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WHAT COLLABORATION IS AND ISN'T

None of us is as good as all of us.

—RAY KROC

We have become accustomed to the idea of winning through fierce competition. Simple concept: if you do something better than someone else, you win their market share. You eat their lunch. Collaborating with "competitors" is outside of our comfort zone; it seems alien and self-defeating. It feels as if we are helping "them" beat us at our own game.

We know successful competitors to be those who invest time, effort, and resources to win as big a piece of the pie as possible. The traditional wisdom holds that it is worth investing in these things to beat the competition, but the transaction costs of competing are high; higher than many realize. As traditional competitive business practices have evolved and spread deeper and wider throughout the world, and as new technology has made all competitors knowledgeable, there are diminishing marginal benefits available for the winners. The cost of stealing crumbs back and forth between competitors barely justifies the process as it whittles away at the small margin that does still exist. In many instances, collaboration will give us a greater return on our investment.

When successful collaborators invest time, effort, and resources, they capture a piece of pie that didn't exist before. Of the 765 CEOs surveyed in the IBM Global CEO Study 2006, 75 percent of respondents ranked collaboration as a "very important" part of innovation. The study also found higher revenue growth was reported by companies that collaborated with external resources than by those who did not (IBM Global Business Services, 2006). All parties increase their chance of success when they work together to create value that has never before existed. The old way of thinking traps competitors in a futile effort to steal pieces of an ever shrinking pie back and forth from each other; in the new way of thinking, collaborators are moving forward by working together to find ways to make the current pie larger or even to make an entirely new pie.

"Collaboration" is not a new buzzword to everyone. Over a decade ago Disney and McDonald's mastered the art of business collaboration and cross promotion. While waiting for Disney's release of a major new animated film, consumers of all ages knew that Happy Meal toys related to the movie as well as cross-promotional ads were on the way. The idea to form the relationship was brilliant and clearly a win-win for both organizations, because both companies are icons in America with built-in public goodwill. Although the Happy Meal probably needs another round of collaborative thought that involves advocacy groups, it still generates over $3 billion of annual revenue and represents about 20 percent of all McDonald's meals sold. Many companies do cross-promotion, but these two worked at a strategic level to attempt to increase each of their capabilities. They shared risks, rewards, and responsibilities by planning events before, during, and after a movie release. In addition, they have used movie advertising to sell food and food ads to sell more movies. The same principles apply for businesses seeking to grow or be more efficient in their business practices (Print Place Blog, 2009).

MUJI, a Japanese retailer, recently teamed up with legendary toy manufacturer LEGO to develop a product that adds an extra dimension to LEGO toys. If all MUJI did was make an add-on product that worked with LEGO, that could possibly be considered *cooperation*, but *collaboration* requires a high level of strategic work that can yield bigger results. In this case, MUJI and LEGO collaborated in the creation of a new series of toys that combine LEGO's plastic blocks with paper elements. The result: four play sets that feature a collection of redesigned LEGO parts, paper, and hole-punching tools that allow the user to combine them. Animals, characters, and a number of other shapes can be created using the sets, or they can be customized with a little imagination and additional paper (Robinson, 2009). Consider the effect on the two brands. MUJI is an award-winner for its simplistic design work; it sells a lot of ready-to-assemble furniture in its stores and seeks a creative and family-oriented image. LEGO's reputation for simplicity and family fun assembly complements the MUJI brand. LEGO reinforces its brand message that its designs are serious enough, yet simple enough, to be considered by a design leader like MUJI. Meanwhile, the new product receives increased exposure and sales in over 180 MUJI stores.

LEGO also collaborated with the UK shoe manufacturer Kickers to create a high-quality leather boot that is fun for children. This 2010 premium shoe collection uses the bright colors that typify the LEGO brand. The rubber trim on the Velcro version is an exact copy of a LEGO brick, so the child can attach an actual brick to the end of the straps, and a rubber fleurette is designed to be attached to the eyelets of the lace-up style. When the boots were first released, a free ticket to LEGOLand was included with each pair. And because Kickers is a stylish youth brand (created in 1968 in France), the association even gave LEGO some panache.

