

# Collaborative Business

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**Volume 1 in White Paper Series**

**Collaborating To Win**

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## Contents

<u>Collaboration is Essential</u>	<u>3</u>
<u>Uncertainty Exists</u>	<u>4</u>
<u>The Collaborative Challenge</u>	<u>6</u>
<u>Creating a Common Language with Shared Meaning</u>	<u>9</u>
<u>The Choreographer</u>	<u>12</u>
<u>Mastering the Art and Science of Give and Get</u>	<u>14</u>
<u>Collaborative Capability and Capacity</u>	<u>18</u>
<u>Conclusion</u>	<u>22</u>
<u>References</u>	<u>23</u>
<u>About The Rhythm of Business</u>	<u>24</u>

### Collaboration is Essential

**“We've collaborated with outside partners for generations – but the importance of these alliances to P&G has never been greater.**

**Our vision is simple. We want P&G to be known as the company that collaborates – inside and out – better than any other company in the world.”**

**A.G. Lafley  
Chairman of the Board  
President and Chief Executive  
The Procter & Gamble Company**

There is no avoiding it. Collaboration is no longer an option; it is a requirement because we live our lives and conduct our business in an increasingly connected and interdependent world. Collaboration is how work gets done when it is best not to do it alone. To survive and prosper in a globally networked economy, people now know that they must bridge structural silos and successfully collaborate both within their organizations and externally. Unfortunately, most organizations are not structured for a collaborative way of conducting business, nor do their systems and rewards encourage people to engage in a collaborative manner. This lack of a systematic and pervasive collaborative capability is manifesting itself in a tentative approach to collaborating, resulting in tepid outcomes.

In his book, *The World Is Flat*, Tom Friedman stresses that, “The commercial playing field has opened up to more people in more places on more days in more ways than anything like it ever before in the history of the world. This is what I mean when I say the world has been flattened ... creating this new global playing field for multiple forms of collaboration.” The fact that the flattening of the world changes everything is reinforced by Robert Samuelson in a *Washington Post* op-ed piece (June 22, 2005), in which he laments that our traditional economic models have been shattered because “...change has outpaced comprehension.”

Clearly, Friedman and Samuelson aren't the only ones trying to find a new way of conceptualizing and structuring organizations and the work of the people who comprise them. Peruse your favorite bookseller and you'll see a plethora of new books about networks, outsourcing, intangibles, agility, innovation, relationships, and globalization. On the surface these books appear to discuss different things. At a more fundamental level, they all wrestle with the implications of a flattening world. And in one way or another, all of them come to the conclusion that collaborative business is the central economic imperative today.

### Uncertainty Exists

**“CEOs believe collaboration is absolutely critical, but there is a problem: Although collaborative aspirations were high, actual implementation was dramatically lower. Citing a lack of the skills and expertise needed to partner externally, many CEOs refer to partnering as ‘theoretically easy’ but ‘practically hard to do.’”**

**IBM Global Services  
Global Study of 765 CEOs**

Our consulting experiences and research<sup>1</sup> demonstrate that while there is general agreement that collaboration is essential, there is considerable uncertainty about how to embrace a collaborative way of working and conducting business. For example, a colleague related a conversation he had in the executive suite of one of the most respected global companies. The executive he was speaking with oversees the company’s supply chain. Our colleague was somewhat surprised to hear the executive say that he knew he needed to collaborate across his supply chain; he just didn’t know *how* to go about it. He’s clearly not alone.

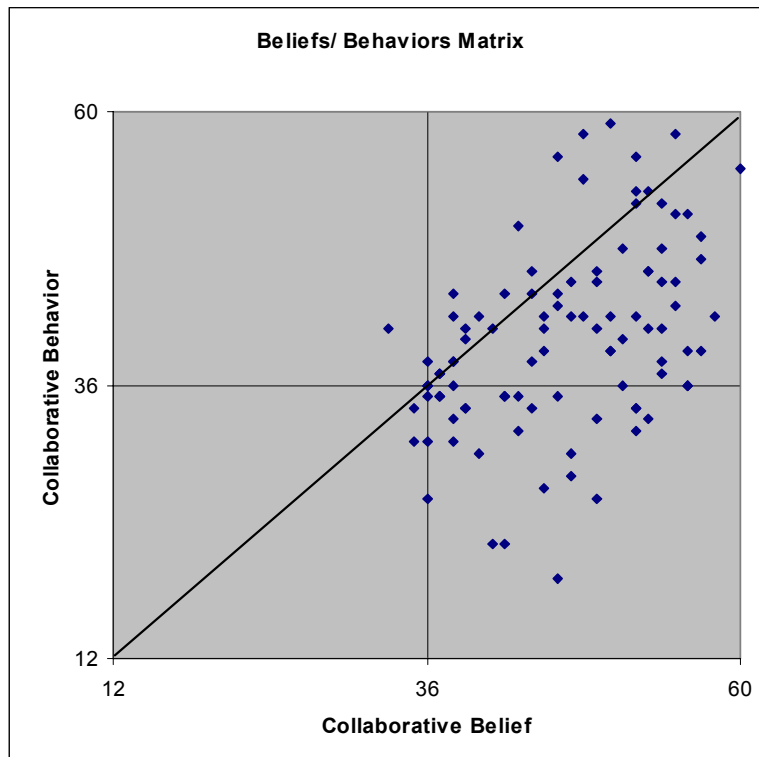
During a plenary session presentation at The Association of Strategic Alliance Professionals’ (A.S.A.P.) Annual Global Summit (February 2006), we asked those in attendance whether the people in their organizations know how to collaborate. Much to our surprise, out of approximately 175 people, only six people raised their hand.

