Collaborative Network Management
An Emerging Role for Alliance Management

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“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.”

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Contents

Introduction ........................................................................ 4

Alliances are Collaborative Networks .......................... 8

Collaborative Ability ......................................................... 14

Collaborative Network Management ............................. 19

From Alliance Management to Collaborative
Network Management ......................................................... 27

Concluding Thoughts ....................................................... 30

About The Rhythm of Business ......................................... 31

Endnotes ........................................................................ 32
Introduction

In a world that is flat—as Tom Friedman suggests—how do alliance managers help their organizations navigate toward the future?

We live our lives and conduct our business in an increasingly connected and interdependent world. The digitization of information along with common standards for technology and business have helped spread knowledge so that work can be conducted anywhere. Advances in information and communication technologies have made it possible for virtually anyone to connect with anyone else, anywhere and at anytime. In this “flat world” (see Figure 1 – The World is Flat) growth comes through harnessing new capabilities and redefining borders.

“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.”

Tom Friedman
The World is Flat: A Brief History of the Twenty-First Century

Although the flat world holds many exciting promises, it also challenges the structures of traditional organizations, ways of working and measuring value that are still largely stuck in the pre-flat world institutions of the industrial economy. The profession of alliance management has been leading organizations to reach for this promise by learning to work across their borders and creating new value. As the pace of globalization quickens and the need for collaboration is embraced by more and more CEOs of companies large and small, alliance management is uniquely
positioned to assume a more strategic role. Without a doubt, an organization-wide collaborative ability is the strategic imperative of our time and the only way to innovate and grow in the flat world. Alliance management is a catalyst, accelerating the transformation to flat world organization structures and ways of working.

The magnitude of the change in the flat world is underscored by Peter Drucker, who prophesized in 2000: “The corporation as we know it is unlikely to survive the next 25 years. Legally and financially, yes. But not structurally and economically.”

Even the thinking around what it means to be an organization has changed, from a single entity to a collection of components linked together because of their individual capabilities and assembled for a specific purpose. The flat world requires new innovative ways in which organizations interact with their customers, suppliers, partners and communities. No one company, entity, government, or association has the talent, resources, or time for the continual innovation that the global marketplace demands.

Like the expanding of the commercial playing field to more players and forms of collaboration, organizations are opening themselves to their stakeholders and the broader world. Organizations are learning to focus on their strengths and to complement them with expertise and resources from outside their borders. These relationships with other equally focused and specialized entities allow organizations to provide complete solutions—efficiently and effectively—to customers empowered by the technologies of the flat world.

In the flat world, an organization’s purpose is best realized by structuring itself as a collaborative network. A collaborative network is a dynamic, fit-for-purpose structure. It has the agility to iterate its components and how they relate to one another legally and operationally as the purpose and context evolves. Each network is a unique linkage that offers value to all participants by harnessing their individual strengths and connecting them in new, innovative ways.

A collaborative network is the collection of businesses, individuals and other organizational entities that possess the capabilities and resources needed to achieve a specific outcome.

The collaborative network is the organization design best positioned to leverage existing resources and create new value in the flat world.

The Opportunity for Alliance Management

Working in networks is challenging. When organizations work together in a collaborative manner, there may be thousands of people interacting with one another. If these individuals aren’t skilled in functioning,
communicating, and sharing ideas with their counterparts from partner organizations, they may inadvertently contribute to a breakdown in relationship. When that happens, objectives are not achieved and growth potential is not realized.

For organizations to be successful they must grasp the importance of collaboration on the individual level. Often, employees 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. The challenge is magnified when people have to interact with multiple partners with whom there are different legal relationships, objectives, and work processes.

Alliance management has traditionally focused on point-to-point relationships, primarily between a company and its specific partner. As collaborative networks increasingly become the norm, alliances are but one of many forms of relationship that exist within networks. And the success of the alliance may depend on the effectiveness of other relationships within the network.

In this paper, we present the story of the Boeing 787 Dreamliner collaborative network, which illustrates how the interdependencies that exist can create new risks. If one network member fails to deliver, all network members can be affected. More and more, alliance management must see alliances within the context of the networks within which they operate—not as independent, siloed relationships.

All the relationships that make up a network must be appropriately managed and every relationship must be sufficiently collaborative to achieve the purpose of the network, even if the relationship is not an alliance. Activities must be coordinated, information communicated, and resources leveraged. Organizations that have dedicated alliance management groups can benefit from this expertise to realize greater alignment, effectiveness, and capability from collaborative relationships. In many instances, alliance management has developed a management methodology, consisting of guidance, processes, and tools for alliance team members to use in their daily business.

The opportunity for alliance management now is to tailor that methodology for the strategically important non-alliance relationships within the network, resulting in a consistent, relationship-based management framework that can be applied more broadly as appropriate.

Alliance management need not directly manage all of the relationships in a given network. If the non-alliance relationships are currently being managed at all, most likely it is from a procurement or cost-saving perspective. Certainly cost-saving may be a purpose of the relationship, but focusing on cost savings doesn’t produce collaboration. The role of alliance management is to support and enable that procurement manager
or outsourcing manager to realize all of the benefits desired from the collaboration.

