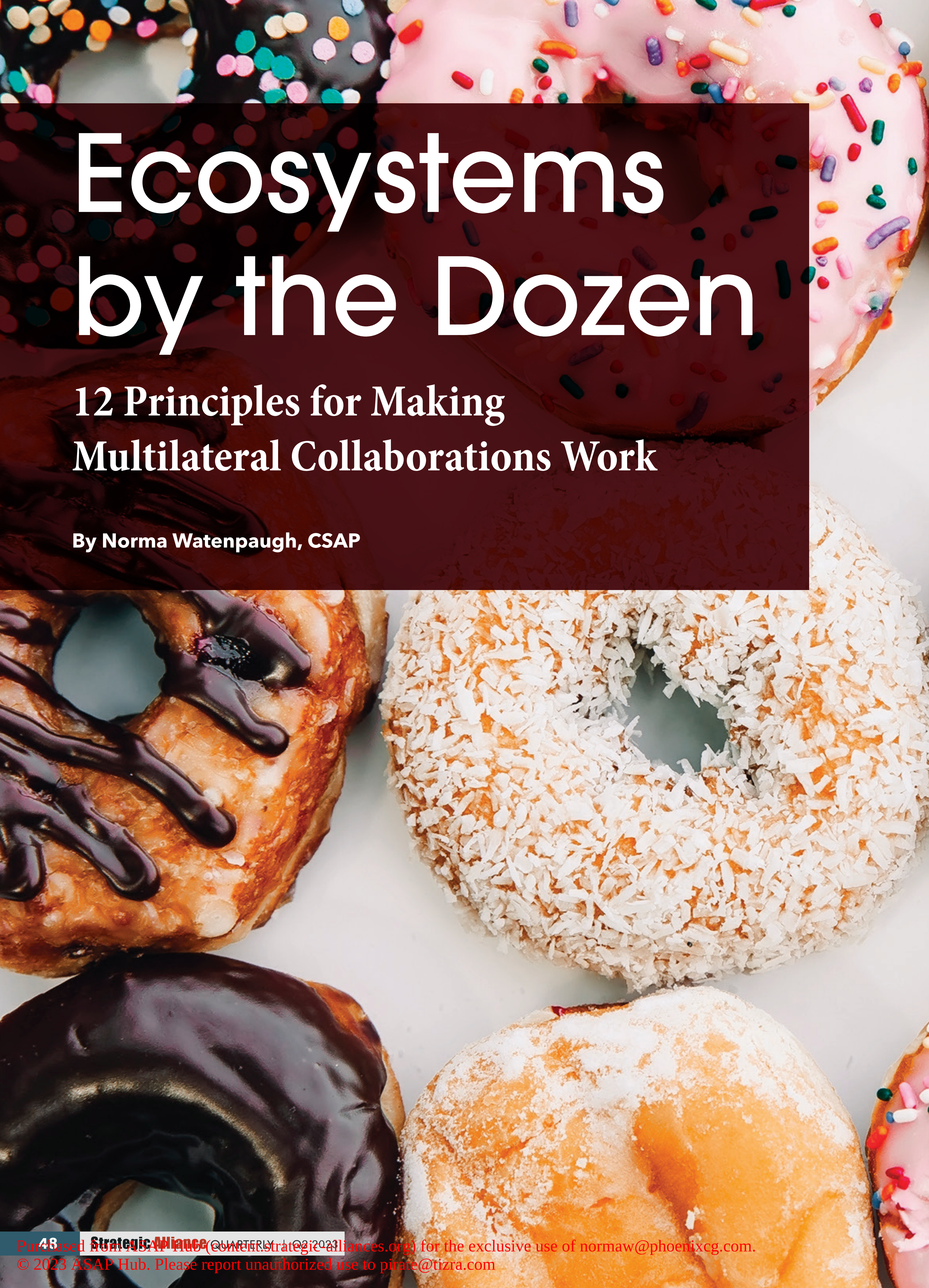

Ecosystems by the Dozen

12 Principles for Making Multilateral Collaborations Work

By Norma Watenpaugh, CSAP

Ecosystems are becoming a dominant business model and the way in which businesses, governments, and other organizations increasingly interoperate and collaborate. In fact, some notable strategy advisories forecast that between $60 and $100 trillion of economic value may be generated from ecosystems in the next decade.[1]

One reason behind the rise of ecosystems is that they are exponential value generators. In the same sense that bilateral collaborative business relationships create value and innovation, ecosystems have the capacity to create value and innovation in the connections between each member of the community.