The results of our straw poll are reinforced by the results of an alliance management survey conducted by Vantage Partners (2006). The survey findings show that the vast majority of respondents believe that the 10 alliance relationship management capabilities identified by Vantage are important, but only a minority indicated that their companies have those capabilities on more than an ad hoc basis.

Recently, we conducted a study with more than 100 sales representatives of a major global company involved in a “sell with” alliance with another global company.<sup>2</sup> The instrument used to conduct the assessment provides participants with scenarios they are likely to encounter that involve their alliance counterparts. Because of the nature of the survey, the results are not statistically significant. They do however, provide some insights. Figure 1 shows that while sales professionals understood what would be the desirable outcomes to the scenarios, they didn’t know how to go about collaborating with their counterparts to achieve them. Their direct managers scored similarly, which points to the danger in assuming that managers have the necessary skills to support effective collaboration.

<sup>1</sup> The research includes interviews in 2004 with more than 100 relationship managers, primarily from global 500 companies.

<sup>2</sup> The authors wish to acknowledge the contributions of Nat Welch of Welch Consulting to the development of the assessment instrument and conduct of this study.



**Figure 1**

Specific areas queried that highlight a need for skill development include:

- Understanding partners' motivations
- Solving conflicts creatively and obtaining win-win outcomes
- Coordinating messaging
- Understanding the differences between partners
- Sharing learning with counterparts to improve results

Interestingly, similar needs have been highlighted in assessments of other alliance stakeholders. These skill deficiencies are indicative of problems that often derail collaborative relationships. If the sales force can grow their effectiveness in working with alliance counterparts, financial results should follow. A longitudinal study, designed to correlate collaborative capability with sales results is being planned.

### The Collaborative Challenge

**“As companies begin to understand the strategic value and power of commercial networks, collaborative skills become more and more important. Point-to-point collaboration is powerful. Network collaboration can be revolutionary.”**

Capgemini

There are undoubtedly many challenges to developing a pervasive organizational ability to collaborate. To be honest, we all know that collaborative relationships are hard work. They can be complex, time consuming, and counter-cultural. Greater complexity develops as more people need to be knowledgeable about the business at hand. With more people involved, decision making can take longer. In some companies, collaborating can be seen as a sign of weakness – an admission the company can't be successful on its own. Effective collaboration requires growing trusting, purposeful, mutually beneficial relationships. Not as an end in and of themselves but as the means to achieving the strategic and financial intentions of the collaboration.

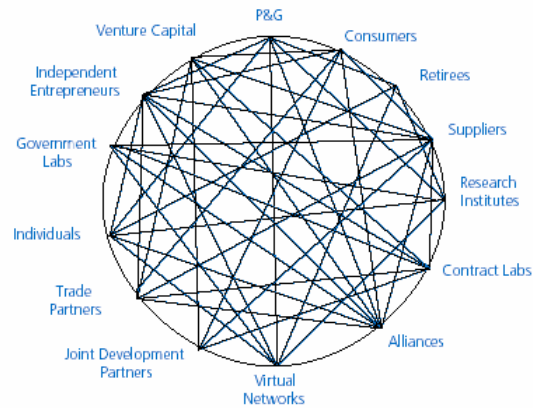
Make no mistake about it. Collaboration isn't about being nice. It is an inclusive and reciprocal approach to getting what you want.

It is essential to remember that relationships by definition are always between the individual people who interact. Organizations only have relationships as the result of the actions people take on their behalf. When organizations are working together in a collaborative manner, there may be thousands of people that are actually interacting with one another. If these people aren't skilled in working collaboratively with their counterparts from the partner organization, they may inadvertently contribute to a breakdown in the relationship. Indeed, employees often consider it a punishment to be assigned to a team working with a partner because of how much harder it can be to get work done. Too often, the work of growing a relationship with one's counterparts is “outside of my day job,” or “doesn't impact my bonus.” Nothing could be further from the truth, given the role collaborations are playing in nearly every organization's strategic and financial plans.

