

The essentials of collaboration

Episode 2 - the foundations of collaboration

Collaborative business relationships come in all shapes and sizes. Some don't require much close cooperation at all and can deliver their objectives by functioning in a traditional customer-supplier manner. But others look much more like a tightly-knit team. When it comes to effective collaboration, different situations have different needs and different risks sitting alongside them.

Episode 1 of this Essentials of Collaboration series discussed the concept of a collaboration spectrum and how to use this as a tool to look across a range of different relationships and to pick out their similarities and key characteristics. This episode takes the next step and focuses on how to build effective collaboration in complex business relationships that need to operate at different points on the collaboration spectrum - from relatively distant transactional type engagements to those which are much closer and more relational in nature.

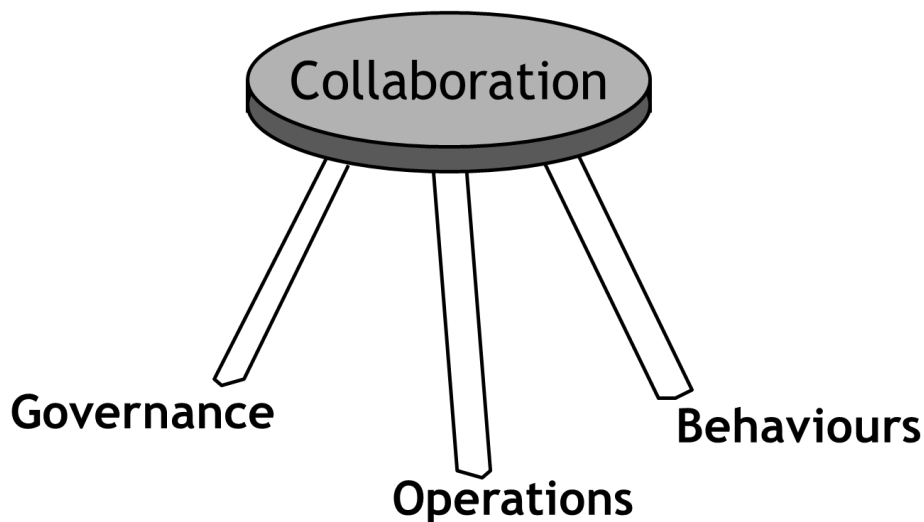
Successful collaborative relationships can be built on many different foundations - some place the emphasis on 'creating a watertight contract', others favour a 'process based' approach to creating common ways of working, and still others cite a common set of 'values and behaviours' as the most vital underpinning. But if you were to analyse what each of these has in common, and what the leaders of organisations that regularly build successful collaborations pay attention to, three critical elements emerge; Governance, Operations and Behaviours. It seems that if you get the balance of these three right you have the foundations for a long term stable relationship.

This episode of Essentials of Collaboration will explore the definition of these terms, introduce a simple model which ties them together, and flesh out this framework by breaking down the broad headings into three further components that help to define what is important under each one.

The 3-legged stool - Governance Operations & Behaviours

Any collaborative relationship needs a strong and stable framework to see it through the bad times as well as the good. There is a simple model which acts as a useful memory jogger when organisations are planning how best to work together in a wide range of different situations, and it helps the leaders of those organisations to focus their time and effort when both are in short supply. It's called the three-legged stool.

The 3 legged stool



The three legs of the stool are the three areas to focus on when building the foundations of a collaborative relationship: governance, operations and behaviours. Each is important - but in differing ways in different situations. But first some definitions:

- **Governance** of the collaboration - the formal ways in which the overarching purpose of the collaborative relationship is agreed, objectives are set, accountabilities are defined and joint decisions are made.
- **Operations** - the processes and systems that get things done across the collaboration. This includes the way resources are allocated, progress measured and communicated, and information is shared; particularly at the interfaces between organisations.
- **Behaviours** across the relationship - the way people react to each other and work across the boundaries of different organisational cultures to produce joint results. And the way leaders at all levels act as role models for effective collaborative ways of working.

The analogy of a 3 legged stool is useful because it's a reminder that collaborative relationships built on all three legs are stable - even on rocky ground. But take away any one of these three legs and although a relationship may show signs of short term success they tend not to be resilient - something changes and they become vulnerable and liable to fall over.

The risk is that organisations tend to favour one of these three foundations - perhaps because of their history or culture - and can over emphasise it when trying to establish relationships with others.

