Part One

WELCOME TO THE COLLABORATION ECONOMY

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THE COLLABORATION ECONOMY: PROSPERITY AND SOCIAL DIMENSIONS ALIGNED

If you want to go quickly, you walk fast and you walk alone. But if you want to go far, you walk with others.

—African proverb

The Swiss village of Zermatt is situated in the German-speaking section of Valais, one of the twenty-six member states of Switzerland. Home to about fifty-eight hundred residents, Zermatt has an economy that relies on tourism—for good reason. Zermatt is located at the base of the Mattertal, a gorgeous valley at the bottom of many of Switzerland's tallest mountains. Visitors seeking to climb, ski, or otherwise enjoy the fabled Matterhorn often start their journey in Zermatt.

Among the features visitors will appreciate about Zermatt are its crisp mountain air and its very quiet modes of transportation. The village is an internal-combustion-engine-free and car-free zone. Just about every vehicle in Zermatt is battery powered . . . and completely silent. Zermatt takes pride in keeping the air, and the view of the Matterhorn, as clear as possible.

One way to view the Matterhorn is from the windows of the Matterhorn Glacier Paradise Restaurant. Built nearly four thousand meters high up on the peak of the Klein Matterhorn (meaning "little Matterhorn"), a brother mountain to the Matterhorn, the restaurant offers patrons once-in-a-lifetime views of the surrounding area. From the Klein Matterhorn, visitors can on a clear day view forty peaks, each standing over thirteen thousand feet. On any given day, patrons can dine on a choice of Asian cuisine as well as traditional specialties.

But if not for two events, neither the Matterhorn Glacier Paradise Restaurant nor the Monte Rosa group of mountains, which include both the Matterhorn and the Klein Matterhorn, would exist. The installation of a cable car connecting the Klein Matterhorn to the cable car system starting in Zermatt was vital to the eventual existence of the Matterhorn Glacier Paradise Restaurant. Between its completion in December 1979 and 2005, over fourteen million passengers used the "Suspensionlift Trockener Steg." Prior to the installation of this cable car, visiting the Klein Matterhorn was nearly impossible.

The second event was purely natural: the advance and subsequent retreat of glaciers that both provided the materials for and subsequently carved the Monte Rosa group of peaks. Without the glaciers that formed the Matterhorn, Zermatt might not have become the well-trafficked ski resort it is today. There would not have been a business opportunity for the Matterhorn Group to develop the Matterhorn Glacier Paradise Restaurant.[1] And there certainly would not have been the need to install the Suspensionlift Trockener Steg. In other words, it is fair to say that this particular set of glaciers changed not only the physical landscape but also the business landscape of the Valais canton (member state) in southern Switzerland.

In the same way that the glaciers changed Switzerland, the sustainable development movement (SDM) is changing the business world today. That is, much as glaciers built themselves up over a period of time, the SDM built itself up over time, with Rachel Carson's 1962 publication, *Silent Spring*, providing the movement's first watershed moment. Glaciers brought rocks, soil, and other materials to the landscapes they covered; the SDM has brought new regulations, new markets, and new accepted types of partners to the commercial landscape. Over time, the glaciers receded, revealing new physical boundaries (such as the Matterhorn) and weather patterns that carved and otherwise altered the landscape the glaciers left behind. The SDM's impact is also coming into view. In particular, the SDM has forever altered the boundaries of business competition as well as the very means by which business develops and disperses value to shareholders and stakeholders.[2]

The enormity of the tasks at hand dwarf the kinetic energy one company or organization alone can unleash. Leading every wave of disruption is a group of companies that blaze a trail to a new era of prosperity. Today the most agile of these companies are doing what they have always done best . . . they're adapting again. They are evolving into what I call *orchestrators*.

Welcome to the Collaboration Economy

Orchestrators are managing a portfolio of initiatives and initiative structures to achieve their collective goals. Consider the Coca-Cola Company. Coca-Cola has made and documented a commitment to place water stewardship at the center of its enterprise strategy. We will explore its specific set of initiatives in Chapter Seven. For now, it is worth noting that some of the company's initiatives are conducted unilaterally, some are business-to-business, some are executed with nongovernmental organizations (NGOs), some are with government entities in the form of public-private partnerships (PPPs), and many are conducted alongside a mix of government entities and NGOs.

Orchestrators are leading and shaping the evolution of our current economic system. It is time that such leadership emerged, because the human hand in waste and climate change is no longer acceptable. Inaction is no longer acceptable. Underinvestment in infrastructure is no longer acceptable. Acting alone when the common interest is at stake is no longer acceptable. Said simply, orchestrators are working with unique sets of partners in order to fight these battles.

Transitioning from the Waste Economy to a Better Economic System

But what are we evolving our economic system into? The best way to view the differences between the business world pre- and posteconomic evolution is to look at the ongoing transition from what I've come to call the Waste Economy to the Collaboration Economy.

