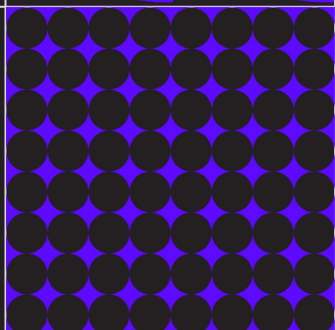
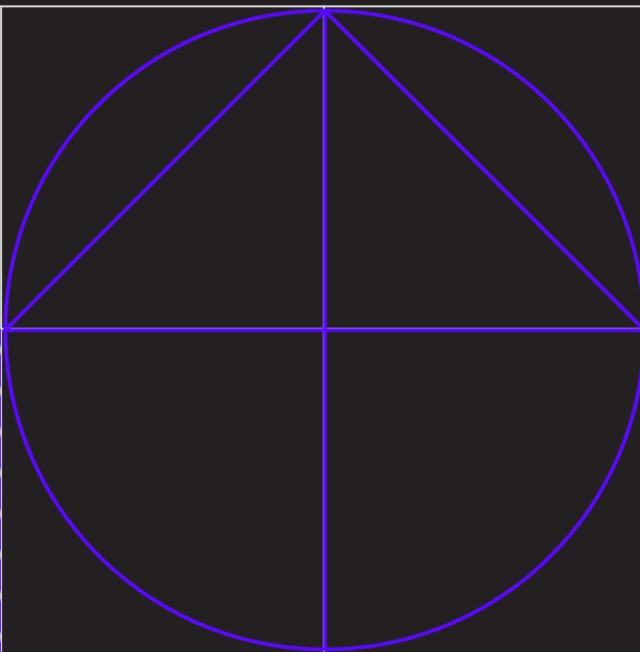
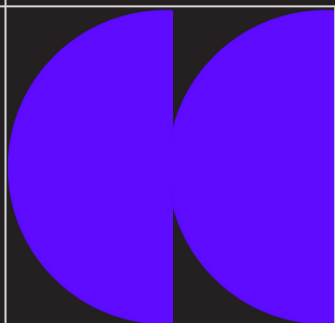


INNOVATION NORTH



Session 5 Briefing Note:

COLLABORATIVE GOVERNANCE



Imagine...

...you have identified a new market opportunity that will generate significant sales by replacing single use plastics with a new food-safe, biodegradable packaging. However, you need partners, including a manufacturer of the packaging and a retailer willing to try the packaging on some products. How do you manage this collaboration, so that everyone commits time and resources, shares insights, and co-creates solutions?

This is the challenge of corporate governance.

Companies that want to innovate products and services that create value for themselves and society often need to collaborate with other private and public organizations. However, governing these collaborations are hard and full of obstacles. This briefing note outlines what is collaboration, what makes it difficult, and why it's important for innovation. These topics are the focus of our upcoming Lab session.

Jorrit de Jong will lead us through a discussion about collaborative governance. We will discover through two different case studies the importance of collaborations, especially in tackling complex problems, and how such collaborations can help organizations build their innovation capacity.

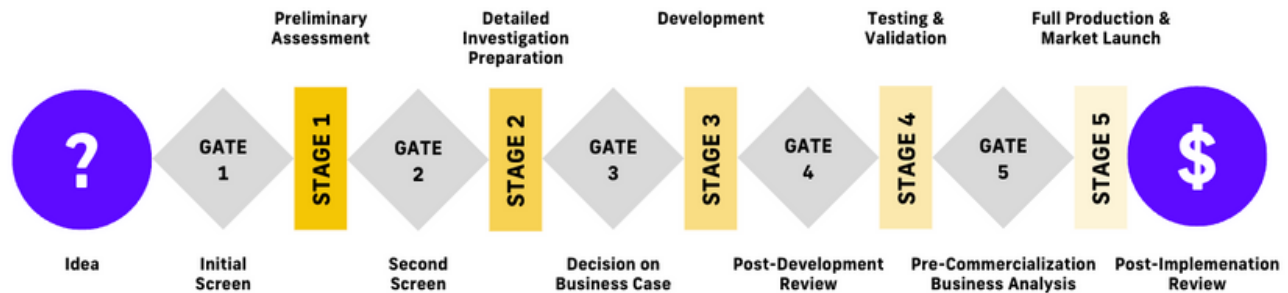
In what follows, we describe current innovation processes, the value of collaboration, and how such collaborations can be governed effectively. By reading this briefing note, you will better understand the ideas being shared in the next Lab session.

Most Corporate Innovative Processes Are Not Collaborative

Open and Closed Innovation Processes

Companies engage in innovation processes that range from closed to open. In a closed innovation process, companies generate ideas internally. The stage-gate model illustrated in Figure 1 is such an example. It is the most common form of innovation. Firms proceed stepwise through a series of gates to develop an idea, realizing that the gate may close at any stage. Here, intellectual property is protected intently.

Figure 1: Stage Gate Innovation Process



Removing Plastic from Bottles Collaboratively

At the other end of the spectrum, companies seek insights from others outside of the organization. Companies could simply be transactional in this process by crowdsourcing ideas through hackathons, competitions with large rewards (e.g. X Prizes), virtual marketplaces, or tradefairs. Alternatively, companies could simply purchase others' technologies, as Google, Microsoft and Facebook often do.