What Collaboration Is and What It Isn't

Collaboration is one of the popular business buzzwords of the moment, and companies are jumping on the bandwagon. Are they falling short of real collaboration and its benefits?

Collaboration is defined as the synergistic relationship formed when two or more entities working together produce something much greater than the sum of their individual abilities and contributions. Effective collaboration can produce better-quality projects, make more efficient teams, create healthier environments, greatly increase productivity, and enable more growth in organizations than ever could have existed before the concentrated emphasis was placed on collaboration. The business that quickly adopts a culture of collaboration will emerge stronger and more profitable than its counterparts that try to delay implementation of the collaboration required by the new knowledge-based economy. As Michael Schrage puts it in his book *Shared Minds*: ". . . collaboration is the process of shared creation: two or more individuals with complementary skills interacting to create a shared understanding that none had previously possessed or could have come to on their own." In a collaboration, multiple parties with complementary skills share knowledge, talents, skills, information, risks, and resources to achieve a mutual goal that they could not have achieved separately. The outcome of a successful collaboration is something that did not exist before: the solution to a problem; new ideas; a new, higher level of products, services, or know-how. Collaboration is not a touchy-feely concept; it's very much a focused, structured process.

To understand and master the power of collaboration, we need to be able to distinguish it from other, seemingly related forms of working with other people. Collaboration is more than simply sharing resources. We *work* with other people, but we do not *collaborate* when we simply post information about an upcoming visit by a prominent guest speaker, coordinate our activities with another agency to increase public awareness of a certain issue, or fund a university initiative for a river cleanup. Although networking, coordination, and cooperation—which all can be defined as different levels of resource sharing—offer certain benefits to at least one of the involved parties, each of them lacks one or more of the essential components of collaboration.

Resource Sharing: Just Part of Working Together

Resource sharing is a process that occurs at different stages of collaboration but does not, in itself, qualify as collaboration. Simple resource sharing takes place when we offer another party knowledge or information. For example, a friend may ask your advice on how to set up a new stereo system in his home because you have recently set up one for yourself. A professor may post on her office door a list of internship opportunities that her students could benefit from. Your company may allow another company to use your database in exchange for having access to theirs. All these are examples of simple resource sharing. At the end of such exchange, your friend may have the stereo system working, the professor's students may gain hands-on experience from the internships, and your organization may achieve its goals thanks to having access to an additional database. Yet none of these activities involves working together toward a common goal. None of them amounts to collaboration.

Apart from information and know-how, the resources in "resource sharing" can mean anything a business needs to operate (Business Dictionary, n.d.): financial resources, human capital, tangible resources (for example, equipment and technology), and intangible resources (for example, reputation and goodwill). Organizations and individuals engage in resource sharing for various reasons and with various goals in mind. Charity or altruistic reasons could be a factor. One could share resources with the intention of strengthening friendship or goodwill. Quid pro quo, or an exchange of tangible or intangible assets between parties, could also be a goal of resource sharing.

What makes simple sharing of resources different from collaboration? Lack of teamwork and absence of a unifying goal are the most obvious factors. In some cases, such as in charitable or altruistic sharing or acts of sharing out of friendship, only one of the parties can expect tangible benefits. As a result, simple resource sharing may fail to enhance the capacity of both parties. Finally, those involved in simple resource sharing are often more interested in the process than in the outcome. By contrast, a key feature of collaboration is that it is result-oriented, not process-oriented (Hansen, 2009).

To get a clearer picture, let's take a look at three forms of collective work that are related to collaboration but in fact represent three levels of resource sharing (Himmelman, 1993). These levels are networking, coordination, and cooperation.

Networking: A Start

Networking is defined as "the exchange of information or services among individuals, groups, or institutions," especially in order to cultivate productive business relationships (Merriam-Webster, n.d.). In simple terms, it is merely the act of sharing information for mutual benefit. Networking is a popular way of working with other people because it is relatively simple to do and it promises mutual benefit to all involved. It is also the most informal and noncommittal way of working with other people, compared to three C's: coordination, cooperation, and collaboration. Networking is often the first step toward collaboration.