Few organizations are truly skilled at collaborating at every level; however, more and more are realizing that they must be. The opportunity for alliance management is to seize this immediate business need and to catapult alliance management into the strategic discussion of how organizations innovate and grow in the flat world.
Alliances are Collaborative Networks

Organizations today are still in the early days of undergoing the fundamental transformation in their structures and ways of working, which are required in the flat world. Within both the public and private sectors, organizations are largely only experimenting with collaborative networks. When we examine emerging best practices, however, we see the potential for alliance management to deliver greater value to their organizations by helping networks composed of alliances and other types of relationships succeed by becoming truly collaborative.

Organizations form collaborative networks to innovate and grow. Often, they need to tackle a problem that no single entity can solve on its own. In other instances, organizations seek access to currencies such as relationships, talent, and expertise without adding fixed costs. When the need for collaboration is identified and acknowledged, an alliance or partnership is often formed. The terms “alliance” and “partnership” define certain collaborative relationships. Specialized knowledge is necessary to lead them to their desired outcomes. Frequently, the underlying need to have non-alliance or partner relationships that are collaborative, rather than the traditional arm’s length variety, in order to fulfill the purpose of a network, goes unrecognized. The expertise that resides within the profession of alliance management should be utilized to manage all of the relationships within a collaborative network, regardless of how any specific relationship is categorized.

Alliance managers know that to be successful, they need abilities and tools that go beyond what is necessary in traditional relationships. The uncertainty of any alliance and the complexity that results from crossing and redefining multiple borders require a unique management capability that can foster an organizational ability to collaborate and create an operating environment in which collaborative networks can thrive.

Recall that collaborative networks are fit-for-purpose structures. They organize themselves in the manner most appropriate for achieving their objectives. Thus it should be no surprise that there is an infinite number of ways in which collaborative networks are managed. Depending on the purpose of a network, specific relationships within it may be managed by functions including account management, supplier management, or outsourcing management, in addition to partner management and alliance management. These existing roles, however, are stuck in the pre-flat world and hold too tightly to boundaries defined by historical language and structures. What is needed is collaborative network management—a concept that is far more than just a name and which alliance management is best positioned to lead.
The Traditional Alliance View

Most frequently, the relationship between alliance partners is managed as a single point-to-point relationship, as reflected by Partner 1 and Partner 2 in Figure 2 – Traditional Alliance View. Each partner’s alliance management faces a mighty task in gaining the buy-in of the many internal stakeholders on whom the alliance depends. Each entity likely spends as much if not more time gaining alignment among the key functions and people within its organization as it does in building relationships between itself and the partner organization.

Even in multi-party alliances, the traditional model is essentially a hub and spoke, with the choreographing partner—the network organizer—assuming one-on-one relationships with multiple alliance partners. One of the most illustrative examples is Dow Chemical’s SiLKnet Alliance, which built relationships with 26 firms, many of which competed with each other and with Dow, to introduce a breakthrough disruptive technology into the semiconductor chip manufacturing environment. Key to SiLKnet’s success was its ability to create one-on-one relationships with each partner by protecting each party’s intellectual property. However, once trust was built, the partners started to interact with each other in ways that Dow had not anticipated. The partners understood, perhaps more so than Dow, that to be successful, the interdependencies between and among them had to be recognized, and the inherent opportunities and risks had to be properly managed if all parties were to achieve the benefits they sought by participating in the network.

The SiLKnet Alliance sought to bring together an ecosystem of partners that played significant roles in bringing Dow’s game-changing technology into the marketplace. In this respect Dow was unusually inclusive in the parties it accepted as alliance members. More often than not, alliances are between or among a very few firms. Everyone else who participates in delivering value to customers foremost and to network participants secondarily is left out of anything more than the arm’s length value proposition.
The Collaborative Network

Alliance success depends on more than just the relationship between Partner 1 and 2. In today’s flat world, it almost always takes a network of entities to satisfy customers and achieve success (see Figure 3 – Collaborative Network). The collaborative network illustrated in Figure 3 includes outsourced research, manufacturing, sales, and logistics, as well as global affiliates. In order for the choreographer of the network to fulfill its desired customer value proposition, these members are necessary along with the alliance partner, which likely provides either a product or access to the customer that the choreographer lacks.

Collaborative Network
Figure 3

Most often, but not always, the risks and rewards inherent in relationships with non-alliance network members are reasonably fixed with specific terms and expectations. They are generally characterized as outsourcing or supplier/vendor relationships. However, certain of these relationships at the core of delivering value to customers must be collaborative to deliver their intended results. Not all relationships within the network need to be collaborative. Those that do, fall within the scope of collaborative network management. As we discuss later, the alliance management methodology—the guidance, processes, and tools used to identify, build, and manage alliances to create value—should also be applied to these relationships, with appropriate adjustments.

The consequences of keeping relationships at arm’s length when they should be collaborative, or of treating entities as vendors when they should be partners, can be significant. Traditional relationships generally have limited transparency. Without sufficient transparency, the network choreographer is in the dark.
The Boeing Company’s collaborative network for the design, development, and production of its 787 Dreamliner offers an illustrative and ongoing example of why the choreographer needs to manage the network — not just one-on-one relationships.