When done well, the rewards from collaborating are significant. Procter & Gamble's collaborative approach to innovation, which they refer to as Connect + Develop, is providing huge benefits for the company despite the complexity stylized by the model in Figure 2. Writing in *Harvard Business Review* (March 2006), Larry Huston, vice president for innovation and knowledge and Nabil Sakkab, senior vice president for corporate research and development at P&G stress that, “The model works...Five years after the company's stock collapse in 2000, we have doubled our share price and have a portfolio of 22 billion-dollar brands.”

The need to collaborate is driven by many factors that threaten current business models. In most industries, one can point to the impact of technical advances, especially in information and communication technologies, on the way business is done. Consumers have been empowered to seek satisfaction of their needs on an evermore personalized basis and businesses have been enabled to respond. One

**“Relationship management leaders not only recognize the importance of value-added collaboration, but they also assign greater resources against these activities.”**



**Figure 2**

## Accenture

can argue that without this technical advancement, globalization would not be careening forward at the rate that it is, and with all its threats to non-collaborative business models.

The increasing costs and technical challenges common across most industries are resulting in a rise of specialist firms. Pharmaceutical giants depend on firms specializing in new drug discovery and delivery technologies. Semiconductor firms look to chemical companies to develop new materials to create more powerful chips. Even integrated oil and gas companies turn to oil field services firms to develop production enhancing technologies. Couple the technical needs with the shortage of skilled scientists and it becomes apparent that no company can go it alone. The public sector is also recognizing that overlapping infrastructures are costly to maintain and don't necessarily provide the service citizens seek.

Figure 3 presents some of the forces driving the need to collaborate in a few key industry sectors that touch virtually everyone.

Why collaborate? By collaborating, firms seek to spread risk and expense, maximize revenue and service, and gain access to intellectual property, expertise, know-how, relationships, and other resources. Today, innovation and growth require an organizational ability to collaborate that must be deeply embedded in the mindset, skillset, and toolset of every organization.

The question of how to develop a collaborative ability that is pervasive throughout an organization is important given the realities of legacy corporate structures and of compensation and reward systems that

Sector	Factors Driving the Need to Collaborate
<b>Pharmaceuticals</b>	<ul style="list-style-type: none"> <li>• High cost of drug development</li> <li>• Increasing challenges to intellectual property</li> <li>• Pricing pressures</li> <li>• Product liability issues</li> <li>• Potential of personalized medicine</li> </ul>
<b>Oil and gas</b>	<ul style="list-style-type: none"> <li>• Technical advances required to increase production</li> <li>• Increasing importance of national oil companies</li> <li>• Increasing global competition for essential commodities, such as cement and steel</li> <li>• Graying of the industry and shortage of engineers</li> <li>• Environmental issues</li> </ul>
<b>Semiconductors</b>	<ul style="list-style-type: none"> <li>• Moore's Law</li> <li>• Increasing costs and complexity of innovation</li> <li>• Roadmap requires new chemicals and materials technologies</li> <li>• Customers want "manufacturing ready" technological innovation</li> <li>• Time to market critical</li> </ul>
<b>Public Sector</b>	<ul style="list-style-type: none"> <li>• Consumer/taxpayer demands for service</li> <li>• The costs of maintaining infrastructure</li> <li>• Increasing debt loads</li> <li>• Costs associated with an aging society</li> <li>• The need for global connections to enable growth and innovation</li> </ul>

**Figure 3**

encourage non-collaborative behavior. The capability may be developed by a dedicated group, such as alliance management or strategic relationship management, but unless those competencies, knowledge, processes, management systems, and technologies that comprise the capability are widespread throughout the organization, it has limited capacity for collaboration.

Recent announcements regarding corporate reward systems are demonstrating that change is happening. In a *Wall Street Journal* article (2/13/06), "Rewarding Competitors Over Collaborators No Longer Makes Sense," Richard Antoine, Procter & Gamble's global human-resource officer, said "Individual performance still matters, but you won't perform well in this complex world if you aren't collaborating with and getting help from lots of people." General Electric, one of the originators of the forced ranking system, recently announced that it was starting to move away from the system because it was inhibiting collaboration (*BusinessWeek* 1/9/06). When compensation systems begin to move toward a more collaborative focus, all the dominoes are falling into line for significant transformation.

Thus, there is broad agreement that collaboration is the way of working and conducting business in Friedman's flattened world. Now that greater insight exists into why collaboration is required and legacy structures are starting to give way, a new set of challenges are emerging. The questions now being asked are about how to effectively collaborate to win.

# Creating a Common Language with Shared Meaning

**Collaboration is an inclusive and reciprocal way of working and conducting business that spans organizational boundaries and hierarchy to achieve outcomes that create advantage for all parties to the endeavor.**

Perhaps the most important impediment to growing collaborative capability and capacity is the absence of a common language with shared meaning. A great example of this is a misunderstanding over what was meant by the term “one year” as it related to a budgetary issue between two partners. One party thought it meant the calendar year and the other thought it meant twelve months from product introduction. Fortunately, it took less than a year to resolve the conflict.

