1979) on the fundamental distinction between the two underlying typologies.) On our reading, Weber’s contrast between formal and substantive rationality aims to contrast the distinctively modern organizational forms that rely on formalized ways of controlling action based on quantitative, rule-directed calculation, from forms of organization where action is controlled by substantive values—whatever these values may be: “ethical, political, utilitarian, hedonistic, feudal, egalitarian, or whatever” (Weber, 1978: see pp. 85-86). As for the notion of rationality implicated in the contrast between substantive and formal rationality, Eisen’s discussion is useful: “Action, therefore, is ‘rational’ if it is ‘voluntary’, i.e. freely willed, and not subject to arbitrary extraneous disturbance […] affectual and traditional action shade off in the other direction (away from rationality, toward non-meaningfully oriented behaviour”) as they approach ‘automatic reaction to habitual stimuli’ [in the case of traditionalistic action] or ‘uncontrolled reaction to some exceptional stimulus’ [in the case of affectual action]” (Eisen, 1978: p. 59).
therefore a poor instrument for *Herrschaft*—for implementing the dominating will of a master. More recent scholarship has often concurred (Mommsen, 1974; Waters, 1989), and perhaps it is this skepticism that explains the lacuna we noted above in Selznick, Etzioni, and Mintzberg.

A few other sociologists since Weber have been more optimistic about the possibility of scaling up value-rationality, thinking of the task as creating not a form of administration that would sustain *Herrschaft*, but a form of self-government by a collectivity. These scholars have claimed that value-rationality functions as the central organizing principle of such large-scale collectivities as ideologically-driven political parties (Willer, 1967), constitutional states (Spencer, 1970), autonomous professional organizations (Satow, 1975), and some small, “alternative” cooperatives (Rothschild-Whitt, 1979). Heckscher and Adler (2006) extend this more optimistic account with a set of case studies that highlight the emergence of the value-rational form in the contemporary corporate sector.

The skeptics counter that in these cases, true value-rationality is typically precarious. Even radical political parties often succumb to the “iron law of oligarchy” (Michels, 1966); constitutional states often become authoritarian when their dominant powers are challenged (Schmitt, 1988); liberal professions often devolve into self-interested monopolies (Brint, 1994; Waters, 1989); and cooperative undertakings often revert to hierarchical domination (Freeman, 1972).

Synthesizing this skeptical tradition, we can trace the challenges in scaling-up value-rationality in four dimensions of organization. We review each briefly now and the subsequent section discusses how they might be overcome.

**Values: fragmentation.**

Values play the pivotal role in value-rational action, and shared values—in the form of purpose—play the central role in assuring the cohesion of a collegial structure. But this cohesion depends on shared occupational socialization, and as a result, collegial structures rely on occupational homogeneity. How then can a sense of shared purpose be created and sustained across a large, complex enterprise requiring the coordinated efforts of multiple different occupations? More: even if they share a common background, once people are employed by the enterprise and assigned to a distinct subunit with a specific sets of tasks, new, distinct, subunit subcultures emerge: how can that shared value commitment be sustained in the context of such subunit differentiation? How can shared purpose’s salience be maintained given the centripetal, fragmenting force of diverse interests and identities (Martin, 1992)?

**Norms: goal displacement**

Norms are the behavioral expectations members have of each other in the specialized roles they play at work. Any larger, more complex organization under performance pressure will need to standardize and formalize some of these norms (for example, as “best practice” procedures) in order to achieve acceptable levels of efficiency and control. The resulting challenge is one described by Merton (1940) as “goal displacement”: instead of orienting their conduct toward the ultimate value (purpose), members will orient themselves to their superiors’ demand for conformance with these procedures.

**Authority: centralization.**

At a small scale, the collegial structure—a flat structure characterized by mutual adaptation among peers—suffices to coordinate action. But at large scale and with functionally differentiated subunits, organizations under performance pressure cannot operate effectively without a hierarchy of authority that enables the (selective) centralization of decision-making (Jaques, 1989). This hierarchical authority structure in turn challenges the very foundation of value-rational action,
which is action where actors decide for themselves on the most appropriate course of conduct as a function of their own commitment to the ultimate value.

**Capabilities: specialization.**

Larger complex enterprises rely on specialized skills and on subunits that group together such specialties. This specialization poses integration challenges, not only because values and norms become differentiated, but also because actors’ skill sets are narrowed, and they thus come to inhabit differentiated “thought worlds” (Dougherty, 1992). The standard mechanisms for coordinating these subunits—standards, plans, and specialized integrating roles—are effective precisely because they obviate the need for widely-shared purpose, leaving the greater mass of members free to cultivate their specialized skills and to focus on subunits’ local goals (Galbraith, 1973; Grant & Baden-Fuller, 1995). When greater task interdependence requires more intensive cross-unit integration, the appropriate mechanism is the cross-functional team (Van de Ven, Delbecq, & Koenig, 1976); but here organizations encounter a severe tradeoff between breadth and depth of skills. Indeed, there are important tensions between compensation policies that support the development and deployment of broad skills required for effective participation in cross-functional teams versus the policies that support the deeply specialized skills required in a complex differentiated organizational structure (Kretschmer & Puranam, 2008).

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**FROM COLLEGIALITY TO COLLABORATION**

We need a model of organization that supports collaborative purpose, that is, a type of purpose that can provide unity of action across heterogeneous, specialized groups engaged in interdependent activity oriented to a dynamically changing external environment. The challenge here concerns unitary or conjunctive collaboration efforts, as distinct from additive cooperation efforts or disjunctive coordination efforts (Steiner, 1972). According to the primary meanings given in the Merriam Webster Online dictionary, coordination is the “harmonious functioning of parts for effective results”; cooperation means an “association of persons for common benefit”; and collaboration means “to work jointly with others or together especially in an intellectual endeavor.” These definitions suggest a Guttman scale that parallels Thompson’s (1967): pooled coordination via standards, sequential cooperation via plans and schedules, and reciprocal collaboration via mutual adjustment and teamwork. Along this scale, there are increasing levels and scope of task interdependence, and more joint effort required to determine means and ends of the activity. Most critically, coordination and cooperation assume that the ends (goals) of the activity are given at the outset, where collaboration is characterized by joint effort to define not only means but also ends. This characterization fits the use of the term collaboration in key studies such as Martin and Eisenhardt (2010), Thompson et al. (2009), and Wood & Gray (1991). Like Lindenberg and Foss (2011) we link collaboration to “joint production,” that is, “any productive activity that involves heterogeneous but complementary resources and a high degree of task and outcome interdependence (thus, contexts in which work efforts are separable and autonomous fall outside the realm of our analyses).”