The 787 Dreamliner Collaborative Network

When Boeing set out in 2004 to enter the mid-sized, long-range commercial jet market, it introduced several engineering and production innovations. The 787 is the first family of airplanes constructed from a carbon-fiber plastic resin, instead of aluminum, thus making the plane more fuel-efficient. It offers a satellite-based communications system that allows internet access for all passengers, wireless networks for monitoring maintenance, and electronic flight bags containing charts and other reference data for the crew. The aircraft has larger-than-normal windows and promises additional comfort for both passengers and crew by maintaining higher air pressure and humidity. With the Dreamliner, Boeing hopes to win back a considerable share of the commercial airline market from rival Airbus SAS. The Dreamliner has been met with enthusiastic responses from customers. As of April 2008, Boeing has orders for nearly 900 planes from 55 customers and is sold out of production slots until at least 2014.

Beyond the technical innovations of the 787, the manner in which Boeing is conducting the program is an innovation in organization design. In an effort to control costs, reduce time to market, and access specialist expertise, Boeing assembled a global collaborative network of more than 50 partners, operating in over 130 locations around the globe (see Figure 4 – Joint Effort). Boeing has long done business with many of the network
member firms. However for the Dreamliner Program, Boeing has fundamentally altered the nature of its relationships with its network partners.

The 787 is the first airplane in Boeing’s history to be designed largely by other companies. To lower the $10 billion it would cost to develop the plane alone, Boeing gave responsibility to these partner-suppliers to design and build components of the plane, which are then shipped aboard specially modified Boeing 747s called Dreamlifters to Boeing’s facilities in Everett, Washington for final assembly. Boeing anticipated that this distribution of work to specialist firms would reduce the time to market from six years to four, and also shorten the time in the final assembly area from 30 days to three.

To reduce its own costs and spread risk, Boeing required the partners to invest a cumulative $4 billion. In many instances, the partners were asked to delay receipt of payment for their work until customers took delivery of the planes, the first of which Boeing expected to deliver in May 2008. In return for accepting this risk, the partners have long-term contracts, some of which are for 30 years, the planned life of the program.

The partners were also responsible for more than the usual price, quality, and timeliness associated with arm’s-length suppliers. Boeing gave its partners responsibility for the supply chain and required them to perform according to agreed standards embedded in the overall design architecture.

Boeing was fully aware that designing and building the plane in this manner altered its role in the production of products and services for its customers. In Boeing’s view, the Dreamliner design and production network represents an important step in achieving its long-term strategic objective of transitioning from a manufacturer to an integrator. As integrator (another way of saying network choreographer), Boeing adopted a number of management practices which have come to be associated with best practices in strategic alliances. It used the design architecture to establish a common set of goals that every partner had a part in achieving. Special attention was paid to ensuring that the partners’ roles and responsibilities were thoroughly identified, broadly communicated, and understood. Metrics and milestones were defined, aligned, and agreed upon. Boeing established a common electronic communication and data sharing platform, benefiting from the widely accepted business and technology standards that enable the flat world. Recognizing that inter-company teams would govern and conduct much of the work, it invested in team-building and relationship-development activities.

Boeing was optimistic that the global network it put in place for the design and development of its new family of airplanes—among the most complex of machines—would be a significant innovation. It counted on the rewards
for every network member to be large and sustained. When we pick up the Boeing story again, we'll look at the role of collaborative capability in realizing these rewards.
Collaborative Ability

Ever since the dawn of the industrial age, organizations have been designed to mimic the flow of production. Vertically integrated business units controlled the sources of raw materials, and wholly owned distribution channels provided access to customers. An organization needed an expertise—a capability—in designing, developing, and selling its products and services to its chosen customer segments.

The organization that is successful in the flat world needs its specialized expertise and it needs a collaborative ability. Opening the organization’s innovation and customer acquisition and fulfillment processes to its external stakeholders and communities permits it to focus on what it does best and partner for the rest. To do so with a false understanding of collaboration, however, is to invite less than stellar results if not outright failure.

Collaborative Ability

Collaboration is: A purposeful, strategic way of working that leverages the resources of each party for the benefit of all by coordinating activities and communicating information within an environment of trust and transparency

Collaboration is a behavior that is poorly understood, thus it is hard to get it right. Studies from Accenture, IBM, and others consistently report that in excess of 50% of strategic collaborations fail to achieve their objectives outright or otherwise disappoint. IBM’s study Expanding the Innovation Horizon found that CEOs recognize the importance of collaboration and external partnering to their company’s future, yet they bemoan the lack of collaborative ability within their workforce.

“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.’”
The Elephant in the Room

When it comes to collaboration, there are three damaging myths widely held to be true:

1. Everyone knows how to work in a network
2. Collaboration is just another word for working together and getting along
3. Collaboration is either on or off—either you’re doing it or you’re not

The perpetuation of these myths allows a simple fact to remain largely unacknowledged and unaddressed: that by and large people do not know how to work collaboratively. There are people who do understand collaboration and intuitively use the give and get of collaboration to create mutually beneficial outcomes. They can navigate the silos within an organization and span boundaries within and between organizations, building their personal networks as they go. They are the people who always seem to have the right contacts and get others to do things for them.

