Collaborations will only work under the right conditions.

By Nancy Nix, Robert Lusch, Zach Zacharia, and Wesley Bridges

COMPETENT Collaborations

As the world of business has become more complex and interdependent, so has marketing. Participating in cross-functional business teams is important, but no longer is the means for solving complex problems or successfully pursuing rapidly moving and often fleeting market opportunities. This is simply because the knowledge, expertise, and information no longer primarily resides in the firm (no matter how large it might be), but is dispersed throughout the firm's entire value network or constellation to include suppliers, distributors, customers, and sometimes competitors. As Stephen L. Vargo and Robert F. Lusch expressed in the January 2004 *Journal of Marketing*, marketing is evolving toward a new dominant logic. And it increasingly includes a model of working collaboratively through close relationships with customers and partners to co-create solutions to complex problems and/or jointly pursue marketplace opportunities.

Pete McArthur/Getty Images

EXECUTIVE briefing

Marketing success is increasingly dependent on successful inter-firm collaboration, allowing a firm to innovate, respond to change, and achieve strategic marketing objectives. The authors of this article believe that successful collaboration requires intense collaborative behaviors and organizational capabilities in three specific areas: (1) collaborative capability (the skills, capabilities, and supporting processes required to manage a collaboration effort well); (2) absorptive capability (the ability to learn and apply new knowledge); and (3) project-specific capability (the skills and abilities required to accomplish the specific objectives of the task). Their research revealed that the differences in collaboration outcomes (specific project objectives and relationship quality) were striking between companies that focused on these critical success factors and companies that did not.

Marketing collaborations with customers, suppliers, and even competitors are becoming commonplace. Witness the following examples:

- 7-Eleven collaborated with Anheuser-Busch to develop innovative marketing programs, such as a co-branded NASCAR promotion and a Major League Baseball promotion campaign targeting 7-Eleven's core customers.
- Honda engineers looked to collaborative relationships with its suppliers for extended joint improvement efforts, encouraging enhanced communication and sharing of cost benefits.
- As a key part of its marketing strategy, Scholastic Inc. (publisher of the Harry Potter books in the United States) collaborates with printers, logistics providers, and retail customers to ensure its books go on sale at midnight throughout the United States on the same day.
- Lockheed Martin Aeronautics collaborated with Northrop Grumman (a historical competitor) and BAE Systems to develop a joint proposal to win the right to manufacture the joint strike fighter for the U.S. Department of Defense.

Organizations have been increasingly motivated to work collaboratively because of three primary factors: greater interconnectedness of global commerce, the rise in outsourcing, and the ascendance of highly specialized organizations. Unfortunately, as any marketer who has been a part of a collaboration project with another organization will tell you, there is an alarmingly high failure rate associated with collaboration efforts.

Frustrated marketing professionals are asking, "How do we collaborate successfully to achieve desired outcomes?" That is precisely the issue focused on in this article.

Defining Collaboration

Often, collaboration is a strategy for managing a long-term relationship. Firms form collaborative alliances to share resources and combine knowledge, skills, and physical assets to create strategic advantage and enhance profits. However, as Sandy Jap and Erin Anderson report in "The Dark Side of Close Relationships" (Spring 2005 *Sloan Management Review*), there might also be a dark side to close, collaborative relationships. Often, the parties involved become too familiar with each other (e.g., they feel safer and are more likely to engage in conflict or as each party learns what the other knows, the relationship becomes less valuable). Business relationships are not likely to endure indefinitely, and a better perspective might be to move in and out of collaborative initiatives with a network of companies over time. In brief, given the high turbulence in markets today, an adaptive and often shorter-term approach to collaboration with different types of firms might be required. In fact, in our field interviews, we found that more and more firms were moving toward short-term collaborative projects to solve particular problems or pursue specific market opportunities. Predictably, collaboration projects might be intertwined with longer-term relationships, but the central focus is the project and its management. Each project is increasingly managed across functional departments within the firm and across organizations in a collaborative manner.

Consequently, we focused on a more adaptive form of collaboration, with the premise being that a firm will engage in specific collaborative projects as needed, whether with a close partner or with a loosely connected firm. Based on a literature review, focus group discussions, and field interviews, we found that collaboration managed interdependencies to maximize shared goals and enhance individual goals through open exchange of information with joint decision-making and planning. Both our field interviews and the empirical results from a large-scale survey reinforced the fact that collaboration is an intense process, and is most useful when problems are complex and the solution is dependent on knowledge and insights from another firm.