Networking usually involves communicating and working with people who have interests similar to ours. For example, organizations and individuals concerned about the ethical aspect of pollution may decide to set up a mailing list to share new information and organize regular meetings to discuss the issue. A software developer may attend a large IT conference to evaluate market trends and see whether the project she has in mind could attract interest from big IT businesses.

Networking is easy to do because we have a wide pool of potential networking activities at our disposal, ranging from talking with our neighbors to attending professional meetings and conferences (The Riley Guide, n.d.). In fact, we network every day. We are networking when we make new acquaintances at a party, chat with a local shopkeeper, join social clubs or religious groups, contribute to mailing lists and blogs, or post messages in chat rooms. Nearly everyone today, even outside of a business environment, is aware of the unequivocal benefits of networking. We often discover new ideas, business opportunities, or new ways of potential career development thanks to active networking.

Networking is informal; it does not require official meetings and organizational involvement. It can be done over a dinner or a couple of drinks, and you can walk out of a networking event whenever you please. Networking is a noncommittal activity. It is also an act of simple sharing of resources, not true collaboration. That said, networking is often a first step toward identifying a collaborative opportunity.

Coordination: Taking It to a Higher Level

More formal and somewhat more complex than networking, coordination means synchronization and integration of activities, responsibilities, and control to ensure the most efficient use of resources in order to achieve specified objectives (Business Dictionary). In simple terms, coordination requires that some action be taken and that there is a sharing of information for mutual benefit and to achieve a common goal. Coordination is an integral part of collaboration, but it cannot be a substitute for it.

Because coordination is a way to achieve a specific purpose, it calls for a more organizational approach than networking. It requires a higher level of involvement and responsibility from its participants. Coordination is an important part of public awareness campaigns and grassroots movements, especially those that call for a certain action or demand specific changes in the status quo. For example, various groups and organizations working in an undeveloped country may decide to have an AIDS awareness week, showing educational films, giving out red ribbons, and organizing a marathon to draw people's attention to the issue. Parents and teachers in a small town may draft a schedule so that two adults always accompany children who walk to school in areas where the school bus does not run.

Coordination is most successful when parties affected by the proposed changes can contribute to the discussion of those changes. This method of working with other people creates a wealth of ideas, ensures awareness of different views on the consequences of one's actions, and enables broader participation from various groups. It is effective in preventing duplication of efforts and helps to promote the common cause.

However, despite offering the same goal for the parties involved, coordination falls short of collaboration. Distinct groups working toward the same cause usually walk away from the coordination process as distinct groups. All parties work independently from each other, merely doing so at the same time as the other groups. Their learning from each other is limited. Finally contrast the best result of coordination—achieving a previously identified goal—with the best result of collaboration: attaining a new, higher level of products, services, or know-how.

Cooperation: Even More Significant

Cooperation means a "voluntary arrangement in which two or more entities engage in a mutually beneficial exchange instead of competing" (Business Dictionary). In simple terms, it combines the attributes of coordination with the sharing of resources. Thus, in addition to exchanging knowledge and synchronizing or adapting activities to achieve a common goal, cooperation includes the additional element of sharing business resources other than information. As part of cooperation, we may share funding, training, employees, workspace, marketing, and legal advice (Himmelman, 1993). Franklin D. Roosevelt famously said, "Competition has been shown to be useful up to a certain point and no further, but cooperation, which is the thing we must strive for today, begins where competition leaves off."

Although having a common goal is typical for cooperating parties, the degrees of their attachment to that goal may differ. Although crucial for one of the parties, a common project may be less important—or a mere issue of status—to the other party (Saveri, n.d.). In this case, the latter party learns little from the experience and does not evolve. Cooperation therefore falls short of collaboration for the following reasons: Although both cooperating parties may achieve their common goal, they do not necessarily enhance each other's capacity. In addition, cooperating parties do not fully share risks, responsibilities, and rewards. In the case of collaboration, all available resources, as well as risks, responsibilities, and rewards, are fully shared.

