Strategic Alliances: *THE NEXT GENERATION*SM

A Breakthrough in Collaborative Innovation

First Generation – Building the Foundation of Success for Alliances

Over a decade ago, we pioneered in the alliance field by creating an *Alliance Architecture* that, for the first time, provided an applied system of solutions, strategies, structures, processes and metrics for creating, launching and managing high performance strategic alliances. Following this, we then advanced the alliance profession with the formalization of *proven best practices*, which resulted in shifting the success rates of strategic alliances from a dismal 25% in the early 1990s to a stunning 75-80% now. Consider this statistic:

> *In 1990, alliances contributed a mere 2-3% of the revenues of Fortune 1000 companies. Today alliances strengthen their revenues by a factor of 30% and that proportion is still climbing.*

The Next Generation: Doubling the Value with Innovation Alliances

Building on our learnings and research, we've developed a new architecture that consistently generates innovation across organizational boundaries.

By capitalizing on the "synergy of compatible differences," alliances hold unique potential as engines of innovation, enabling the transformation of new ideas into new products, services, and solutions.

We've carefully analyzed the unique and compelling characteristics that drive innovation alliances and developed a revolutionary ***Collaborative Innovation Architecture™*** which will, when applied masterfully, produce consistent, high quality, high performance relationships that not only last, but actually enable alliances to prosper, regenerate and transform as conditions change, promising to *double the value gained* from your trans-organizational relationships.

The "Why" and "What" of Innovation

Invariably growth and innovation are top-of-mind priorities for every CEO. Innovation is the critical difference between business success and failure; it's one of the most important elements in creating wealth. But most senior executives struggle with two simple questions:

1. Is there a clear *architecture/system* to *manage for innovation*?
2. Precisely *where do you expect growth and innovation to come from*: organic growth, acquisitions, or alliances?

These questions typically fill the CEO with ambiguity; puzzled over realities of execution and concrete action. What's needed is a coherent strategic system to transform innovation from the realm of the ephemeral into the firm grasp of the dedicated practitioner.

Clarifying the Meaning of Innovation – Six Types

One of the biggest problems with innovation is its true meaning:

> Fundamentally, *invention* is a sub-set of *innovation;* but all-too-often *invention* is confused with *innovation* – resulting in both a mystification and exclusion of non-technical people from innovation.

Innovation is far broader, embracing six distinctive types of innovation powering the innovation engine, which can be used in combination with each other, to gain both strategic and operational advantage:

1. Market Extensions	4. Product Improvements
2. Technology Inventions	5. Process Improvements
3. System Solutions	6. Business Models

The good news for business is that, with the exception of technology invention, an employee does not require an engineering degree – making the majority of innovation available to everyone no matter what rank or educational level!

Power of Collaborative Innovation

During our recent research, we asked scores of executives: "What is the most sustainable source of competitive advantage?" The conclusion was quite revealing. We found a wide concurrence among senior executives with this statement:

> *In a Fast Moving, Rapidly Changing World, the Most Sustainable Source of Competitive Advantage is … Collaborative Innovation.*

Simply put, Collaborative Innovation is the most robust and regenerative way to create true value and growth.

Definition of Collaborative Innovation

We define Collaborative Innovation as:

> *The recursive interaction of co-creativity, knowledge, and mutual learning between two or more people working together toward a common goal of generating new sources of growth or wealth in an organization.*

Elements of Collaborative Innovation Architecture ™

We developed our Collaborative Innovation Architecture ™ to design and manage the critical and complex processes that underpin innovation systems. Consisting of four key elements:

1. Strategic	3. Performance
2. Systemic	4. Support

it is specifically designed for situations where there are differential/trans-organizational boundaries, making it particularly applicable for:

♦ Alliances & Joint Ventures	♦ Business Unit to Business Unit
♦ Supply/Value Chains/Networks	♦ Functional & Cross-Functional Teams
♦ Company to Company	♦ Mergers and Acquisitions

Why Strategic Alliances as a Source of Innovation?

Alliances are particularly well positioned to produce innovation because they enable fluid access to the fundamental source of innovation: Differentials in thinking.