For example:

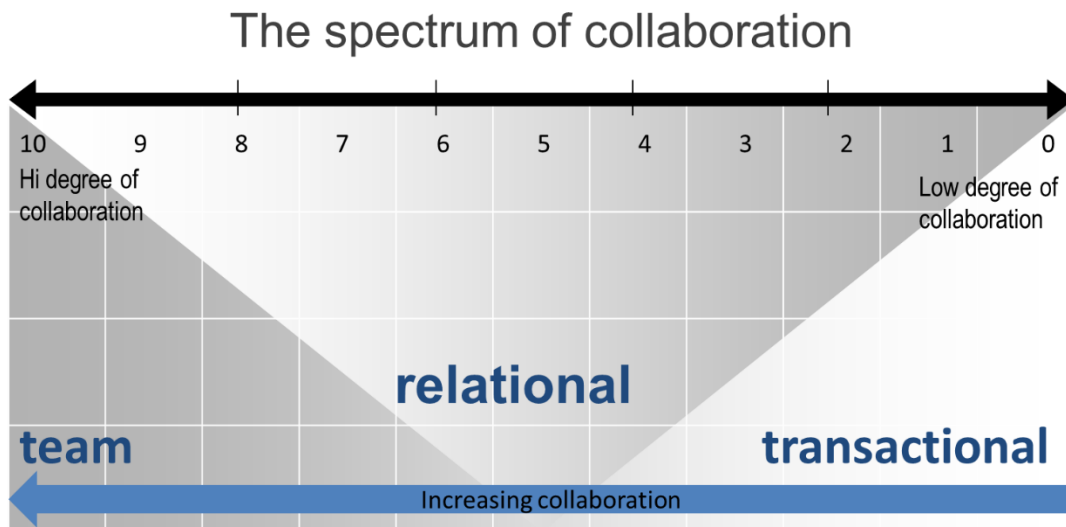
- **An over-emphasis on governance:** A collaborative relationship built solely on strong contracts and formal governance is often inflexible and slow to respond. People stick to the letter of the contract - there are often penalties in place if they don't and so they are unwilling to put themselves out to help their partners. That means that new opportunities can be missed - or the competition gets there first. This focus on playing by the letter of the contracts also encourages game playing. A supplier may sign up to a tight contract that doesn't look too profitable at first knowing that as soon as anything changes in the client specification they will be in a very powerful position to negotiate high fees for any work that wasn't identified in the original contract. And the client can be in a very weak position if they've not got anything other than a legalistic relationship to rely on.
- **An over-emphasis on operations:** A relationship built on slick processes and operations can be more adaptable - especially if the feedback and improvement processes are strong. A lot of the success of manufacturing and supply chain partnerships has come from a focus on end-to-end process design and efficient operations. But a pure focus on process can produce systems which aren't good at dealing with more strategic change. Organisations that are bound into such process driven relationships find it difficult when they need to shift direction and perhaps to throw away many of the old hard won systems and start again. Too tight a reliance on processes can mean that the strategic governance isn't there to force a re-evaluation of the situation, and the right behaviours haven't been encouraged to make people feel that they can raise the awkward questions that inspire change.
- **An over emphasis on behaviours:** A collaborative relationship that focuses primarily on getting the behaviours right might look ideal at first glance - but it's only sustainable if the other two legs of the stool are in place as well. Truly collaborative behaviours and great relationships between people at all levels can get you a long way. But although people may start off with the best intentions to work closely with their partners, contracts and incentives drive behaviours, and if these are wrong, the tensions will build up over time. And what happens when the key people move on or fall out with each other? Collaborative relationships can rely heavily on a highly trusting relationship between two people at the top - and that personal relationship then sets norms of behaviour right through their own organisations. But if

those key individuals leave suddenly there can be nothing in writing or in systems for people elsewhere in the organisation to depend on for joint decision making and direction setting, and the relationship can feel remarkable hollow.

Paying attention to the right foundations

Whilst the three areas of governance, operations and behaviours are important to any collaborative relationship it's difficult to pay equal attention to all three at once. Different relationships seem to have different priorities, so how can organisations and their leaders decide what to focus on in particular situation - perhaps at the start of a new relationship or one that is hitting difficulties? The collaboration spectrum described in the previous chapter is a useful way of analysing the needs of a relationship.