The previous section explained why the collegial model does not scale to support such collaboration. To sustain the collaborative type of purpose needed in larger, more complex business enterprises in dynamic contexts, we need a new organizational form does not presuppose homogeneity of background or tasks.

Our thesis, as noted in the Introduction, is that the persistent need for such collaboration in industry has prompted repeated efforts to build suitable organizations, and that even without the benefit of a theoretical model to guide them, these efforts have given rise to a family of managerial innovations that, taken together, have begun to give body to a novel model.
Taking cognizance of this practical effort inspires us to the corresponding theoretical project. It is in this spirit that we propose to build on Weber’s concept of value-rationality to articulate the organizational principles that would characterize this collaborative form, and then use these insights to bring into focus the deeper significance of these various managerial innovations.

Our underlying theory is that each of the four principles undergirding the collaborative form addresses one of the key challenges in scaling-up value-rationality identified in the previous section. Figure 1 shows how ex-ante collaborative purpose (i.e. the desired degree of collaborative purpose) leads, under conditions of large size and complexity, to these challenges, and how the collaborative organizational form overcomes each of these to lead jointly to ex-post (i.e. realized) collaborative purpose. As with other ideal-type formulations (Doty & Glick, 1994), our working assumption is that any given organization will embody a mix of organizational ideal-types and forms where the collaborative form might be absent, dominant, or present but overshadowed by others. We postulate that the more pronounced the collaborative features (in absolute terms and relative to other forms), the greater will be the organization’s capacity for sustained collaborative purpose.

In order to illustrate our argument, we will refer to the experience of one healthcare organization that has achieved a notable level of shared collaborative purpose—Kaiser Permanente (here, “Kaiser” for short). Our account of Kaiser is based on several studies (primarily: Eaton, Konitsney, Litwin, & Vanderhorst, 2011; Kochan, Eaton, McKersie, & Adler, 2009; Litwin, 2010; McKersie et al., 2008; Schilling et al., 2010a; Schilling et al., 2011b; Schilling et al., 2010b; Whippy et al., 2011) and the first author’s field research intermittently since 2004. This case allows us to illustrate in one setting some of the various specific management techniques that operationalize the four principles of the collaborative organizational form—see Figure 2 for a summary.

In the sections below, we first briefly review the healthcare context and introduce the Kaiser mini-case, and then discuss the collaborative model in each of the four dimensions in turn.

THE DEMAND FOR COLLABORATION AND THE LIMITS OF COLLEGIALITY IN HEALTHCARE

US healthcare delivery organizations are under increasing pressure to improve collaboration. This pressure is driven by demands to assure patients faster access and shorter hospital stays; to reduce care costs; to adopt more rapidly radical innovations in their infrastructure (for example, with electronic health records); to stay abreast of rapid and radical innovation in diagnostic and treatment technologies; to be flexibly responsive to the increasing variety of patient needs as well as to the urgency of many of these needs; and to minimize errors in hand-offs across distinct roles and departments.

One asset that the healthcare industry might leverage in attempting to respond to this pressure for collaboration is the medical profession’s value-rational, collegial commitment to the patient’s health. However, this collegiality is restricted to physicians, and increasingly restricted to specialized colleges within that broader professional umbrella. It extends with considerably greater
difficulty to nurses—who often have their own distinct understanding of purpose—and relations are even more fraught with the myriad ancillary clinical specialties and administrative functions. Moreover, as they have been understood traditionally, the profession’s values orient doctors and nurses away from any concern for economic efficiency, to the point where any consideration of cost has been considered unethical (Angell, 1993). As a result, the healthcare field is under increasing pressure to rethink medical values so as to make room for preventive care, for population health outcomes, and for the responsible use of society’s limited economic resources (Adler, Kwon, & Heckscher, 2008).

Further: the practice of medicine in the US has often diluted its dedication to the patient’s health with strong elements of the guild-like traditionalism, charisma, as well as bureaucratic and market types of instrumental rationality (Adler et al., 2008). The guild-like elements have long been visible in the professional loyalty that binds doctors together in defense of peers against criticism or interference by outsiders, and in the debilitating effects of status tensions in many interactions between physicians of different specialties and between physicians and nurses. The charismatic element is visible where the reverence accorded the doctor’s expertise blocks any consideration of cost or even patient well-being in the decision-making process. The instrumental-rational elements are visible in the growth of bureaucracy—in the form government mandates and internal bureaucratic controls—as well as in the increasing reliance on financial incentives to “drive” changes in behavior among healthcare delivery organizations and professionals. These efforts, however, tend to reinforce self-interest orientations and yield little of the needed collaboration (Cromwell, Trisolini, Pope, Mitchell, & Greenwald, 2011; Jha, Joynt, Orav, & Epstein, 2012).

**Kaiser Permanente**

Kaiser Permanente is one healthcare organization in the US that has long sought to encourage doctors to practice medicine in a more value-rational and collaborative way (McCarthy, Mueller, Wrenn, & Fund, 2009). Kaiser is the largest healthcare provider and one of the largest healthcare insurance companies in the country: as of 2014, it had over 9 million health-plan members, over 177,000 employees, over 17,000 physicians, 38 medical centers, and 620 medical offices. It is organized as a consortium of the (not-for-profit) Kaiser Foundation Health Plan (insurance), the (not-for-profit) Kaiser Foundation Hospitals, and a set of affiliated regional Permanente Medical Groups (which are for-profit physician partnerships or professional corporations that do business almost exclusively with Kaiser).

The challenge of collaboration in the healthcare industry has not only affected Kaiser’s management but also the unions that represent most of its employees. Going back to Kaiser’s earliest years, unions have long been an essential part of the business. Most of Kaiser’s non-physician, non-managerial employees are unionized, including many nurses, technicians, clerical employees, social workers, food and janitorial service staff, optometrists, IT personnel, etc. Moreover, many of Kaiser’s health-plan members are unionized. As a result, and unlike many other employers in the US, it is difficult for Kaiser managers to ignore or attack unions without risking both internal organizational turmoil and damage to their reputation in their target market. Conversely, however, the unions see that using their power in confrontational ways would risk destroying Kaiser, and that, compared to other employers, Kaiser pays and treats its workers relatively well. The parties recognized this interdependence in a landmark “partnership” agreement between Kaiser, the Permanente group, and a coalition of unions (see the list of participating union locals at [http://www.unioncoalition.org/](http://www.unioncoalition.org/)) that was included in the collective bargaining contract in 1997. This agreement launched a labor/management partnership that was unique in its scale and ambition, and it is still functioning at the time of this paper’s writing (Kochan, 2013; Kochan et al., 2008; Kochan et al., 2009). The collaboration enabled by this partnership has become central to Kaiser’s efforts to meet its ever-intensifying competitive
challenges, providing a foundation for combining top-down initiatives by specialized technical staff (e.g., for new computerized medical records) with bottom-up input and involvement by a broad range of personnel (for local improvement projects), as well as with extensive lateral learning (so that similar locations can share lessons learned).

