

## THE CO-INNOVATION ALLIANCE SCAN, TOOL FOR EFFECTIVE COLLABORATION WITH EXTERNAL PARTNERS

*O escaneamento da aliança de co-inovação, ferramenta para colaboração efetiva com parceiros externos*

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**Abstract:** In order to select and assess co-innovation partners, I have developed an integrative framework coined as the co-innovation alliance scan that consist of four ‘fits’ between alliance partners: a strategic, operation, relationship and network fit. Each fit contains three indicators, to be rated from 1 (unfavorable) to 5 (favorable). High rated indicators prognosticate success, low ones might hamper or impede successful co-innovation cooperation. Using the scan, I constructed a serious “alliance game” in order to develop competencies of (future) alliance managers.

**Key words:** Alliance management; Partner evaluation; Serious game

**Resumo:** Para selecionar e avaliar os parceiros de co-inovação, foi desenvolvida um framework integrativo que estamos chamando de Escaneamento da aliança de co-inovação, que consiste em quatro “ajustes” entre os parceiros da aliança: um de estratégia, outro de operação, outro de relacionamento e um de ajuste de rede. Cada ajuste contém três indicadores, a serem classificados de 1 (desfavorável) a 5 (favorável). Indicadores de alta pontuação indicam sucesso, os de baixa pontuação indicam dificuldades que podem impedir a cooperação bem sucedida da aliança de co-inovação. Utilizando o escaneamento foi construído um “jogo de aliança” que permitiriam desenvolver competências de (futuros) gerentes de alianças.

**Palavras-chave:** Gestão de alianças; Avaliação de parceiros; Jogo de aliança

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## INTRODUCTION

The development and marketing of new products or services is becoming increasingly expensive, complex and uncertain. There are often multiple disciplines required while there is less time to recoup development costs (KPMG, 2012). Therefore, collaborating within (international) alliances and networks is increasingly important (Vanhaverbeke and Noorderhaven, 2001; Chesbrough, 2006). An inter-organizational network is a source of knowledge and learning, and network membership will lead to more information transfer and learning, a larger knowledge base or improved process and product innovation (Beckman and Haunschild, 2002; Caloghirou et al., 2003). Through networking with partners from diverse backgrounds, companies are able to gain from different points of view.

At the same time, inter-organizational cooperation is complex because within an alliance, partners cooperate and compete simultaneously, known as co-opetition (Brandenburger and Nalebuff 1996). Who will spend the time and money and who will benefit from the partnership? Who owns new jointly developed Intellectual Property (IP)? Does the new IP belong to your own company or your partner? Who will benefit from IP-royalties? Effective collaboration does not imply disclosing all IP to every partner in a network. Cooperating with external partners entails added complexities and risks. Even when potential synergies with partners are present, firms face substantial difficulties attaining them. In many cases, implementation of alliances will evolve problematically (Stel, 2011). Four aggregation levels interact often problematically during the implementation: the individual, team, as well as the organizational and network level. Successful implementation implies effective co-ordination of the activities on all four levels (Duysters et al., 2002; García-Valerrama and Mulero-Mendigorri, 2005).

