

# Collaborative Networks Are The Organization: An Innovation in Organization Design and Management

## Abstract

**Purpose** – This paper presents the authors’ model of collaborative network design, a set of principles and choices to inform the structure and strategy of an organization for the subsequent 25 years in fulfillment of Peter Drucker’s prophesy that “the corporation as we know it is unlikely to survive the next 25 years.”

**Design/methodology /approach** – The authors have spent the past 10 years consulting and doing hands-on research with Global 100 companies, governments, and raw start-ups focused on two things:

1. Understanding the structure and governance or management system networks require to operate effectively
2. Defining and developing organization wide collaborative ability

**Findings** – The authors identify five principles of collaborative network design and management.

**Practical implications** – This paper presents a model to guide managers through the complexities of structuring networked organizations and introduces a framework for the governance or management system of a collaborative network

**Originality/value** – The authors propose a Network Design Model based on five factors that must be considered if collaboration is to play a major role in an organization’s strategy. Each factor represents a continuum of choice that may be blended as necessary to best achieve the network design most suited for the purpose at hand.

**Keywords** – Collaborative networks, strategic alliances, collaboration, collaborative business models, collaborative capability, collaborative communities

**Paper type** – Viewpoint

## 1. Introduction

The genius of Peter Drucker was that he made very complex thoughts and concepts seem simple. So it was in the summer of 2000 when he gave an interview to James Daly, editor of *Business 2.0*, a popular business magazine at that time. In the interview, which was published in August 2000, a few short months after the crash of the dot-com market, Drucker stated:

*“The corporation as we know it is unlikely to survive the next 25 years.  
Legally and financially, yes. But not structurally and economically.”<sup>1</sup>*

As entrepreneurs, as well as educators and advisors to business people, we had been considering the impact of advances in communications and information technologies, as well as the loosening of trade. As a result, we had begun work on a book, *Collaborative Communities: Partnering for Profit in the Networked Economy*. The central thesis of the book is that an organizational form was beginning to emerge that was entrepreneurial in nature and relied on a network of partners to satisfy the needs of customers newly empowered by technology. Indeed, we supposed that the end was near for the traditional vertically integrated corporation.

When we read the interview with Drucker, we knew we were on to something. His views had helped shape our view of entrepreneurial thinking.<sup>2</sup> They would now guide our pursuit of understanding the networked organization. We have spent the past 10 years consulting and doing hands-on research with Global 100 companies, governments, and raw start-ups. We've focused on two things:

1. Understanding the structure and governance or management system networks require to operate effectively
2. Defining and developing organization wide collaborative ability

Drucker's words foretold a significant challenge descending upon corporate management. This paper presents the authors' model of collaborative network design, a set of principles and choices to inform the structure and strategy of an organization for the subsequent 25 years in fulfillment of Drucker's prophesy. It then uses the on-going experiences of the collaborative network organized to design and develop the Boeing 787 Dreamliner as an example of the management challenges of this new form of organization.

## **2. Hierarchies Become Networks**

Nine years later, we are witnessing the realization of Professor Drucker's prophesy. Firms are slowly embracing the power of openness and innovating not just product and service offerings, but processes, business models, and ways of working to harness opportunities – and using that openness and collaboration to manage the risks of globalization. Drucker's prophesy applies to all types of organizations. No one company, entity, government, or association has the talent, resources, or time for the continual innovation that the global marketplace demands. No single company, industry, sector, or country can solve the critical issues facing society today.

As organizations open themselves to stakeholders and communities, they tend to specialize and develop relationships with other organizations that complement and extend their core expertise. These relationships are the lynchpin in efficiently and effectively providing a complete solution for their customers. One can think of the organization today as a collection of components which are brought together because of their individual capabilities and assembled for a specific purpose (see Figure 1 – Hierarchies Become Networks).

---

**Insert Figure 1 here**

---

This network must work in a collaborative way to realize the collective and individual objectives of the network organizer, the member firms, and the customers. The collaborative network is a dynamic, fit for purpose structure that has the agility to iterate its components and how they relate to one another legally and operationally as the purpose and context of the network evolves. It is a way of organizing that is best positioned to leverage existing resources and create new value. It is a way of working that harnesses the strengths of all who contribute and thus benefits and connects them in new, innovative ways.

***A collaborative network is the collection of businesses, individuals and other organizational entities that possess the capabilities and resources needed to achieve a specific outcome.***

Organizing in collaborative networks is a dynamic process, requiring great agility and resourcefulness. In light of the global reach of today's organizations it is entirely realistic to expect that any organization may seek to satisfy different sets of customers' needs, regardless of whether the organization is large or small.