The Waste Economy is an economic system in which growth is dependent on ever-increasing levels of consumption. There are few, if any, costs associated with the disposal of unwanted materials and products. The civil sector seeks instant gratification, the public sector acts in terms of short-term election cycles, and the private sector is fixated on feeding the quarterly earnings beast.

The Waste Economy is driven by unsustainable consumption. That is, our consumption of natural resources is far exceeding our recurring supply of resources. The math behind our current global economic model is rapidly approaching its natural limits. The awareness of and care for these natural limits is a by-product of the sustainability "glacier" I described earlier. Every year, we use the equivalent of 1.3 to 1.5 Earths to satisfy our demand for and use of goods. Considering that our global population is forecast to exceed nine billion by 2050, it is not a stretch to say that at our current consumption rate, we would consume roughly four Earths annually by 2050.

The Collaboration Economy is an economic system in which smart growth, fueled by collaborative initiatives, serves as a vehicle to accelerate the journey toward sustainable development. Consumed resources are viewed as fungible building blocks of sustained success. The private, public, and civil sectors balance short-term needs with scales of thoughts, of plans, and of actions that occur over the long term.

This notion of collaboration across sectors and within industries might sound like an idealist's dream. But given our broken global economic model, now is not the time to simply dream of moral victories. Our future is dependent on tangible action *today* that yields a steady stream of meaningful impacts. Given our limited financial and natural resources, we must carefully consider our decisions about which initiatives to bring to scale for global impact.

Can the Kind of Collaboration We're Exploring Truly Make a Positive Impact on Our Global Economy?

To answer this question, let's first agree on a definition of *economy*. For the purpose of our discussion, an economy consists of the collective output of a region's labor, capital, land resources, manufacturing, trade, production, distribution, and consumption of goods and services.[3]

This definition implies a linear relationship between production and consumption. That is to say that the definition does not value *circular* economic activities, such as actions to reclaim and reuse materials postconsumption. A linear model of production through consumption can last in perpetuity only if we assume an infinite flow of resources, materials, and satisfied workers.

But we *know* that these resources are finite. Add in our capital constraints, and it is obvious that we have limits to growth. Indeed, this subject was well covered forty years ago in the watershed book *Limits to Growth*, by Donella Meadows and others. The accuracy of their predictions in 1972 is demonstrated by our failure to provide even the most basic goods and services to many of the seven billion people today, let alone well over nine billion. The global energy, food, and water systems are stressed for a variety of reasons, all of which we'll discuss in subsequent chapters.

Some will ask whether we *even need growth*. What if we collectively targeted a 0 percent growth rate? Wouldn't this "neutral growth" help us at least manage our resource consumption rate so that we would not need to change our production-consumption pattern? Some experts have persuasively argued for a "steady-state" world—a world where we have no additional economic expansion, a world where we legislate limits on consumption.

This won't work.

Put aside the obvious humanistic challenges to achieving such a steady state. Even if the existing population consumed at its current level, the addition of two-and-a-half billion people over the next four decades alone necessitates growth. So for the foreseeable future, whether or not these experts approve, the pursuit of "necessary growth" will remain an essential ingredient in our global economic system.

How Can Growth Accelerate the Journey to Sustainable Development?

So the question then shifts from *Do we need growth?* to *How can growth support our sustainable development goals and aspirations?* To tackle this new question, let's first define the elements of growth. In no particular order, the sphere of growth includes increased levels of consumption, enabled by expanded levels of employment, raised living standards, and a steady stream of start-up entities and related new ideas, all supported by affordable investment capital.

Growth has come with a serious price: lasting and ever more obvious ethical, environmental, and social impacts. Few would disagree that our challenges are many and seemingly overshadow our significant financial, technological, and human resources.

But I don't believe that we will experience a global case of Malthusian economics. This isn't our first dance with the abyss. We've faced times of great struggle before. The Great Depression. World Wars I and II and their aftermaths. In each time, the human spirit has persevered. It fueled our survival; it spurred us to greater heights. The human spirit still exists today. So, too, does the desire for a better life, not only for us but also for our children and grandchildren.

The human spirit and the desire for a better life are a powerful one-two combination that once again will lead us out of our global mess. For in front of the entrepreneurs, the activists, the financiers, and the many among our elected officials truly committed to collective greatness stands a new mountain to climb: ensuring that our future generations will have water, food, energy, and resources in abundance, with nominal to no damage inflicted upon the Earth as a result of the consumption of these resources. To achieve this vision, technology must advance beyond our wildest dreams; financial roadblocks must be overcome creatively and ethically; partnerships with strange bedfellows must be forged; and new behaviors must be adopted.