In the interest of clarifying words that everyone thinks are understood, let’s define the meaning of collaboration. Putting aside the negative meaning collaboration can have in times of war, the dictionary definition is “to work jointly with someone with whom one is not immediately connected.” A better definition, said within the context of both inter-entity and intra-entity collaboration is, “an inclusive and reciprocal way of working and conducting business that spans organizational boundaries and hierarchy to achieve outcomes that create advantage for all parties to the endeavor.” The meaning of the terms: organization, boundaries, hierarchy, advantage, and endeavor have to be determined within the context of each specific collaboration.

This definition of collaboration represents the vision of what can be with sufficient organizational capacity for collaboration and sufficient trust among the potential collaborators. Many people and their organizations are working at becoming more collaborative. They’re flexing certain muscles and engaging in carefully focused projects. Do commercial and public sector activities currently have the capacity to be organized as dynamic, collaborative networks? By and large, not yet. The entrepreneur’s clean sheet of paper is enabling the drawing of a new vision; however, getting there is a process that takes time. Peter Drucker said that this transformation would take 25 years (*Business 2.0*, August 2000).

Growing collaborative capability is finding its way into the goals of senior executives. Most efforts involve just two organizations, although more and more multiple entity collaborations are announced each day. For example, in April 2006, the Scottish government announced a collaboration between pharmaceutical giant Wyeth, four universities, and four National Health Service regions all in Scotland to develop excellence and infrastructure in translational medicine (Scottish Enterprise, April 2006).

Labels and titles create confusion, too. A company trying to build a more collaborative relationship with one of its key suppliers may refer to the person responsible for that relationship as a supplier relationship

**“ If you’ve seen one alliance...you’ve seen one alliance.”**

**Michael Leonetti  
Executive Director  
Health Care Partnerships  
Boehringer Ingelheim  
Pharmaceuticals**

manager. This is a title that normally reports through procurement, conveying a cost focus and not a focus on true collaboration. Whereas, a different company trying to build essentially the same relationship with another company may refer to it as an alliance and the person responsible for that relationship as an alliance manager, conveying an operational focus. And a third company may call the relationship a strategic relationship and the point person a strategic relationship manager, with yet a different connotation.

Clearly articulated definitions of terminology are required to develop a shared meaning, especially when it comes to explaining the nature of the relationship and the role of the relationship manager. One tactic for describing the nature of the relationship is to explain what is meant by the term and what isn't meant by the term. Figure 4 shows an example of how one company describes what they term a strategic supplier relationship is not.



**Figure 4**

In practice, supplier relationship management can refer to a component of category management, which is a life cycle approach to procurement where managing the total cost of ownership of a particular category of goods and services is the goal. Or it can be an approach to creating mutual strategic value by leveraging each other's talent, ideas, and resources in innovative ways. It can be some of each, too; and what's right may change over time. It depends on the purpose of the collaboration, which also may change over time.

What is important is that not all relationships are the same and thus can't be labeled, described, or handled in the same way. A segmentation process that drives engagement strategies, sets expectations, and

## Collaborating To Win

describes the role of the relationship manager is essential. Specific, measurable criteria for each category of relationship can be spelled out and definitions and descriptions articulated and communicated. In practice, a relationship only rises to the level of a collaborative relationship when:

- There is a common vision of the outcomes of the relationship
- Common sources of value are identified
- The parties are engaged in activities intended to produce advantage for all concerned

True collaboration creates a boundary bridging network that is unique to its purpose. As one executive said, "I like walking into the annual sales meeting and not being able to tell who's on our payroll and who's on our partner's payroll."

# The Choreographer

People leading  
collaborative networks  
are choreographers

The people primarily responsible for achieving the desired outcomes of a collaborative endeavor have different titles and different responsibilities, depending on the purpose of the collaboration. It is a dynamic and entrepreneurial role, requiring much agility and resourcefulness. To transcend the vagaries of terminology and the particulars of any specific collaboration, a more descriptive label for the people leading collaborative networks is “choreographer.” The dictionary defines choreography as “...the gathering and organization of movement into order and pattern.” As such, the choreographer of a collaborative network assembles all of the organizations required and arranges that these organizations function in coordination and synchrony.

Most simply, the job of a choreographer is to rally people and their resources around the vision for the collaboration. As the collaboration and underlying relationships grow, more valuable resources become available. A choreographer must be:

- **First and foremost, an entrepreneur** – Rallying people and their resources around a vision is the chief job of an entrepreneur. When two or more entities form an alliance or partnership, there is a new collaborative network formed that can be viewed as a new entity. It requires someone to hold the vision and be comfortable with the ambiguity inherent in creating and growing something new
- **A passionate advocate** – The choreographer represents the interests of internal stakeholders to partners, all the while representing the interests of partners to internal stakeholders. A non-partisan understanding of value is required to enable it to flow between and among parties to a collaboration. This give and get is the secret sauce that makes collaboration work
- **A dedicated coach and mentor** – Growing the collaborative capability and capacity of an organization requires sharing learning and proactively developing skills and appropriate behavior. This often means working with senior leadership to guide them in understanding the implications of some of their actions and decisions
- **A tireless communicator** – As we’ve seen, a common language with shared meaning is essential for collaborative success. The choreographer must help all involved have a common vision of success and present a holistic view of the relationship. Failure to communicate effectively can set unrealistic or false expectations and can erode trust when expectations are not met