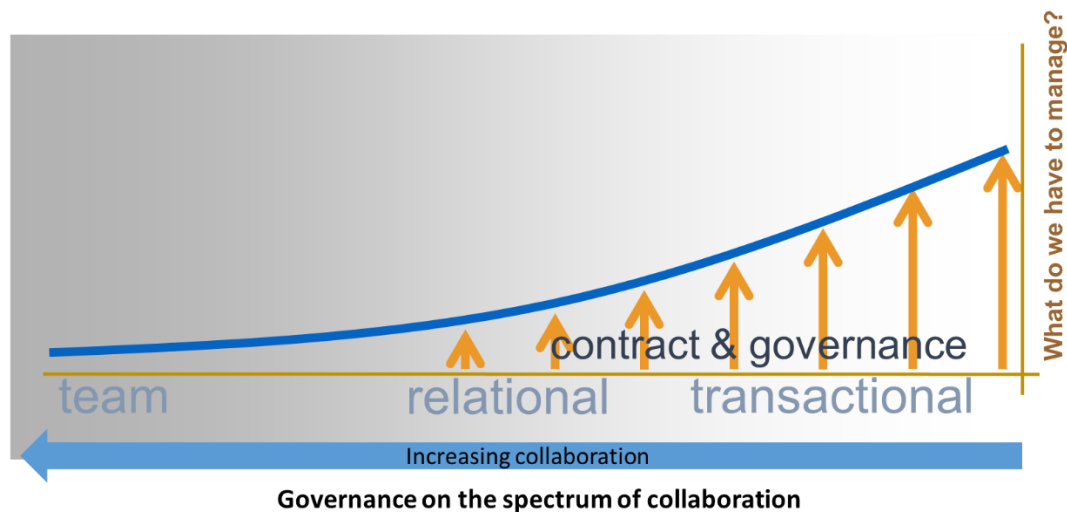
To recap, you can map any relationship on a spectrum based on the amount of collaboration it requires to be successful. The spectrum ranges from highly symbiotic 'one team' relationships that require a large amount of collaboration all their interactions, through to transactional, customer-supplier, relationships that require much less collaboration - or only need at very particular times.



The new step in this episode is to extend this diagram to show the degree to which all the organisations involved need to focus their attention on each of the three legs of the stool in a particular type of collaborative relationship.

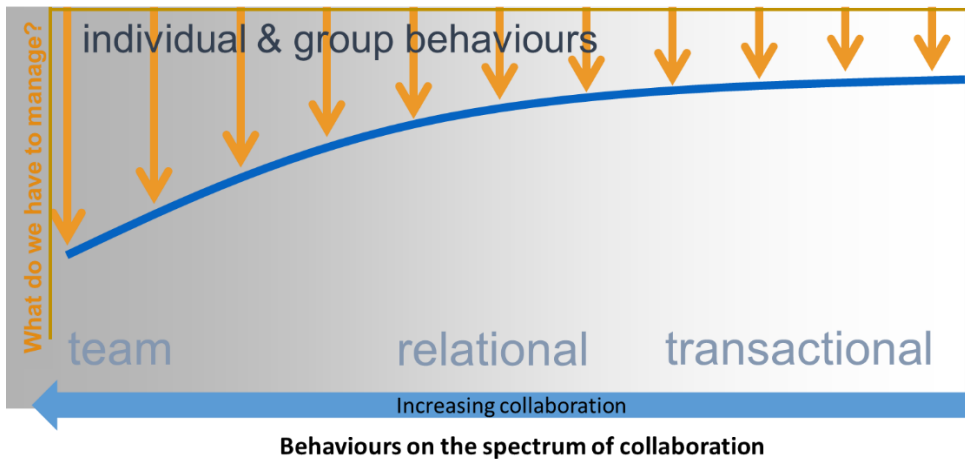
Starting at the right hand side of the diagram with a focus on governance and contract, transactional relationships typically rely on well-defined specifications and contracts. It's by having the rules well defined and understood that all parties can get on with their own work most of the time in a relatively independent way. Contrast this

with the sort of ‘team-like’ relationships that are over at the far left hand side of the spectrum. If a people from different organisations are works in a close ‘team-like’ environment the last thing they want to be doing is continually referring to the formal governance to get things done. Indeed when people start getting the contract out of the drawer it’s often a sign that a group is running in to problems. With these as the two extremes of the spectrum we can produce the Governance diagram below. You could argue about the shape of the curve but even in a purely transactional relationship you can’t have a 100% focus on governance and similarly this doesn’t go down to 0% even for a permanent team.