Let's stay with our theme of "necessary growth" for a moment to illustrate the differences between the two economic models. As our population expands, the global food system will be asked to feed more people. Growth in this case is inevitable; the question thus becomes, *How can we grow the food system's scale to meet these additional needs?* As we will explore in Chapter Four, experts believe that a vital part of the solution rests in our ability to integrate farmers with small agricultural plots—so-called smallholders—into the global food system. Unilever is leading the way in bringing these smallholders—and their agriculture yields—to the food system. As a result, Unilever is preparing itself to grow alongside the market, while improving smallholders' lives by equipping these farmers to achieve a higher living standard.

In time, will all growth be additive to the sustainable development journey? Certainly not. Then should conspicuous consumption (excessive consumptive demand satisfied by products not sustainably produced) be shunned, if not regulated against? I leave this to the collective wisdom of the Golden Triangle—of which we're all a part—to decide.

The Collaboration Economy Will Kick-Start Economic Development

Allow me to share a few numbers to illustrate how a global embrace of sustainability through collaboration will lead to marked prosperity. Consider the U.S. GDP benefits of

- **Higher recycling rates.** As we will see in Chapter Three, the U.S. recycling system is underperforming. U.S. citizens (myself included) send to landfill seven out of every ten plastic bottles we consume. By increasing our rate of recycling, new jobs would be added to the economy, and we would turn more postconsumer materials into reused materials. The additive benefit to U.S. GDP is about $20 billion annually.
- **More efficient transportation.** Still discussing the United States, traffic congestion on our roads results in 1.9 billion gallons of gas wasted per year, and costs drivers over $100 billion in wasted fuel and lost time.[4] Improvements in the quality of our roads, combined with an increased reliance on public transportation, could reduce this waste by 20 to 50 percent, yielding cost savings of between $20 to $50 billion annually.
- **Infrastructure investments.** Said simply, infrastructure investments put to work people who, as a group, suffer higher unemployment rates than the U.S. workforce as a whole. Among those who gain employment as a result of additional infrastructure investment, the unemployment rate has averaged approximately 13 percent over the past twelve months. This is more than one-and-a-half times the current national unemployment rate.[5]
- **Improved personal health.** Although the topic is not covered in this book, the issue of costs borne by individuals for obesity- and diabetes-related health care presents an additional potential boost to the economy. Analysis reveals that Americans spend roughly $170 billion on attaining such health care services. An improvement in personal health as a result of increased exercise rates and focus on nutrition, as well as a greater alignment between food and pharmaceutical companies on the topic of disease prevention, could reduce the amount spent on treatment

medicines and related health care services. Lower health care expenses could increase available disposable income for individuals, leading to a consumption boost to the GDP.

- **Improved worker productivity.** Far greater than the potential addition to GDP activity through a boost to individual consumption (as a result of having more disposable income) is the benefit of a healthier population. The logic is that healthier employees would lead to a reduction in absenteeism and possibly health care costs (at least per employee), and pave the way to an even more productive workforce. Indeed, a recent Gallup poll revealed that "full-time workers in the U.S. who are overweight or obese and have other chronic health conditions miss an estimated 450 million additional days of work each year compared with healthy workers, resulting in an estimated cost of more than $153 billion in lost productivity annually."[6]

Innovation that can be commercialized will further expand when the best minds work together with the coalitions that can fund, refine, and scale best ideas quickly. Add the GDP boost from innovation to the aforementioned GDP boosts, and it becomes clear why I view cross-sector collaboration as the path to a new economic system. After all, which approach is more likely to realize these GDP boosts: a go-it-alone mentality or cross-sector collaboration?

Said simply, the Collaboration Economy will prove to be a step toward an improved global economic system. Through increased inclusion of those too small or too "out of the way," we will accelerate social development among the disaffected. Partnerships among the private, public, and social sectors will lead to improved infrastructure for energy, food, and water. Smarter recycling systems will close the loopholes in our Waste Economy, simultaneously slowing the growth rate of demand for raw materials and creating better-paying, safer jobs for our local communities.

However, we must face the fact that no silver bullet exists to cure all of the root causes of our ills. Avarice, unsustainable debt loads, distrust of potential cross-sector (and intra-industry) partners, ecological and social damage already done—all of these characteristics and impacts of the Waste Economy will continue to exist. So the Collaboration Economy will not and cannot be a panacea for all of our challenges. This said, moving toward the Collaboration Economy surely would be a significant step in the right direction.

How the Collaboration Economy Is Coming to Life

The private sector's pursuit of sustainability has served to put this evolution in motion. Over the past decade, the number of companies committing to become sustainable has significantly grown. Their intentions are noble, their actions just. Many have found ways to improve their top and bottom lines by connecting sustainability to their competitive strategies. In the process, they've reduced their environmental impacts and increased their attentiveness to issues of social equality.[7]

Although these individual companies' efforts are laudable, collectively they have not sufficiently increased our world's ability to outrace time. Huge amounts of financial capital, combined with human know-how and effective consensus-driven management practices, are required to solve our deep-seated and interconnected challenges. While the public sector debates the best road forward, time ticks away. The market plays an indispensible role in enabling the achievement of global sustainability.