But we need a different approach and different thinking to manage these multidimensional, multilateral business relationships. Partner management processes already developed in our profession remain relevant, but we do need to rethink how we apply them.

Nine-way governance models that adopt the practices of strategic alliances are just not efficient or agile enough and cannot scale. Do the math: If each of nine members has eight partners, that's 72 relationship management plans, 72 governance plans, 72 metrics models, etc. However, by distilling what we know about effective collaborative processes into collaborative principles, we can create a framework that is flexible and robust enough to handle the challenge. Overarching principles that guide behavior and thinking are more scalable and can be codified into overarching governance, metrics, etc.

Standards Distilled

I've been privileged to lead the U.S. delegation to the International Organization for Standardization Committee for the ISO 44001 Collaborative Business Relationship Management standard and still serve on the US advisory group. While the standard itself is very thorough and has been vetted by many alliance professionals, there is room for evolution. It does provide a great framework for managing business collaborations, but the framework is difficult to apply to the more modern, agile, and fast-moving environment of ecosystem partnering.

The ISO committee also spun out a document containing 12 principles distilling the 128 requirements of the standards document into more digestible guidance for successful collaborations.

Alliance Principles for Ecosystems

Collaboration principles do not replace having sound practices and policies, but they do enable lighter-weight approaches. Principles become a way of thinking that guides behavior, which is a more scalable approach than weighty processes.

There are various types of ecosystems and they differ in scale. The collaboration principles must also differ in how they are applied according to the scale and configuration of the ecosystem. For example, in a small ecosystem of a half dozen partners, you can just deal with the added complexity of having six different voices and interests. This is possible but far from easy, and will break down as more partners are added. As collaboration in the ecosystem grows, a more self-sustaining and principles-driven approach works better.

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Large-scale ecosystems can include dozens or even thousands of partners. In these configurations, there is most likely a single orchestrator or a small number of partners that form the orchestration core. Other partners have much less influence and participate through self-alignment to the rules and guidance set by the orchestrators.

Below we examine the 12 collaborative principles from the ISO 44000 Principles for Successful Collaborative Business Relationship Management.

Principle 1: Relationship Management Plan

While listed as number one among the collaboration principles in the ISO 44000 document, the relationship management plan is really a template that over time captures how you agree to collaborate as you figure it out. Many of the other 11 principles will find their home in the relationship plan as they are fleshed out to provide operating guidance to the ecosystem collaboration. You may start with a corporate-level relationship plan (and in fact the standard specifies that you do). But expect that high-level plan to change as you assemble your partners, as they will have their own ideas and plans. These relationship plans will need to be harmonized so that you arrive at a plan of record for the collaboration. The relationship plan can be highly customized when you are addressing a small-scale ecosystem of a handful of partners. In larger ecosystems, it becomes a model for self-alignment.

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The team charter can be used as a lighter-weight alternative to the relationship plan. The team charter is a short document, ideally one or two pages, that summarizes the key agreements between the partners. It usually starts with the statement of purpose, which is your common vision of why you are partnering—your North Star.

From there, your charter should explain your business objectives, a description of the value you expect to create through partnering, how you will measure success, and how you will manage your relationship. An effective charter will ensure that you have the right conversations with your partners and that you document a shared plan of record of your agreements and expectations.

Principle 2: Alignment on Vision and Values

Strong collaborations have a vision: a common North Star that guides them toward creating greater value for their customers. This is one of the keys to strategic ecosystem design, which ecosystem architects are wise to keep in mind. Each partner seeks a value in the relationship and will align to the vision only if they recognize the benefit of being a member.

Alignment is not a practice that is just done once at the beginning of a collaboration. Business conditions change; company strategies and fortunes change; workforce priorities change. All of these may cause the North Star to shift and organizations to alter their vision. It is wise to frequently do a navigation check: Are you still aligned to a common vision? Is a reevaluation in order?