When Should Firms Collaborate?

The collaborative approach is for situations in which a more straightforward approach will not suffice: The individual firms are not capable of solving the problem, and the solution improves when the knowledge and skills of the two firms are considered collectively. For example, a collaborative effort would be required to evaluate and reduce a customer's total

cost of ownership. Both firms would need to understand the complete set of activities and other factors affecting the cost of acquisition, receipt, use, recovery, and/or disposal of material—and to identify and implement opportunities for improvement.

A key characteristic of collaboration is joint planning or problem solving, with the operative word being "joint." For example, early supplier involvement in new product design is important to ensure information about the supplier's process is considered. Also, the supplier's knowledge of various system components and processes can help to spur innovation that can have a significant influence on the overall cost, quality, or availability of the final product. However, if each party to a collaborative effort is not open to alternative solutions, the intensive information exchange and knowledge sharing required for collaboration is a waste of time. Too often, firms engage in collaboration to get the other party to adopt the answer they have already developed. Importantly, to indicate a desire to collaborate and then demonstrate a lack of willingness to do so will signal that a partner cannot be trusted, which is likely to damage the quality of the relationship between the two firms.

What Are the Benefits?

There are at least two categories of benefits from successful project-specific collaboration efforts. The first and most important is tangible task performance, or the effectiveness of the project or problem resolution. Organizations collaborate because they want some combination of lower costs, improved product or service quality, better customer service, quicker project results, reduced cycle-time, or the ability to make more compelling value propositions to customers. Collaboration allows firms to pool knowledge and resources to develop innovative solutions that outperform those developed individually.

There is strong evidence that a second major benefit from effective collaboration is improved relationships with collaborating partners. It is widely recognized that commitment, trust, and credibility are important factors contributing to successful collaborations. Only over time however—based on firms' experiences with each other—do commitment, trust, and credibility accrue. As firms engage seriously and intensely in collaboration, each has the opportunity to demonstrate capabilities, willingness to contribute, and commitment to the relationship. Thus, an important side benefit of collaboration across firms is greater trust and credibility—resulting in a more effective relationship with greater mutual commitment.

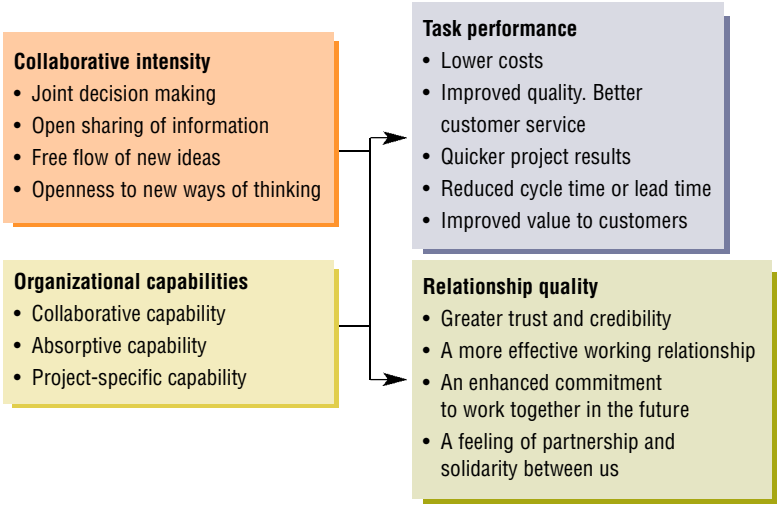
Critical Success Factors

Using a literature review, coupled with focus group discussions and field interviews, we identified a set of factors associated with successful collaborations—and then validated these with broad survey data across many industries. The success factors included a willingness to collaborate with high levels of intensity, coupled with organizational capabilities in three specific areas: (1) collaborative capability (the skills, capabilities, and supporting processes required to manage the collaboration process well); (2) absorptive capability (the ability to learn and apply new knowledge); and (3) project-specific capability (the skills and abilities required to accomplish the specific objectives of the task).

Firms that do well in these areas achieve better results, in terms of both task performance and improved relationship quality (see Exhibit 1). The differences in collaboration results (i.e., task performance and relationship quality) were striking, in comparison with companies that did not focus on these critical success factors.

