creativity

innovation

**Collaborating for
Innovation**

Topic Outline

- Importance of Collaboration

- Reasons for Collaboration

- Types of Collaboration

- Obstacles to Collaboration

- How to Encourage Collaboration Work

- Open Innovation versus User-led Innovation

Lesson Outcomes

1. Explain reasons as to why companies collaborate and what benefits and pitfalls of collaboration

2. Explain different forms of collaboration and how collaboration can be encouraged

3. Identify the difference between open innovation and user-led innovation

Importance Of Collaboration

- Collaboration – many organizations feel that they have come to the end of the path of growth through mergers and acquisitions and that future growth will have to come from new avenues through innovation and collaboration

- Most collaborations lasted between 2 and 5 years.

- Larger organizations tended to have longer cooperation periods.

Who to collaborate with?

Other companies	73%
Academia	48%
Consultants	35%
Government or private research institutes	25%

Box 13.2 Collaboration today and in future

Within the supply chain

- With distributors & retailers: Past→Future
  - A small percentage   53%→60%
  - Majority   11%→18%
  - Not at all   31%→20%
- With suppliers: Past→Future
  - A small percentage   64%→60%
  - Majority   11%→22%
  - Not at all   18%→13%

With customers

- Lead Users: Past→Future
  - A small percentage   44%→33%
  - Majority   23%→47%
  - Not at all   24%→13%
- Customers generally: Past→Future
  - A small percentage   51%→33%
  - Majority   33%→44%
  - Not at all   13%→13%

With the competition

- Non-direct: Past→Future
  - A small percentage   47%→53%
  - Majority   4%→9%
  - Not at all   49%→36%
- Direct: Past→Future
  - A small percentage   38%→49%
  - Majority   9%→9%
  - Not at all   56%→42%

Other

- Universities: Past→Future
  - A small percentage   51%→53%
  - Majority   7%→11%
  - Not at all   42%→29%
- Consultancies: Past→Future
  - A small percentage   58%→62%
  - Majority   16%→20%
  - Not at all   22%→13%

Importance Of Collaboration

Collaboration takes place at two levels:

1. Internal
   - Within one business unit or within the overall business such as use of cross-functional teams
   - Help create shared value and bind different parts of the organization together

2. External
   - Across businesses or industries

Reasons For Collaboration

1. The desire to share risk and cost

    •   The higher the risk and costs, the greater the openness towards collaboration. E.g pharmaceuticals

    •   Problem – brand risk if collaboration fails or results are too far from the image and positioning of the parent companies.

2. Assessing and creating new or different markets

    •   Collaboration with companies in new or different target market can help to accelerate expansion process, provide valuable local insights ad expertise.

3. To obtain additional resources

    •   Due to downsizing and to refocus, some companies would have collaboration in R&D and product development activities.

Reasons For Collaboration

4. Access to and transfer of knowledge

    • Due to the lack of skills or technologies necessary to execute a particular project.

    • Collaboration can provide access to additional resources, transfer skills between organizations and learning by doing and observations.

5. To reduce development time

    • Collaboration is a quick way of gaining access to skills that would take a long time to develop in-house.

COLLABORATION LEADS TO GREATER INNOVATION

Types Of Collaboration

HIERARCHICAL RELATIONS	Through acquisition or merger, one firm takes full control of another's assets and coordinates actions by the ownership rights mechanism
JOINT VENTURES	Two or more firms create a jointly owned legal organization that serves a limited purpose for its parents, such as R&D or marketing
EQUITY INVESTMENTS	A majority or minority equity holding by one firm through a direct stock purchase of shares in another firm
COOPERATIVES	A coalition of small enterprises that combine, coordinate, and manage their collective resources
R&D CONSORTIA	Inter-firm agreements for research and development collaboration, typically formed in fast-changing technological fields
STRATEGIC COOPERATIVE AGREEMENTS	Contractual business networks based on joint multi-party strategic control, with the partners collaborating over key strategic decisions and sharing responsibilities for performance outcomes
FRANCHISING	A franchiser grants a franchisee the use of a brand-name identity within a geographic area, but retains control over pricing, marketing, and standardized service norms
LICENSING	One company grants another the right to use patented technologies or production processes in return for royalties and fees
SUBCONTRACTOR NETWORKS	Inter-linked firms where a subcontractor negotiates its suppliers' long-term prices, production runs, and delivery schedules

Obstacles To Collaboration

1. Lack of trust and respect

   - Reduction in levels of trust in organizations which have gone through periods of change induced by mergers, acquisition, restructuring or downsizing.

   - Negative impact of downsizing:

     Destruction of trust, destruction of internal networks and elimination of slack.

   - Respect – determines to which degree participants believe that their colleagues' actions and words are their best efforts.

2. Restrictions to knowledge sharing

   - The willingness to share and contribute on both or all sides is important.

   - If one party holds back, the other(s) are likely to do the same.

Obstacles To Collaboration

3. Reward systems
   - If the contribution to a successful collaboration is not part of the assessed performance, people will not give themselves entirely to the collaboration.
   - Rewards and assessment systems have to be set up to encourage and support collaborative behavior.