The old adage: "if two people in the same room think alike, one is unnecessary," prevails:

> *Innovation comes from people who see their world in new and different ways.*

Thus, by tapping into the co-creative energies of differentials in thinking, and aligning those energies positively, alliances become *the unique structure* in your organization best designed for unleashing the innovative potential of the synergies of differentials.

However, while new paradigm generation originates from people who do not think alike, all too often people with different perspectives cannot synergize, or worse, they disregard or even destroy the value from those with whom they don't share a common perspective. Our architecture is designed to create vital synergies, not let other forces destroy them.

If you now ask yourself "What structure in your organization is best designed for unleashing the potential of the synergy of compatible differences?" the answer seems clear:

> ***Locked inside the strategic alliance structure lies the enormous***
> ***but hidden potential for innovation through co-creative breakthroughs***

As alliances continue to proliferate, value "networks" (more resembling the internet or neural networks) are becoming a powerful value-creation strategy. These networks are faster and more agile than linear value chains. Our architectures have produced outstanding results here.

We firmly believe that the application of Collaborative Innovation Architecture ™ to new and existing alliances will at least *double the long-term value* of the alliance, resulting in *a regenerating and continuous stream of innovation*.

We Couple Architecture with Precise Execution

Problems Executives Typically Face

In our many discussions with senior executives, we found three recurring themes:

1. While Growth & Innovation are Top-of-mind, our Efforts are Falling Short:
   - "We're just not generating enough new revenue"
   - "Innovation remains a set of scattered, tactical/small scale efforts"
   - "Sadly, innovation is killed during our acquisitions"
   - "It's occurring, but at a very slow rate – too slow to impact the market"
   - "R&D is just not paying off; it may be a waste of money"

2. Innovation is Ambiguous and Confusing:
   - "Innovation appears to be nothing more than a pastiche of slogans, tools, techniques, aphorisms, and platitudes, with not enough real results"
   - "Innovation doesn't seem like it's based on any kind of concrete management system, so I can't seem to get my arms around what to do."
   - "Our approach seems to contain too many tools & techniques; it's confusing what to use and when to use it"
   - "We are only focusing on technology – that's just too narrow".

3. The Innovation Onslaught is a Massive Competitive Threat:
   - "Our competitors are out-innovating us – it seems like a rate double, or even triple our rate"
   - "If we don't do something powerful, we might become extinct"

We designed our Collaborative Innovation Architecture ™ to address these issues directly, thus putting senior management back in control of its innovation program with the expectation that your initiatives will result in a powerful Innovation Engine.

Our Value Proposition

Using our high impact architecture, we will empower your team to put into place a powerful innovation strategy, a purpose-driven leadership team, a set of performance processes that produce results, a method to deal with jointly developed intellectual property, and a highly effective system of metrics.

Our promise is that our Collaborative Innovation Architecture ™ will generate breakthroughs which produce:

- ♦ Extraordinary Results
- ♦ New Sources of Revenue and Competitive Advantage
- ♦ Innovation Across the Value Chain from Suppliers to Customers
- ♦ Generation of New Wealth, and Profits
- ♦ Deep Level of Personal Meaning,
  Coupled with a Renewed Sense of Purpose

Depending upon your commitment, support, and scale of implementation, the increases can be dramatic – up to a doubling of the innovation output from outside sources.

What Will Happen as a Result of the Collaborative Innovation Program?

When applied to any of the six types of innovation:

- ♦ Your team will start thinking about innovation *strategically*

- ♦ Business units will become enthused and engaged in innovation

- ♦ Innovation champions will launch a series of highly inspired innovation pilot projects

- ♦ Collaborative Innovation Architecture ™ and proven practices will become imbedded in your organization's thinking and daily practices

- ♦ Innovation will begin showing up as:

  - • Revenues and profits will increase

  - • Speed will improve – things will happen faster

  - • Teams working together synergistically

  - • Business units collaborating outside their "silos"

  - • New alliances being formed with suppliers, outsourcers, distributors, integrators, and customers and others.