## THE CO-INNOVATION ALLIANCE SCAN

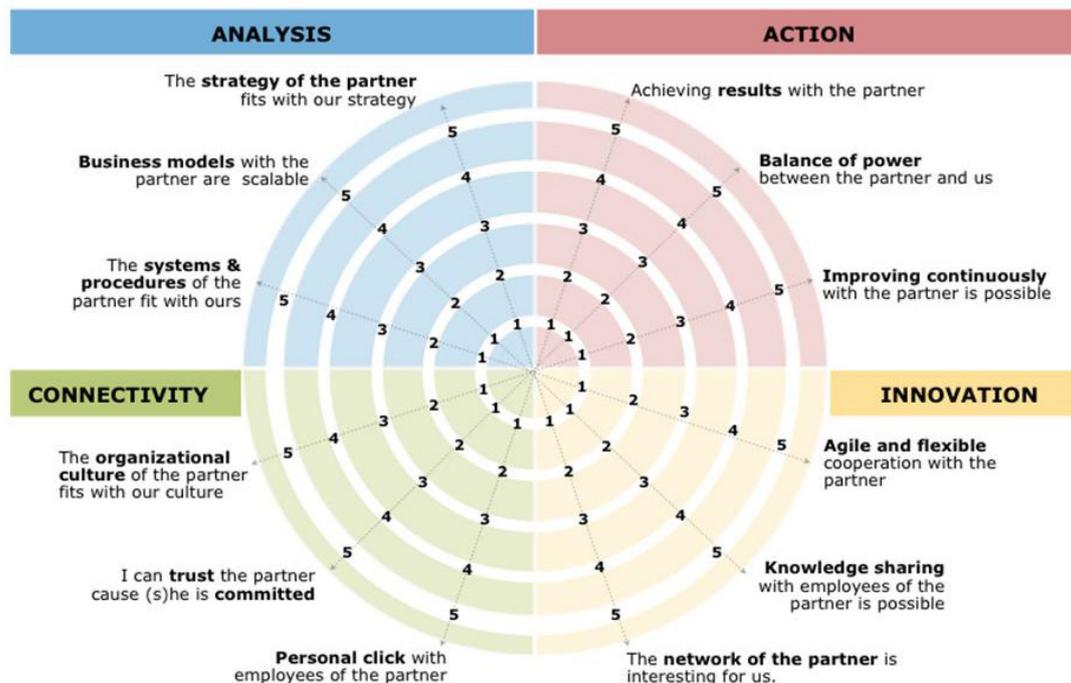
In order to develop crucial alliance competencies and determine and discuss beforehand whether potential alliance partners fit well with your business, I have developed a ‘co-innovation alliance scan’. The scan is building on existing alliance scans in use at companies<sup>1</sup> as well as the work of Cameron and Quinn, Denison and Mishra, Rosinski and Trompenaars. I tap from four theoretical domains: the network, contingency, organizational learning, and resource-based perspectives. I include aspects of networks, such as indirect/direct ties, and structural / personal ties, several ‘fits’ of compatibilities between alliance partners: strategic, operation, relationship and network fit. I focus on facilitating and blocking factors in competence development, on dynamic and combinative capabilities. I use key concepts of the organizational learning theory such as absorptive capacity, combinative capability, cognitive distance and the paradoxes of information and replication. I include facilitating factors and difficulties for organizational learning and competence development in co-innovation alliances (Gomes-Casseres, 1996; Madhok and Tallman, 1998).

I am following the methodology of Insights Learning & Development. This international psychometric assessment and training company has effectively brought into practice Carl Jung’s theory on personality and behavioral styles. I have integrated task related and relationship related issues with issues of Introspection and Extraversion. When I combine all four elements, I am able to integrate in a partnership assessment tool organizational and relationship dynamics.

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<sup>1</sup> Philips (c.f. Bell et al, 2011; Bell, 2012) and Elly Lilly (Stach, 1996; Futrell et al., 2001).

Task-related aspects are for instance a strategic compatibility between partners (strategic fit) and the ease of operation (operational fit). Relationship issues are included because at implementation, people make the difference. Excellent entrepreneurs and their ‘virtuoso’ teams (cf. Boynton and Fisher, 2009) can make a success of mediocre strategies or products, though under-performing individuals or teams will definitely not win a competitive battle. When venture capitalists decide whether or not to take an equity stake in a new venture, they rely primarily on their judgment of the quality of the entrepreneur and his team. Only if they are to be trusted, will a business plan be considered. First the man, then the plan. Interpersonal relationships are important because without them, potential synergies from the alliance are likely to remain dormant, which could result in an underperforming alliance. I distinguish interpersonal aspects as trust, and commitment (personal fit) as well as network relationships (network fit), as is illustrated in Figure 1.



**Figure 1 The Co-Innovation Alliance Scan**

I will discuss the four elements of the co-innovation alliance scan: analysis, connectivity, innovation, and action.

## ANALYSIS (STRATEGIC FIT)

In complex, uncertain and dynamic markets, it is impossible to make an estimate of the future. It is certainly not a continuation of the past. In an uncertain world, strategy and business planning cannot be considered purely as a step-by-step rational process based on stringent market and competitive analyses. The traditional analytical and deductive sequence is becoming obsolete. In this approach, known as “causation”, firstly a strategy is defined. Based on this strategy, the expected results are defined. Actions are then implemented in order to fulfill the prescribed strategy.