Because collaboration is not well understood, it is often considered to be the same as cooperation or teamwork. But neither cooperation nor teamwork adequately describes collaboration. True, collaboration does require working together with another party as teamwork implies. Teamwork also implies a common goal, which is not always the case in collaboration. Cooperating is only one step beyond acquiescing and cooperation can be voluntary or it can be forced. However, collaboration cannot be forced. It requires the crossing of boundaries and influencing those over whom one has no control. This is the strength and promise of collaboration, as well as its challenge.

Collaboration opens up the possibility of accessing the resources, knowledge, and relationships the other party has and using both parties’ resources for mutual benefit. It also raises the specter of counting on someone who has no stake in your success.

Collaboration is not on or off. We collaborate a little or a lot depending on the task at hand. The intensity of collaboration is defined by the degree to which activities are coordinated; information of appropriate relevance, quality, and timeliness is shared; and participants’ resources are leveraged for the benefit of all parties. The intensity of the collaboration is dependent on the nature of the resource leverage sought. The more one seeks to gain from the network, the greater the collaborative intensity needed. In this way, collaboration is directly linked to trust, without which no collaboration will occur. Like collaboration, trust also exists on a continuum. There needs to be enough trust to engage in the activity at hand, and the endeavour must be collaborative enough to achieve its objective in furthering the network’s purpose.
The reality is that despite the de-layering of organizations that has occurred and continues to occur, most people are more familiar with working in silos and are more comfortable with traditional organizational hierarchies and boundaries. Working within a network that’s been essentially overlaid on top of existing organizational silos and hierarchies poses challenges that often go unrecognized. For example, work can be delayed if, in order to collaborate with a colleague in a partner organization, one must first work vertically within his/her company and then someone higher up makes a contact with the partner. Front-line counterparts, whether co-promoting sales people or scientists in a lab, are most efficient when they work directly with one another.

The difference between effective collaborators and those who buy into the collaboration myths is the degree of competency with which the collaborative behaviors are carried out. Tapping additional resources that are accessible through collaboration is why we collaborate. To make it worth our time and effort, the value of the resources we get from collaborating must exceed the value of the time and effort it takes to get those resources (see Figure 5 – Benefit of Collaboration).

Too often the time and effort required to collaborate effectively are discounted by firm management. As a result, people view collaboration as a nicety but not essential to the performance of their jobs. 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 of collaboration in innovation and growth.

**Collaborative Naïveté**

Myths about collaboration often result in managers and executives failing to understand that the success or failure of many endeavors hinge on the ability of people to collaborate. All too often people are told to go collaborate, but they have little understanding of what that means and what they are supposed to do in a particular instance. Rarely do managers communicate how collaboration differs from one partner to another, one network to another. It is safe to say most haven’t even thought about how it should differ based on the purpose and economic opportunity of the underlying network. Most importantly, managers don’t
take the time to build new mental models to reflect the nature of the relationships needed among network members and between the network members and the choreographer. As a result, it is hard to get around the ingrained mindsets and behaviors that have traditionally governed relationships between a firm and external entities.

Boeing’s 787 Dreamliner network is a case in point. Despite the efforts to set up the network for success, Boeing finds itself in a very touchy situation. When the first test plane was delivered to Everett, Washington to be rolled out on 07/08/07, Boeing received 30,000 pieces to be assembled—not the 1,200 components the final assembly process anticipated. The events that precipitated this “chaos,” as one partner executive described it, have led to pushing back the delivery date for the first plane three times. It is now expected in the third quarter of 2009, not May 2008. This delay exposes Boeing to penalty fees and potential cancellations of orders for failing to meet contractual obligations. Its customers are counting on these planes to help them control the cost of fuel and achieve other operating efficiencies. Some were counting on the Dreamliner to profit from the 2008 Beijing Olympics. To try to get the program righted, Boeing has thrown people and money at the problems. The head of the program has been replaced.

The damage is done. Suppliers are unnerved by public disparaging of their performance by Boeing executives. The delays are hurting their businesses, too. And rival Airbus, which announced its intention to use a similar global network model on a competing plane expected to be ready in five years, is learning from Boeing’s mistakes.

What went wrong? At one level, one can say it was simply a failure of the suppliers to live up to their commitments to perform at certain standards. Parts didn’t meet engineering tolerances. Shortages in certain materials compounded delays. The underlying cause however, is a failure to appreciate that implementing Boeing’s engineering and production innovations would require significant changes in management and ways of working.

Boeing approached the network with a mindset that was focused on cost savings. The language executives use and the decisions that were made imply a traditional outsourcing mindset. They failed to understand that their collaborative network encompassed more than just their global partners. The partners had partners, too. In some instances the problems were caused by a second- or third-tier supplier. More than one partner used the same supplier, resulting in an overload of work when the challenges began. There were quality issues as well as language issues. Assembly instructions arrived in Italian, needing translation. More than 6,000 parts required to attach the floor to the fuselage had difficulty meeting strict engineering tolerances. Following the traditional design review process would have meant shuffling an inch-thick stack of papers for each part between Boeing and a long-time supplier in the U.S. and the

“In addition to oversight, you need insight into what’s actually going on in those factories.”