And as such, it may require a different collaborative network to address each set of needs. Thus it is likely that an organization will participate in multiple collaborative networks on a concurrent basis. It will be the network organizer or choreographer as we refer to the role, in certain networks and a member firm in others. These networks may have competing purposes or be comprised of competitive firms.<sup>3</sup>

Indeed, when collaborative networks are the organization, competition itself becomes network to network and that changes the nature of competition. No longer is competition defined by products and services. Rather it is defined by the ability of the people within an organization to build networks of relationships and work across boundaries in furtherance of delivering value to its customers and members. Relationships cannot be bought or copied. They must be built from scratch and they are built by individuals, not organizations. Thus competitive advantage accrues to those best able to assemble and manage a network of collaborative networks.

Most simply, to innovate and grow as the structure and economy of the traditional corporation ceases to be attractive, firms not only need a specialized expertise; they need a collaborative capability. While many CEOs and other business leaders recognize the need for collaboration, most admit that it is neither achieved nor realized in their organizations. “CEOs believe collaboration is absolutely critical, but there is a problem: Although collaborative aspirations were high, actual implementation was dramatically lower. Citing a lack of the skills and expertise needed to partner externally, many CEOs refer to partnering as ‘theoretically easy’ but ‘practically hard to do.’”<sup>4</sup> The disconnect between what is said and the reality of what is happening points to a need for a dramatic, fundamental shift in ways of thinking, acting, relating, interacting, working, and managing.

### 3. Collaborative Network Design Principles

Organizations and individuals that develop expertise in working in collaborative networks represent the future of how work is done. The reality is that most people are more familiar with working in silos and are more comfortable with traditional organizational hierarchies and boundaries. We work under the assumption that organizations and people only actively engage in collaboration when the benefit they derive is greater than the time, effort, and other resources it takes to collaborate (See Figure 2 – Benefit of Collaboration). Our approach to collaborative network design and governance acknowledges this inertia and makes it a priority to demonstrate the increased value a well functioning collaborative network can provide to all participants.

<p style="text-align: center;"><b>Principle #1</b></p> <p style="text-align: center;">Organizations and people only actively engage in collaboration when the benefit they derive is greater than the time, effort, and other resources it takes to collaborate</p>
---

---

**Insert Figure 2 here**

---

People can't be forced to collaborate. It can be a risky proposition. The answer to the question, “Why collaborate,” must be answered anew each time it is raised. The answer is found in the relative value placed on relationship currencies – the information, insight, access, and expertise one only gets through a relationship. This additionality of resources – the relationship currencies – that collaboration provides is why we collaborate. Using relationship currencies takes time and effort, as does offering one's currencies to someone else. Unless the value of the currencies to the recipient for achieving his/her goals is greater than the effort it takes to access and use those currencies, collaboration won't happen (see Figure 2 – Benefit of Collaboration).

Too often the time and effort it takes to build the relationships necessary to access another's resources are discounted by firm management. As a result, people view collaboration as a nicety but not essential to the performance of their jobs. They see the additional work of collaborating, but not the additional resource it represents. As IBM's Study *Expanding the Innovation Horizon* highlights, collaborative skills are lacking.<sup>5</sup> A better understanding of the work of collaborating and the skills it takes to realize its benefits are required. Make no mistake about it, collaboration is hard work. Chris Huxham, Professor of Management at the University of Strathclyde, Glasgow, is one of the leading scholars on collaboration.<sup>6</sup> Her view is: Don't collaborate unless you must. We agree. We also believe you must, as does every CEO searching for elusive growth.

#### 4. Structuring for Collaboration

The Network Design Model (Figure 3) presents five factors that must be considered if collaboration is to play a major role in a firm's strategy. Each factor represents a continuum of choice that may be blended as necessary to best achieve the network design most suited for the purpose at hand. The left-hand side of the spectrum generally defines networks that are more informal, while the right-hand side of the spectrum defines more formal networks.

<p><b>Principle #2</b></p> <p>Collaborative networks are fit for purpose. The purpose determines how the network is structured</p>
--

---

**Insert Figure 3 here**

---

The **unifying purpose** is why the collaborative network comes together. The purpose is what the network choreographer and members hope to accomplish by giving of their time, energy, and possibly other resources. The unifying purpose is the goal for the network choreographer. It is why the network is organized. For members of the network, achieving the goal may be a means to achieving their own individual objectives.