Exhibit 1

Collaborative intensity, organizational capabilities, and collaboration benefits



Supply Change Manager Interviews

We gave considerable thought to who should be the key informant on collaborative efforts between firms. As George Day suggests, writing on "The Capabilities of Market-Driven Organizations" in the October 1994 *Journal of Marketing*, firms need spanning processes that link them to external economic actors and internal economic actors. Many of these spanning processes involve supply chain activities, such as order fulfillment, purchasing, customer service, and outsourcing activities. In fact, as we interviewed supply chain managers, we found they were involved in many collaborative projects that interfaced with a multitude of marketing processes—especially product development and innovation activities. Because supply chain managers are increasingly involved in collaborations that link marketing to suppliers and customers, they were the target group we surveyed. A large percentage of responses (> 60%) reflected initiatives focused on innovation, such as new product, service, or packaging development (28%); new process design (27%); new supplier development (11%); or new technology implementation (6%). Other initiatives included resolving problems, negotiating agreements,

and ongoing relationship development initiatives. More details are included in the Doing the Research sidebar.

What Did We Learn?

The research findings can be summarized in line with the model presented in Exhibit 1. In brief, we discuss and report the empirical findings related to the influence of collaboration intensity and organizational capabilities on task performance and relationship quality.

Collaboration intensity. Successful collaboration requires a willingness to engage intensely in collaborative behaviors, such as sharing information, meeting face-to-face, making decisions and planning jointly, and resolving conflicts. Although this sounds obvious, many companies say that they want to collaborate, but they don't devote the time, energy, or resources required. Participants must be willing to engage in an interactive process that allows for new solutions, based on knowledge exchanged in the collaboration. This kind of exchange occurs when firms invest in face-to-face meetings, and personal relationships are established.

Unfortunately, many organizations engage in initiatives, but only give "lip service" to the collaboration. They withhold important information, or fail to take the time to listen and consider important information. Not only will this result in an unsuccessful collaboration, but it will also damage the relationship. Collaboration requires face-to-face meetings and joint decisions, based on the full set of information available from both parties. This requires a "give and take" approach to understanding and managing conflicting objectives and tradeoffs. Part of the problem in unsuccessful collaboration efforts is that firms do not collaborate in a serious manner, with an appropriate level of resource commitment and intense information exchange.

The key empirical finding was that collaboration intensity enhances both task performance and relationship quality.

Organizational capabilities. Successful collaboration also requires having the right organizational capabilities in place. These capabilities might be difficult to develop, but can be an important source of competitive advantage.

Collaborative capability. Collaborative capability is having the skills, attitude, and mindset to manage the process of collaboration well. This includes understanding the resources required, having strong communication and conflict management skills, knowing when and with whom to collaborate, and being able to select the right people to make the collaboration work. From the outset, organizations with these capabilities have support from senior management, and a realistic understanding of the time commitment and risks involved. Such organizations recognize opportunities to collaborate, select partners they can successfully collaborate with, and select the right individuals for collaborative assignments. They also recognize, learn from, and resolve conflicts as they arise—and establish processes to monitor and manage collaboration efforts.

The empirical results strongly support the positive link between collaborative capability and both task performance and relationship quality.

Absorptive capability. A common barrier to successful collaboration is the "not invented here" syndrome: Employees believe they are supposed to solve their own problems and that others have nothing to teach them. However, some organizations have a special ability to recognize, assimilate, and exploit new knowledge from external sources—or high levels of absorptive capability. Organizations with strong absorptive capability have a commitment to looking for new ideas and creating an environment that encourages putting new ideas into practice to improve business performance.

Firms that recognize the importance of identifying and using relevant new ideas are much more likely to capitalize on the open sharing of information. They are also more likely to participate successfully in joint decision making, based on the shared set of knowledge resident in the two firms.

In our empirical research, there was a strong positive relationship between absorptive capability and task performance and relationship quality.

Project-specific capability. Organizations that engage in collaborations but do not bring a strong capability related to the specific project are unlikely to be successful. The temptation is to collaborate with a strong partner to compensate for a lack of necessary knowledge or capabilities. Unfortunately, if you cannot contribute some unique capability to the effort, you are not a very good collaboration partner and, perhaps worse, you might become too dependent on the other firm. In our empirical research, a strong positive relationship was seen between project-specific capability and task performance and relationship quality. (See the "Collaborating for Competitive Advantage" sidebar.)