Kaiser’s purpose has been codified in its “Value Compass” (Schilling et al., 2011a). The Compass shows “patient and member focus” at the center and four aspirations at its four points—“Best quality, best service, most affordable, best place to work.” The Value Compass operationalizes two key features of the collaborative organizational form. First, these goals were not dictated by top management; instead, they were jointly defined through intensive dialogue between management and unions (Kaiser Permanente & Coalition of Kaiser Permanente Unions, 2012). Second, it defines the shared purpose of the organization in terms that can and do inform daily work across the entire organization. As discussed further below, people at all levels are engaged in working out how they can translate the top-level Value Compass aspirations into their local work processes, giving them a unity of purpose in their daily work.

Deploying a range of managerial techniques—many if not all of which one can find in use in other organizations—to support this purpose, Kaiser has seen dramatic performance gains. Kaiser performs near the top of the rankings of healthcare delivery organizations in many of the key operational metrics (Schilling et al., 2010a; Whippy et al., 2011), and has developed an impressive capacity for radical innovation (Nelson, 2010). Surveys of worker attitudes conducted jointly by union and management show improved worker morale, too, with widespread support for the partnership process and its outcomes in the form of wage and benefit gains as well as growth in union membership (Kochan, 2013).

To be clear here: our claim is not that Kaiser Permanente is a value-rational, collaborative organization, nor that its labor-management partnership represents an ideal to which other organizations should aspire. (For more critical views of the partnership as union capitulation, see Borsos (2013) and Early (2011).) We use Kaiser rather to illustrate some of the managerial techniques that have been developed to institutionalize value-rationality and buttress the collaborative form. By focusing on a single enterprise rather than drawing examples from the many other possible sources, we can also show how these techniques are tailored to a specific context and how they can buttress each other as a coherent bundle (MacDuffie, 1995).

VALUES

When organizations attempt to scale up value-rationality, the key challenge in the values dimension is that of avoiding fragmentation. Let us unpack that idea. The collaborative organizational form must, first, ensure the salience of the ultimate values as superordinate goals (Sherif, 1958). Second, whereas the collegial form relies on commitment to an ultimate value into which its members are already socialized, the collaborative form must find a way to forge and sustain a shared purpose against the fragmentation pressures created by a diversity of backgrounds and a diversity of functionally differentiated roles. We deduce—extending Weber’s conception in the direction proposed by Habermas (1992)—that both end-goals and means for achieving them must remain subject to discussion based on public, discursive standards of validity, rather than reverting to bureaucratic authority, traditionalistic status, or charismatic leadership. Third, if purpose (as value-rational action) is to be institutionalized, ultimate values must guide every member’s actions, not only the top executives’. Therefore, the collaborative organization form must be one in which the organization’s ultimate purpose is at the center of organizational life and in which all members share an understanding of that purpose. Members must identify with that purpose as their own: the purpose must be personally meaningful, and each member’s choices must be guided by their own commitment to it. Fourth, value-rational action means that members
use those ultimate values to choose appropriate actions when faced with new and unforeseen circumstances. The collaborative organizational must therefore formulate its ultimate values in a way that allows members to connect them to daily decision-making.

The collaborative organizational form, we submit, can meet this challenge by institutionalizing an ethic of contribution, which we define as a shared conviction that the most important virtue is contributing to the achievement the organization’s purpose. The salience of this shared purpose can then motivate and guide decision-making. Several management techniques have evolved since Weber’s time that operationalize such an ethic of contribution and thereby create a context that supports collaborative purpose in complex organizations.

Some of these techniques help focus internal discussion on the contribution the organization makes to the broader society—how it meets customers’ needs—and to unfold the implications of that purpose for multiple, lower-level, shorter-term local goals. Numerous companies have adopted techniques such as Quality Function Deployment (Akao, 2004), the Balanced Scorecard (Kaplan & Norton, 2001), and the Hoshin Kanri planning process (Cole, 1999) in order to translate customer needs and the organization’s multidimensional value priorities into terms that can guide everyday, local decision-making throughout the organization. These techniques have blossomed in recent decades as companies orient themselves away from commodity products and towards customer-specific, integrated solutions.

Other techniques help orchestrate a broader variety of voices in the strategy discussion. For value-rationality to be truly rational, both the ultimate values themselves and the means of achieving them must be subject to discussion based on public standards of validity (Habermas, 1992). In this respect too, history has overtaken Weber. Where Weber assumed that value-rationality relied on non-rational commitments to the ultimate values—Nietzschean acts of will (Hennis, 1988) and devotion to quasi-religious “deities” (Friedland, 2013)—Habermas and later scholars have identified a range of techniques for making value-rational discourse more thoroughly rational through an operationalization of the “ideal speech situation” (Habermas, 2001). In the practical world of industry, we find the strategy process—defining, implementing, monitoring, and adjusting strategy—sometimes taking a dialogical and deliberative form that corresponds surprisingly closely to Habermas’s model. A range of techniques are now available to support such strategy dialogue both within the organization, as participative strategy processes (Forester, 1999), and beyond the organizational boundaries, in the form of multi-stakeholder strategy dialogues (Rollof, 2008; Zadek, 2008). And a range of techniques has emerged to facilitate explicit discussion of values and orchestrating culture change (the literature is enormous: e.g. Kim, 2005; Lewis, 1996; Scott, Mannion, Davies, & Marshall, 2003; Shook, 2010).

A third bundle of techniques aim to shape “organizational culture”—members’ values and identities. While organizational culture as a “fad” may have passed (Phillips Carson, Lanier, Carson, & Birkenmeier, 1999), it bequeathed a considerable body of managerial technology that facilitates deliberate efforts to provoke reflection and change (Cameron & Quinn, 2005; Schein, 2010). IBM’s “values jam” (Palmsano, 2004) seems emblematic of a collaborative approach, marked by wide participation across both the horizontal span and the vertical management levels, and giving voice to a broad range of perspectives.

Kaiser illustration.