Now let’s look at what happens with another leg of the stool, behaviours. Here the percentages are rather reversed. The people responsible for making a transactional relationship work needn’t put a lot of time into defining common values and re-enforcing behavioural norms. The different parties don’t spend much time together anyway - and when they do meet they are likely to be negotiating a deal or testing a product. Of course people need to behave in a civil manner with each other but this is unlikely to need a major foundation for the success of the relationship - as discussed above you can rely more on good contracting and governance for that. However at the other extreme of the spectrum in a close, team-like relationship building a common set of values and codes of behaviour is always a high priority. You see this in military and sporting collaborations where the emphasis on ‘team building’ and personal bonding is paramount and this language and attitude can usefully be brought into the business world - but only in relationships at the far left of the collaboration spectrum.

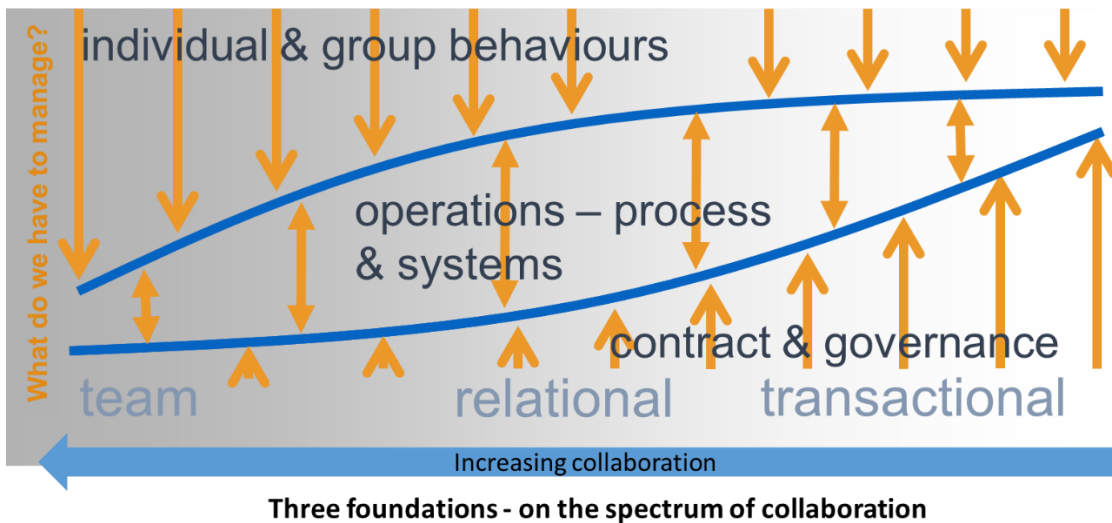
Plotting this on the same collaboration spectrum you get the diagram below - but note the arrows in this chart show the percentage of organisational time/focus measured downwards from the top of the y-axis.



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Again you could argue about the precise shape of the curve - but the direction of travel from one end of the spectrum to the other is clear. Team-like relationships need a large focus on behaviours but not 100%, whereas in transactional relationship the need for a focus on defining shared values behaviours is much less, but it's not 0%.

It's now possible to combine these two diagrams and add the third leg of the stool, operations.



Having combined the 3 areas of governance, operations and behaviours on one diagram you can see the consequences for how an organisation needs to build the foundations of different types of collaborative relationship. In any situation there is a finite amount of management time to go around and, whilst still paying attention to all the

three legs of governance, operations and behaviours, organisations need to focus their efforts in proportion to the style of collaboration they are trying to build.

In the most team-like relationships the people who are responsible for making the relationship work should perhaps put 80% of their attention on the behavioural aspects and maybe 10% each on governance and operational processes. In purely transactional relationships the numbers are reversed. 80% of attention could usefully be spent looking at governance issues and only 10% each on operational processes and behaviours. But in relationships that sit in the middle of the spectrum, where value is created by constructively harnessing the differences between the parties, people need to pay roughly equal amounts of attention to governance, operations and behaviours. Now that may sound obvious and straightforward but it doesn't always come easily.

Challenge your own habits

We all have preferences for where we like to focus our time and effort in a business relationship. Some of these habits will be innate and others may have been developed over the years from repeated application. The message of analysing these three foundations of governance, operations and behaviours on the collaboration spectrum is that organisations and the leaders that run them need to challenge themselves and their own leadership habits and to fit what they focus on to the needs of the particular relationship, not just to their own preferences.