Doing It Right

The ability to collaborate successfully with other firms is a strategic imperative for firms in today's dynamic and interdependent environment. However, successful collaborations do not come easily. They require a commitment to intense collaboration and organizational capabilities that drive success. Although the results of this research cannot offer a panacea, they do indicate that marketing managers and their firms should seriously ask themselves the following:

1. Can our firm recognize when collaboration is needed on a marketing project, and can we differentiate when a more straightforward solution is appropriate? In brief, don't try to collaborate across firms on every single marketing effort, but focus the collaborative efforts where a difference in payoff (task performance and enhanced relationship quality) is significant.

2. Does our firm have the commitment of senior management to invest the necessary time, resources, and effort for marketing collaborations? In our large-scale survey results and

Doing the Research

The research consisted of valid and reliable scales administered via a mail survey to 1,037 qualified respondents. The response rate was 46% (473 useable surveys were returned). Exhibit 2 shows the broad characteristics of the sample in terms of type of organization of the respondent and the collaboration partner, the role of the collaboration partner (i.e., supplier, customer, alliance partner, competitor, other), years involved with the collaboration partner, duration of the specific collaboration, and success of the collaboration project. Also, Exhibit 3 shows the broad industries represented in the sample.

Based on our review of the literature and interviews, multi-item measures using a seven-point Likert scale were adapted or developed for key constructs. The measures were incorporated into a 7-page survey instrument to test the hypothesized relationships shown in Exhibit 1. Potential respondents were prequalified, based on recent involvement in a complex collaboration project. To help ensure a high response rate, the potential respondents were contacted by phone to obtain their agreement to respond to the survey questionnaire. They were thus only mailed a survey if they agreed to participate.

To test the generalizability of our findings, we analyzed responses from both high-tech industries (where rapid technology developments would require frequent innovation) and traditional industries (which would be somewhat less dynamic). Hypothesized relationships were supported in both cases. We also analyzed responses for buyer-supplier collaborations vs. all other types of collaborations. In both cases, regression results supported the hypothesized relationships, reinforcing that collaboration can be an important tool in any industry and critical success factors are applicable in multiple settings.

Exhibit 2

Summary of survey respondents

Relevant dimension	Profile
Type of organization: respondent	**57%** Manufacturer **17%** Service company **9%** Wholesale/distributor **5%** Retailer **11%** Other
Type of organization: collaboration partner	**51%** Manufacturer **24%** Service company **13%** Wholesale/distributor **4%** Retailer **9%** Other
Role of collaboration partner	**61%** Supplier **12%** Customer **10%** Alliance partner **7%** Another division within the firm **4%** Competitor **6%** Other
Years involved with collaborative partner	**12%** less than 1 year **35%** 1-5 years **25%** 5-10 years **19%** 10-20 years **9%** more than 20 years
Duration of collaboration	**12 months** (average) **13.5 months** (standard deviation)
Success of collaboration	**66%** Successful **29%** Unsuccessful **5%** Neither successful or unsuccessful

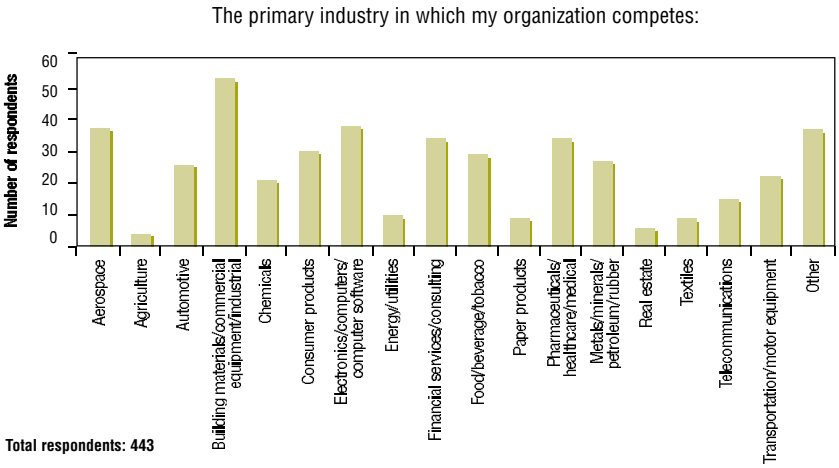
field interviews, we found warnings about taking on collaborations between firms when a top-level commitment was not present.