An Example of Transactional Open Innovation

Precious Plastic fights plastic pollution by providing communities of people the specifications to transform local plastic waste into valuable products. In 2012, Dave Hakkens discovered that only about 10% of the plastic in the world was recycled. Dave knew that he could not tackle this challenge alone because it was a technical challenge (diversity of plastic types) and an economic challenge (incent people to collect plastic waste from beaches and streets). He developed open source guides to build recycling machines, which formed a global movement of over 80.000 people (including workspaces owners, recyclers collectors, machine builders, and community members). These independent entrepreneurs share their learnings and recommend business improvements so that Precious Plastic can continue to grow and tackle plastic pollution globally.

When Partnerships Work Well, They Can Create Powerful Systems Solutions

But, there is also a collaborative approach to open innovation in which partners are highly interdependent. Here, a group of companies work together to solve a problem. The boundaries of this type of collaboration are well defined (i.e. who is in and out) and the intellectual property carefully managed. These sorts of collaborations (e.g. joint ventures) have been around for decades.

However, the very thing that makes these collaborations effective – the diversity of the ideas, experiences and resources– is the very thing that makes the ventures difficult to sustain. It is no wonder that most of these partnerships are simply cooperative, not truly collaborative. Partners approach each other cautiously and agree to a transaction, but do not co-create solutions. But, when the partnerships work well, they can generate powerful systems solutions.

An Example of Collaborative Open Innovation

Green Fiber Bottle was developed by Carlsberg found that 40% of their environmental footprint comes from packaging. The company had committed to cut their environmental footprint in 2015, but they did not want to get into the packaging business. So, they brought together several partners to address the packaging challenge, including innovation experts EcoXpac, a packaging company Billerud Korsnäs, and post-doctoral researchers. The group developed Paboco®, a paper bottle, which will be adopted by Coca-Cola, Absolut and L'Oréal. The interim CEO of Paboco, Gittan Schiöld, said: "It is all about the team! We are collaborating across the value chain, sharing the risks and are united in our vision that the paper bottle will become a reality and fundamentally change this industry for good."

So, Why is Collaboration More Important Now Than Ever Before?

Overcoming Cognitive Biases

By collaborating with diverse people, we are able to mitigate our biases, as we discussed in Session 2 with Otto Scharmer.

Fostering Creativity

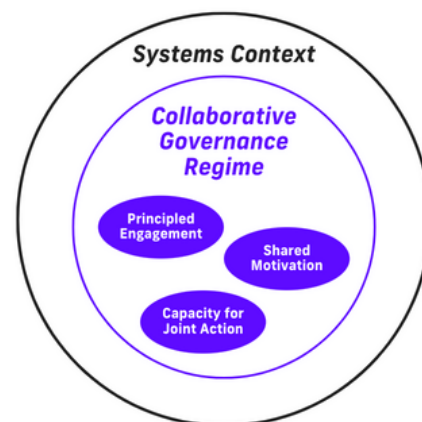
We all know how hard it is to work with people who think differently from us. There are often moments of confusion and conflict. However, these are also the moments that we generate the most creative solutions. Kristel van Ael in Session 4 showed us that the creative abrasion that comes with these tensions can be incredibly generative. Innovation happens at the edges of our learning, not within our current knowledge base.

Managing Complex Problems in Chaotic Environments

In dynamic environments, it is hard to sense the whole system. You might remember Peter Senge in Session 1 telling us that chaos is like running through a dark room, which is bound to fail. We discussed the Cynefin model, which shows that complex problems benefit from collaboration because different people can bring different experiences to the table to sense different parts of the system and solve problems.

Diffusing Products and Services

And, by collaborating with others, you can also help to diffuse some of your products and services through a ready-made network. Researchers have shown that biotech firms that did not have strong collaborations were more likely to fail. Different organizations bring to the table different experiences, collaborators and networks, and resources.



Collaboration Is Challenging

How Can You Collaborate Effectively?

Diversity generates creative insights, but also can lead to misunderstandings that can undermine trust and hamper sharing. There is considerable research that shows good practices in collaborative governance.

Good Practices in Collaborative Governance

1. Principled Engagement: The collaboration must engage all parties through a structured process. There are four elements to this process: discovery, definition, deliberation and determination. In Discovery, participants reveal their interests and share concerns. In Definition, they identify purpose and objectives. Deliberation requires deep listening and candid, constructive conversations. Finally, Determination ensures that the parties move towards solutions, not simply engaged dialogue. Throughout these processes, the organizers must ensure that they build a safe space that uses non-hierarchical language and includes minority opinions.

2. Shared Motivation: The partners need to share a common motivation, which requires trust, mutual understanding, commitment and internal legitimacy. Partners need to meet regularly and connect meaningfully. They must show respect and be fully committed to the initiative. And, the people at the table must not only be seen as legitimate, but the venture must also be seen as legitimate within the host organizations.

3. Capacity for Joint Action: The collaboration must go beyond discussion and move towards action. This next step is hard and can fail unless there are strong formal agreements in place, pertaining to such issues as rules of reciprocity and sharing intellectual property. Effective collaborative governance requires charters, by-laws, and shared expectations that are carefully articulated.

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