4 Habits of Mind

1. What collaboration are we trying to govern?
2. What are the alternative governance structures?
3. See the discretion (and needed promises)
4. Build an equilibrium

HoM #1: What Collaboration?
- Effectiveness vs. Transaction difficulty
- Integrated (ILLUSTRATION)
- What actions would deliver consummate performance?

HoM #2: Consider Formal Options
- Alliance, Joint Venture, Consortium, ...
- Functional, Divisional, Matrix, ...
- Integrated (ILLUSTRATION)

HoM #3: See Discretion (& Promises)
- Transaction difficulty
- Unsolved political Problems
- Integrated (ILLUSTRATION)
“Political scientists have generally … [limited] their attention to phenomena that occur in, or in close conjunction with, explicitly governmental institutions, … [And for] practical purposes, economics is the study of markets. … At the risk of offending both economists and political scientists, I will assert that this division of labor is dysfunctional. It contributes to our inability as students to understand and predict the firm; it contributes to our inability as public policy makers to control and direct the firm.”


“Simplified accounts of how the market mechanism works … seem to have led to the notion that a free market is a natural state of affairs. … There can be no greater misunderstanding of the origin of market economies. … An economic transaction is a solved political problem. Economics has gained the title of queen of the social sciences by choosing solved political problems as its domain.”

Abba Lerner, Amer. Econ. Rev. 1972: 29

What (& where) are Solved political Problems?

What (& where) are Unsolved political Problems?

<table>
<thead>
<tr>
<th>Solved political Problems?</th>
<th>Unsolved political Problems?</th>
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<tbody>
<tr>
<td>frictionless market?</td>
<td>organized organizations</td>
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<tr>
<td>auction?</td>
<td>(some) contracts,</td>
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<td></td>
<td>communities,</td>
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“What collaboration are we trying to govern?”

– What actions would deliver consummate performance?

“What are the alternative governance structures?”

– e.g., allocations of control within or between organizations

“See needed discretion (and needed promises)”

– credibility of promise: temptation vs. consequences

“Build an equilibrium”

– clarity of promise: can’t be announced, must be shared experience?

4 Habits of Mind

1. Acknowledging “Almost”
   a. Merck (almost asst. prof.)
   b. NUMMI (not “no layoffs”)
   c. oxymoron @ A.P. Sloan, ABB

2. Refining “Almost”
   a. NUMMI (slowed line @ downturn)
   b. Oticon (killed competing projects)

3. Providing for adaptation
   a. HP (stone tablet, clay tablet, white board)

4. Walking the talk (requires talking the talk)
   a. Jack Welch @ Crotonville (& MIT Sloan)

5. Formal Measures in Informal Management

HoM #4: “Cultural Work”

to Build Relational Contract

4 Habits of Mind

1. What collaboration are we trying to govern?
   – What actions would deliver consummate performance?

2. What are the alternative governance structures?
   – e.g., allocations of control within or between organizations

3. See needed discretion (and needed promises)
   – credibility of promise: temptation vs. consequences

4. Build an equilibrium
   – clarity of promise: can’t be announced, must be shared experience?