On the left of the continuum are social networks. People in a social network make connections, share photos, message each other, rate music and films – generally anything friends would share. Not everyone who is part of these networks has a purely social purpose. People also use them to find jobs. Musicians and artists use them to get noticed. Given the tremendous market valuations that have been placed on social networking sites, the network organizers certainly have a commercial purpose in mind.

At the right-side of the spectrum are networks that are mainly commercial. A strategic alliance to develop and market a new product would fall into this category. In practice there is often a blend of social purpose in the form of connecting with others to share, learn, discover, or influence, as well as the quest for economic gain embodied in a commercial purpose. Often one of the main reasons alliances are formed is to enhance knowledge or expertise. For example, a biotech company may partner with a pharmaceutical firm to share the risks and costs of drug development. At the same time, the biotech firm may wish to benefit from the pharmaceutical company's knowledge of the regulatory process or how to sell into a particular therapeutic market.

The **value proposition** describes the exchange of goods, services, relationship currencies and other resources that occurs within a collaborative network. To be collaborative and function as a network, relationship currencies must be integral to the overall value proposition.

There are infinite value propositions. One based on shared interests assumes that all members of the network will find the same currencies to be of value. For example, the individual members of social networks such as Facebook (the customers) all desire the connectedness that comes from being a part of that network. Similarly, the members of an activist network such as Amnesty International all have a shared interest in influencing a certain policy or bringing about a desired outcome.

At the other end of the spectrum, mutual self-interest implies that all network members want something of personal value to them, and that personal value is reasonably unique. When the value proposition in a collaborative network is derived from mutual self-interest, members negotiate with each other to obtain the currencies that each value. Every party values different currencies, so the network must be organized to gain and exchange a number of currencies in a variety of ways.

For any value proposition to be effective and produce the collaborative intensity necessary for the network to achieve its purpose there needs to be a value proposition for:

- ▶ each person involved,
- ▶ the organization each person is most directly connected with, e.g., his/her business unit, as well as
- ▶ the larger organization, e.g., his/her company

In a business or scientific endeavor, this usually means the value proposition must include something that positively influences a person's goals and performance targets.

The **economic opportunity** describes how well the network has established a way of monetizing the value proposition, including the collective currencies of the network members. Sometimes the economic opportunities for the parties are distinctly different. MySpace is a perfect example. For most members, MySpace is a network of shared interests and has little to do with economic opportunity. For the company, which is the choreographer in this case, finding ways to monetize this huge community is paramount.

The economic opportunity becomes more clearly defined when the customer is identified, and how the network choreographer and members benefit financially is reasonably well established. The network knows the customer, has or can get access to him/her, and understands what is important to that customer. Again, strategic alliances between two or more companies are representative of this type of network.

The **organizing mechanism** is the method through which the people and entities that are members of the network come together and govern themselves. In a self-organizing mechanism, anyone may participate, and there is no formal mechanism for organizing the work of the network. One can think of these networks as communities, even when they occur in a business situation. For example, a community of practice is a self-organizing group that comes together to share information and insight about a particular issue or challenge and to learn from one another. Most networks that are more social in nature are self-organizing, although there is likely a network organizer who establishes a governance structure for what members can and cannot do within the network, especially as it relates to information privacy.

**Principle #3**

Every network has a choreographer, the individual or entity that organizes the network and is responsible for achieving the purpose of the network

**Principle #4**

Governance is the system for managing the joint and individual work of the collaboration. Governance principles have both structural and behavioral components

A choreographed mechanism implies that participants are selected by the choreographer (the network organizer) and that entity determines the criteria for participation and organizes and guides the work of the network. Choreographed networks have formal governance principles that are agreed to by all network members before each member can participate. Governance is the system for managing the joint and individual work of the collaboration. Governance principles have both structural and behavioral components, as represented by Figure 4 – Collaborative Network Governance Framework:

Structural Elements	Behavioral Elements
Committee Composition	Communication Protocols
Roles and Responsibilities	Meeting Management
Decision Making Authority	Decision Making Norms
Escalation	Conflict Resolution
Milestones	Evaluation
IP Rights	Review Processes

**Collaborative Network Governance Framework**

**Figure 4**

Strategic alliances among two or more entities are highly choreographed. Alliances present an interesting dynamic in that each party to the alliance must manage its respective stakeholders so that the unifying purpose of the alliance network may be achieved. It is often more difficult to align the stakeholders within an organization than it is to create agreement and concord among the network members. Accordingly, considerable time and effort may be expended on getting the people within the many silos in an organization to collaborate.