Orchestrators are catalyzing two distinct changes to their industries' business models. First, these companies are setting enterprise-level strategy goals that they cannot achieve alone.

Consider this: stalwart organizations such as GE used to set stretch goals that drove their companies to new heights. Be number one or number two, or get out of the market. Although this strategy is well known, what's less well dissected is that GE and similar companies set stretch goals that did not require significant, if any, collaboration with outsiders. In other words, these companies had the internal capabilities to achieve their stretch goals. As long as they applied their core capabilities correctly and swiftly, they controlled their own growth trajectory.

The second change these companies are making to their industries' business models is to increase reliance on the civil sector as partner, to whom a greater share of prosperity must flow—not because as a global society we are choosing a hybrid form of capitalistic socialism, but because better-compensated farmers, fishers, laborers, and other workers will in turn be motivated to work harder and smarter and be capable of spending more in the open market. Prosperity breeds prosperity. Companies that equip their employees and suppliers to rise to new economic heights will in turn be lifted to greater financial performance as a result.

Consider Unilever. In 2010, the company's CEO, Paul Polman, introduced the Unilever Sustainable Living Plan (USLP), which represented a new, daring goal for his company. At its heart, the USLP aspires to decouple growth from its impact on society. This goal is a departure from the traditional business canon that suggests that growth and environmental impact move in the same direction.

Breaking away from this traditional business tenet sounds impossible, right? But Unilever knows something others don't: that relying more deeply on others, including its suppliers and smallholder farmers, is the only way to usher in its next phase of prosperity. Identifying reliance as an essential ingredient is one thing; developing the trust and resultant participation of others is another. The USLP endeavors to move from a commitment to a vision to the achievement of that vision.

Orchestrators as Landmark Leaders

Much as the Matterhorn rose out of the glaciers, orchestrators are rising from the changed SDM landscape. Orchestrators are organizations that pull together like-minded companies, social entities, and public sector agencies to achieve a vital goal that serves the common interest.

Orchestrators are bridging gaps that underinvestment, interconnectedness of interests and challenges, hyperconsumption, and a lack of thoughtful public policy have created. Although an orchestrator can be a private, public, or social sector entity, most today are companies. These companies, such as Coca-Cola, understand that their future depends on the availability of natural resources, such as water, to both their operations and their stakeholders. Coca-Cola is building a coalition of the willing because it has discovered that ensuring access to water requires a far greater set of resources (financial, technical, human) than any one company can bring to the table.

Three factors are driving the rise of the orchestrators. First is the relationship among the challenges we face. Said simply, these wicked challenges are so deeply intertwined that they elude any one entity's ability to overcome them. Second, the void in global public leadership necessitates other sectors' leadership. Third, the private sector is realizing that providing cross-sector leadership is also in its enlightened self-interest.

Intertwined Crises

In September 2012, CNN wondered whether America was in for another Dust Bowl era.[8] From 1931 to 1939, America suffered through the original Dust Bowl, an effect of a prolonged drought that covered the American Midwest. It was so severe that it forced 3.5 million residents to abandon their Great Plains homes. An infection called "dust pneumonia," caused by fast-moving dust clouds, killed thousands more.

America in September 2012 faced similar dire straits caused by volatile weather: 63 percent of the United States was in the grip of moderate to exceptional drought conditions; 80 percent of U.S. agricultural land was being affected by the drought; and the forecast number of corn bushels to be harvested was four billion less than predicted at the beginning of the year.[9]

We can draw two conclusions from the U.S. drought of 2012. First, weather has become incredibly volatile. Second, water availability and food security are inextricably linked. The drought is illustrative of the deep and intertwined environmental and social challenges we collectively face. Individually and collectively, these problems are disrupting our most basic building blocks of life: food, water, and air. Among this set of entrenched problems are

- The pace and impact of climate change
- Volatile weather evolving into the new normal weather
- A flawed global food system in need of steps to secure it
- Unreliable access to sufficient clean drinking water
- An energy system that fails to balance economic and environmental development
- Postconsumer-use materials that are all too often treated as unwanted waste instead of as imprisoned financial resources
- Societal discord with governing bodies

I could list many more "must fix" challenges, but you get the point. The breadth and depth of these problems are well covered elsewhere. Rather than recap these challenges, suffice it to say that their cumulative impact is thus far outpacing the improvements made by modified private, public, and social sector activities. We desperately need a universally agreed-on set of approaches that meet global society's needs today without comprising its ability to meet its needs tomorrow.

Two factors make this set of entrenched problems all the more vexing. The first factor is chronic underinvestment in infrastructure, one of the common elements that ties these problems together. The Organisation for Economic Co-operation and Development (OECD) has forecast that globally we need to invest at least $53 trillion in infrastructure by 2030 to continue global trade. This amount is forecast to be about 3.5 percent of aggregate global GDP between now and 2030.[10] (To put this number in perspective, consider that the United States invests about 2.4 percent of its GDP in infrastructure annually.) And the frustrating truth is that the estimates of needed investment are even higher when they factor in climate change abatement and related sustainable development technologies. The OECD estimates this additional investment at about $45 trillion.