Consider this example. In 2006, two businessmen from Chicago developed a design contest website, Crowdspring.com, which enables graphic designers to get input from the entire community (Steiner, 2009). The idea is simple: companies and other potential clients offer to host a contest for the best logo, ad flier, or business card design, and designers submit their work to this contest, at the same time critiquing the work of others and exchanging comments and feedback. Because all designers participating in the project share the same goal—namely, to provide the client with the best logo, banner, or other design product—Crowdspring may resemble a collaborative tool. However, it is not. One glance at the components of collaboration tells us the Crowdspring model has more elements of competition than collaboration. Indeed, at the end of the day, the designers work independently and compete with each other for the prize. Collaboration, in contrast, is about working together as a team, building on each other's work, proposing and assessing new creative ideas, and communicating with each other in an open and respectful environment. Collaboration is about the common goal of the team, not individual goals of its members.

The CaseStack Collaboration Experience: A Case Study

CaseStack is often broadly characterized as a technology-enabled supply chain business process outsourcing company, but most customers would describe it more specifically as a third-party logistics company that offers warehousing and transportation services with a technology package that seamlessly ties it all together. Clients usually appreciate that they have tapped into high-quality services at lower costs, and that they have full reporting and visibility from their laptops or mobile devices anywhere, anytime. They don't really need to recognize, nor do they need to even think about, the higher vision. It is just critical to them that the service consistently performs at a higher rate and the costs are low enough to level the playing field in the highly competitive consumer packaged goods market.

But there *is* a higher vision. An allegory comes to mind. In sixteenth-century Italy, a church was being built, and three bricklayers were each asked the same simple question: "What are you doing?" The first bricklayer responded, "I am a bricklayer, and I am laying bricks. That's my job." The second bricklayer responded, "I am helping to build a big new building." The third had a completely different notion of the greater vision. He responded, "I am building an edifice to God that will bring people closer to a higher power."

The CaseStack vision is by no means as grandiose as the message conveyed by the third bricklayer, but it recognizes that there is a higher calling. The company was founded on the concept of developing a unique group of people, processes, and technology that could be leveraged to create collaborative relationships that would change the industry. This was based on the belief that the largest opportunities for business growth were often missed at traditional companies. Over the generations, companies have become very good at exploiting internal opportunities, sometimes using third-party resources. Many successful institutions are built to rally their organizations to compete, but they often miss out on collaborative opportunities. CaseStack obviously requires a strong competitive framework, but it also has a unique perception of collaboration. As an organization, its people, processes, and technology are conditioned to seek opportunities that span beyond the four walls. They are constantly in search of innovation based on collaboration; working between organizations as well as within. In a world where people tend to focus on scarcity and lack of opportunity, CaseStack has always faced a different quandary—too much opportunity. Though it may sound like an embarrassment of riches, culling through, evaluating, and developing the most promising from such a pool is still a challenging task.

Advertising executive David Ogilvy, who is often referred to as the father of advertising, said, "Ninety-nine percent of advertising doesn't sell much of anything." Unfortunately, there is no way to identify which 1 percent *will* be successful, so every possible avenue must be pursued. Innovative collaborative opportunities are much the same. There is no way of knowing which will pay off, so every viable possibility requires some exploration. It requires more forward thinking than what we are accustomed to, but as with advertising, when pursuing an opportunity leads to a gold strike, the payoff is clear. Advertisers have realized this with such advertising gems as "I've fallen, and I can't get up!" "Where's the beef?" and "Got milk?" These strokes of brilliance exemplify the concept that Ogilvy cites. And so it is with collaboration. Finding the mutually beneficial needle in the haystack with other organizations has become part of the CaseStack culture.

Some companies are much more fortunate in the percentage of successes, though they aren't the norm. There are companies out there that can do no wrong; they've found what could be called an *unfair* competitive advantage. They've got it made. They have monopoly power based on their dominance of a market, patent protection, indecipherable intellectual property, or unshakeable consumer loyalty (think Nutella, LEGO, Monty Python, Pabst beer, Trader Joe's, Birkenstock, Dr. Seuss). CaseStack is more of an example of a company that has to compete every day based on inherent market demands for *better, cheaper, faster.* That's what should make the company interesting as a case study; its collaborative tools are usable at most companies that compete in a normal business paradigm. We have developed a unique group of people, process, and technology that combine to give us a competitive edge and likely make us the most scalable company in our industry. The following examples will give some insights into how CaseStack collaborates.

