

Collaboration: It's All about Creating Value

Businesses and nonprofits collaborate mainly to create new value for themselves or others. Collaboration between these two sectors is now widespread and growing. The strategic question no longer is whether to collaborate but rather how to co-create more value for organizations, individuals, and society. Yet we still lack understanding of where value comes from, how it is generated, what forms it takes, and who benefits. To deepen our comprehension and management of these critical issues for practitioners and academics, this book elaborates the *Collaborative Value Creation (CVC) Framework*. The framework provides a theoretically informed and practice-based approach to analyzing and creating greater collaborative value.

The Rising Importance of Collaboration

Over the past three decades, the perceived value of collaboration has vastly increased partnering between businesses and nonprofits. As of 2011, 96 percent of the world's 257 largest nonfinancial enterprises were engaged, on average, in eighteen cross-sector partnerships.¹ In 2010, 78 percent of 766 surveyed CEOs in 100 countries confirmed that collaborations “are now a critical element of their approach to sustainability issues” and that they “believe that

companies should engage in industry collaborations and multi-stakeholder partnerships to address development goals.”² The perceived importance is mutual, and the partnering widespread: another 2010 survey revealed that 87 percent of nongovernmental organizations (NGOs) and 96 percent of businesses consider partnerships with each other important, and that most are engaged in eleven to fifty or more partnerships.³ A supporting 2012 survey in California of small and mid-sized organizations found that 74 percent of the nonprofits and 88 percent of the companies were partnering, with over 50 percent of both having more than five partnerships.⁴ In Brazil, a study of major businesses revealed that 95 percent partnered with NGOs and made social investments of about \$850 million.⁵ In Mexico, 61 percent of the nonprofits surveyed collaborated with businesses.⁶ A survey of the top 500 firms in Holland showed that 70.1 percent have active relationships with nonprofits.⁷ Academic research has amply confirmed that cross-sector partnering is considered essential to implementing strategies for corporate social responsibility (CSR) and to achieving nonprofits’ social missions.⁸ Furthermore, it is important to note that collaboration is not size-dependent. It occurs with organizations big and small, and the principles of value creation set forth in this book are applicable to all. In the twenty-first century, cross-sector collaboration constitutes a major leadership challenge across organizations and around the globe.

The growing complexities and magnitude of the economic, social, and environmental problems faced by societies across the planet exceed the capacities of individual organizations. A McKinsey & Company survey of 391 CEOs revealed 95 percent as reporting that, over the previous five years, society had increasingly been expecting businesses to assume greater public responsibilities, and the study’s authors point to “the dawn of a new era in corporate innovation and experimentation, when new partnerships and standards will emerge, when new, more transparent measures will better reflect the full costs of doing business, and when greater private participation in the delivery of public goods and services will change companies’ roles in society.”⁹ In addition, the number of nonprofit organizations has grown explosively, and the United Nations has estimated that one of every five people in the world has participated in some sort of civil society organization.¹⁰

At the same time, we are witnessing fundamental shifts in ways society and business and nonprofit managers are thinking about value. The concept of economic value creation has never been more hotly debated. From viewing value as hierarchical, with economic value at the top, we are moving toward equal priority for social and environmental value. From a single value associated with a particular sector, that is, economic value from businesses and social value from nonprofits, we are moving toward the concept of multiple value production from each sector. From the dominant logic of value coming through transactional exchanges, we are moving toward recognizing the greater value that can emanate from fused partnering relationships. The spotlight that used to shine on sole creation of value now shines on co-creation of value. The most productive pathway to progress is through strategic alliances across sectors. If your organization is collaborating only marginally, then you are being left behind. If your organization sees collaborations as strategically important, then there is still more value to be created. Throughout this century, practitioners will increasingly turn to cross-sector collaborations as powerful vehicles for organizational success and societal betterment, and so it is critically important for all of us to deepen our understanding of value co-creation.

Current Limitations in Understanding Value Creation

There is no doubt that collective knowledge about cross-sector partnering has advanced significantly over the past three decades. Nevertheless, our exhaustive examination of the literature on collaboration and corporate social responsibility¹¹ has revealed several important weaknesses in how value creation has been treated in this literature:

1. *Definitions.* Starting with the basic concept of what value is, we lack specific definitions.
2. *Language.* We do not have a common language and set of value reference terms.
3. *Sources.* There is no systematic categorization of sources of value.