Second is that these challenges are deeply intertwined. In addition to the U.S. drought, think about the global energy system. Electricity is generated from a range of power sources, from coal to wind. Whereas some sources are environmentally conscious (for example, renewable sources), others are inexpensive, abundant, and available (for example, hydrocarbons, such as coal). Preparing hydrocarbons for use consumes copious amounts of water. Consider natural gas accessed through hydraulic fracturing, also known as fracking. While the United States is realizing a "dream scenario"—abundant sources of natural gas and the technology to access it—fracking comes with several financial, environmental, and social costs. Chief among these costs is the method's outright reliance on water. For example, millions of gallons of water are needed to operate a single fracking well. A growing group of farmers, long counted on for agricultural output, are instead leasing their land to fracking operations for tangible returns on their sweat and investment.

To recount, the United States has an abundance of natural gas. The gas is accessible through the use of current technology. There's enough gas available both to greatly reduce the country's reliance on foreign sources of oil *and* to increase its fuel exports.

But the economic advantages come with water and food costs, among other challenges (as we will see in Chapter Two). Similar quandaries are playing out in the food, water, materials sourcing, and shipbreaking sectors, among others.

Lack of Global Public Sector Leadership

Another event in September 2012 crystallized for me why orchestrators are needed. The event, in this case a two-day meeting, was held at the Algonquin Club in Boston. The guest speaker on the second day was Ian Bremmer, president of Eurasia Group and one of the world's leading experts on political science. During his talk, Ian shared five reasons why he believes there exists a lack of leadership from the global public sector to solve vexing problems:

1. There are too many countries that matter now. Therefore, there are too many countries that can say no when specific action is needed.
2. These countries are too different. Their strong ideological differences serve as a roadblock to common views, common values, and a common way forward.
3. Countries of scale have limited capacity to provide global leadership. Consider this: New Zealand, with four million residents, has more diplomats deployed abroad than India, with a population of over one billion.
4. The United States is less interested in providing this leadership. Being the world's policeman is too costly politically and economically.
5. The key allies of the United States, such as the European Union and Japan, are much less interested, too. The EU is understandably focused on saving the EU, while Japan is working through a two-decade-long recession, among other issues.

Ian's talk put succinct words to my own view that the public sector alone is unlikely to provide (if not incapable of providing) the sustained leadership required to solve our environmental, social, financial, and infrastructure challenges.

To Ian's list I would propose two more challenges: financial constraints and time scales. Our world as a whole faces many deep-seated challenges; so do our individual countries. We're in a period of tepid economic growth globally. To pay for the items on the public agendas, our public sector representatives must deal with the harsh reality of financial constraints. At the risk of oversimplification: our public sector representatives simply do not have the financial resources needed to invest in every worthy cause. They must choose among several options, including (1) devaluing their currencies (in other words, printing more money to pay for more services), (2) attempting to borrow more money, or (3) making hard investment decisions. Choice 1 is the least attractive of the lot. Choice 2 is the most oft picked option, but it, too, is hindered by several factors, including debt ceilings, debt-to-GDP ratios of 100 percent or higher, and economic zone instability. Choice 3 is picked at least equally as often as choice 2.

So the inconvenient truth is that the public sector must make hard choices about investments. It is instructive to review the various pressures our elected officials face when making these choices. One of the most influential pressures is the specter of time scales. Simply put, elected officials want to be reelected. To earn their constituents' votes, they need to show the value they have provided while in office during their current term. As a result, shorter-term investments are often given higher priority than longer-term investments. Put yourself in the shoes of an elected official in a contested district. You have two options for investment: one that will provide immediate relief and one that will require a longer time period before paying off. Which would you choose?

For all these reasons, it's apparent that leadership must come from somewhere else.

Here we turn to private-public partnerships (PPPs) for inspiration. PPPs have been thoroughly dissected. A PPP involves a contract between a public sector authority and a private party, according to which the private party provides a public service or project and assumes substantial financial, technical, and operational risk in that project.[11]

PPPs have been an effective way to develop trust between the public and private sectors. But to this point, they have not sufficiently increased our ability to outrace time's unfailing progression.

So let's be hypothetical for a second. If PPPs provided sufficient funding to tackle not only our infrastructure investment needs but also our sustainable development needs, would we be able to outrace time?

In my humble opinion: no. Because even if financing needs were met, issues ranging from systemic effectiveness globally to best-of-breed technology must be addressed.

Interest of the Commons Now in the Common Interest

Where will global leadership on growth and sustainable development come from if not from the global public sector? There truly is only one answer: leadership must come from *all of us*—the private, public, and civil sectors. We need to throw our lots in together; otherwise we should simply give up.