## Collaborating To Win

The choreographer's role is intellectually challenging and operationally sophisticated, requiring an understanding that one must give, while never forgetting that which one seeks to get within the specific context of the collaboration. It is often the ultimate example of influencing without authority. If choreographers are to increase the likelihood of collaborative success, they must embrace the challenge of ensuring that the people in their organization engage in the right collaborative activities and have the skills to do them well. This boundary bridging role is essential to the ongoing transformation of hierarchical, siloed organizations into dynamic, entrepreneurial networks with the capability and capacity to successfully collaborate.

# Mastering the Art and Science of Give and Get

**“Companies are looking for ways to improve the effectiveness of their top talent: workers who interact with others and draw on experience and judgment to solve the deepest business problems. What makes these workers valuable is their ability to work collaboratively, to leverage ‘relationship capital,’ and to improvise and improve new solutions within an environment that fosters trust and constant learning.”**

*The McKinsey Quarterly*  
McKinsey & Company, Inc.

The give and get of collaboration creates value and provides currencies that are useful to every party to the relationship. A currency is any tradable medium of exchange. Relationship currencies are the sources of value, such as access to a thought leader or decision maker, knowledge of a company’s technology roadmap, or credibility through association, that are only available within the context of a relationship built on trust and reciprocity. The more collaborative a relationship, the more currencies are and must be exchanged to make the collaboration successful.

People implicitly use relationship currencies all the time in their interactions with others. In business, these currencies usually take the form of information, access, insight, or other sources of value, such as the right to exclusive use of a new piece of production equipment for a period of time, received because of a willingness to test and provide data that can improve the equipment and increase its ultimate marketability. When the use of relationship currencies is made explicit and purposefully linked to strategic objectives, they become powerful instruments for creating value. This is especially true when you consider that the knowledge, connections, experiences, and skills of people are the primary drivers behind business success today. People control how they share these sources of value and only do so when they feel they’ll be properly used in the conduct of good work.

Examples of this phenomenon are revealed when one looks at the specialist relationships discussed earlier. Biotech companies and device firms want the development and commercialization expertise and resources the pharmaceutical giants have in order to accelerate their growth. The pharma companies want the discoveries and innovation processes of the biotechs to build their pipelines of products that they can develop and commercialize. Semiconductor firms want the knowledge gained through and efficiencies learned when material, tool, and capital equipment companies bring a manufacturing ready solution to them. For this to happen, the chip makers must open up precious intellectual property to aid the chemical companies in formulating the right materials. In both the examples, the holders of the knowledge and technology – the relationship currencies in our example – likely do business with competitors of the user of the technology. These exchanges are essential for business to occur and because of their sensitive nature, only occur within the context of a trusting, purposeful, mutually beneficial relationship.

As the quote on the left from McKinsey illustrates, work is an iterative process of learning how to organize resources and conduct that work in a

## Guidelines for Using Relationship Currencies

1. A relationship currency has value only if you have it when needed
2. Used properly, relationship currencies can be used over and over again. In some instances, their value will actually grow over time
3. The value of a relationship currency is determined by the recipient of that currency
4. You may need to offer more than one relationship currency to get what you need
5. You have to be careful to not over-commit the currencies you are providing to others

way that gets one successively closer to desired results. The how cannot be known, it is only emergent within the context of the dynamic environment in which answers are sought. One makes assumptions, puts them into practice by interacting with others, learns, makes better assumptions and then puts *them* into practice. This continuous give and get that occurs when people interact towards achieving their common and individual objectives is the essence of collaboration and is the rhythm of business.

It is a truism and reality that one must give to get. A salesperson won't introduce a partner to one of his or her sources of information regarding potential customers in a joint territory, unless the salesperson has a relationship with that partner and is confident the introduction will be treated as valuable. The salesperson expects that the partner will reciprocate and offer something that will be of value to him or her at a future date. One-sided relationships don't last; however, the give back doesn't have to happen immediately. The best business relationships have a rhythm to them. The give and get over time is what builds trust, validates or invalidates assumptions about how to achieve objectives, and develops innovative ways of creating value for all concerned.

Thus, the essential competency required for developing collaborative capacity is to master give and get. Give and get implies an ability to uncover motivations, needs, and desires that are only partially articulated, if articulated at all. And what is important and useful to one party to the collaboration may be of limited use and value to another party. Only the recipient can assess value, as value is personal, relative, and time sensitive. Thus a piece of information offered up may be of negligible value to the person offering it, but it may be what connects the dots for someone else and provides powerful insight. But if the dots aren't connected until it is too late to inform an important decision, the information is of little value.