The questions organisations should ask themselves when faced with a new or difficult collaborative relationship is firstly; where does this relationship lie on the collaboration spectrum and therefore what balance of leadership focus on governance, operations and behaviours is likely to be required for success. Then to ask - so what are our habits, what do we normally focus on in a business relationship and is this right for the particular situation. And of course one organisation shouldn't just use this tool in isolation. Working through these questions with your colleagues and partners can often help build understanding about what is really going on in a troubled relationship and how to work together to put it right.

Exploring the three foundations more deeply

Governance

Governance is the skeleton of a collaborative relationship- the supporting frame that holds everything together. And it's important to get it right - and to be prepared to change it if it's not working. While some governance structures may be specified in the contract from the start of a relationship leaving these set in stone may not necessarily be the way best to manage a relationship over time. As the relationship

progresses and matures, you may need to alter, simplify or enhance some of the structures.

Components of governance

- **Clarity of purpose:** Knowing what all parties are after in a relationship is crucial to good joint governance. Prospective partners should take the time to map out three statements of purpose: I'm in it for x, you're in it for y, and we're both in it for z. Make sure you explore these different statements of purpose fully, you may find that some aspects of them are not well aligned and highlight areas of potential conflict which the governance will have to deal with down the line - but without clarity of purpose, you're fumbling in the dark.
- **Quality of decision making:** The complexity of many multi-party relationships makes decision-making much harder than in single organisations and their leaders need to allow for that and not rush the process unduly. This step is often described as 'getting all the parties in the same room AND making sure you're all speaking the same language' - because a pre-requisite for good decision making is common language to describe decision you are trying to make and evidence you will all use to make it.
- **Clarity of accountability:** collaboration is difficult enough without blurring the lines of accountability. Being crystal clear about people's roles cuts out overlap and waste, but it also reduces risk and makes people happier about their competence and sphere of influence. It lets them get on with their jobs. And that certainty of role makes it possible for them to get creative when it really matters.

Operations

If good governance is like a skeleton supporting the structure of a living relationship, good operations are its blood supply, pumping information to all parts of the body. And like the bloodstream, operations are dynamic. What works one day may not be right for the next. So a healthy collaborative relationship is always reviewing and improving its operations and learning as a result. But sharing the intimate details of your own company's processes with a partner can feel uncomfortable. It may take months or years of inefficiency and frustration before fundamental processes are linked together. Get them right at the beginning, though, and your relationship is off to a solid start.

Components of operations

- **Aligned systems and processes:** It's the little things that get in the way. Data that has to be re-entered invoices that don't get paid because they're in the wrong format. The hard truth is that if systems and processes are to be aligned then somewhere along the line people are going to need to

compromise. A multi-party relationship with its systems and processes working well together can free up leaders to concentrate on the bigger picture.

- **Effective communications:** Good communications across a collaboration are like communications in any organisation: they have to be timely, targeted and effective. But above all, they need to be believable. Trust is far more of an issue in a multi-party collaboration than in a single function or organisation. Put out too much propaganda and people are likely to suspend their belief in the relationship and quite possibly stop collaborating at all.
- **Joint capability improvement processes:** Building skills capacity and leadership capability together is highly collaborative act. It's not for the faint-hearted, but the mark of a mature and sophisticated relationship. When partners are prepared to put in time or money together to help head off a future of a skills shortage it sends out a clear signal. They're in it for the long term, and investing for the future.

Behaviours

Many organisations that are working in collaborative relationships address at least some aspects of joint governance and operations, but avoid focussing on behaviours. They spend all their time sorting out the contract, pinning down the processes and dreaming up penalties for if things go wrong. Yet if they don't concentrate on how people behaviour towards each other there's every chance that things will go downhill rapidly when pressure increases.

Components of behaviours

- **Leadership role models:** Collaborative leaders need to model the kind of behaviour that they want to see throughout their organisations. It's not enough to say the words, staff will judge their actions. Sometimes that means standing by partners through thick and thin, even if it may be seen by some as 'letting your own side down'. It's easy to find fault and to dish out the blame to those the other side of the fence, but if you succumb to that temptation, so will everyone else.
- **Awareness of organisational cultures:** Working across is different cultures is easy to say and much harder to do. All too often, differences in culture breed suspicion and mistrust. The subject of understanding cultural difference in more detail in the next episode in this Essentials of collaboration series. Here, though, it's worth noting that to get beyond first appearances, partners need to start looking not just each other's output but also at their approach. What motivates them? What gets them riled? What makes them tick?