Scott Carson
President, Boeing’s Commercial Airplanes Unit
floor’s designer in Israel. Boeing’s managers say they didn’t know their supplier had outsourced the design.

Boeing has failed to manage the network. It underestimated the quality and richness of information needed across the network, as well as the depth and breadth of the coordination required. Indeed, the company viewed the network too narrowly, failing to account for its partners’ networks. And Boeing overestimated the ability of its and partner employees to carry out the technical aspects of their jobs in a network environment. It isn’t possible to say if all the difficulties could have been avoided had Boeing proactively managed the network. It is safe to say that with a network perspective, the interdependencies between members would have been more apparent, resource leverage would have increased, and communication would have improved.

Boeing’s experience dovetails with the findings of Alan MacCormack of the Harvard Business School and his partners from Wipro who examined more than 40 collaborative innovation projects. MacCormack concludes that when companies apply their traditional mindsets to collaborative endeavors, they make three critical mistakes:

- They don’t consider the strategic role of collaboration, but see it only as a tactic for reducing costs. As a result their efforts are misaligned with their business strategy.
- They don’t organize effectively for collaboration. Instead they treat partners like suppliers of parts or raw materials, and manage them using a procurement function.
- They don’t make long-term investments to develop collaborative capabilities. Instead they assume their existing staff and processes can handle the challenge.

Most organizations are not designed for collaboration. Executives don’t appreciate what collaborative working truly entails and thus assume that their existing processes, infrastructure, and management practices are suitable for collaboration. Moreover, the nature of work is changing, requiring a set of skills, behaviors, and role definitions that are quite different than those that previously brought about individual and organizational success. Peel away at the symptoms, and lack of collaborative ability gets exposed as the root cause of failure.
Collaborative Network Management

Collaborative Network Management is an evolution of alliance management that customizes and extends an organization’s alliance management methodology to all relationships within a network that require any degree of collaboration. It includes both direct support of specific relationships, as well as indirect support to enable the organization as a whole to effectively manage and work in networks. Collaborative network management does not presume that alliance management directly manages all of the relationships in a network. Rather, it provides functional managers such as supplier and outsourcing managers with guidance, processes, and tools to manage the relationships for which they are responsible in a manner intended to realize the purpose of the network. It also ensures that someone, usually alliance management, is mindful of the interdependencies between and among network members.

To illustrate the dual focus on the success of the network and enabling the organization, Collaborative Network Management is represented by the following model (see Figure 6 – Collaborative Network Management Model):

The model has four major components:

1. Network Success
2. Functional Excellence
3. Collaborative Ability
4. Conversations and Transparency
Network success focuses on achieving the purpose of a specific network. Functional excellence and collaborative ability equip the organization to succeed in any network. Conversations and transparency can be thought of as the fuel for both organizational ability and individual network success. In describing each of these components, we’re assuming that there is already an alliance management methodology in place to form the basis of collaborative network management. However, if there is not, it can be designed and implemented concurrent with extending it to networks.

**Network Success** – Networks, like point-to-point alliances, are purposeful. They are entered into to achieve an overarching unifying purpose that all members of the network find valuable. In the example of the Boeing 787 Dreamliner network the unifying purpose is to bring the plane to market. The objectives of each party within the network may be different and often are. For example, some members seek the security of the long-term contracts Boeing has offered, while others may wish to develop capabilities they can use with other customers. Collaborative network management works to ensure that the value proposition each party envisioned when joining the network is realized. If participants don’t gain the currencies of value they seek, they’ll be less likely to contribute their currencies to the network as whole, potentially causing the collaborative network to fall short of achieving its purpose.

Likewise, the network succeeds if the overall economic opportunity is realized. Boeing and its partners will not be happy if the challenges the network has encountered result in customers canceling orders or if fewer planes than expected are sold over the life of the program. The purpose of taking a network perspective is to ensure that the interdependencies are used to everyone’s advantage and don’t disadvantage the network overall, as is Boeing’s experience thus far.

Other elements of network success are governance and accountability. Collaborative network management ensures that structures and processes are in place to guide and facilitate decision making among those collaborating most closely. This also includes conflict resolution protocols that embrace diversity of thought and that value challenging assumptions through spirited debate. The amount of governance necessary depends on the intensity of collaboration required to realize individual value propositions and the overall economic opportunity. There is a direct correlation between potential value and collaborative intensity required to realize the potential value. Governance must enable the appropriate level of collaboration.

**Functional Excellence** – Collaborative network management requires organizations to have expertise in managing relationships strategically. This capability combines the skills of collaboration with a toolset designed for networks. If this ability exists in any organization, be it large or small, it most likely resides within a few people, most often those responsible for
alliance management, and does not extend to the perimeters. Organizing in collaborative networks is a dynamic process, requiring great agility and resourcefulness. It is entirely realistic to expect that any organization will have multiple collaborative networks functioning on a concurrent basis. These networks may have competing purposes or be comprised of competitive firms, all of which increase the complexity for front-line collaborators and managers alike.