In contrast, social networks are relatively self-organizing. The entry hurdle is low, as are the standards for participation. Facebook, the company, essentially provides members with a platform, a cyber-place where friends come together, and engage in (almost) any activity the platform supports.

The **collaboration intensity** is defined by the degree to which activities are coordinated, information of appropriate relevance, quality and timeliness is shared, and participants’ resources are leveraged for the benefit of all parties. The intensity of the collaboration necessary is dependent on the nature of the resource leverage sought. The more one seeks to gain from the network, the greater the collaboration intensity needed.

Despite popular belief, minimal collaboration generally occurs in networks organized for social purposes. One need not collaborate with great intensity if the purpose of the network is to make friends and share music. Yes, some information may be exchanged, but is generally of limited richness. And unless it is an activist network where the purpose is to influence decisions and policy, there is generally little coordination of activities within socially oriented networks.

At the far extreme, highly intense collaboration is needed to achieve the unifying purpose of most choreographed networks. Alliances are a type of collaborative network established to leverage the resources of each party in order to achieve the alliance’s objectives (the unifying purpose). They require a very high degree of collaboration as alliances exist within the corporate cultures of their respective partners. Intense collaboration is needed to ensure that stakeholders receive the benefits they expect, which are necessary to ensure their participation.

Thinking of the organization as a network of networks, each of which exists only to achieve a specific purpose and which is encouraged by the elements of the governance system to achieve that purpose with increasing excellence, is a significant departure from traditional organization design. It is indicative of the innovativeness management must demonstrate to achieve its objectives as the structural and economic nature of the corporation is being shaped, as Drucker explained in June 2001 at the Delphi Group's Collaborative Commerce Summit, to succeed where "partnership is based more on relationship than on ownership."<sup>7</sup>

### Principle #5

Innovation in organization design requires innovation in management

## 5. The Choreographer

Every network, whether self-organizing or highly choreographed has some individual or entity that takes on a leadership role. The role varies depending on the characteristics of the network.

The network choreographer is the individual or firm responsible for designing the collaborative network by identifying the right dimensions for each of the factors in the network design model. This is not to suggest that network members are left out of the design process – they aren't. Engaging potential network members in the design of the network is often how the choreographer ensures that the value proposition will be attractive to the members it seeks. As stated above, when the value proposition is one of mutual self interest, there is a negotiation that occurs. Even when the value proposition is one of shared interests, the members must be included in the network design to ensure it meets the members' needs.

The choreographer of any network plays a dynamic and entrepreneurial role, requiring much agility and resourcefulness. Most simply, the job of a choreographer is to rally people and their resources around the vision for the collaboration. As the collaboration and underlying relationships grow, more valuable resources become available. A choreographer must be:

- ▶ **First and foremost, an entrepreneur** – Rallying people and their resources around a vision is the chief job of an entrepreneur. Collaborative networks are the organization, so whether the network being formed represents the totality of what the company does or is a program or business unit within a company, it is best to think of it as an entity. In that way, efforts are focused on making the network a success. It requires someone or group to hold the vision and be comfortable with the ambiguity inherent in creating and growing something new
- ▶ **A passionate advocate** – The choreographer represents the interests of all network members, the customer, and itself. A non-partisan understanding of value is required to enable it to flow between and among parties to a collaboration
- ▶ **A dedicated coach and mentor** – Growing the collaborative capability and capacity of an organization requires sharing learning and proactively developing skills and appropriate behavior. This often means working with senior leadership to guide them in understanding the implications of some of their actions and decisions
- ▶ **A tireless communicator** – A common language with shared meaning is essential for collaborative success. The choreographer must help all involved have a common vision of success and present a holistic view of the relationship. Failure to communicate effectively can set unrealistic or false expectations and can erode trust when expectations are not met

The more choreographed the network, the more intellectually challenging and operationally sophisticated is the choreographer's role. It is often the ultimate example of influencing without authority. If choreographers are to increase the likelihood of collaborative network success, they must embrace the

challenge of ensuring that the people in their organization engage in the right collaborative activities and have the skills to do them well. This boundary bridging role is what management is in the replacement of the “corporation as we know it:” dynamic, innovative collaborative networks.

## **6. The 787 Dreamliner Collaborative Network<sup>8</sup>**

The Boeing Company’s collaborative network for the design, development, and production of its 787 Dreamliner offers an illustrative and ongoing example of the challenges management faces as it guides organizations to the appropriate role of collaborative networks within its strategy.