To institutionalize an ethic of contribution, Kaiser uses the Values Compass to orient performance improvement efforts across all the hierarchical levels of the organization, from headquarters, to regions, to medical centers, right down to the work units. Each level is challenged to identify improvement opportunities in the various dimensions of the Compass.
To pursue this at the work-unit level, the labor-management partnership has fostered the creation of “unit-based teams” (UBTs) where union and non-union staff, management, and physicians cooperate in identifying and testing improvement ideas (Cohen, Ptakiewicz, & Mipos, 2010). A commitment to developing these UBTs in 100% of the operating departments was negotiated in the 2005 agreement. These teams choose improvement targets that contribute in some way to one of the over-arching organizational goals defined by the Value Compass. (The collective bargaining agreement protects union members from being laid off as a result of any of these improvement efforts: where changes in services or technology have made jobs redundant, the agreement provides relatively generous provisions for retraining and a commitment to doing whatever is feasible to find employment elsewhere within Kaiser.) By 2013, over 80% of departments at Kaiser had at least one such UBT team. Working in these teams, physicians have been challenged to give up their hierarchical, status-based authority and to work collaboratively with nurses, technicians, janitors, and administrators (Cohen et al., 2010). In 2013, about a quarter of these teams were focused on improving service quality, about a quarter on reducing costs without impairing quality, and about 10% on improving clinical performance through prevention and disease management.

It is instructive to see how Kaiser has institutionalized this collaborative ethic of contribution among its physicians. Many healthcare organizations are “segmented,” where the hospital managers operate under instrumentally-rational market values and the doctors who practice in the hospital adhere to very different, professional values. Somewhat controversially, Kaiser pushed hard for a single shared purpose: managers and doctors alike are expected to consider both patient clinical outcomes and the economic consequences of clinical decisions. In Albert and Whetten’s (1985) terms, Kaiser has tried to overcome healthcare’s traditional reliance on “ideographic hybrid” identities and create instead a “holographic” hybrid in which both managers and physicians identify with both market values and professional values. Where many doctors in private practice long refused any role in controlling healthcare expenditures, Kaiser’s doctors participate in that effort. The creation and maintenance of this shared purpose is supported by numerous forums where Kaiser’s physicians discuss the meaning of this complex, multidimensional value-commitment.

Doctors outside Kaiser are often left to make their own cost versus quality tradeoff choices in the diagnostics and treatments they order; increasingly often, they are penalized financially by their employers or insurance companies for ordering the more expensive option even when that option promised better clinical results. At Kaiser, in contrast, there is a strong commitment that these choices would not degrade clinical outcomes; however, where there is an equally effective option that is less expensive, doctors are encouraged to consider it. For example, Kaiser does its own research on the clinical equivalence of generic medications and disseminates those results to its doctors. These cost/quality choices and the associated research are discussed in weekly or monthly meetings of physicians at the medical-office building level, in monthly meetings of physicians in their specialty departments, and in bi-monthly off-site retreats for doctors from the entire service area. Medical departments regularly review unblinded comparisons of doctors’ outcomes. As one doctor expressed it in an interview we conducted: “At Kaiser there will be no cost/quality tradeoffs. But we must be good stewards of our members’ dollars.” These techniques foster a distinctively collaborative identity among Kaiser doctors. Where doctors elsewhere are the targets of extensive “drug detailing” efforts by pharmaceutical companies, Kaiser banned drug detailing in its facilities. Instead, Kaiser has institutionalized a process of “academic detailing” (Postlethwaite, Shaber, Mancuso, Flores, & Armstrong, 2007), where doctors who consistently choose a questionable path of diagnosis or treatment are likely to receive a call from a colleague asking for a peer-to-peer discussion of their choices.
NORMS

The key challenge in the norms dimension is goal displacement. In a small, collegial group, interactional norms can remain informal without losing too much efficiency; but across a larger, heterogeneous organization, efficient coordination requires more formalized norms. This formalization was a major factor motivating Weber’s skepticism: he feared that formalization would be the occasion for specialized staffs to impose procedures on the operating core. Formalization would thus undermine the salience of the organization’s ultimate values, displacing the ethic of contribution with a bureaucratic ethic of instrumental-rational conformance.

For value-rational action to prevail at scale, the collaborative organization must institutionalize a meta-norm of interactive process management. This principle can be operationalized and the organization can avoid goal displacement if the organization’s formalized procedures (a) are designed to support dialogue aimed at deciding how best to pursue the shared purpose, rather than replacing that dialogue with blind reliance on pre-established rules, and (b) are themselves the product of dialogue aimed at deciding which procedures might best achieve this goal, rather than imposed by staff on line personnel.

Since Weber’s time, a family of management techniques have been developed to support such interactive process management. Procedures for kaizen, process mapping, brainstorming, participatory meeting management, decision-making with multiple stakeholders, and project management now allow the collaborative organization to mobilize sizeable cross-functional and cross-organizational teams both in managing their current interdependencies and in designing formal procedures that can facilitate that management.

The formalization of these procedures generates normative systems—both informal and formalized—that are widely experienced as “enabling” rather than as coercively imposed or merely ceremonial (see Adler, 1999a; Adler & Borys, 1996, building on Gouldner’s (1954) distinction between representative, punishment-centered, and mock bureaucracy). They facilitate the fluid movement of people among projects in order to bring specialized knowledge to bear at the right times and places, and the fluid formation of project teams (see for ex. Geraldi, 2009; Mom, Van Den Bosch, & Volberda, 2009). Such norms facilitate collaboration by providing a platform for the deliberate and continual renegotiation of working relations; they make it possible for people to adjust their expectations of each other as task demands shift (Juillerat, 2010).

Kaiser illustration.

The fabric of norms at Kaiser exemplifies several features of the collaborative model and the operationalization of the interactive process management principle. While Kaiser personnel are managed under relatively formalized procedures, Kaiser’s leadership has sought to ensure that these systems are experienced as enabling tools rather than as coercive bureaucratic constraints.

Clinical guidelines illustrate the point. Where many doctors in private practice chafe under the bureaucratic constraints of medical guidelines imposed by government or insurance companies, Kaiser’s doctors collaborate with their Kaiser peers and with other clinical and non-clinical personnel to define guidelines. When the activity is entirely within purview of a medical specialty, the relevant group of doctors will develop these guidelines themselves or review and adapt nationally-established guidelines. When the activity involves multiple specialties and other staff, these guidelines are developed and refined with input and participation of a broader range of occupations (Whippy et al., 2011).

The labor/management partnership, too, both in its strategic and operational forms has relied on the interactive meta-norm. As a labor relations strategy, the partnership helps Kaiser sustain purpose through its reliance on “interest-based bargaining” (IBB) (McKersie et al., 2008).
Under IBB, management and labor negotiate to find areas where they can find common purpose and craft win-win solutions that create a bigger pie (“integrative” bargaining). In areas where there are no win-win solutions to be found, they bargain over the relative shares of the pie (“distributive” bargaining). Taking the integrative part seriously means that the union is deeply involved in helping shape the organization’s goals as well as its operations. Taking the distributive part seriously means that, even as they collaborate with management, unions work to preserve and strengthen their capacity for independent action.