When you understand what is important and useful to someone, you understand what is motivating their actions. This is powerful insight that when used properly can make obstacles vanish and innovative solutions materialize. This is the **art of give and get** – using the iterative process to understand what is of strategic value to yourself, your organization, and fellow collaborators.

The **science of give and get** encompasses frameworks and tools for guiding the strategy and operations of collaborations and measuring their results. As we've seen, the results of interactions inform decision making about what to do next. Collaborative business frameworks and tools enable executives to make more confident operational decisions, to utilize relationship currencies more effectively, and to understand the best use of all their resources. Accounting is the language that informs financial decision making. The give and get is what informs decisions about how to use relationship currencies wisely.

‘A horse, a horse, my  
kingdom for a horse...’

Shakespeare’s Richard III  
in the heat of battle

Like many intangibles, relationship currencies can appreciate over time. Relationship currencies can be tangible, as well. The state of the art equipment the producer in the earlier example got exclusive use of was very tangible. The information, data, and insight the manufacturer received through that interaction would generally be considered intangible. From a traditional accounting perspective, relationship currencies are not counted unless there is a financial transaction that accompanies them, and even then it is from a transactional perspective, not a collaborative perspective. The asset that is then unaccounted for is *collaborative capacity*, the potential for value creation resulting from the accumulation of relationship currencies across a collaboration.

Accounting for collaborative capacity is essential to making informed decisions about how people should use their time, energy, and currencies in pursuit of strategic and financial objectives. Collaborative endeavors may have immediate payback in terms of relationship currencies, but often the strategic and financial benefits are longer term. Measuring collaborative capacity helps keep efforts on track before they can be reflected in financial statements or other outcome measures. Collaborative capacity cuts across organizations and looks at the collaborative network as the organization.

Another aspect of measuring collaborative capacity is that it reflects the value of a collaborative network from the perspective of the participants in a network. It highlights where value is being created, where investment is required and where resources are being squandered. For instance, a measure of one collaborative network found that there was a potential increase in capacity of 39% overall, but in 6% of the network participants were only getting currencies from the collaboration, and not giving currencies. With this understanding, the choreographer could assess the situation and decide whether to redirect the resources focused on the 6% or continue to invest in an effort to obtain the currencies in pursuit of the objectives of the collaboration.

Over time, collaborative capacity can be linked to financial and other outcomes. Take for instance, the collaboration between a customer and one of its most important suppliers. These two companies have an initiative to create better business outcomes for each other by engaging in more collaborative activities. The supplier was having some technical challenges that were resulting in lost production for the customer. In the past, there would have been much finger-pointing and blaming, delaying problem resolution. With the new commitment to openly working together, sharing information and being transparent about shortcomings; the problem was solved much more quickly. This meant the customer could regain production sooner and the supplier could keep the business. The impact of this outcome can be quantified relatively easily. Equally important, when team members saw their leaders working together without blame and with transparency, the team members took notice and

## Collaborating To Win

their behavior changed allowing them to work on efforts to create value for one another. In this specific instance, they've identified \$20 million in new revenue that their collaboration will produce over time.

By using the inflow and outflow inherent in give and get, basic tools such as surveys and matrices can be used to enable more effective decision making and improve the productivity of the most valuable workers. Measuring collaboration is complex and thus not often done. However, as collaborative business becomes more the norm, it must be done. Using give and get as the basis for measurement and assessment takes away much of the complexity and provides meaningful and actionable information for decision making about how to make the best use of people's knowledge, access, connections, and skills.

# Collaborative Capability and Capacity

**“This is not a waste of time. The prize is bigger than we ever imagined.”**

**Participants in a supplier/customer collaboration**

Some people are naturally collaborative. They understand the give and get and how to rally people and their resources around a vision. For an organization to fully partake in collaboration with other entities it must not only have people with the skills, it also needs processes and systems to make collaboration an organizational capability. Given the variety of collaborative endeavors, is a common model of collaborative capability possible? This paper has used examples from collaborations of many different types, including:

- Collaborating with go to market partners
- Collaborating with suppliers
- Collaborating among different functions and operating units within large organizations
- Collaborating between the public and private sectors