4. One-sided benefits
   - Unless both parties gain from working together, the collaboration will not be sustainable.
   - The attitude 'the winner takes it all' is not one that is appropriate for collaboration.
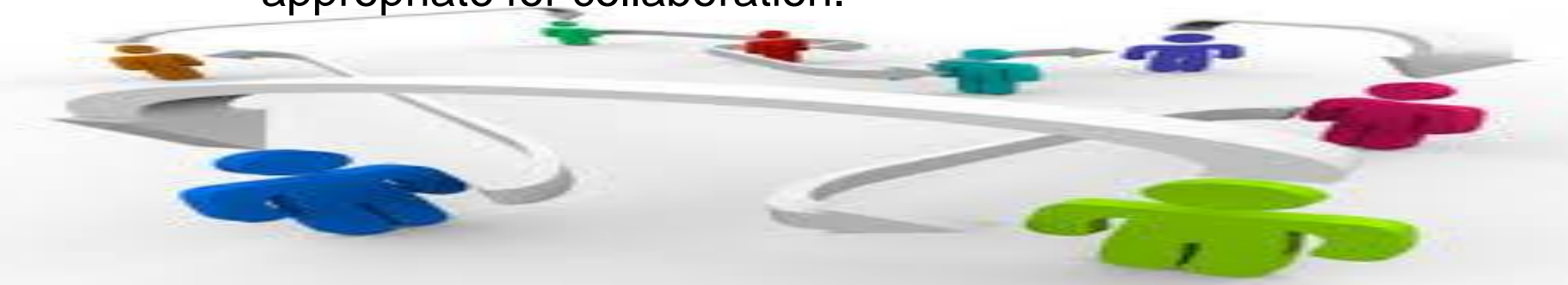
Benefits and Pitfalls Of Cross-Industry Collaboration

Possible pitfalls	Possible benefits
• Not making the right match of partners (how to find them in the first place?)	• Corporate strategy – external partners can be a positive inspiration
• Not hitting the decision makers when seeking and promoting collaboration	• Breakthrough innovations – potential for something that has not been before
• Not defining clear 'success' objectives: hit & run or visionary inspiration?	• Perfect partners
• Not visualising as soon as possible (to create a shared understanding and vision)	• Energy of networking – inspiration comes through exposure to different bodies of knowledge
• Not understanding instability of '3-some'; making such a relationship work is not easy; it generally benefits from a facilitator or arbitrator	• Future perspective – creating a new stream of business/opportunity
• Not recognising durability of relation: what are we interested in, a one-night stand or long-term relationship	• Brand image – positive association of innovation
	• Market success – across-industry products and services tend to open up new markets rather than extend existing ones

How To Make Collaboration Work

1. Rationale for collaboration

   - Should be undertaken for the right reason.

   - Type of collaboration should be matched to the objectives.

   - Other requirements:

     - ✓ Support of top management

     - ✓ Objectives need to be stated clearly and measures need to be put in place to monitor progress against them.

     - ✓ Reward and assessment structure should be designed to recognize & encourage collaboration.

How To Make Collaboration Work

2. Open and frequent communication

- Parent organization needs to be assured that progress is made against set objectives and team members need to be reassured that they are still part of the main organization.

- Limit number of people involved in decision making process to be flexible and can respond quickly.

- Develop structures which encourage constructive feedback and conflicts to be resolved.
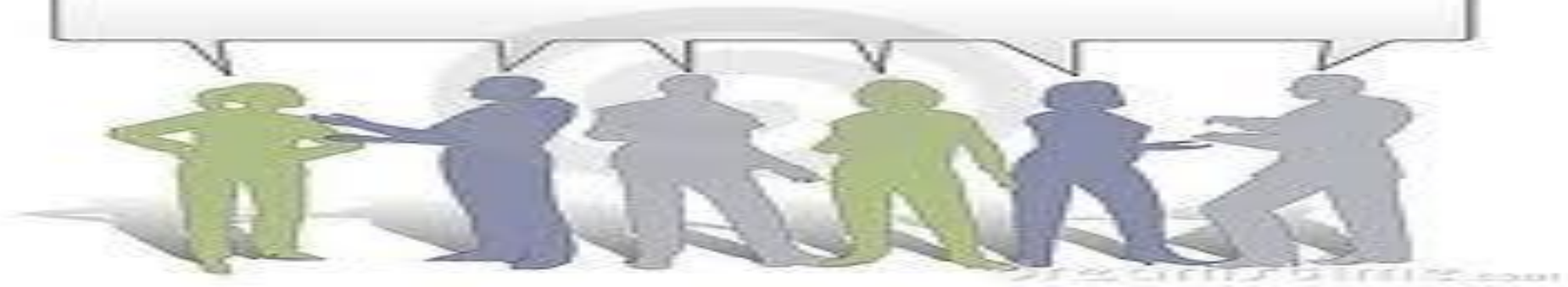
How To Make Collaboration Work

3. Facilitation of face-to-face meetings

- Face-to-face meetings allow trust and mutual respect to grow.

- Find ways that allows collaborations to respect each other's expertise such as organize exhibitions or presentations of their work, develop a game or simulation, use of facilitators etc.

4. Space dedicated to collaboration

- Provide some space where collaboration partners can meet and work together.

- Layout should facilitate and encourage collaboration, offering whiteboards, sticky notes, a selection of tables and chairs chosen for comfort.

Open Innovation Vs User-led Innovation

Open Innovation

- Awareness that great ideas can come from anywhere, not only from top management or people inside the organization.

- Use of purposive inflows and outflows of knowledge to accelerate internal innovation and expand markets for external use of innovation.

- A passive approach – looking for users to come with suggestions.

- Example: Development of Linux software

Open Innovation Vs User-led Innovation

User-led Innovation

- There is a particular group of people out there that is particularly likely to come up with great ideas for products or services.

- The process by which a person develops a personal or in-house innovation because existing products do not meet their needs.

- A proactive approach – company make a conscious effort to identify those users who may have an interest in working with company.

- Main characteristics:

  1. A high expected benefit from a solution to their needs

  2. Needs that are ahead of the marketplace demand

- Example: Lego Factory, Procter & Gamble