Instead, a more flexible and pragmatic “effectuation” approach to strategy is necessary (Sarasvathi, 2001, 2008). This approach is means-oriented, based on experimentation, existing competences and cooperation with external partners. Strategy is much more adaptive instead of being defined beforehand. Learning based on trial-and error and forming alliances with external partners should play a part as well as analytical prediction. Do partners in the alliance –now and in the near future- share ambitions, strategic goals, and strategic approaches? Are the strategies of the partners compatible?

Finding a viable business model is not just a linear, analytical process based on fixed assumptions. Instead it requires iterative experimentation, talking to potential customers, trying new things, and continually making adjustments. As such, discovering a new business model is inherently risky, and is far more likely to fail than to succeed. Are the partners able and willing to take the risk of developing jointly new scalable business models? Do the systems and procedures facilitate and enable experimentation?

In the section “Analysis”, I ask the following questions:

- Do the strategic goals and ambitions of the partners match with each other and the market?
- Are joint business models with partners scalable?
- Do the systems and procedures of partners match with each other?

## CONNECTIVITY (PERSONAL FIT)

Connectivity is becoming increasingly important; between businesses and the earth’s resources, between ideals and operations, between partners in a network, or between leaders and followers within organizations. In order to make an impactful and lasting partnership, using both head and heart are relevant. When developing a lasting solution of global sustainability issues, both relationship dynamics as well as task related dynamics should be considered. If a company is able to communicate the purpose, cause or beliefs of a partnership properly and consistently, it will win the hearts and minds of both partners and stakeholders, which in itself will lead to greater loyalty as well as the necessary long-term commitment. From Simon Sinek’s book “Start with the Why”: “I follow those who lead, not because I have to, but because I want to. I follow those who lead not for them, but for ourselves (Sinek, 2009).” Are the values of the employees of the alliances partners connected?

In the section “Connectivity”, I observe:

- Do the organizational cultures of the alliance partners match with each other?
- Can one expect trust and commitment between alliance partners?
- Do the alliance partners feel personally bonded to their counterparts in the alliance?

## INNOVATION (NETWORK FIT)

In order to implement international business opportunities, radical renewal will be necessary. Business-as-usual cannot bring us to sustainability or secure economic and social prosperity; these can only be achieved by radical change, starting now (World Council of Sustainable Business Development, 2010). Solving sustainability challenges should be beyond incremental change: it lies with systemic change and radical breakthrough innovation. Therefore, a main success factor is radical “thinking out of the box”. In order to convert the huge sustainable challenges into business opportunities, an open and creative mindset is essential. This involves breaking out of the status quo in order to consider new possibilities, and exploring new as well as unusual combinations. To paraphrase a famous quote of Albert Einstein: “I cannot solve our sustainability problems using the same thinking as when I created them”.

Some unique discovery skills or “Innovator’s DNA” abilities are essential: associating, observing, questioning, and experimentation (Dyer et al. (2009). Associating is the ability to successfully connect seemingly unrelated questions, problems, or ideas from a wide range of disciplines. Associating involves observation carefully the activities of customers, suppliers, other companies, or environmental trends that suggest new ways of doing things. The ability of ‘questioning’ is important, challenging the status quo asking “Why?” and “Why not?” and “What if?” questions. A culture that fosters “experimentation” is relevant. Especially in the early stages of development, experimentation is a means of learning quickly because it allows timely and cost-effective adjusting of development projects (Ries, 2011; Blank, 2007). In order to implement international sustainable business in time, the ability to learn and adapt quickly. Like Darwin’s adage, “it is not the strongest that will survive, but the most adaptable”.

Learning is defined as “the ability to process knowledge through which the range of potential behaviors can be increased” (Huber, 1991: 89). Previous success complicates the learning of new practices. Because of their success in the past, companies tend to be less eager to change their practices. Often, they will over-value existing practices. As Keynes wrote in 1937, “The difficulty lies not in the new ideas, but in escaping from the old ones”. This complacency is known as “corporate rigidity”. The adage “never change a winning team” should be substituted by “change a winning team at the right moment”. Unlearning obsolete practices is a vital - and often problematic - first phase in learning to adapt. Learning involves acquisition and the use of new knowledge by an organization (Kumar and Nti, 1998).