CaseStack's Retailer Consolidation Program

One of the most notable collaborative programs that CaseStack has pioneered is its use of retailer-driven consolidation programs. In a normal environment, many consumer packaged goods companies use time-honored methods to fulfill orders from retailers from their warehouses. In simple terms, a purchase order comes in, the supplier stages the products on pallets, and they contact a trucker to deliver it to the retailer. Often that shipment does not completely fill a truck, so they use less-than-truckload services or partial trucks; either method means more wasted miles, time, and diesel fuel, and more greenhouse gas emissions.

In collaboration with large retailers, CaseStack cultivated something very different called *retailer-driven consolidation*. By developing technology and processes with retailers, CaseStack facilitates ordering and consolidation of multisupplier full truckloads. So, again in simple terms: the orders for numerous different products from distinct, unrelated companies come as one. Then they are shipped out on full trucks together. Transportation costs less, fewer resources are wasted, on-time delivery is higher, and even the Earth's environment is better off. Retailers get exactly what they need when they need it, reducing inventory carrying costs. Without the program, retailers would need to order larger quantities; now they can order as little as one case, but enjoy the benefits of full truckload consolidated pricing. In addition, the average CaseStack truck is carrying sixteen loads, so a single truck can replace up to sixteen separate trucks pulling into the retailers' distribution yards. That reduces operating expenses. Many mid-sized suppliers have actually stated that they might have gone out of business without such a program, and retailers have benefitted by being able to add variety to their shelves.

All of this couldn't have happened without a lot of collaboration. Each party went out on a limb in the beginning: the retailers, the suppliers, and CaseStack. Each invested time, some invested capital, and all risked sharing closely guarded information, knowledge, and processes with each other for the greater good. The savings achieved by the collaboration are passed through the entire supply chain—from the manufacturer to the retailer and finally to the consumer. At the end of the day, just like the third bricklayer in the Italian church allegory, we achieved something sensational: lower costs for the mother on a tight budget in the grocery store buying food for her family. No individual party in the process could have achieved this alone. This example has become an important part of CaseStack's business model, but the company leverages collaborative practices in innumerable other ways.

The "VIVA Consumer" Example

As part of the CaseStack collaborative business model, we often have strategy meetings with retailers, consumer goods companies, and other supply chain participants to determine future trends. One trend that we have recently discussed relates to changing consumer expectations and the consequential requirements for a more contemporary supply chain. During the collaborative process, we first perceived only a small part of the opportunity as simply the convergence of business-to-business (B2B) and business-to-consumer (B2C) retailing models. B2B describes commerce transactions between businesses, such as between a manufacturer and a wholesaler or between a wholesaler and a retailer. B2C, sometimes also called business-to-customer, describes activities of businesses serving end consumers with products and/or services. A manufacturer that sells its products to Tesco or Walmart is selling B2B, whereas the eBay, Tmall, or Amazon model is more likely B2C. Most consumers already realize that B2B and B2C are converging. For example, what is happening when a shopper is standing in a Costco building using her mobile device to purchase a less expensive version of some product online at Walmart.com that will be shipped to and available at the FedEx office nearby her house for pickup later that week? It's a convergence of B2B and B2C. The lines that define the structure of retail are blurring.

As we worked collaboratively with various partners on the convergence issue, we began to understand the larger trend. Global consumer expectations are evolving; we are seeing what we have dubbed a new "VIVA Consumer" that demands a "VIVA Supply Chain." VIVA is our acronym for Variety, Instantly, Value, and Anywhere. In more conventional terminology it refers to the reality that consumers are beginning to expect that they can have full product assortment (variety), any time they feel like it (instantly), at the usual prices (value), and available wherever they happen to want it (anywhere). Most industry participants recognize that traditional supply chains in the United States and elsewhere weren't actually developed to accommodate the reality of the VIVA Consumer, and creating it will require significant expertise, scale, and scope that only collaboration can deliver. We wouldn't have properly understood the extent of the larger opportunity ourselves without the deep and varied talents of our collaborative partners.