4. *Relationships.* We do not fully distinguish among differences in the potential for value creation across different types of collaborative relationships.
5. *Dynamics.* We do not understand well enough the value-creating pathways of different collaboration processes.
6. *Location.* Only unevenly and narrowly do we specify and assess who is benefited. We have not yet uncloaked the full value of collaboration.

These weaknesses impede collective understanding and ability to realize the full potential of value creation as an outcome of collaboration.

The Collaborative Value Creation Framework

To address these limitations and enable a more specific, systematic, and comprehensive approach, we offer the CVC Framework, a new way of viewing and analyzing value and its co-creation. This is a revised, more developed, and illustrated version of a conception we proposed in 2012.¹² We will briefly introduce the framework here and then, in subsequent chapters, elaborate each of its components.

We define collaborative value as “the transitory and enduring multidimensional benefits relative to the costs that are generated due to the interaction of the collaborators and that accrue to organizations, individuals, and society.”¹³ With this definition in mind, we look at collaboration activities not as expenses but as investments generating returns. The CVC Framework consists of five complementary and interrelated components, each offering a distinct window through which to view, understand, and manage value creation. Each of the components is elaborated in a chapter of its own. From those chapters and the underlying literature, the final chapter distills a set of smart practices for co-creating value.

Component I: The Collaborative Value Creation Spectrum

Who creates the value? Where does the value come from? What kinds of value get created? This component provides the cornerstone of the CVC Framework by introducing the concept of a Collaborative Value Creation Spectrum that specifies four sources of value and four types of value, which provide a

new set of reference terms, with each source and type of value being a unit of analysis for understanding value creation more precisely and more systematically. It serves as a mapping mechanism that enables partners to locate where their collaborative efforts fall on the value spectrum.

Component II: Collaborative Value Mindset

What is the mental framework partners should have about value creation and collaboration? How partners think about creating value collaboratively conditions, in fundamental ways, the productive potential of partnerships. This component identifies multiple dimensions of the mindset that reveal how strong the mental framework is for collaborative value creation. This element of the framework enables one, first, to identify specific attitudes and perceptions partners hold toward creating value collectively, and, second, to understand how those can be adjusted to achieve more robust co-creation of value.

Component III: Collaboration Stages

How does the type of collaborative relationship affect value creation? This component presents the *Collaboration Continuum*, to analyze how key value drivers change as partnering relationships evolve through the *philanthropic*, *transactional*, *integrative*, and *transformational* stages.

Component IV: Collaboration Processes

How do different processes in the formation and implementation of a partnership affect value creation? This component identifies how key processes in establishing and operating a partnership can generate value in its formation, selection, and implementation phases. The *Collaboration Process Value Chain* analyzes value-creation pathways to reveal how different processes can have differential value-adding effects.

Component V: Collaboration Outcome

Who benefits, and how? This component delineates beneficiary levels for outcome analysis in terms of individuals, organizations, and society as well as different kinds of value. Approaches and challenges to value measurement are presented.

Figure 1.1 graphically depicts the five interconnected components of the CVC Framework.

The CVC Framework moves beyond the growing and important recognition of multiple value creation in conceptualizations such as *triple bottom line*,¹⁴ *blended value*,¹⁵ and *shared value*.¹⁶ Its distinctive perspective and approach move to a deeper and more refined examination of the co-creation of collaborative value. The framework disaggregates economic, social, and environmental value into more specific types of value, specifies key sources of that value, and identifies analytical and practice pathways for understanding the key processes that link the two.

As the preceding summary may suggest, the CVC Framework organizes collaborative value creation into constellations of key variables—collaboration value sources, types, mindsets, stages, processes, and outcomes—thereby facilitating focused and systematic analysis. It enables researchers and leaders of businesses

