

Architecture of Collaboration Across Boundaries

Collaborative Imperative as an Innovation Engine in Value Networks

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EXECUTIVE SUMMARY

Shift to a Fast-Moving Networked World

A global economy, the internet, a proliferation of computers, and a telecommunications revolution forced a major shift in business in the mid-1990s. What was once a somewhat predictable business world almost instantaneously suffered a tectonic shift, becoming fast, discontinuous, and unpredictable. Long term strategic plans were suspended, sales forecasts scaled into shorter horizons, development cycles compressed, and alliances burgeoned to enable adaptation to the shift.

Now business must be inter-connected, complexity and uncertainty are the norm, simultaneous and synchronous interaction is demanded, paradoxical shifts occur regularly, ambiguity and non-linearity are expected in planning where multiple futures must be accounted for. The only organizational structures capable of handling such situations are networks joined by alliances.

There is no time in the history of the world when this type and magnitude of sustained change has occurred in such a short period of time.

Challenge to Traditional Thinking – Key Issues

The old system of value chains where customer beats on supplier for the lowest price is being rapidly jeopardized by competitors who see the competitive battle as one of constructing the best value -network to compete. The key challenges in the new world of networks are:

- Need for Innovation, Integration, & Acceleration: Rapid change is the compelling reason to focus on innovation. Without innovation, faster than ever before a business is faced with becoming extinct.
- Hierarchies are Dinosaurs: In a fast moving world, connected networks that function more like the neural networks of the brain are faster and more efficient than stand-alone hierarchies.
- Need for Collaboration: Our new world of global enterprise is now far more integrated, connected, and thus cooperative. Independence is no longer a sustainable strategy for success.
- Strategic Alliances & Networks: Unlike the prior age, where stand-alone companies could produce nearly everything they needed to sell, the new era demands that we concentrate on what we do well. Successful companies are now learning the importance of being integrated, connected, networked, and allied with their customers, their delivery systems, and their suppliers.
- Power of Intellectual Capital: Financial capital, once the source of power in business, is being replaced by intellectual power, which becomes most sustainable form of competitive advantage.
- Collaborative Innovation: The most sustainable form of competitive advantage in a fast moving world is our ability to *collaboratively* innovate using the differentials in thinking across the network.
- Leveraging Resources: Companies, from large to small are now learning to cooperate to compete, thus leveraging their resources enormously, and enhances their ability to integrate and accelerate.
- Teamwork Inside & Outside: Cross-boundary teamwork internally and externally in networks is essential to prevent being disadvantaged against competitors jointly playing a strategic game.
- Trust Creates Competitive Advantage: Trust will be an even greater asset to networks, because it enables high levels of speed, innovation, and integration – all major assets in a fast moving world.
- Economics of Cooperation: Collaboration and co-creation are not expendable, and thus are not “used up;” the more they are used, the more utility they generate – thus becoming a “regenerative system.”
- Collaborative Capitalism: This new era of capitalism is referred to as “Collaborative Commerce” to distinguish it from earlier forms of capitalism. It’s new, it’s unique, it’s guided by somewhat different rules and principles, and it’s actually very energizing.

The Challenges to the Future of Business: Old Truths – New Myths

The rapidity of the shifts from the Industrial to the Information to the Innovation Eras has caught many by surprise, because what was considered truth in one era becomes myth in the next. Business leaders are often baffled by the seemingly contradictory advice coming from so many presumed authorities. Many academicians are still teaching old management principles that were very true just a few years ago.

Architecture of Trust

In the new paradigm of collaborative commerce, to keep the system running fast and efficiently, trust-building is essential. With trust, businesses are empowered to act co-creatively to innovate, make faster interactive decisions, form teams and forge alliances to make use of their respective strengths and weaknesses, and take risks that are impossible in low-trust environments. By becoming fluent in designing trust, we can take trust from the vagaries of intuition to new level where we can have highly insightful conversations with others. The art of building trust should not be something that “just happens” reactively, thoughtlessly, or invisibly.

Strategic Alliances – The Aligning, Bonding, & Coordinating Architecture

The network’s real value comes from its inherent differences in its members – each presumably brings complementary strengths to bear to enable a synergy where the whole is greater than the sum of the individual parts. The architecture of strategic alliances is highly effective at aligning, bonding, and coordinating (the ABCs) of the value network by applying a system of solutions, strategies, structures, processes, tools, and metrics. This architecture has resulted in shifting the success rates of strategic alliances from a dismal 25% in the early 1990s to a respectable 60-80% success rate now. This architecture, originally developed to enable bi-lateral business alliances, bonds tight networks.

Architecture for Collaborative Innovation

Value Networks are a powerful source of innovation as well. By capitalizing on the *synergy of honorable and compatible differences*, networks hold unique potential as engines of innovation, enabling the transformation of new ideas into new products, services, and solutions. Alliances and value networks are particularly well positioned to produce innovation because they enable fluid access to the fundamental source of innovation: *Differentials in thinking*. Thus, by tapping into the co-creative energies of differentials in thinking, and aligning those energies positively, cross-boundary relationships can become *the unique structure* in an organization to unleashing the innovative potential of the synergies of differentials.

The Battle of Value Chains

No company is an isolated; each is part of a value chain. Winning the competitive game is more a question of how to create an entire value chain/network that’s more competitive than other rivals.

Clarifying the Meaning of Innovation – Six Types

Six distinctive types of innovation power the innovation engine, which can be used in combination with each other, to gain both strategic and operational advantage:

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|---------------------------------|--------------------------------|-----------------------------|
| 1. Technology Inventions | 3. Product Improvements | 5. Business Models |
| 2. System Solutions | 4. Process Improvements | 6. Market Extensions |

Good news: with the exception of technology invention, employees don’t require engineering degrees – making the majority of innovation available to everyone no matter what educational level.

Steps to Get Started

Champions become essential to implement innovation to overcome the inevitable resistance to change. The typical champion’s is a passionate crusader who has the ability to create trust, to be committed to a win-win approach with all parties, and will stand for the greater good of the member organizations. Network management and innovation must be senior management’s responsibility.

Conclusion

Strategic alliance architecture will be the aligning, bonding, and coordinating system for value networks. Collaborative Innovation is one of the most potent factors in creating real competitive advantage in today’s corporation. Building trust will enable the communications and co-creation necessary for success. Value networks will be the foundation for solving the great problems companies face in today’s hyper-competitive business environment.