As an operations strategy, the partnership’s UBTs exemplify interactive norms and procedures at the department level. The partnership developed a five-level model of increasing team effectiveness (“Path to Performance”) and these levels reflect a growing capacity for collaborative self-management (Schilling et al., 2011a). In the Path to Performance evaluation criteria, level 5 specifies that the “team members [are] able to to connect unit performance to broader strategic goals of the company” and “Team is working on tests of change related to staffing, scheduling, financial improvement, and other daily operations issues” (2015 Agreement p. E.4). The 2015 collective bargaining agreement set a goal of ensuring that at least 87% of the teams operate at Level 4 or 5 by 2019, and a range of training and team consulting resources have been made available to ensure this goal is met.

The UBT’s have institutionalized “daily huddles” to ensure interactive process norms, and rely on formalized procedures for process improvement to ensure interactive procedure design. The daily huddles have become widely institutionalized as the way to begin every shift (Schilling et al., 2011b): short, stand-up meetings of all the personnel of the unit—doctors, managers, nurses, clerical and other staff—to review the day’s work ahead, updating everyone on the progress of whatever improvement experiments they are running, and ensuring that anyone with relevant information feels comfortable speaking up. The importance of these behavioral norms is evidenced in the training programs put in place for both labor and management personnel focused on topics such as facilitative leadership, consensus decision-making, and breakthrough conversations (see http://www.lmpartnership.org/tools/lmp-core-curriculum-map).

The UBTs also rely on a standardized “plan-do-study-act” cycle to drive improvements in their work processes. These work processes themselves are standardized and formalized in the TQM spirit of “Where is no standard there can be no kaizen” (using phrase attributed to Taiicho Ohno, often considered the founder of the Toyota production system). “Visual boards” (as have been popularized in lean production) have been developed in many units to make the workflow explicit and track improvement project results.

**AUTHORITY**

The key challenge in the authority dimension posed by efforts to scale up value-rationality is centralization. Large, complex business organizations under performance pressure typically require the centralization of at least some decisions. However, the concept of value-rational action seems to preclude a role for centralized authority, since in value-rational action each actor decides on their course of action as a function of their commitment to the ultimate values rather than submitting to any else’s command.

The collaborative organizational form meets this challenge by ensuring that authority flows to those recognized as being best positioned to contribute to the purpose of the organization. Authority here is endorsed from below as a function of shared purpose, rather than delegated from above and accepted in utilitarian exchange, or accepted passively as traditional, or derived from affectual, charismatic bonds. Regardless of the degree of centralization—whether authority is “distributed” (Cullen & Yammarino, 2014), centralized, or dual (as in matrix forms)—authority
flows to those who are widely-acknowledged as best able to contribute to the organization’s shared purposes (as suggested by Aime, Humphrey, DeRue, & Paul, 2013).

This ideal is operationalized in the collaborative form through the principle of participative centralization. Under this principle, centralization is participative in two senses: (a) the degree of centralization is decided participatively, and (b) where and insofar as authority is centralized, it nevertheless functions in a participative manner. If members share the purposes of the organization, the resulting authority structure (whether more or less centralized) will not be experienced as alienating, but instead will be experienced as enabling and will support value-rational collaboration.

Much of the scholarship in our field would be skeptical of any concept that purports to combine participation and centralization, assuming that centralization and participation are polar opposites (e.g. McCaffrey, Faerman, & Hart, 1995). However, as these constructs have been defined more precisely in organizational research, they should not be taken to be mutually exclusive. The degree of centralization is assessed by ascertaining the lowest hierarchical level at which a decision can be made without prior consultation with a superior (Pugh & Hickson, 1976). The degree of participation is assessed by ascertaining the lowest hierarchical level at which real influence on the decision is exerted (Hage & Aiken, 1970). Whereas centralization and autonomy are in a clear trade-off relation, centralization and participation are better conceptualized as independent, orthogonal dimension of the authority structure. The collaborative organization is, we argue, high on both dimensions.

The matrix type of authority structure is one key innovation in management technique that has operationalized contribution-base authority and thereby facilitated participative centralization and sustained purpose. When organizations rely on the familiar monocratic centralized hierarchy of authority, the result is that local actors either defer to top management’s authority or narrow their vision to local goals at the expense of organizational purpose. Collaboration therefore often requires a matrix structure with multiple dimensions of accountability, where decisions on the locus of authority are contingent on the nature of the operational decisions that need to be taken (Galbraith, 1994). Matrix structures, however, are notorious for the challenging “organizational politics” engendered by their multiple reporting relationships, and as a result, these structures are difficult to sustain and organizations have suffered many implementation failures (Burns, 1989; Larson & Gobeli, 1987). Nevertheless, competitive pressures have pushed firms to persist in trying to master these challenges; and as we read the various accounts of their efforts, the key to mastering these implementation challenges appears to lie in a value-rational commitment to shared purpose and the ethic of contribution. It is this shared purpose that enables individual contributors, functional managers, and project managers find common ground in their decision-making. Where that has been achieved, the matrix structure is seen as effective, and it becomes a taken-for-granted feature of the modern workplace where so many people work simultaneously on many team projects with different leaders. Indeed, there has been an evolution over time toward matrix structures with more than two dimensions (Galbraith, 2008; Heckscher, 2007; Strikwerda & Stoelhorst, 2009) and a growing number of firms attempt to restructure themselves as matrixed “front-back” organization structure (Brady, Davies, & Gann, 2005; Galbraith, 2002).

**Kaiser illustration.**

The labor-management partnership helps Kaiser meet its external challenges by supporting participative centralization across the wider organization. First, the unit-based teams afford important opportunities for distributed leadership: leadership within these teams is determined by contribution, not by hierarchical position. While the conventional authority structure in the department assigns leadership and management responsibility to the supervisor, at Level 4 of the Path to Performance, the management and labor co-leads are “jointly accountable” and at Level 5,
the team is moving “from joint management to self-management, with most day-to-day decisions made by the team members” (2015 Agreement p. E.4).

Second, these teams are chartered through an explicit negotiation process that is anchored in the Value Compass: the teams negotiate their goals with management and union sponsor as a function of their ability to advance one or more of the Value Compass goals (Kaiser Permanente Labor Management Partnership, 2015).

And third, to the extent that decisions need to be centralized, a hierarchy of joint labor/management “councils” governs decision-making, from the national, to the regional, and down to the facility level. While this parallel structure has undoubtedly added organizational overhead, it ensures that the decisions made at every level are seen as legitimate by employees and their union representatives. The union coalition’s partnership with management in joint pursuit of the Value Compass goals reassures members that that centralized decisions are oriented towards the organization’s ultimate purpose. This legitimacy has enabled Kaiser to undertake several controversial moves without major internal conflict. Some of these moves involved cost-cutting and workforce redundancies: these were handled without conflict thanks to advance planning and partnership commitments to retraining and redeployment. (As of the 2015 collective bargaining agreement, labor and management jointly agreed to fold the parallel council structure into the “normal business structures of the organization (Agreement p 7) wherever possible: this “does not mean co-management, but rather full participation in the decision-making forums and processes at every level.”)