An underlying management methodology enables individuals to work together in a consistent fashion, across their many networks, stepping in and out with ease. It provides a framework that helps them make decisions about what to do when and how to use their time and effort wisely, while not being overly prescriptive. It allows collaborators to apply the general guidance in a way most applicable to the context of their specific situation.

Key elements of collaborative network management methodology, which builds upon alliance management, include:

- **Guidance** – Individual collaborative strategies that provide guidance on how to engage with individual partners. Examples and learning guides provide employees with help in applying their developing collaborative abilities. Guidance should also help determine when to apply global standards and when to adopt a local context.

- **Process** – The methodology offers a process of interacting with external parties throughout each phase of the relationship lifecycle. The process is an iterative one that includes planning the work, working the plan, and refining assumptions about how to achieve the unifying purpose of the network.

- **Tools** – A collaborative network management methodology uses many of the same tools as alliance management, including those that help plan, operate, and evaluate any collaboration.

The management methodology for collaborative networks is overarching, yet customized so that it is fit-for-purpose for any individual relationship. It is designed to ensure the necessary intensity of collaboration so that the value proposition inherent in any single relationship may be realized and the network achieves its unifying purpose. A collaborative management methodology tailors alliance management methodology to match the strategic importance of any specific relationship. It establishes ways for managing the network members in segments determined by reasonably objective criteria (see Figure 7 – Network Member Segmentation, an example of one segmentation framework).
Each segment takes the most appropriate approach to tailoring the following:

- Governance
- Roles, responsibilities, and accountabilities
- Inter-entity processes
- Information/knowledge sharing regimens

by considering the following:

- The legal nature of the relationship
- Interdependency with other members
- Nature of resource/knowledge leverage sought

By tailoring the management methodology to the importance of the relationship to network success, collaboration managers can focus on how any specific relationship creates value for the network. A consistent approach to managing relationships means that regardless of the legal and operational nature of the relationship, there is a common process and toolkit from which to draw. This makes it easier to develop an organizational culture and ability to succeed through collaborative networks. Additionally, because the responsibility for managing specific relationships is dispersed beyond alliance management, practicing collaborative network management provides the greatest leverage for the expertise. In this manner, alliance management can remain lean, agile, and focused on directly managing alliances, as well as achieving the purpose of the collaborative networks within which it operates.
Collaborative Ability – Innovation and growth through collaborative networks presume that successful collaborative relationships are the responsibility of everyone within the organization. Collaboration must be a core competency of individuals and an organizational capability consisting of guidance, processes, and tools that aid individual efforts. With individual competency and an organizational capability, collaboration becomes a way of working that is embodied in the essence of the organization and pervasive throughout it. (See Figure 8 – Collaborative Ability).

“As IBM’s study Expanding the Innovation Horizon highlights, collaborative skills are lacking. A better understanding of the work of collaborating and the skills it takes to realize the benefits are required. Collaboration is best learned through experience; however, at this point in time many organizations have yet to experience meaningful collaboration. Forrester Research estimates that only 5% of companies are proficient at working (i.e. collaborating) within networks and only 20-30% of companies are experimenting with it. In addition, the continuing high rate of failure among alliances and partnerships for non-technical reasons points to a lack of collaborative ability.

As alliance management evolves to collaborative network management, developing collaborative ability becomes an integral component of the job. In their mission statements, many alliance management functions include developing the skills of alliance team members. In practice, they’ve spent the vast majority of their efforts on directly supporting individual alliances. However, as alliance managers have become more skilled themselves, they are increasingly partnering with their training and development groups to create and introduce formal training in alliances and collaboration. For example, both Boehringer Ingelheim

Expanding the Innovation Horizon
The IBM Global CEO Study 2006
Pharmaceuticals and Astellas Pharmaceuticals engage their sales forces in workshops designed to improve their ability to collaborate with their sales counterparts on their co-promoted products by presenting participants with specific challenges encountered in the field.

Few organizations possess a capacity for collaboration that extends to its perimeters. When it is present, they are no longer rigid siloed structures. Instead, they operate as a collection of purposeful networks, each engaged in the work of producing value. The desire to grow a collaborative ability must come from a clear strategic need. For most organizations collaborative ability develops as leaders see it as a way to gain an advantage. Admittedly, it takes time to develop when one has to evolve from legacy structures and systems. In reality, it is the strategic imperative of our time and the only way to innovate and grow in the flat world.

Conversations and Transparency – The collaborative network management model and methodology depend on regular conversations and transparency into intentions and motivations. Both structured and unstructured conversations are required to gain alignment among internal stakeholders and between the organization and its network partners. Creating room for conversations that otherwise would not occur provides forums to discuss issues and opportunities about collaborating and about partners, fostering creativity and innovation. Ideas are often developed and connections made between pieces of data when people engage in discussions that otherwise would not happen. Unfortunately, little time is made for these critical explorations in today’s business world. The fear that targets won’t be met or competitors will introduce their next generation product sooner means that these conversations are often undervalued and pushed aside. Collaborative network management requires creating forums, such as communities of practice, and building into the work flow opportunities to discuss network collaboration. For example, conducting a regular evaluation of network operating effectiveness provides a chance to have a focused discussion on improving collaboration and developing specific plans of action.