When Boeing set out in 2004 to enter the mid-sized, long-range commercial jet market, it introduced several engineering and production innovations. The 787 is the first family of airplanes constructed from a carbon-fiber plastic resin, instead of aluminum, thus making the plane more fuel-efficient. It offers a satellite-based communications system that allows internet access for all passengers, wireless networks for monitoring maintenance, and electronic flight bags containing charts and other reference data for the crew. The aircraft has larger-than-normal windows and promises additional comfort for both passengers and crew by maintaining higher air pressure and humidity. With the Dreamliner, Boeing hopes to win back a considerable share of the commercial airline market from rival Airbus SAS. The Dreamliner has been met with enthusiastic responses from customers. As of April 2009, despite some cancellations, Boeing has orders for 850 planes from 55 customers and is sold out of production slots until at least 2017.

Beyond the technical innovations of the 787, the manner in which Boeing is conducting the program is an innovation in organization design. In an effort to control costs, reduce time to market, and access specialist expertise, Boeing assembled a global collaborative network of more than 50 partners, operating in over 130 locations around the globe (see Figure 5 – Joint Effort). Boeing has long done business with many of the network member firms. However for the Dreamliner Program, Boeing has fundamentally altered the nature of its relationships with its network partners.

---

**Insert Figure 5 here**

---

The 787 is the first airplane in Boeing’s history to be designed largely by other companies. To lower the \$10 billion it would cost to develop the plane alone, Boeing gave responsibility to these partner-suppliers to design and build components of the plane, which are then shipped aboard specially modified Boeing 747s called Dreamlifters to Boeing’s facilities in Everett, Washington for final assembly. Boeing anticipated that this distribution of work to specialist firms would reduce the time to market from six years to four, and also shorten the time in the final assembly area from 30 days to three.

To reduce its own costs and spread risk, Boeing required the partners to invest a cumulative \$4 billion. In many instances, the partners were asked to delay receipt of payment for their work until customers took delivery of the planes, the first of which Boeing expected to deliver in May 2008. In return for accepting this risk, the partners have long-term contracts, some of which are for 30 years, the planned life of the program.

The partners were also responsible for more than the usual price, quality, and timeliness associated with arm’s-length suppliers. Boeing gave its partners responsibility for the supply chain and required them to perform according to agreed standards embedded in the overall design architecture.



Boeing was fully aware that designing and building the plane in this manner altered its role in the production of products and services for its customers. In Boeing's view, the Dreamliner design and production network represents an important step in achieving its long-term strategic objective of transitioning from a manufacturer to an integrator. As integrator (another way of saying network choreographer), Boeing adopted a number of management practices which have come to be associated with best practices in strategic alliances. It used the design architecture to establish a common set of goals that every partner had a part in achieving. Special attention was paid to ensuring that the partners' roles and responsibilities were thoroughly identified, broadly communicated, and understood. Metrics and milestones were defined, aligned, and agreed upon. Boeing established a common electronic communication and data sharing platform, benefiting from the widely accepted business and technology standards that enable globalization. Recognizing that inter-company teams would govern and conduct much of the work, it invested in team-building and relationship-development activities.

Boeing was optimistic that the global network it put in place for the design and development of its new family of airplanes—among the most complex of machines—would be a significant innovation. It counted on the rewards for every network member to be large and sustained.

## **7. Collaborative Naiveté**

Myths about collaboration often result in managers and executives failing to understand that the success or failure of many endeavors hinge on the ability of people to collaborate. All too often people are told to go collaborate, but they have little understanding of what that means and what they are supposed to do in a particular instance. Rarely do managers communicate how collaboration differs from one partner to another, one network to another. It is safe to say most haven't even thought about how it should differ based on the purpose and economic opportunity of the underlying network. Most importantly, managers don't take the time to build new mental models to reflect the nature of the relationships needed among network members and between the network members and the choreographer. As a result, it is hard to get around the ingrained mindsets and behaviors that have traditionally governed relationships between a firm and external entities.

Boeing's 787 Dreamliner network is a case in point.<sup>9</sup> Despite the efforts to set up the network for success, Boeing finds itself in a very touchy situation. When parts for the first test plane were delivered to Everett, Washington to be rolled out on 07/08/07, Boeing received 30,000 pieces to be assembled—not the 1,200 components the final assembly process anticipated. The events that precipitated this “chaos,” as one partner executive described it, have led to pushing back the delivery date for the first plane several times. It is now expected in the first half of 2010, not May 2008. This two-year delay exposes Boeing to penalty fees and potential cancellations of orders for failing to meet contractual obligations. Its customers are counting on these planes to help them control the cost of fuel and achieve other operating efficiencies. Some were counting on the Dreamliner to profit from the 2008 Beijing Olympics. To try to get the program righted, Boeing has thrown people and money at the problems. The head of the program has been replaced.