Beyond the partnership, Kaiser’s authority structure is extensively matrixed. In both their routine responsibilities and their various project team assignments, managers and non-managerial personnel alike often find themselves accountable to multiple managers. They have learned to accommodate themselves to the resulting organizational complexity. One of the commonly noted downsides has been a tendency to sluggish decision-making, expressed in what is known internally as “the Kaiser nod”: “No matter what is said in the meeting, just nod your head ‘yes.’ We will get together later and decide if we really mean yes” (Kaiser Permanente Labor Management Partnership, 2011). To counteract this tendency, Kaiser has created several staff functions to drive improvements in key areas, such as the “Performance Improvement” staff, which function in a matrix relationship with line-management client groups (Schilling et al., 2010a). On the Medical group side too, regional and national medical specialty-coordinators work across the various medical offices to drive performance improvement among doctors.

**CAPABILITIES**

The key challenge in the capabilities dimension lies in specialization. As organizations grow in size and complexity, tasks become specialized and value-rational action stumbles for lack of the capabilities required for effective collaboration across these differentiated skills and mind-sets.

The collaborative organization is distinctive in deliberately fostering the development of the capabilities that actors need in order to contribute to the organization’s purpose. Instead of leaving members’ free to develop their skills in whatever direction appears to them as instrumentally rational in pursuit of their individual career and labor-market goals, the collaborative organization deliberately plans members’ skill development to support their ability to contribute to the organization’s ultimate purposes. (See also Lindenberg and Foss (2011) p. 509 on the importance of “Training schemes that increase the understanding of how sub-goal achievement helps realize higher-order goals in the firm.”)

The collaborative organizational form systematically cultivates “T-shaped” skills (Iansiti, 1993; Leonard-Barton, 1995). T-shaped technical skills—deep knowledge in one’s own specialty
combined with breadth of knowledge of the related technical specialties—facilitate the emergence of the “common ground” that is critical to learning from and collaborating with others (Puranam, Singh, & Chaudhuri, 2009). These technical skills must be buttressed by complementary social skills to enable effective cross-functional teamwork (Cordero, 1999; Kang & Snell, 2009). The collaborative form thus rejects the older idea of “expertise” (described by Weber in his treatment of instrumental rationality in bureaucracy), in which specialized knowledge is applied separately and autonomously by each actor to problems within his or her domain (or “office”). The collaborative form requires that all actors look for ways to combine their specialized knowledge with others’ with an intentional focus on the common purpose.

The collaborative organizational form builds these capabilities through both personnel selection and skill formation. As concerns selection, the collaborative organization selects people with the appropriate T-shaped skills and teamwork propensities insofar as this unusual combination is available. A vast portfolio of techniques (and an associated field of scholarship—industrial/organizational psychology) has emerged since Weber’s time to assist organizations in selecting personnel who fits such demands (see, for ex., Schmidt & Hunter, 1998).

As concerns skill formation trajectories, the collaborative organization does not leave it entirely to individual employees to decide for themselves based on their individual instrumental-rational career advancement goals. Collaborative organizations leverage the ethic of contribution to orient this skill formation process towards the organization’s purposes, with policies that encourage members both to deepen and to broaden their skills through a planned sequence of training programs, project experiences, and cross-functional assignments. Organizations such as Toyota mobilize this sense of shared purpose to assure their workers’ buy-in to the firm’s formalized, comprehensive, and long-term skill-development policies (Adler, 1999b; Brown & Reich, 1997). Both management and shop-floor personnel are systematically rotated through various departments, progressively broadening and deepening their skills.

A host of new management techniques have arisen in the past few decades to identify and plan for the development of various work-related competencies (Dubois, 1998, 2010; McClelland, 1973). Today, we have many information-technology tools that support all aspects of competency mapping, diagnosis, development planning, and monitoring (Draganidis & Mentzas, 2006). Information technology also contributes more directly to the organizational capabilities required by collaboration when it is deployed in the organization’s operating core to stretch outward the trade-off frontier between cost-efficiency and flexibility, reducing minimum efficient scale and reducing the gap between customization and mass production by deploying mass customization techniques (Pine, 1993).

To ensure that skills are developed and deployed in this T-shaped direction, the collaborative form requires a distinctive compensation approach that rewards purpose-oriented skill formation. Here, compensation is based both on the entire organization’s progress towards its purpose and on the individual’s contribution to that progress. The collaborative organization may differentiate compensation among individuals based on performance, but it does not do so through the usual pay-for-performance approach, which rewards people for meeting individual targets set by higher authorities. Instead, the key criterion is the individual’s contribution to the complex, multidimensional organizational purpose, thus both leveraging and buttressing the organization’s ethic of contribution (see Lindenberg and Foss 2011, p. 512, on the importance of “Group rewards that emphasize the contribution to common goals at a higher organizational level than the group itself”). Organizations have developed innovative ways to assess and reinforce orientation to teamwork and to helping others (Gittell, 2000; Rubinstein & Kochan, 2001). Just “doing a good job” is not sufficient; individuals are stretched to think and act beyond their jobs and to avoid the dysfunctions of inappropriate bureaucratic rule-following. Because formal supervisors cannot be
aware of the entire range of activities of their subordinates when these latter are engaged on multiple projects and contributing on cross-cutting dimensions, collaborative organizations use systems such as 360-degree feedback to develop and validate reputational information (Bracken, Timmreck, Fleenor, & Summers, 2001; Peiperl, 2001).

*Kaiser illustration.*

Doctors new to Kaiser go through a three-year probationary period during which they are regularly evaluated and coached not only on their technical competence but also on their collegial relations with other doctors, the respect they show for other staff and patients, and their willingness to contribute ideas and effort to improving the organization’s performance. Managers, including physicians who take on managerial responsibilities, undergo regular 360 assessments. Physicians are responsible collectively for the management of the regional Permanente Medical Groups, and as a result, a considerable proportion of them broaden their skills by acquiring sophisticated management, business, and leadership competencies.