How we Engage with Your Organization

If you are just beginning an alliance program, and have not yet installed best practices, nor established an alliance management system, then it's imperative to build upon the right alliance foundation first, and then construct the collaborative innovation system. This is a two-stage process:

Stage 1: Install Alliance Best-Practice Architecture (First Generation)
(if these are currently in place, we do a simple diagnostic to determine if there are any areas needing strengthening, then move to Stage 2)

- ♦ Install proven practices for strategic alliance performance & success,
- ♦ Then build capabilities to create a powerful alliance presence in your industry:
- ♦ Alliance Management Systems and
- ♦ Strategic Portfolio Management, allowing you to
- ♦ Become the "Partner of Choice"

Stage 2: Install Collaborative Innovation Architecture (The Next Generation)

- ♦ Install Collaborative Innovation Architecture to transform alliances into innovation engines with sustainable competitive advantage,
- ♦ Exploiting the six types of innovation,
- ♦ Creating a regenerative life cycle of innovation, allowing you to then:
- ♦ Capitalize on value networks to accelerate & integrate innovation

We have several Programmatic Approaches (below) to install Collaborative Innovation that can make a dramatic difference:

Option 1: **Basic Implementation**	*Option 2:* **Focused Implementation**	*Option 3:* **Comprehensive**
Objective:	**Objective:**	**Objective:**
- Build Basic Understanding and Capabilities in Teams throughout your Organization	- Target a single area within the Value Chain, such as Alliances, Acquisitions, Supply Chain, Distribution, Internal Business Units	- Large Scale Organizational Transformation - Development of Powerful Value Networks where Innovation Creates Enormous competitive Advantages
Method:	**Method:**	**Method:**
- Best Practices and Collaborative Innovation Architecture Action-Planning Workshops - Launch Pilot Projects to Demonstrate Value	- Diagnostics and Analysis - Strategic Review - Program Development - Best Practices and Collaborative Innovation Architecture Action-Planning Workshops - Coaching, & HR Selection - Leadership & Culture Building - Legal and Contractual Shifts - Pilot & Long Term Project Development	- Competitive Strategic Repositioning - Systematic Diagnostics & Analysis - Alliance & Acquisition Transformation - Supply Chain Innovation System - Best Practices and Collaborative Innovation Architecture Action-Planning Workshops - Coaching, & HR Selection - Leadership & Culture Building - Legal and Contractual Shifts - Long Term Project Development - Cultural Transformation
Value:	**Value:**	**Value:**
- Low Initial Cost - Core Teams in Place - Visible Results	- Moderate Cost, Strong Return on Investment - In-Depth Results within Target Zone	- High Cost, Very High Return on Investment - Massive Shifts in Thinking - Extraordinary Performance Breakthrough

These are typical ways of installing Collaborative Innovation Architecture. We customize each installation to meet the unique needs, competitive positioning, and targets of each client.

Innovation tends to follow a serendipitous path:

You can expect the co-creative spirit of the participants in collaborative innovation will *generate new, but unpredictable, ideas, solutions, and opportunities*. As your company's internal business units, functional operations, and alliances jointly focus their efforts on innovation and systematically *create alliance-based relationships* both internally and across its value chain, the total *organizational network's thinking, awareness, and insights begin to shift*:

♦   People become invigorated, generating new, as yet unseen, opportunities,

♦   A deeper, more common understanding of the linkage between value and competitive advantage evolves across the value chain,

♦   People and their organizations that had been stereo-typed into little boxes begin to open their horizons, developing contributions that were never before imagined,

♦   Customer and market opportunities are discovered that would otherwise have been overlooked, while

♦   A new level of collaborative innovation spawns greater opportunities.

Secondary impacts are also likely to take the form of:

♦   Higher levels of innovation internally,

♦   Better internal/cross-functional collaboration,

♦   Better utilization of staff, and

♦   Greater alignment of internal and external stakeholders.

This is the "Spirit of Innovation" that our Collaborative Innovation program has the potential to create at your company.

Make COLLABORATIVE INNOVATION a Top Priority:

♦   Innovation is a senior executive responsibility

♦   Just saying that innovation is important is simply not enough

♦   Having an architecture, language, program and an organized effort is essential to success

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