As Andy, Tim Robbins's character, said to Red, Morgan Freeman's character, in *The Shawshank Redemption*, "I guess it comes down to a simple choice, really. Get busy living or get busy dying."

Same simple choice here.

Orchestrators are choosing to get busy living. They are cultivating networks of entities from the private, public, and civil sectors in order to combine the right tools and skills needed to solve specific challenges. These networks are both vital and modular; orchestrators serve as facilitators to bring together the right combination of talents to meet the unique characteristics of the problems they plan to resolve. They have to be; like snowflakes, these problems are related but greatly different. The differences are most visible along geographical, philosophical, environmental, technological, cultural, and financial lines.

For networks to form, operate, and remain aligned, each entity must perceive that it is receiving value in exchange for its contributions, especially in the absence of effective policy that in some way demands compliance in service of achieving a common goal. More and more it appears as though the interests of each sector are becoming aligned and intertwined.

As mentioned earlier, the private sector is awakening to two revelations. The first is that individual companies no longer control, but now can only influence, their own destinies. If they are to offer goods and services, they are wholly reliant on stakeholders worldwide to provide everything from supplies to local operating licenses. The second revelation is that stakeholders wield a far sharper and more powerful sword than ever before. Activists' voices are amplified by critical-mass adoption of social media; no corporate misstep goes unnoticed. Companies can no longer act like bulls in a china shop; the veiled threat of losing their right to exist is now powerful enough to influence their business behaviors.

At the same time, the civil sector is increasingly viewing corporations as potentially useful partners. This is because sophisticated members of the civil sector, mainly but not exclusively in the form of NGOs, have come to their own revelation: that they alone cannot solve the vexing local problems that hinder their development today and the prospects for their survival tomorrow. They must reach out to entities with far greater resources than their own in order to improve their current situation and ensure that they will live to see a satisfactory tomorrow. In the eyes of many among the civil sector's representatives, corporations are evolving from being the enemy to being part of the solution.

The public sector's interests are becoming aligned with private and social sector interests. As successful start-up companies emerge, innovation and economic development flourish. As larger companies become ever larger and more profitable, they are capable of hiring more citizens. And as we've already witnessed from the sixfold growth in PPPs between 1990 and 2005 in Europe, for example, governments and corporations already see common value in working together to achieve infrastructure solutions that benefit both sides.

To be clear, the private-public-social nexus enjoys neither complete agreement nor alignment. Witness the Occupy movement, for example. Many within society eye corporations with great suspicion, if not outright contempt. Surveys of society's level of trust in corporations and elected officials are documenting all-time or near all-time lows. Every batch of apples has at least one that can spoil the lot. Sadly, we regularly see new cases of corporate avarice, if not clear malfeasance.

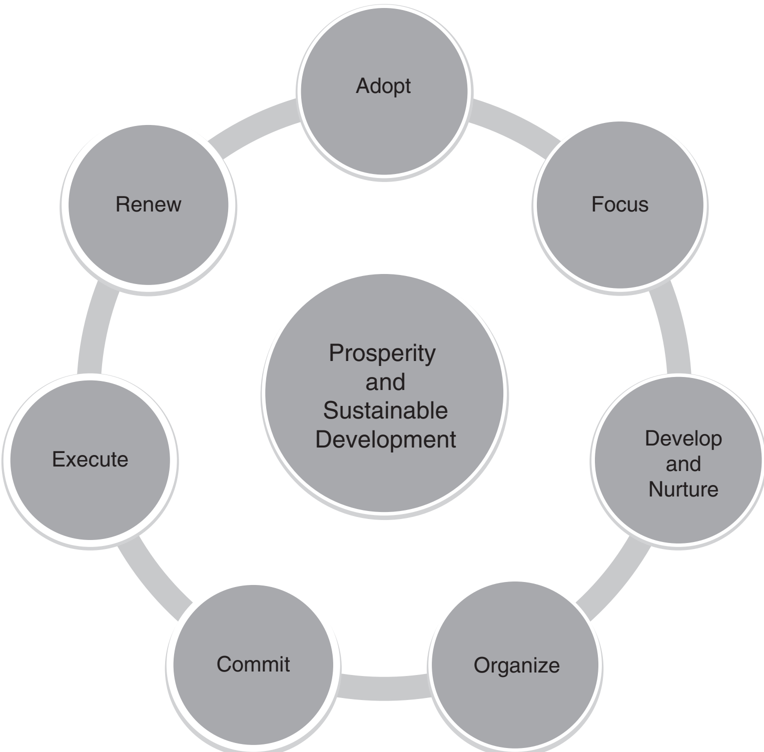
This said, there is a growing recognition among these three sectors that we need one another. Given the depth of our interconnected challenges, I anticipate that this recognition will continue to increase over the next several years.