More generally, all Kaiser staff categories, from physicians to janitorial personnel, have been drawn into partnership activities, and in particular, into the work of unit-based teams. Kaiser has considerably expanded their internal training programs to support the development of these teams’ effectiveness, with programs devoted to building skills in problem-solving, leading meetings, analyzing work processes, identifying improvement opportunities, leadership, dealing with conflicting views and divergent interests, and understanding the business side of Kaiser and the economics of healthcare. Kaiser has also invested enormous resources to create an IT infrastructure—"KP Healthconnect"—that supports collaborative responses to the individual patient’s needs (Mohrman & Kanter, 2012). Litwin (2010) shows that this technology infrastructure yields superior performance outcomes where it is associated with higher levels of employee involvement through Kaiser’s labor-management partnership.

To support collaborative purpose, Kaiser also implements distinctive compensation policies. Unlike independent practitioners who once predominated in the US healthcare delivery system, Kaiser’s physicians are salaried members of a group practice. Recent years have seen a shift in payment systems for Kaiser’s physicians, away from straight salary towards more performance-based pay, but designed nevertheless to buttress the value-rational ethic of contribution. Some 30% of the physician’s salary is “at risk,” but that component is based entirely on patient satisfaction and clinical outcomes—not on cost nor on physicians’ “utilization” rates. Any costs savings the medical group makes (relative to the targeted overall cost-per-patient over the year) are reinvested in medical equipment and programs.

Non-managerial personnel under the Partnership agreement share in Kaiser’s net revenues based on regionally negotiated bonus plans. The bonuses pay out equal amounts to all the region’s employees based on whether the region has met targets that are negotiated between unions and management and that reflect a mix of variables from the various points on the Value Compass, such as attendance, safety, service, and clinical outcomes. Starting with the 2012 collective bargaining agreement, these bonuses are also based on the health status of Kaiser’s own personnel.

**DISCUSSION AND CONCLUSION**

This paper aimed to specify the organizational form that could create and sustain a widely-shared commitment to the organization’s ultimate purpose in large, complex, business enterprises facing dynamic environments. We showed that value-rational action provides the most appropriate foundation for such purpose, and we identified four key challenges facing efforts to scale up value-rationality beyond small, homogeneous, collegial groups. We developed a theory-based account of four organizing principles that could overcome these challenges and thereby create,
notwithstanding Weber’s own skepticism, a robust value-rational-based organizational form that we labeled “collaborative” and that would support the distinctively collaborative type of purpose. We offered examples taken from Kaiser Permanente of some of the new managerial techniques that embody these principles.

We should reiterate that our illustrations of the collaborative form at Kaiser should not be read to imply that Kaiser stands as a pristine embodiment of that model. There are many moments and locations at Kaiser where the pressure of performance and human frailties belie that aspiration. On the other hand, Kaiser has clearly identified collaboration and shared purpose as key goals, and if we look past its weaknesses, we can see there, traced in outline, what this collaborative form consists of.

In this concluding section, we address in turn the moderators that condition the value of purpose to performance and those that condition the value of the collaborative form to purpose. We then turn to some limitations and possible extensions.

**Moderators**

**The benefits of shared purpose.** The achievement of shared purpose is not a universal requirement for effective organizational performance. As Selznick noted repeatedly (Selznick, 1957), where core tasks are more routine and less interdependent, employees’ conformance is more important than their discretionary effort, cooperation, and creativity, and here the appropriate design of extrinsic rewards, sanctions, formal offices, and clear hierarchies will likely be more effective than the creation and ongoing maintenance of a sense of shared purpose of any kind. The core task characteristics depend in part on industry, industry context, and firm strategy. Healthcare delivery organizations probably benefit more from a shared purpose than pizza delivery organizations.

**The costs of collaborative purpose.** Even where the context is dynamic, a simpler form of purpose might suffice—the collegial model discussed by Weber—for smaller organizations whose members are more homogeneous in terms of prior socialization and current task requirements. The collaborative form is costly: it depends on reliable mechanisms for establishing and updating reputations; but we know that these mechanisms are vulnerable to opportunistic manipulation. The high level of participation in collaborative organizations requires considerable meeting time; but such meetings are costly and burdensome. The collaborative form requires openness to diversity, difference, and disagreement; but it offers little assurance these will not explode the collectivity or seal the organization off from the outside world as a closed sect.

**Future research**

**Empirical testing.** Our argument has been largely theoretical, and future research should examine whether the four principles we have identified in fact predict performance. As part of such a study, it would be useful to explore whether these principles are additive or multiplicative, or perhaps they can create shared purpose in various configurations.

Future research should also aim to assess the generalizability of our characterization of these principles and the managerial techniques that operationalize them. If our argument is correct, then organizations that have institutionalized a strong sense of purpose based on traditionalistic and affectual bonds should, when challenged by increasing dynamism in their external contexts, shift towards the same collaborative model, principles, and management techniques that we have sketched here. Preliminary results from our research currently underway on the transformation of IBM under CEO Palmisano are broadly consistent with this expectation.

**Micro-foundations.** Future research should also aim to explicate and test the individual cognition, motivation, emotion, or behaviors implicit in our causal model. An important next step in
the line of research we have proposed would be to develop a multi-level model that allows us to see how the collaborative organizational form shapes collaborative individual behaviors, and then how these individual behaviors aggregate to generate the ex-post purpose in Figure 1.

**Extension to ambidexterity.** We conjecture the collaborative purpose might be a critical success factor for organizations pursuing ambidexterity, that is, simultaneous exploration and exploitation (March, 1991). The locus and degree of the requisite collaboration varies across the various ambidexterity approaches, but in all of them, all the relevant actors must feel confident that others will be oriented to their shared ultimate purpose even in circumstances that cannot currently be defined or predicted—and the collaborative form of organization and purpose offers this advantage.

In the functional approach to ambidexterity, the firm needs a sense of collaborative purpose across functionally-differentiated subunits, such as R&D and operations (e.g. Lovelace, Shapiro, & Weingart, 2001): the R&D unit must be willing and able to anticipate downstream issues (such as “manufacturability”), and the operations units must be willing and able to embrace rather than resist the disruption occasioned by the introduction of new designs. In the structural approach, ambidexterity requires a strong sense of collaborative purpose within the top-management team if it is to combine successfully the efforts of exploitation and exploration business lines (e.g. Jansen, George, Van den Bosch, & Volberda, 2008; Tushman, Smith, Wood, Westerman, & O’Reilly, 2010). In the contextual approach (Gibson & Birkinshaw, 2004) it seems likely that achievement of the ambidexterity would benefit from the collaborative form insofar as it would help actors manage their interdependence under the stress of juggling incommensurable exploitation and exploration goals in their everyday work activities.

