

COLLABORATION RISKS AND REWARDS

Collaboration between and among organizations is becoming increasingly common and varied. “You never saw companies collaborate 5 or 10 years ago as often they do today,” says Ben Gomes-Casseres, a professor at Brandeis University’s International School of Business. “Some companies used to see a partnership as a strategy for transforming their business, for example, to break into a new market. Today many companies see collaboration as a way of transforming themselves. More precisely, they see it as a strategy—and a need—to ensure their own survival.”

Partnerships are perhaps most common in the pharmaceutical and high-tech industries, where for example, Big Pharma’s Eli Lilly has numerous alliances with tiny biotech start-ups, and the airline industry, whose Smart and Oneworld alliances have 26 and 9 member airlines, respectively. But they are becoming increasingly important in all sectors of the economy.

A number of factors, including the credit crunch and a more global, complex business environment, have made businesses realize that they can no longer go it alone. “A lot of companies have realized that they don’t have all the smart people and the capital they need to tackle the complex issues in business today,” says Jan Twombly, president of The Rhythm of Business. “They also realize that they don’t have the speed and agility to respond to major changes, and that they can’t establish a footprint in every part of the world. On the other hand, they understand that entering into one or more partnerships can give them these capabilities. It’s fair to say that unlike five years ago, organizations today are collaboration-dependent for strategic success.”

The question of whether to collaborate or not is similar to deciding whether to buy or build a particular capability. Says Twombly, “If I need to change strategies

and so reconfigure my organization, it’s far cheaper to get a best-in-class capability by partnering than by building one organically. And that’s very important these days, when the average shelf life of a particular strategy is 18 months.”

While some CEOs still regard forming an alliance as a means to a specific end, for example, establishing a footprint in certain countries, some observers suggest that a look at the bigger picture will yield better results. “A company should develop alliance strategies and not just form strategic alliances,” says Gomes-Casseres. “They should let their business strategy drive the alliance logic and then design the alliance to fit the strategy. An alliance should be formed to grow relationships, not just to do deals.”

While it may seem almost too basic, a successful collaboration begins with the right definition. “The risk of not defining collaboration properly is that you assume that your people have the skills to work in a cooperative manner, that your established management practices and metrics will support the collaboration,” says Jeff Shuman, a professor of management at Bentley College and a principal at The Rhythm of Business. “But in reality, collaboration involves crossing organizational boundaries, and often your own structures and incentives work at cross-purposes to the collaboration. If it’s going to work, any collaborative undertaking needs its own structure, processes, protocols, and objectives.”

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While creating a distinct entity to manage a partnership is important, it is not the most important ingredient. “Culture is the one factor that is most likely to help a partnership succeed and the one most likely to trip it up,” says Evan Rosen, author of *The Culture of Collaboration*. “There are ten elements that influence the degree of cultural alignment among partners and unquestionably the most important is trust. That’s often difficult to achieve because collaboration involves moving away from a culture of internal competition that prevails in too many organizations. That competition cannot characterize a collaboration. People must be comfortable engaging with each other. There needs to be a feeling of interdependency. For example, instead of squeezing suppliers to lower prices, a collaborative organization understands the value of long-term, strategic relationships and that all partners must have a stake in it. The bottom line is that if you don’t bridge cultures you’re not going to be able to collaborate effectively.”

Finally, deciding whether to enter into an alliance is not an easy, straightforward decision. “Maybe the natural tendency of CEOs is to just do it,” says Jeff Shuman. “But they’ll be much better off if they step back and ask themselves, ‘What’s needed to make this work?’ No one should collaborate because you think it’s going to save you money or increase revenue. If the only value is financial, then any collaboration isn’t worth the time and effort. When you have a sense that there are other forms of value such as additional capabilities, greater market access, and enhanced reputation, then that’s when you should enter into a partnership.”

HOW SOCIAL MEDIA ARE CHANGING THE FACE OF BUSINESS

Social media such as Facebook, Twitter, and blogs are altering the competitive landscape. While there are compelling reasons why organizations should support the adoption and use of social media, the most compelling one renders all others moot. “Social media are becoming so incredibly important to a company’s success that a CEO who thinks that they’re a fad risks falling so far behind the competition that he or she could put the company at risk,” says Tim Calkins, professor of marketing at Northwestern University’s Kellogg School of Management.

“Social media are enablers of a fundamental shift in marketing strategy, in how organizations, customers, and other stakeholders relate to one another,” says Charlene Li, the founder of Altimeter Group and the author of *Groundswell* and the forthcoming *Open Leadership*. “The fundamental rules that have governed how relationships work are being rewritten because of the easy availability and use of no-cost information sharing. You can learn what’s going on in the minds of employees, customers, and partners who all share information about what’s happening in the marketplace. In business, it’s all about relationships, and social media, properly used, enable a company to have the best and deepest relationships.”

While anecdotal evidence suggests that many senior executives remain circumspect about adopting social media, observers believe that even late adopters will reap major benefits. “CEOs are constantly challenged to achieve both short-term and long-term success, and social media is one more tool they can use to achieve both,” says Jackie Alcalde Marr, director of organization and talent development at Oracle North America. “In the short term, for example, social media can accelerate innovation and collaboration by connecting those with critical problems to those with the right information

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