We used our collaborative model to understand the opportunity, and then we started taking the first steps to address the issue. For example, CaseStack has focused primarily on business-to-business (B2B) logistics, less on business-to-consumer (B2C) services. As a result of the changing marketplace, we realize that we will require a greater array of services. It makes sense for CaseStack to offer B2C services that are equally as progressive as its B2B services. In response to this new opportunity, CaseStack began collaborating with a technology-oriented B2C industry leader. As it turns out, given the developing marketplace convergence, the B2C company had a "mirror image" opportunity for its clients, who were increasingly requiring more B2B services. Like any collaborative relationship, it started with a problem to solve or an idea for something bigger and better. It required companies to meet and share information for mutual benefit to achieve a common goal. Both shared resources and took action to increase their mutual capabilities even in the face of risks. Each aims to be the best in its field for full logistics services from B2C through B2B—soup to nuts. There are many other parts that will come together to develop a comprehensive solution for the much larger opportunity, but we have begun building part of the foundation.

Leveraging Competitor and Customer Relationships

Most companies like CaseStack would normally consider others in the logistics business as competitors. There are a host of logistics companies that aggregate to about $1 trillion in business each year. Examples of large companies in the industry include Fedex, UPS, C.H. Robinson, and even the U.S. Postal Service. In another collaborative effort, CaseStack is working with some industry players to design mutually beneficial programs to leverage each company's strengths in collaboration. Each relationship requires a certain level of intellectual curiosity and initiative to get started. Usually that starts with a simple call, followed by an introductory meeting. As each firm gets to know the other's strengths, weaknesses, opportunities, and threats, they can begin to engage in a long-term, trust-based business partnership. In the case of the logistics companies, CaseStack and its newfound partners are designing specific tools, technology, and processes to leverage each other's strengths. As a result, overall costs are lower and each company is more competitive. This same principle is currently working with certain CaseStack customers as well. For example, CaseStack has long provided shipping services for an animal health and equipment products company. This animal products company also uses some of its own fleet of trucks. In many cases those trucks return from stores back to this company's twenty-six warehouses completely empty; in the industry this is known as "empty backhaul." Through a collaborative program, CaseStack is working closely with the client to use those otherwise empty truck miles for other customers' shipments. CaseStack receives low-cost, high-quality trucking services, and the customer transforms its truck fleet from a cost center to a profit center.

Other Collaborative Programs

There is a diverse range of programs, from mission-critical to merely community service–oriented, wherein CaseStack leverages its well-developed platform to act as a catalyst for mutually beneficial opportunities. For example, the company has collaborated with universities, nongovernmental organizations (NGOs), and state entities to assist in the development of SphereAccess, an organization that connects retail buyers with international suppliers. CaseStack also played an instrumental role in the creation and maturation of Green Valley Development, a non-profit coalition that fosters collaboration and commercialization of sustainability technology. CaseStack was even able to apply its collaborative skills to assemble a response team in the wake of the 2011 tornado in Joplin, Missouri, to assist the Missouri State Jobs Commission help recently unemployed victims get back on their feet.

There are numerous other collaborative ventures that rely on each part of the collaboration continuum—from sharing information and resources for mutual benefit in pursuit of common goals to taking action—all to increase mutual capabilities, even in the face of complexities regarding shared risks, rewards, and responsibilities. They all start with introductory relationship building and work their way toward strategic congruency to achieve new innovative solutions.

Real Collaboration

Collaboration is a process that can be broken down into its essential components. As with coordination, some action is taken and information is shared for mutual benefit and to achieve a common goal. As in cooperative arrangements, resources are shared. But a collaborative exercise is much more strategic, requiring the parties to increase each other's capabilities, and all take on some shared risks, rewards, and responsibilities.

As we have seen in this chapter, simple resource sharing is not collaboration; nor are its more advanced levels of networking, coordination, and cooperation. All these ways of working with other people can be beneficial to at least one of the parties involved. The goals may diverge, however, and responsibilities, risks, and rewards are not shared by all members of the process.

For true collaboration, the parties need a higher level of commitment, a unifying goal, and a structure to enable group communication, group participation, brainstorming, and teamwork, all of which come together to achieve something far greater than would otherwise be possible.