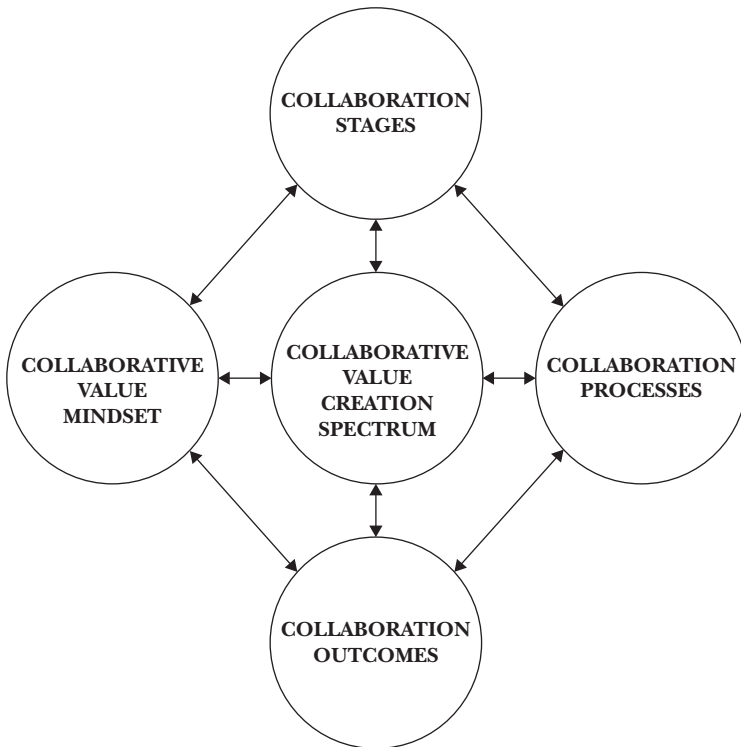


Figure 1.1. The Collaborative Value Creation Framework

and nonprofits to examine interrelationships, dynamics, value-creation pathways, trade-offs, and outcomes at multiple levels in more precise and robust ways. The framework enables one to think more strategically about collaborative value creation for organizations, individuals, and society as well as to design collaborative value creation more carefully, manage it more productively, and measure it more accurately.

Although there are some commonalities between cross-sector collaborations (such as business with nonprofit) and same-sector collaborations (such as business with business¹⁷), there are many important differences. Every collaboration is shaped by distinctive contextual factors that impinge on each of the five components of the framework. Partly for this reason, this book's many partnering examples are drawn from a wide range of countries, industries, and collaboration configurations. Some value-creation collaborations also include the public sector, and you will find that much of what we say can also be applied to collaborations linking the public sector with business and nonprofit partners.¹⁸

A Source of Research and Useful Practice

This book is built on extensive review and assessment of the relevant theoretical and applied literature in the fields of cross-sector collaboration and corporate social responsibility. Nevertheless, it is distinct from previous publications because of its dominant and different focus on the co-creation of value. Especially in that regard, the book provides new perspectives on important existing research.

The book includes a multitude of excellent case studies of business and nonprofit partnerships. These case studies are drawn from the literature, and we have added new analyses to them from our value-creation perspective. We present more than 100 examples of cross-sector collaborations from the United States, Europe, Asia, Latin America, Australia, New Zealand, and the Middle East as well as seventeen multicountry engagements. These real-world examples illustrate the managerial relevance and practical application of the framework. Specific contexts shape collaborations, but the examples reveal the broad applicability of the concepts and analytical techniques of the CVC Framework, and we use the examples to illustrate particular elements of the framework.

In some instances, we revisit the same collaboration in different chapters, to provide a cumulative and integrated application of the entire framework.

The book also serves as a distillation of and reference source for the state of knowledge on collaborative value creation. In addition to ample citations, you will find a list of nearly 500 references, which serve as a resource enabling readers to pursue identified topics in more detail. To facilitate undistracted reading of the text, a note number marks each source citation or set of source citations, as the reader will have noticed by now. The notes themselves contain a chapter-by-chapter listing of the cited sources in abbreviated form, with full source information given in the references (except for referenced interviews and sources consisting solely of URLs; information for these sources is complete in the notes). Throughout the chapters, we tap into this body of knowledge to provide intellectual and empirical support, including relevant survey and field-study data for the “why” and “how” of collaborative value creation. We believe that this aspect of the book will both provide managers with a more substantiated basis for their actions and decisions and open avenues for new conceptualizations and investigations. We try to capture the voices and insights of managers and key researchers by often quoting them directly. In addition, the book naturally draws on the authors’ decades of experience in studying cross-sector collaborations and interacting with practitioners to advance the collaboration knowledge frontier.

Chapter Two moves us right into the first of the five components of the Collaborative Value Creation Framework.