Effective collaboration also demands a degree of transparency. Transparency means partners aren’t engaged in activities related to network business unless all partners are aware and in agreement. Business results are reported timely and completely. Confidentiality is maintained and potential conflicts of interest are kept to a minimum. Transparency also implies that each network member is willing to make its interests known to its partner.

Without ongoing 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. When interests are made clear, negotiation proceeds more quickly and effectively than
when partners take a position that may appear contrary to the interest of the network. Trust is essential to collaboration. It cannot be built if people have hidden agendas, or their motivations aren’t understood. Trust doesn’t have to be absolute—just enough to engage in the activities at hand.

For example, in one network, impressive gains began to occur when the leadership team (comprised of members from each partner) started a conversation about how to improve the effectiveness of their alliance. They made room in their regular meetings to discuss how their current operating procedures were inhibiting fully leveraging each other’s resources and thus limiting the success of their joint offering. As the discussions got started, the parties began to share increasingly rich and relevant information about limits on their capacity due to other commitments and strategies for possibly overcoming some of those constraints. This transparency would not have existed without previously experiencing trustworthiness in their relationship.

The Office of Collaborative Network Management

Alliance management is uniquely positioned to take a comprehensive view of all of the relationships required to realize the purpose of a collaborative network. A network view minimizes the risks inherent in the interdependencies among network participants by providing a holistic, systemic view of the coordination and communication among entities, affiliates, and functions that should be occurring. An understanding of what is important to each network participant and what each needs to fulfill its respective role helps leverage resources most effectively.

As alliance management develops its role in enabling the organization to collaborate effectively and supporting other functional collaboration managers, it establishes a virtual Office of Collaborative Network Management (See Figure 9 – Office of Collaborative Network Management). This “office” serves as the integrator and catalyst for functional excellence in collaboration. It is the developer and repository of the knowledge base on effective collaboration and relationship management—creating tools and guidance to assist collaboration managers, including alliance managers, and providing them with coaching, mentoring, and other professional development opportunities. It continuously incorporates learning into the alliance management methodology and tailors it for other types of collaborative relationships, continuously enhancing the organization’s ability to succeed in its collaborations.

As illustrated in the Categories of Network Stakeholders wedge of Figure 9, the alliance management function does not directly manage relationships with any member of the network other than the alliance partner. Rather, it supports collaboration managers in working with their
external partners. And just as alliance managers spend the majority of their time with internal stakeholders, so, too, do collaboration managers.

Think of each wedge of Figure 9 as one of the nodes in Figure 3, the Collaborative Network. Alliance management, in its role as collaborative network management, ensures that collaboration between and among stakeholders within its own organization is effective, as well as the collaboration among network members. This portion of its role is “connecting the dots.” Recall Boeing’s experience: if someone had a single view of the network, it is safe to say that the interdependencies that have caused so much pain would have been managed more effectively. Communication and coordination would have been tighter.

This is the role of collaborative network management – to minimize the complexity and new risk that comes from innovating through collaborative networks and to ensure the benefits are realized by all participants.

Office of Collaborative Network Management

For any organization to navigate its way to innovation and growth in the flat world, working within collaborative networks is essential. Alliance management has both the opportunity and the obligation to use its expertise, best practices, and tools to show the way.
From Alliance Management to Collaborative Network Management

For alliance management, the impetus to evolve into collaborative network management is multi-faceted. When alliance management is recognized as a valued contributor by other functions that have relationship responsibility, it may be asked for advice, to share tools, or perhaps to resolve a conflict. In that way, alliance management finds itself drawn into non-alliance relationships. In other instances, the business strategy is so highly dependent on alliances and networks, that a broad-based, strategic approach to relationship management becomes an integral part.

In either instance, the path is clear. As shown in Figure 10 – Evolution of Alliance Management, it begins with the establishment of an alliance management methodology that can be tailored and defined for specific relationships. The methodology includes guidance, process, and tools as discussed in the section on functional excellence.

Formalizing an alliance management methodology does not require a stand alone function of alliance management. Especially in smaller companies, the task may fall to someone who has other operating responsibilities, at least initially. Sooner or later, however, most companies find that they are better off having dedicated alliance management. When left to people for whom managing the collaboration is not part of their daily job responsibilities, the work tends to be an afterthought. And when that happens, the strategic leverage sought from
the collaboration is not fully realized. Regardless of whether or not the journey begins with dedicated alliance management, it is essential to engage internal stakeholders throughout the organization, including all levels of management, to gain their insights and support.

Following are the essential first steps in the evolution from alliance management to a collaborative network management approach:

1. **Formalize the alliance management methodology**

   To be effectively shared with other collaboration managers and tailored for other types of relationships, how an organization goes through the process of managing its alliances must be written down.