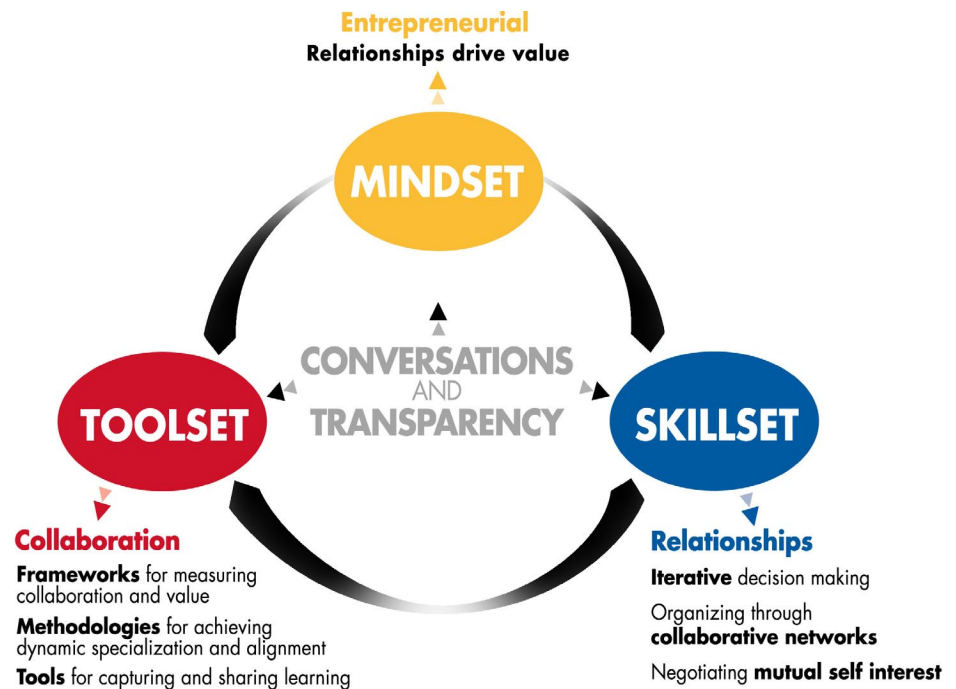
Any one organization is likely engaged in one or more of these types of collaborations at any given time. Each type implies a unique network encompassing specific stakeholders from each partnering organization. Each network looks for differing kinds of value and may vary in its importance to individual participants. It is these dynamic and overlapping networks that introduce much of the complexity into collaboration. To assist people in organizing their collaborations, a common model of collaborative capability can provide a starting point. From there choreographers can design and customize elements of the model to fit the specific circumstance.

The following model (Figure 5) is presented to introduce a common way of thinking about collaborative capability.<sup>3</sup> The essential components of the model include a specific mindset, skillset, and toolset that drive desired strategic and financial outcomes.

**Mindset** – An entrepreneurial understanding that collaboration occurs between people, thus relationships drive value. As any entrepreneur will attest, the key mindset for innovation and growth is to recognize that he or she must rally the people and their resources who can best help realize his or her vision.

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<sup>3</sup> Thanks to Ann Perrin, Verna Allee, Mairi MacRae, Nat Welch, Brooke Paige, Barbara Kivowitz, Patti Anklam, and Dave Bayless for contributing to the development of this model.



**Figure 5**

**Skillset** – An ability to iteratively grow mutually beneficial relationships through the purposeful exchange of relationship currencies. More specifically, people need the skills to recognize the dynamic boundaries of the many collaborative networks in which they participate and have the ability to create value within those networks through the negotiation of mutual self interest (give and get).

**Toolset** – A system to guide the growth and development of collaborative relationships. Included in the toolset are frameworks for identifying and measuring value and collaborative capacity, methodologies that support dynamic specialization and alignment throughout the network, and specific tools to capture and share learning.

The engine for organizational transformation and success at the core of the model is conversations and transparency. Without ongoing structured and unstructured conversations within and among the people in the collaborative network and without the assurance of transparency needed to build the trust required, neither the network nor its member organizations are able to achieve their desired outcomes. Effective collaboration requires a degree of transparency and a level of interaction necessary to have sufficient trust to engage in the activities at hand. Collaboration is not an all or nothing proposition. We can collaborate a

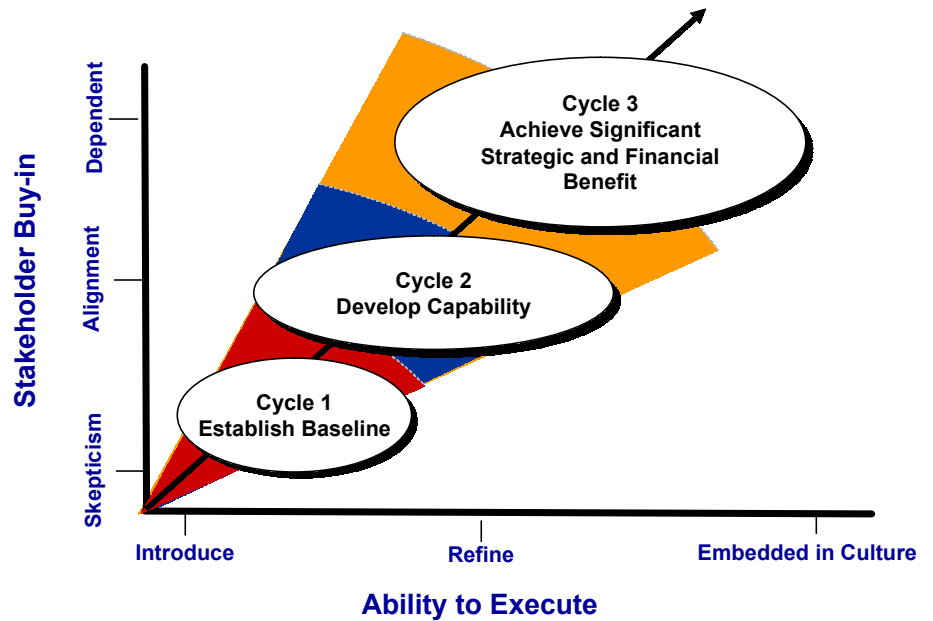
## Collaborating To Win

little or a lot, depending on the situation and our shared level of meaning and trust in one another.