3. Can we improve on whom we select as collaborators in our marketing projects, the people in the organization we put on collaborative teams, and our willingness to exchange information and ideas in our collaborations? If collaboration is important, then put your best team together. This might involve not only marketers in your organization, but other functional areas as needed to bring the needed knowledge and expertise to the effort.

4. Do we have an organizational capability that allows us to learn from collaboration partners

Exhibit 3

Industries represented by research respondents



Collaborating for Competitive Advantage

Linbeck, a Houston, Texas-based company specializing in construction of large commercial buildings, employs more than 250 professionals and manages the planning and construction of projects worth more than $300 million annually. More than 25 years ago, Linbeck conducted a self-assessment that included an audit of its most successful projects from the previous 25 years. It turned out that the common denominator was that its people were involved "as an advocate, and early on at the elbow of the client." Based on the findings, Linbeck concluded that the collaborative business model was one in which employees were happiest, clients were most satisfied, and the company was most profitable. Perhaps most surprising is that these results occurred in an industry that has historically been quite adversarial.

As a result of this process, Linbeck became proactive in pursuing projects that allowed the company to collaborate early on in the design phase. Ultimately, it trademarked a process called "TeamBuild," which emphasizes the value of collaboration. TeamBuild brings the "owner/client," the "architect," and the "construction manager" together in a disciplined fashion to collaborate on and be responsible for the delivery of the building, what goes into the building, and the cost and schedule of design and construction. For Linbeck, collaboration has become a source of competitive advantage.

As Linbeck executives reflected on what has worked well for them, the following stood out as keys for successful collaboration.

1. Select the Right Partner

- Select a partner that is receptive to collaboration, values loyalty, will give you access to decision makers, and is open and honest about its business needs and challenges.
- Be willing to back away from a project if it is in the best interest of your partner, or if it is not receptive to what you can bring to the table.

2. Manage the Collaboration Process

- Involve experts and specialists as collaboration partners early in the process.
- Listen and learn from collaboration partners. Assemble data into information that can be used to make good business decisions.
- Establish clear goals that everyone buys into to align incentives and avoid suboptimization. Prioritize the goals and objectives so that you can manage trade-offs and controversy.
- Create a common focus and an environment of mutual respect among all the players.
- Empower everyone to contribute, by making sure everyone's opinion is treated as important.
- Encourage different perspectives, creating collaborative tension that allows you to find the best solution. Create a safe environment.
- Ensure key decision makers are fully empowered and represented at all meetings.
- Link risk to reward: Make sure that partners are compensated when they take on risk.

3. Develop the Right Team

- Be sure you have a good project manager who can focus everyone on common goals.
- Select team members who understand the collaborative model, and operate as an equal and without ego.
- You need a great coach to have a great team. The coach needs to make sure team members follow the rules and do not beat each other up.
- Be relentless in building a collaborative culture: Hire people with a personal style compatible with collaboration, give them incentives to collaborate, build alignment with a clear vision and mission, coach employees to focus on taking care of customers, and recognize strong collaborative performance.

and utilize the knowledge to improve performance, or are we encumbered by the "not invented here" syndrome? Have we put in place the systems, procedures, and incentives that encourage the application of new ideas within the firm? Importantly, if we think we are a great marketing organization, are we willing to admit we can still learn more and benefit from marketing collaborations across firms?

5. Are we committed to collaborating in a way that improves relationship quality with our partners? Are we developing a relationship that thrives on mutual commitment, mutual respect, trustworthiness, and unity of purpose? If that is the situation, then the firm will not only be able to improve short- to intermediate-marketing performance but also build the social capital for future marketing collaborations.

If an organization can answer "yes" to these questions, it can dramatically improve collaboration outcomes. If the answer to these questions is negative, a firm might waste a great deal of time and energy in unsuccessful collaborations. It is important to develop the internal capabilities that enable successful collaboration, before engaging in collaborative projects with supply chain partners, customers, and even competitors. ■

About the Authors

Nancy Nix is associate professor of supply chain practice at Texas Christian University. She may be reached at n.nix@tcu.edu. **Robert Lusch** is the Lisle & Roslyn Payne Professor of Marketing, Eller College of Management at University of Arizona. He may be reached at rlusch@email.arizona.edu. **Zach Zacharia** is assistant professor at Lehigh University in Pennsylvania.. He may be reached at z.zacharia@tcu.edu. **Wesley Bridges** is vice president, consulting and client services, Domino Integrated Solutions Group in Frisco, Texas. He may be reached at wbridges@domino-isg.com.