The Collaboration Economy Framework

Although we are in the relative early stages of trisector collaboration, my study of the orchestrators in this book reveals that they have gone through a surprisingly common set of steps to coax a result from their coalitions that is far greater than the mere sum of the parts.

As already noted, corporations are at the heart of the examples covered in this book. So in the interest of enabling other companies to answer the call for leadership, I have developed the Collaboration Economy framework (see Figure 1.1) with the assumption that a company serves as the catalyst of cross-sector

Figure 1.1. Collaboration Economy Framework



collaboration. Although I designed the framework on the basis of lessons shared from companies, I've seen both NGOs and public sector agencies use the same approach.

Adopt a Collaboration Mind-Set

The starting point of the Collaboration Economy framework is deceptively simple. All your company needs to do is understand that its future performance is dependent on the actions of an interdependent group of shareholders, stakeholders, competitors, and employees. Once you accept this perspective, your company will begin to understand that its ability to succeed is based on its ability to influence, work with, and persuade these stakeholders to work alongside one another.

This shift in mind-set will lead to a change to your corporate culture. You will want to hire and develop leaders who are adept at building relationships with a range of stakeholders. In this way, your company will begin its transition into a leadership role within the Collaboration Economy. And remember, competitive advantage in the Collaboration Economy comes not from first-mover advantage but from the elimination of most of the roadblocks in your way and the reduction of the external costs you plan to internalize.

Focus on What Matters Most

The next step in the Collaboration Economy framework is to commit to achieving one overarching goal that is in the interests of both the commons and your company—for example, water stewardship, global food security, or a healthy energy system that balances economic and environmental needs.

In this step, your company identifies at least one natural resource without which it cannot survive—food to a foods company, water to a beverage company, energy to an energy services company, and the like. Then your company considers the needs of its stakeholders, paying particular attention to the local communities in which your company operates. You will know that your company has picked the right resource on which to focus if that resource is also critical to the survival and development of these local communities.

Develop and Nurture Relationships

If your company is going to rely on stakeholders and partners, then it needs to develop a set of relationships with various entities. Orchestrators are building mutually trusting relationships with NGOs, local community activists, rivals, and government agencies. Their insight is not so much seen in their decision to build relationships as in their decision to build relationships with the *right* entities.

By "right entities," I mean organizations that are committed to ensuring the quality and quantity of the resource on which your company is focused. For this step, you are looking for entities that have talents that complement your own. You're looking for local community connections, specific expertise, access to unique technologies, and relationships with government agencies that your organization might not have. The broader the range of talents your group of relationships comprises, the more likely it is that your company will achieve its worthy goals.

One suggestion from the orchestrators I studied will help you build a set of effective relationships: face-to-face meetings remain the most effective way to build relationships. For example, one of my chapter coauthors, Petter Heier, is building a portfolio of relationships with responsible shipbreaking yards in Asia. Although he resides in Oslo, he travels to China and other parts of Asia about once every six weeks in order to build a reliable portfolio of partners.

Organize Your Coalition

To be an orchestrator, your company needs to pull together at least two types of coalitions from among their sets of relationships. The first type consists of the vast majority, if not all, of the entities with which you have relationships, formed in order to work globally to solve the resource challenge you're focused on. As with any joint effort, regularly scheduled meetings with your cross-sector partners will be vital to your organized coalition's success. For legal reasons, I encourage you to engage your company's general counsel in these meetings.

The second type of coalition is best described as "horses for courses." In other words, your company will need to organize the right group of entities from within your set of relationships to accomplish your goals at the level of the local community. As Coca-Cola works to protect the global water system, it is bringing specific entities from within its set of relationships into specific communities, depending on the needs of the local situation.

Commit to Precise Coalition Goals

A commitment to accomplishing precise goals will increase the likelihood that your coalition will succeed. It's not enough to draw up a set of commonly held interests among your coalition members. You need to get each member of your coalition to sign off on the precise goal or goals your coalition aspires to accomplish.

There's a second commitment that your company, serving as an orchestrator, must make: a commitment to operate transparently. Consider Coca-Cola. The company has dedicated itself to serving as a steward of the global water system. The company's ability to achieve its water stewardship goals is wholly dependent on the coalition it is nurturing. These partnerships require Coca-Cola to operate transparently. After all, what truly civic-minded organization would want to work with a company whose intentions and actions are not clear from the start?

Execute Through Your Coalition

Earlier I highlighted the importance of building relationships with entities that have both a common commitment to your resource goal and a complementary set of talents. Once your coalitions have precise goals, it's time to execute: your company can begin to assign specific tasks to specific coalition members to accomplish your goals.