Collaboration must be a core competency of individuals and an organizational capability. This takes time to develop when one has to evolve from legacy structures and systems. As a result, growing the capability often begins with a particular type of collaboration. If the relationships among collaborators are pre-existing, starting with a demonstration pilot may be advisable to minimize risks, such as exposing intellectual property or having people without a clear understanding of the prize waste time in unproductive meetings. The desire to grow a collaborative capability must come from a clear strategic need. For most organizations it develops as leaders see a way to gain advantage by becoming more collaborative.

Just as collaboration is an inclusive and reciprocal approach to getting what you want, any effort to develop a capability must be inclusive. Stakeholders must be identified and consulted and they must understand what is in it for them to act differently. This is especially true when there is a significant shift in behavior desired, as is often the case. In certain instances the shift may be dramatic – moving from adversarial commerce to collaborative business. It is also important to have a fully developed understanding of the current state of affairs and engage with all collaborators to describe a common vision, identify common sources of value and the activities in which to engage to produce desired strategic and financial outcomes.

As can be seen by Figure 8, the capability will not develop overnight. Expect skepticism at first and expect that not all efforts will be successful. It is essential to first engage with the people who are passionate about the advantages collaborating to win will bring to the organization and to them, personally. This should include both people in the field and an engaged executive sponsor. Capture anecdotes of success and share them widely. Nothing breeds success like success. Plan to review efforts on a regular basis and make adjustments as needed. Over time, as the capability grows, people will see the results and come to depend on doing business in a collaborative way. As the pervasiveness of the collaborative capability grows, collaborative capacity grows and becomes an asset that provides unique advantage to an organization.



**Figure 6**

While there are many ways to develop collaborative capability and capacity, it is important to keep in mind these seven essentials:

1. Master the art and science of give and get
2. Align internally before approaching external organizations
3. Focus on the strategic and financial intentions of collaborating
4. Embed collaboration into everyday work
5. Create value for stakeholders by working to increase their productivity and mitigating the risks of collaborating
6. Provide resources and tools to enable learning while doing
7. Recognize that relationships are between people

Today, only a few organizations possess collaborative capacity. Those that do, have an advantage over rivals.

### Conclusion

Collaborative business is an intuitively obvious approach to getting things done, but the how of succeeding at it is neither intuitive nor simple. Here are three things you can do to grow collaborative capacity within your organization.

- Survey operating units to identify their essential relationships and understand where stakeholders believe benefit could come from leveraging the ideas, talent, technology, connections, or prestige of these relationships. Pick one or two for a pilot project
- Chances are, your organization is already engaged in collaborations. If so, do people engage in the right activities and do they have the skills to do them well? Assess the current collaborative capacity and provide situational and experiential opportunities for people to develop their competency
- Arrange a forum where leaders can come together and create a vision of your organization operating as collaborative networks. Pick an area where specialist firms can accelerate the achievement of the organization's goals, such as outsourcing logistics or aspects of product development and engage with those firms in a collaborative manner

With simple models and guidelines and an understanding of give and get thinking, organizations can realize the competitive advantage collaborating to win can provide and generate meaningful innovation and growth.

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### About The Rhythm of Business

The Rhythm of Business is a Boston based consultancy and research group specializing in the emerging discipline of collaborative business. For more than 15 years we've built collaborative business models and managed networks of suppliers and partners. Through our consulting and education activities we've developed comprehensive frameworks and measurement tools to enable executives to innovate and grow through collaboration.

Jeffrey Shuman and Janice Twombly are the founders of The Rhythm of Business, Inc. and authors of *In Pursuit of Value* whitepaper series (2003 – 2005), *Relationship Business: The Pursuit of Value* (EvoMedia production by EVO Knowledge, Inc., 2003), *Everyone is a Customer: A Proven Method for Measuring the Value of Every Relationship in the Era of Collaborative Business* (Dearborn Trade, 2002), and *Collaborative Communities: Partnering for Profit in the Networked Economy* (Dearborn Trade, 2001). Jeff is also professor of management and director of entrepreneurial studies at Bentley College, Waltham, MA, and the author of the landmark business book *The Rhythm of Business: The Key to Building and Running Successful Companies* (Butterworth Heinemann, 1998).



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