- **Joint problem solving:** Finally, the vexed question of how to deal with things that go wrong. Any relationship will have its fair share of problems especially when the relationship is new - but the way those problems are managed is a strong indicator of the health of the collaboration. When a problem surfaces, do the different parties flag it up and get together to try and solve it? Or do they close ranks and point fingers?

Interactions between Governance, Operation and Behaviours

This episode has highlighted the importance of building a strong framework of; the right governance, efficient operating processes, and joint standards of behaviour, as though these were separate foundations. But of course in most practical cases progress in one area has a positive influence on another - and vice versa.

The way people behave in a formal governance meeting will affect the likelihood that others will abide by the rules that are set. A well-defined set of end-to-end processes will only operate smoothly if people in different organisations understand and accept their own accountability for each step in the process. And often participants will only behave freely and constructively in joint problem solving sessions if they believe that the contracts for sharing out the benefits of their work are fair and will be followed by all.

So as well as understanding what makes up the 3 legs of the stool collaborative organisations need to think about the way to use the interactions between them most effectively to build a lasting relationship.

The name of the game

To take 1 specific example of the way operational communications and decision making rules effect behaviours - let's look at the importance of naming. The prisoner's dilemma game is a classic tool of experimental economists. They are several rounds of the game and in each round pairs of players can each choose either to cooperate or to compete (and sell your partner down the river). Of course seeing what you do in one round will effect what your partner (or opponent depending on how you choose to think of them) will do in the next. The question is - over many rounds will both players learn to adopt an optimum strategy? Or do they just take it in turns to punish each other. A psychologist from Stanford University, Lee Ross decided to look at the impact of the name of this game on the behaviour of the players¹. He divided his students into two groups. He told the first group that they were going to play a game called

¹ The Name of the Game: Predictive Power of Reputations versus Situational Labels in Determining Prisoner's Dilemma Game Moves – Lee Ross, Steven Samuels, Varda Liberman – Personality and social psychology bulletin – Sept 2004

‘The Wall Street Game’ then gave them the rules, put them into pairs and watched the result. The second group were told they were playing a game called ‘The Community Game’ and given exactly the same set of rules.

For the group told they were playing The Wall Street Game 33% evolved a cooperative strategy which optimised the overall return to all players, but for the group told they were playing The Community Game the numbers who ended up playing a cooperative strategy rose to about 70% . Even when other incentives were changed, the biggest influence on whether players developed a cooperative strategy was simply the name of the game they were given.

The result, although very striking is perhaps not surprising. People entering a new business relationship often start by trying to figure out ‘what sort of game we are playing here’ they look for clues in the incentives in the contract, the way work is organised and most particularly in the language their bosses use to describe it - “It’s a private sector rip-off” or “It’s a bureaucratic nightmare” and then they behave in a way which is most likely to bring that about. Naming and framing a relationship is a powerful way to influence behaviour.

If organisations seeking to build a stable collaboration can understand some of these subtle interactions between governance rules, operational processes and people’s behaviours they can help to set the right framework for a successful and resilient relationship.

Summary

Collaboration isn’t about being nice to each other

Successful collaborative relationships are built on a framework of three things; the right governance structures, efficient joint operations, and collaborative behaviours. Together these act a bit like a 3 legged stool. With all in place the system is stable in a range of different environments but take one away and it rapidly becomes unstable and liable to fall over.

Organisations can decide how much attention they need to pay to each of these areas by combing the governance operations and behaviours model with the collaboration spectrum introduced in Episode 1.

In a highly collaborative, ‘team-like’ situation the emphasis needs to be on behaviours - understanding and working with each other’s culture to get value from difference. Whereas in a transactional, customer-supplier, situation the biggest thing to pay attention to is the governance - get this specified correctly and you can let the other parties get on with their own tasks efficiently and without too much interference.

In relational collaborations that sit in the middle of the spectrum you need to pay as much attention to the efficiency of joint operations and the processes for communicating and learning across all parties as to the governance arrangements and behavioural norms.

And finally organisations need to be aware of their own habits- and base the balance of attention they pay to the foundations of governance, operations and behaviours on an analysis of the needs of the situation and not just on habits or personal leadership preferences.

There is no single recipe for making a collaboration work. It depends on the situation - as discussed in this and the previous episode of this Essentials of Collaboration series. And it also depends on the working culture of the different organisations involved - we'll be looking at the impact of this in much greater depth in the next episode Culture differences and collaboration.