The subject of execution ranks among the most well covered topics in the canon of business thought. There is not much new that my study of orchestrators can add, except this: the orchestrator's role does not end at the commitment stage. Now more than ever, orchestrators' success is wholly reliant on their ability to influence and persuade their fellow coalition members to move in a particular direction. Sometimes your company, acting as the orchestrator, will be called on to make a contribution of financial or other resources that exceed the contributions of the other entities in the coalition. Remember, your role in the coalition is to ensure that the coalition jointly solves the resource challenge to which you've committed. Fairness is measured not in terms of your unique contribution to the coalition's efforts but rather in terms of the effectiveness of the coalition's efforts overall.

Renew Your Coalition's Plans

As is true of any worthwhile endeavor, rare is the effort that is perfect from the start. The most effective coalition is the one that is committed to continuous improvement. I cannot overemphasize the importance of building a commitment to learning into your coalition's governing principles. As your group completes a project, lessons learned from the experience should be documented and shared with the entire coalition. In this way, the coalition as a whole benefits by learning from the lessons identified by the few.

The orchestrators I studied use the extended capabilities they can access through their collaborative relationships to start to plan and carry out specific projects and initiatives. These companies use five steps to implement change at a local community level:

1. The orchestrator and its coalition develop or identify a relevant, nascent technology to pilot-test as the beginning of the technology refinement and learning process.

2. The orchestrator then builds a sense of inevitable adoption of the technology by constantly communicating both inside and outside the coalition.
3. The coalition seeks, or at least seriously considers, legislative help to overcome the limitations of voluntary action.
4. The coalition, spearheaded by the orchestrator, invests its own funds in the emerging project and related technological innovations.
5. The coalition keeps pushing for change while it both pilot-tests the technology and seeks to build political and local community consensus.

As I examined each orchestrator, I found myself wondering whether we are seeing the evolution of companies annealed by the heat of competition for fiscal performance into a softer form of corporate existence. I leave this to the wisdom of the crowd to decide. But know this: a primary driver of leading companies' orchestration efforts is enlightened self-interest. By resolving vexing issues held in common, companies can reduce their costs, increase revenue, and enhance their reputations.

There is another reason behind the private sector's voluntary leadership as orchestrators. More and more companies are waking up to an undeniable truth: without particular natural resources, they will cease to exist. For example, beverage companies like Coca-Cola rely on water; without water, they will not have beverages to sell. Their recognition of this truth has led this small but growing group of companies to readily take on the challenge of orchestration.

Unlike politicians, companies are not hindered by the need for reelection. But their executives are judged in similar fashion by the investment community. Within the private sector, too, infrastructure investments are not considered sexy, especially in comparison to investments in robust and demonstrable pipelines chock-full of disruptive technologies.

Companies such as Unilever are navigating around this pothole. The day Paul Polman, Unilever's CEO, announced that his company would no longer provide quarterly earnings guidance, two things happened. First, the company's stock price decreased by 8 percent—an indication that the investment community wanted to "price in" the uncertainty it felt due to the reduced transparency into Unilever's growth prospects. Second, the company broke the investment community's shackles, which had placed a greater emphasis on short-term results than on long-term investments. Unilever positioned itself to be a reliable, long-term partner for both the public and civil sectors.

What Will the Collaboration Economy Look Like?

The USLP provides a peek into the Collaboration Economy's shape. Paul Polman describes why and how his company is transitioning to the Collaboration Economy:

> Businesses like ours no longer have a choice. Sustainable, equitable growth is the only acceptable model of growth. It is also a very effective one. Growth and sustainability are not in conflict. There is no inherent contradiction between the two. In fact, in our experience, sustainability drives growth.
>
> That is why we are putting "sustainable living" at the heart of everything we do. We have found that once you start looking at product development, sourcing and manufacturing through a sustainability lens, it opens up great opportunities for innovation and cost reduction.[12]
>
> It is also becoming ever clearer that we cannot tackle the big issues alone: much of our progress to date has come where we have worked with others. And at the end of the day, if we achieve our own sustainability targets but no one else follows, we will not have been truly successful.

> For that reason we are working with other organizations such as the Consumer Goods Forum, World Economic Forum, World Business Council for Sustainable Development, governments, NGOs and others to drive change. At Unilever we believe collaboration will become the only way of doing business in the future.[13]

Why are companies like Unilever undertaking such change, such risk, and such complexity? It's not altruism, though each company certainly is community minded. It's not a desire to do less harm to the environment, though each sees cost savings from environmental efficiencies. The reason is that each company sees a limit to its own growth under current economic, population growth, and infrastructure conditions.

In response, each of these trailblazing companies is breaking through traditional "go it alone" business practices in order to succeed. A quiver full of unusual arrows, such as hybrid financing tactics, hybrid partnerships, and cross-sector collaborations, are being employed to tackle the largest roadblocks standing in the way of renewed prosperity.

Muhtar Kent, Coca-Cola's chairman and CEO, recently crystallized the ethos of and case for the Collaboration Economy generally and water stewardship specifically when he said, "To make a difference on the challenges we all face—governments, civil society, and businesses must work together as never before. For business leaders in particular, we need to speak up, stand up, and scale up our efforts."