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Some North Star vision statements are simple, even visceral: “We will send humans to Mars.” “We will relieve the suffering of ALS patients.” “We will provide clean drinking water to underserved communities in developing nations.” In business, however, we are not always able to craft a vision statement that connects to our values as strongly as these and wins the hearts and minds of all stakeholders. But even a serviceable vision statement can become the guiding North Star of the partnership. Shared values guide the behaviors to collaborate effectively. Together, the alignment of vision and values gives the ecosystem the impetus to solve problems together, overcome obstacles, and collaborate to create amazing results.

Principle 3: Alignment on Business Objectives

This may seem deceptively similar to alignment on vision and values, but it is not. Alignment on business objectives drills down to how companies make money—or in the case of nonprofits, how they fulfill their mission. Business objectives are measurable, top-line and bottom-line metrics or other strategic outcomes that benefit the business, customers, and partners.

Alignment does not mean “identical.” Each partner in the ecosystem may have different business objectives, but they need to be synergistic to achieve and deliver an outcome for the mutual customer.

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Business objectives may be generally categorized as market development, generating innovation, and increasing agility and resiliency. All of these ultimately result in greater revenue generation or greater profitability within the ecosystem and better business outcomes for the customer.

Market Development: You may be trying to enter new markets to provide growth opportunities. For example, you may be seeking to enter a geographic market that may be new to you but is an established stronghold for some potential partners. Local partners know the local regulations and business practices, speak the language, know the culture, are integrated with the local business ecosystem, and have deep existing customer relationships—all of which are crucial to accelerating the achievement of your business objectives. Your ecosystem partners may be seeking something else: access to your products, credibility in your brand, investment you are willing to make to enable their success, or new revenue streams in services, for example.

Generating Innovation: You may have established a strong market position in one application of your product or services, but in order to grow your business you want to expand into new use cases. You may seek to acquire new partners that can innovate and adapt your offer to better serve these new users. Or it may be the case that your ecosystem already has the partners you need to serve those niches; you just need to connect and collaborate.

RingCentral is a company specializing in unified communications, a space in which contact centers are a major customer use case. As the pandemic accelerated and offices were shut down, contact center operators were sent home. At the time

RingCentral did not have a good solution for work-from-home operators. However, there were partners within their ecosystem that had the missing parts. By leveraging their capabilities and integrating them more tightly into the RingCentral core product, RingCentral was successful in enabling this new work-from-home use case for call centers—and in short order.

Resiliency and Agility: An ecosystem of partners with a range of capabilities enables responsiveness in the face of business challenges. The example of RingCentral leveraging ecosystem partners to field a work-from-home use case for call centers is also an example of resiliency and agility.

Principle 4: Collaborative Leadership

For many companies, collaboration is an unnatural act. To do it well takes strong leaders who understand collaboration and know that it requires a unique management style. It takes leading through influence, consensus building, and seeking win/win outcomes. Important relationships should have an executive leader assigned to them to provide strategic guidance, promote collaborative behavior by example, and ultimately be accountable for success.

Executive sponsorship is widely acknowledged to be one of the most critical success factors for partnering. This applies to individual alliances—but it's also highly relevant to how well an organization can realize value across an ecosystem.

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A successful ecosystem is often characterized by CEO/CXO support from each or at least many of the individual members. The CEO influences the culture, models the behavior, and sets the priorities in collaborative relationships. CEO support and that of the CXO staff fosters the environment in which partner ecosystems can succeed.

When you look at the stakeholder model of most ecosystems, it becomes clear why this level of support is critical. As ecosystems stretch across a company's functional departments and value chain, you find that business-to-business collaboration has multiple touchpoints. It takes the active involvement of senior management to keep the behaviors of the functional organizations in alignment with the company's strategic goals in partnering within the ecosystem.