A firm’s ability to value, assimilate, and utilize new external knowledge is known as absorptive capacity (Cohen and Levinthal, 1990; Lane and Lubatkin, 1998). Absorptive capacity is considered to be an important source of competitive advantage (Ghoshal, 1987; Kale and Singh, 2007), which involves the identification, acquisition and use of new technologies<sup>1</sup>. Agility, i.e. a combination of speed and

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<sup>1</sup> Todorova and Durisin (2007) describe the following actions: identification of new technologies, making it

flexibility, is important for sustainable international business. Market conditions are changing faster and becoming more uncertain. In order to benefit from a smaller window of opportunity, sustainable companies should be agile, react quickly and flexibly. Several aspects of networks are relevant: size, diversity, interdependence, structure, intensity, as well as the position of partners within a network.

Therefore, at “innovation” I analyze the following questions:

- Can one expect agility flexibility within the co-innovation alliance?
- Is knowledge sharing and technology transfer possible between the alliance partners?
- Do the networks or ecosystems of the partners yield the alliance?

### **ACTION (OPERATIONAL FIT)**

Resilience – the capacity to recover quickly from difficulties - is indispensable for successful sustainable business because it involves the development and marketing of new products and services. Novelty brings with it unforeseen obstacles. You never know in advance which projects ultimately leads to new business. Results can often only be achieved after a little inspiration and a lot of perspiration. Half of the innovations in the world were a result of great insight, the other half happened by accident, and none of them happened on schedule (McNamee as cited in Estrin, 2009: 25). It is important to be aware of the potential hurdles, to be prepared to withstand unforeseen difficulties, to learn and re-focus. To achieve sustainable results, it is essential to strive to continuously improve the alliance, adapt and if needed -as Mullins and Komisar (2009) named their book- : “Get to plan B!”. One must have the stamina to cope with setbacks and delays. The same applies to the relationship between alliance partners in development projects. The relationship should be resilient in order to withstand strain, conflict and unforeseen setbacks. Therefore, perseverance and resilience are indispensable.

In the section “Action”, I consider:

- Can one expect to achieve sustainable results with the alliance?
- Can one expect a balance of power and control within the partnership?
- Are the proposed partners willing to continuously improve the partnership?

### **CONCLUSIONS**

In interactive workshops, I have tested the alliance scan. The scan provides a nice overview of both the partner selection process as well as an estimate of future organizational and relationship dynamics of an alliance. I use the scan to train skills of future alliance managers and to optimize the search process for potential co-innovation partners. In workshops, based on the alliance scan, I discuss the impact of the four ‘fits’ of partner selection and partner cooperation. I identify paradoxes and balances in partner cooperation, the alignment of several critical items, and the feasibility of - e.g., technology transfer to and from partners, potential new business models and “dos and don’ts” of leading alliance teams.

I have developed a holistic scan – grounded in theory and practice. The scan deals with the complexity of implementing the alliance cooperation at four levels: the individual, team, organizational and inter-organizational level. Using Jung's theories that have been operationalized by Insights Learning & Development, I offer a shared language to diagnose, build, support, and intervene in alliances.

During alliance cooperation, the scan helps to determine which aspects are developing well or need adjustment. For instance, a looming imbalance of power between alliance partners can be discussed in order to prevent eroding trust and commitment. In order to improve agility of the alliance, certain systems or procedures can be put on the agenda in order to adapt. Strategic, personal, operation or network fit between the alliance partners contribute to alliance effectiveness, while decreasing fits may result in an increasing risk of underperformance or even premature ending of the partnership.

I would like to invite academics and practitioners who are dealing with co-innovation alliances to comment on the scan in order to improve the tool. In addition, I intend to cooperate with researchers in conducting jointly longitudinal case studies in order to study and develop alliance competencies.

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accessible, assimilating it, transforming and exploiting these new technologies in order to develop and market new products and services.

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