Cyclical Approaches to Innovative Collaborations

For highly innovative group collaborations, do what the big tech firms do: Cycle through collaborations with different pairs and take the long view.

Here's a deceptively simple question: What company brought you the iPhone? If you said Apple, you're correct, of course -- but that answer fails to account for the highly collaborative process required to produce a game-changing gadget. In reality, that phone in your pocket would not have gotten there were it not for dozens, if not hundreds, of collaborations between the tech giant and its partners around the world.

Of course, not all attempts at collaborative innovation are success stories like the iPhone. Just ask Boeing, whose entire fleet of brand-new 787 Dreamliner aircraft were grounded in January 2013 following a string of incidents including two fires linked to battery failure. The battery problems have since been resolved, but other glitches appearing in recent months resulted in further planes being grounded. Some experts say Boeing's Dreamliner "teething problems" stemmed from mismanaged relationships with its outsourcing partners.

Why do some collaborations soar and others flounder? For the better part of a decade, I sought out answers in Silicon Valley, doing intensive fieldwork at some of the world's best-known computers firms – I even went to work at one. Specifically, I examined eight technology collaborations involving ten firms, performing more than 100 interviews all told. In the <u>first article</u> from this research which appeared in the Administrative Science Quarterly (ASQ) in 2011, a colleague from Stanford University and I discovered that successful collaborations rotated control of the project back and forth between the two partners. This rotating leadership process worked better than domineering or consensus-based approaches where a single partner controlled all phases of the collaboration or the partners shared control of every phase, respectively. Yet, over the course of further research with these companies, it became clear to me that thinking of collaborative innovation in terms of its smallest unit – i.e., two companies – misses a crucial part of the picture. In a new single-authored paper that has been invited for revision at the ASQ, I'm finding that innovative collaboration faces unique challenges when a third party enters the equation.

The Small World of Silicon Valley is Composed of Small Groups of Partners

Not just a tech industry enclave, Silicon Valley is an ecosystem unto itself. The elite companies within this small world of technology wizards and wunderkinds – Google and its ilk – boast an inescapable presence in every important viable market. As formidable as they are, though, the Silicon Valley colossi still need to draw on the expertise of outside firms. The long-standing

relationship between Intel and Microsoft is a good and often-noted example, but less attention has been paid to Cisco Systems as a frequent partner of both firms.

Triangles such as Intel-Microsoft-Cisco have become common in the tech sector, though companies often don't announce it, preferring to tout their partnerships with just one other firm. Groupings of more than three, in fact, are rare in this industry, probably because the addition of a fourth makes the juggling act of collaboration even harder.

I zeroed in on these triangles for our research, isolating six cases where different pairs of partners had to decide how they would manage their ongoing collaboration with a third firm, an industry titan that will remain unnamed (for our current purposes, let's call the company "Lear").

Three Can Be a Crowd

Forging an alliance between two companies has its own share of obstacles, including (but certainly not limited to) corporate culture clash, divergent strategic interests, and fear of intellectual-property poaching. Adding a third player to the mix, especially one as prominent as Lear, brings an exponential increase in potential headaches. Companies, in general, have a strong preference to stick to twosomes yet, as noted above, Lear was too big to be shut out completely.

With some measure of input from Lear being unavoidable, some pairs chose to include Lear all the way through the collaboration, hoping to benefit from the industry leader's savvy and market ubiquity. In one particular case, prospects were especially good since the partners had previously enjoyed fruitful collaborations both with each other and, one-on-one, with Lear. But clashing priorities and pre-existing allegiances ultimately left the triangle bogged down in infighting. One partner's desire to speed up the timeline in order to edge out a competitor led to rifts within the group, as did disputes over whether to invite sales VPs into the collaboration. Compromises made in an attempt to patch things up resulted in a loss of efficiency and focus. In the end, the three-way collaboration was dissolved after two mostly unproductive years. The partners made no subsequent attempts to collaborate.

Aiming to avoid this type of conflict, other pairs of partners opted to work with Lear only in twosomes, collaborating independently at roughly the same time. This plan backfired in one case, however, when a partner began asking questions about a collaboration to which it was not privy, triggering unplanned negotiations among the three companies. As relations among the three became increasingly strained, deadlines were missed and a VP at Lear began pressuring participants to wrap up the collaboration even though all the targets had not been met. Final results of the collaboration fell far short of the initial proposal, and again, the three partners have not worked together since.

Linked Independence using Group Cycling

By themselves, I found, both twosome and threesome configurations tended to be a drag on innovation. In general, groups fared better when they adopted a hybrid strategy I call *group cycling*, which employs consecutive collaborative pairings among the three partners. In this way, participants get the best of both worlds: relative independence from third party interference without the isolation and opacity of parallel twosomes. By feeding the outcome of each newly-completed collaboration into the next one, the three partners were assured a continual flow of fresh ideas – which may otherwise have been lost in micromanagement and infighting.

Cycling also gives all three players more room to exercise their own individual interests, with the ability to isolate one partner knowing they'll get the benefit of that partner's participation later. That was the case with one group I studied, where Lear was pointedly excluded from the initial phase of collaboration, which lasted two and a half years. The other two partners wanted leeway to develop their project without interference from Lear's managers. Upon completion of the first phase, the three began to pair off in earnest, switching partners until innovation and integration reached full completion.

All in all, the three cycled through 11 collaborations – but importantly, they did not plan more than one or two pairings in advance. The agreed-upon cycling framework allowed the partnership to grow organically without being hemmed in by a rigid twosome or threesome arrangement.

Keeping the Faith

For cycling to work, of course, a good-faith atmosphere has to prevail among all partners in the group. In my study, the particular culture of Silicon Valley was certainly pertinent: Due to the nature of the tech industry and the positions of the firms involved, all the collaborators could be fairly sure they would have future opportunities to work together. This made them feel confident in agreeing to sit out a cycle for the greater good of the partnership.

This ability to take the long view rather than fixate on short-term objectives may mark the difference between sturdy and shaky collaborations. And that difference may make all the difference when it comes to innovation. Trust, after all, is essential in

any business arrangement, but a genuine spirit of togetherness in a small group – even among companies whose strategic interests may at times conflict – is a different thing altogether, and can pay huge dividends.

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