Principle 5: Governance

What is governance? I had a veteran partner manager once tell me that she didn't know—but after one of our workshops she exclaimed: "I've been doing it for 20 years!" The short definition is that governance is a system to manage performance. Collaborations require governance processes that reflect how partners mutually agree to work together, allocate resources to the collaboration, and hold each other accountable for their commitments, with the ultimate purpose of achieving results. This process can be structured through governance committees and contract terms, but partnerships that can work together based on trust and alignment on vision and values will be more agile and responsive in fast-moving business climates. This is particularly true in ecosystems, where much of the governance is dependent upon an array of self-interests aligned to a shared vision.

Some the factors that help shape the rules or guardrails on the governance of the ecosystems are:

- Entry criteria to officially participate in the ecosystem
- Cadence of review
- Customer assurance measures (such as certifications) to promote customer value
- Carrots and sticks to motivate value-creating activity
- Investment management that recognizes and allocates resources
- Conflict resolution to address grievances and discord
- Rules of Engagement
- A Code of Conduct to set standards for ethical behavior
- Triggers that may indicate exit

Each of these elements can be dialed up or down depending upon what level of risk the orchestrator and the members perceive in the system. In large ecosystems these elements are defined by the orchestrator and are highly automated and programmatically administered.

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As an aside, the age of ecosystems is also an age of growing awareness of corporate social responsibility. With this comes a commitment to treating all workers with respect and dignity, ensuring safe working conditions, and conducting environmentally responsible, ethical operations. That commitment commonly extends to expectations in the supply chain ecosystem for your suppliers to embrace the same social, environmental, and ethical values. Many orchestrators expect their market-facing partners to embrace these values and to extend these standards to their suppliers and partners. These behavior expectations may be documented in a Code of Conduct. (And since we are applying ISO guidance here, it should be noted that all ISO standards in development or when revised now indicate how they comply with or support the United Nations Sustainability Development Goals.)

Principle 6: Collaborative Competence and Behavior

Collaborations based on the most rigorous governance and processes may still struggle to deliver great performance if the people involved don't have the aptitude and skills to collaborate. In fact, while alliance management has evolved into a sophisticated discipline that works well to manage complexity, it has become clear that you cannot always anticipate complexity, change, and disruption. You must continuously adapt to survive.

Ecosystems do not lend themselves to rigid processes. Partnering within ecosystems tends to be more agile, more collaborative, more adaptive. These are often called "soft skills," but my experience has taught me that these are the hardest skills to master. They include a mindset that resolves conflict through win/win outcomes, transparency in communications, harnessing your differences to create innovative value, and other related "people skills."

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Organizations that decide they will adopt an ecosystem business model must also recognize that success will require that they address the organic part of the business: the people. When Procter & Gamble adopted the Connect + Develop strategy in 2000, for example, many saw it as an R&D strategy to bring more innovation into the organization through enabling partnerships—and it was. There were many business case studies written up about the success of this strategy in revitalizing P&G and its pipeline of new products.

But in many ways it was also a *culture* strategy, and these new alliances were managed from the HR department. I spoke with a senior HR manager of alliance effectiveness at P&G about how they managed the implementation of the Connect + Develop strategy. It was very much about changing behavior and developing the skills or competencies for collaboration, which is why the HR department stepped up to do the job. Recruiting, advancement, and other talent management policies were revised to recognize and reward collaboration.

Principle 7: Trust and Commitment to Mutual Benefit

It is commonly said trust is built over years and destroyed in seconds. If there is one precious element to operating your ecosystem, trust is it.

With respect to governance, control, and managing risk in a partnership, it is useful to think of trust in two flavors: Trust in Performance and Trust in Relationship.

Trust in Performance relates to how capable and predictable your partner is in delivering on their commitments.

Trust in Relationship is more subjective. Do you trust those guys to be fair, honest, and to look out for your interests as well as their own? Are they a "good" partner? This can be seen by their behaviors, but you often know in your gut if your partner is trustworthy.

While you're considering whether your partners are trustworthy, it is equally important to look in the mirror. Are you behaving in a trustworthy manner? Are you meeting your performance commitments? Are you being open and transparent? Have you earned your partners' trust?