2. **With the basics of alliance management in place, define the collaborative networks within which alliances exist**

   As Boeing found out, this is a critical step and not so easy to do. It begins with the customer and its needs that the company seeks to fulfill. Identify the key relationships required to meet those needs (See Figure 3 – Collaborative Network). For example, one pharmaceutical company thinks about customer needs based on therapeutic areas. In looking at one therapeutic area, it found that in addition to an alliance with a specialty pharmaceutical company with which it is co-developing innovative new medicines, it also relies on two contract manufacturers, a clinical research organization, and a marketing and advertising agency—functions that are considered best left to specialist firms and thus are not part of the company’s internal capabilities. All of these companies—and the many people within them—form a collaborative network.

3. **Once the network is identified, coordinate with other functional groups which may have responsibility for these relationships, such as supplier management, outsourcing management, or product management**

   In the majority of companies, these non-alliance relationships are held at arm’s length, and the focus is on controlling costs, quality, and timeliness. In other instances, especially when the relationships are long term and have been recognized as critical, planning and evaluation processes may already be in place. The objective of collaborative network management is not to force a new management methodology on relationships that are already contributing desired value. Rather, the key is to determine where there could be misses in coordinating activities, communicating information, and leveraging resources between and among the network members that, when improved, could result in achieving the strategic intent of the alliance and the purpose of the network.

   The job of alliance management—in its role as collaborative network management—is to enable the functional collaboration managers to apply
the appropriate level of management for the collaborative intensity required to achieve the network purpose. Any element of the management methodology—guidance, process, and tools—could be useful. Skill building and perhaps even influencing others regarding the resources an external party offers may be required.

As individual relationships that make up the network are understood and interdependencies and potential resource leverage among them appreciated, the next step is for alliance management as collaborative network management to stand back and look at the whole. Its strategic planning takes into consideration the non-alliance network members. It reviews governance and working team structure to ensure that network members are included as needed. It plans annual operations assessments to cover all members. It facilitates relationships among network members if appropriate. It coordinates with global affiliates, if that is an issue. Most importantly, it works to have a single, holistic view of the network and to ensure that every member gets the value sought and realizes the economic opportunity of the network.

By taking a network approach to evolving alliance management and the alliance management methodology, one avoids being caught in the trap of traditional relationship management—one method for alliances, one for vendors, one for outsourcing partners, etc. This functional approach is a vestige of pre-flat world institutions and does not reflect the collaboration between and among entities required to succeed within the collaborative networks that are, increasingly, the organization.

Start with a single network: learning and adapting along the way. As leaders in this evolution of alliance management, including Astellas Pharmaceuticals, Endo Pharmaceuticals, and OnStar have discovered, word quickly spreads once the benefits of tailoring and applying the alliance management methodology to non-alliance relationships are known. Before long, the Office of Collaborative Network Management is a strategic partner to senior management or perhaps a member of senior management, itself. It is the source of expertise in collaborative ability and functional excellence in managing networks. It still is directly responsible for managing individual alliances, but it is also driving the capacity to collaborate to the now fungible boundaries of the organization.

This is both the challenge and the opportunity for alliance management. Increasing the success of alliances and the effectiveness of networks is an immediate business imperative for organizations to innovate and grow in the flat world. No profession is better suited to lead the journey than alliance management.
Concluding Thoughts

Without a doubt, collaboration is the most important capability for any organization to possess today. Yet few executives believe their organizations have it, or that they personally have a good understanding of how to create value in networks. By and large they generally understand that they must embrace collaborative networks; they just don’t know how. Thus, at present there is disconnect between what is being said and the reality of what is happening. There is no doubt, however, that we are in a time of profound transformation in ways of working, creating value, and structuring organizations.

The convergence of the flat world, the need for growth, and the requirement to open the organization demand collaborative working (Figure 11 – Innovation and Growth through Collaborative Networks).

“Innovation is no longer just the province of scientists and engineers. Innovation is occurring in the very definition of an organization, its boundaries, and how it interacts with its stakeholders and communities. It is quite simple: the ability to collaborate and work in networks is a prerequisite for innovation and growth.

Alliance management is leading the development of this ability. Using uniformly consistent, yet infinitely variable management methods; seeing alliances as components of broader collaborative networks; and connecting the dots between network members, contribute greatly to the success of individual alliances, their networks, and the organization.

*Collaborative network management is the emerging role for alliance management.*
About The Rhythm of Business

The Rhythm of Business specializes in collaborative business—the organizations, business models, management and ways of working to innovate and grow through collaboration. For more than 25 years, principals of the firm have built collaborative business models, developed and operated alliances and supplier networks, and consulted within both corporate and civic sectors on building and using collaborative relationships to achieve strategic and financial objectives. Through comprehensive management frameworks, skill development, and measurement and analysis tools, we enable individuals and organizations to innovate and grow through collaboration.

Co-founders Jeffrey Shuman and Janice Twombly have co-authored numerous books, articles, and white papers and regularly speak at a variety of venues around the world on the ongoing transformation of organization structures to collaborative networks. Their methodologies inform Shuman’s popular MBA courses on Managing Collaborative Relationships and Entrepreneurial Thinking at Bentley College where he is professor of management.
Endnotes


2 Daly, James, “Sage Advice: An Exclusive Interview with Peter Drucker,” *Business 2.0*, 22 August 2000

3 Twombly, Janice and Jeffrey Shuman, “Made In Heaven,” *American Executive*, April 2004