**Extensions to other hybrid organizations.** Our argument might also be extended further, to situations where the organization faces multiple heterogeneous demands of various kinds. For example, many organizations today are under pressure both to offer higher quality products to their customers and to reduce their environmental footprint. More generally, many organizations are under pressure to satisfy the demands of more diverse stakeholders. In current scholarship, these challenges have been addressed by the literature on “hybrid” organizations in institutional theory (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011) or hybrid identities (Albert, Ashforth, & Dutton, 2000). Insofar as these organizations aim to synthesize multiple purposes, our collaborative model provides a compass heading that can guide their efforts.

**Extension to non-profit, volunteer organizations.** Our concept of purpose is close to the concept of “civic action” advanced by Lichterman and Eliasoph (2014), but the world of civic voluntary action that they study is populated by smaller and simpler organizations. Our argument implies that larger more complex organizations of this type are likely to be more effective if they adopt the collaborative form sketched here. Future research could usefully test our argument and enrich the concept in the process. Lichterman and Eliasoph’s concept of “styles,” for example, suggests that within the collaborative form, we are likely to find a variety of ways of enacting value-rationality.

**External legitimacy.** One lesson from the identity literature is that, insofar as organizations aim to create a hybrid identity, they must contend not only with the internal managerial challenges that have been the focus of the present paper, but also with distinctive external legitimacy challenges (Battilana, forthcoming #18848). Each of the constituent identities and logics will typically require some degree of supra-organizational institutional legitimacy, and the success of the organization in hybridizing internally will be influenced by these broader field-level actors and factors. Kaiser provides a nice example. Kaiser’s success hinged considerably on its ability to enroll...
a range of external, field-level actors in legitimating its efforts, such as the medical profession, patient-rights groups, and the relevant state agencies. Scott, Ruef, Mendel, and Caronna (2000) explore some facets of this struggle, and future research might explore how appeals to value-rationality acquire legitimacy in this broader, field-level transformation.

**External enablers.** The importance of the broader context extends beyond the symbolic-cultural legitimacy it may bestow: the collaborative form is far more likely to emerge and can only persist over time if the organization functions in a context that blocks the firm and its competitors from taking a “low road” of work intensification as a path to profitability and competitive survival. As we noted above, the tension between profitability and use-value lying at the heart of the capitalist firm renders the establishment of the collaborative model intrinsically precarious: to overcome that precariousness and stabilize that model requires some kind of “socialization” of the profitability imperative. Kristensen (forthcoming) discusses how social-democratic Denmark has sought to do that. He highlights forms of intra- and inter-firm organization in Denmark that appear very close to our value-rational collaborative model, and explains how these forms are encouraged on the “supply side” by government policies enabling labor to take active part in shaping enterprises (union rights, training, child- and eldercare, support for housing, etc.) and on the “demand side” by government support for investments that respond to new societal needs (such as environmental protection, health, and city planning).

**The future of collaboration.** In a more speculative vein, future research might also consider whether the collaborative form, rather than being just one organization-design option among several, represents instead an evolutionary advance beyond those others. In this perspective, if a social innovation process has yielded new management techniques that allow organizations to institutionalize value-rationality in large, complex organizations, perhaps this collaborative form might become an efficient solution to the challenges facing a broader range of organizations. If we have learned how to sustain collaborative purpose in larger, more complex organizations, then perhaps it becomes cost-effective to shift work designs to allow and leverage more employee discretion and creativity even in settings where previously the market or bureaucratic forms of organization seemed optimal.

We might link this conjecture to Barley and Kunda’s (1992) argument that models of management have swung in a pendulum movement between the cultural antinomies of control and commitment. Our analysis suggests that across the sequence of “commitment” models—from Industrial Betterment, to Human Relations, to Organizational Culture—there may have been an underlying trend line representing the progressive emergence and refinement of the value-rational, collaborative form.
References


Collaborative purpose


Figure 1: Sustaining value-rational purpose in large, complex organizations

- Scale, Complexity

**Ex-ante collaborative purpose**

- Challenges in scaling up value-rationality:
  - Fragmentation
  - Goal displacement
  - Centralization
  - Specialization

**Key principle undergirding the collaborative form:**

- Ethic of contribution
- Interactive process management
- Contribution-based authority
- Contribution-oriented capability development
**Figure 2: Scaling-up value-rationality**

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<tr>
<th>Challenges of scaling up value-rationality</th>
<th>Key principles of the collaborative form</th>
<th>Families of managerial techniques that operationalize the collaborative form’s principles, with examples from Kaiser Permanente</th>
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| **Values**                                | Institutionalize an ethic of contribution to create salient shared purpose | 1. Focus on customer needs  
   * Value Compass guides activity at every level down to Unit-based Teams  
   2. Wide strategy dialogue  
   * Value Compass defined jointly by Partnership  
   3. Cultivate purpose-oriented identities  
   * Regular unblinded comparison of doctors’ outcomes  
   * Regular meetings among doctors on cost-efficacy tension  
   * Ban drug detailing and foster academic detailing  
   * Recruit for, and celebrate combined identities |
| **Norms**                                 | Institutionalize a meta-norm of interactive process management to enable contribution | 1. Interactive process norms  
   * Daily huddles  
   * Norms of participative leadership  
   2. Interactive procedure design  
   * Standardized procedures for participative clinical guideline development  
   * Interest-based bargaining  
   * Standardized procedures for participative PDSA cycle  
   * Visual boards |
| **Authority**                             | Institutionalize participative centralization to create contribution-based authority | 1. Participative decision-making in setting the degree of centralization  
   * UBTs are chartered by joint labor-management/doctor sponsors  
   2. Participative exercise of centralized authority  
   * Hierarchy of labor-management councils from Board down to facility level  
   * UBTs aim to involved the entire workgroup, but are representative where that is more productive  
   3. Distributed leadership |
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<th>Capabilities</th>
<th>Specialization</th>
<th>Institutionalize contribution-oriented capability development to create T-shaped capabilities</th>
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1. **Purpose-oriented recruiting and selection criteria**  
   * Doctors recruited for and evaluated periodically during three-year probation, on technical competence, but also collegiality, respect for other staff and patients, willingness to contribute ideas, efforts to improve the organization’s performance

2. **Broad social and technical competencies formation**  
   * Joint management-union fund for skill development in problem-solving, leading meetings, analyzing work processes, identifying improvement opportunities, presentation, leadership, economics of healthcare  
   * Leadership training for doctors

3. **Contribution-oriented rewards**  
   * Compensation based on contribution to shared purpose  
   * 30% of doctors’ salary is “at risk,” based on patient satisfaction and clinical outcomes – not on costs  
   * 360 evaluations of doctors and managers  
   * Workers’ bonus depends on region-wide results on attendance, safety, service, clinical outcomes, and health status of KP personnel

4. **Technology infrastructure support**  
   * IT jointly planned and implemented  
   * IT supports both centralized and distributed authority  
   * Conduct and disseminate KP research on generic drug equivalents