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All of this holds true for any size collaboration, but you get a compounding effect in an ecosystem. Trust may be debilitating when broken between two partners—but it is devastating when there is a low-trust environment within an ecosystem. If the value within an ecosystem stems from connections, conversations, and collaborations, these are greatly diminished in a low-trust environment. And once you've earned a reputation for untrustworthiness, you will find it difficult to attract and retain partners.

Principle 8: Value Creation

Value creation is the glue that holds an ecosystem of partners together. It is the reason to partner in the first place. As a principle for collaboration, it is key to recognize that value creation is a continuous practice. As long as the ROI is compelling, partners will remain in the ecosystem. While there may be a specific initial value proposition that attracts a partner to join an ecosystem, the potential for new and ongoing value creation through new connections and collaborations within the community will keep them there.

Continuous value creation should be business as usual. We found in past research that partnerships that managed an innovation pipeline were more successful than partnerships that just focused on the revenue pipeline.[2] New solutions and offers refresh the revenue pipeline with new things to sell on the demand side. On the supply side, innovation and new value creation can reduce cost, time, and inefficiency, also creating operational competitive advantage.

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Yet there is nothing like an existential crisis to trigger new value creation. In the pandemic economic disruptions, partner ecosystems were shifting to address new opportunities, creating new value: work-from-home solutions, telemedicine, contact tracing, collaboration on therapies and vaccines. How can you pivot your ecosystem strategies to survive by creating new value and taking advantage of new opportunities in a crisis?

Principle 9: Information and Knowledge Sharing

Creating value through collaboration requires sharing information and knowledge. This is enabled by trust and commitment to mutual benefit. Interactions with openness and transparency help build the relationship. But it is also important to be up front about what information cannot be shared, or what information can only be shared confidentially. This is especially important in collaborations that have competitive overlap—which today means most of them. One way to accomplish this in smaller ecosystems is to jointly develop a matrix of information defining what is shared and what remains proprietary and protected.

It is also notable that information and knowledge sharing may be the value of the ecosystem itself. In social media ecosystems, for example, it is the user-generated data that is the currency partners are seeking.

Principle 10: Risk Management

All business ventures have risk associated with them. Some collaborations are formed as risk mitigation measures. For organizations not skilled at managing collaborative relationships, there can be higher risks in delivering value from the collaboration because the skill sets to manage cultural or operational differences are underdeveloped. A different tolerance for risk can be itself a risk in the partnership. Partners should identify their risks in the ecosystem relationships to decide how to manage them.

Principle 11: Measurement and Optimization

Traditional metrics used for one-to-one or even one-to-many partnerships do not suffice when we look at the many-to-many ecosystem dynamic.

Measuring the value and health of an ecosystem is more than a sum-of-the-parts exercise. You can use a balanced scorecard model and think of how you are creating strategic value through the ecosystems: in other words, solutions, innovation, and how they generate financial outcomes not just for you but for partners too.

But it is also important to measure the overall health of the ecosystem. If the real power of the ecosystem is in the interconnections between the members, how are you measuring that? How many interactions? How many customer engagements are in process? Are partners benefiting from your ecosystem, or are they looking for the door?

Principle 12: Exit Strategy

Ecosystems can be very dynamic, with new partners coming in and cycling out at any given time. Some collaborations can be successful for many, many years, but even those should go through an evaluation from time to time to ensure that they are still serving the purpose for which they were created—and if not, can they be reinvented or is it time to wind them down? Often the exit strategy and exit triggers are determined by each individual member of the ecosystem, based on the value they recognize in being a member.

Ecosystem orchestrators often need to rethink policies not just on how to wind down certain member relationships, but also on how to limit churn. Churn is costly and disruptive, not only to the ecosystem but often to joint customers. This should be subject to continuous scrutiny, and as the business climate changes, your exit triggers may change, as well as the priorities in how you separate.

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In an agile world, ecosystem collaborations do not fit well within a highly process-oriented management model. They require a model based more on principles and a different, more flexible mindset than on rigid processes and policies. Organizations large and small, public and private, can get a lot of mileage in their ecosystems by applying these 12 collaborative principles.

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[1]McKinsey & Company: "By 2025, the potential economic impact of ecosystems could be between $60 trillion and $100 trillion globally."

[2]Phoenix Consulting Group go-to-market research.