The damage is done. Suppliers are unnerved by public disparaging of their performance by Boeing executives. The delays are hurting their businesses, too. And rival Airbus, which announced its intention to use a similar global network model on a competing plane expected to be ready in five years, is learning from Boeing's mistakes.

What went wrong? At one level, one can say it was simply a failure of the suppliers to live up to their commitments to perform at certain standards. Parts didn't meet engineering tolerances. Shortages in certain materials compounded delays. The underlying cause however, is a failure to appreciate that

implementing Boeing's engineering and production innovations would require significant changes in structure and ways of working.

Boeing approached the network with an economic mindset that was focused on cost savings. The language executives use and the decisions that were made imply a traditional outsourcing mindset. They failed to understand the complexity of and interdependence of their collaborative network. The partners had partners, too. In some instances more than one partner used the same second- or third-tier supplier, resulting in an overload of work when the challenges began. There were quality issues as well as language issues. Assembly instructions arrived in Italian, needing translation. More than 6,000 parts required to attach the floor to the fuselage had difficulty meeting strict engineering tolerances. Following the traditional design review process would have meant shuffling an inch-thick stack of papers for each part between Boeing and a long-time supplier in the U.S. and the floor's designer in Israel. Boeing's managers say they didn't know their supplier had outsourced the design.

***Boeing has failed in effectively managing the collaborative network.***

It underestimated the quality and richness of information needed across the network, as well as the depth and breadth of the coordination required. Indeed, the company viewed the network too narrowly, failing to account for its partners' networks. And Boeing overestimated the ability of its and partner employees to carry out the technical aspects of their jobs in a network environment. It isn't possible to say if all the difficulties could have been avoided had Boeing better managed the network. It is safe to say that with a network perspective, the interdependencies between members would have been more apparent, resource leverage would have increased, and communication would have improved.

Boeing's experience dovetails with the findings of Alan MacCormack of the Harvard Business School and his partners from Wipro who examined more than 40 collaborative innovation projects. MacCormack concludes that when companies apply their traditional approach to collaborative endeavors, they make three critical mistakes:<sup>10</sup>

- They don't consider the *strategic* role of collaboration, but see it only as a tactic for reducing costs. As a result their efforts are misaligned with their business strategy
- They don't *organize* effectively for collaboration. Instead they treat partners like suppliers of parts or raw materials, and manage them using a procurement function
- They don't make long-term investments to develop *collaborative capabilities*. Instead they assume their existing staff and processes can handle the challenge

Most organizations are not designed for collaboration. Executives don't appreciate what collaborative working truly entails and thus assume that their existing processes, infrastructure, and management practices are suitable for collaboration. They're not. Moreover, the nature of work is changing, requiring a set of skills, behaviors, and role definitions that are quite different than those that previously brought about individual and organizational success. Peel away at the symptoms, and lack of collaborative ability gets exposed as a root cause of failure.

## **8. An Innovation in Management**

Today, innovation is occurring in the very definition of an organization, its boundaries, and how it interacts with its stakeholders and communities.

***“Change has begun. There are clear signs that we are on the cusp of a new development – the corporation is about to change.”<sup>11</sup>***

Change isn't easy to accomplish, even when the priority is clear. Nonetheless, if an organization lacks the ability to collaborate, it lacks the ability to innovate and grow (see Figure 6 – The Key to Innovation and Growth).

---

**Insert Figure 6 here**

---

As we approach the 10 year mark since Drucker's prophesy, it is important to acknowledge that business in general is just beginning to understand and make use of collaborative networks. We're still in the early days of acknowledging the fundamental transformation in organization structures and ways of working and managing. Collaborative networks are not a management concept du jour. It isn't another change initiative that can be ignored until it goes away. Only a collaborative network has the capital, capacity, and expertise required to take on the complex, major challenges of our time – be it reducing the energy wasted in the chip manufacturing process or stemming the spread of swine flu.

Without a doubt, collaboration is the most important capability for any organization to possess today. Building the capability requires a focused effort, sometimes creating a function in addition to ability. Consistent guidance, process, and tools – both technical and intellectual are needed. Individual employees must develop key competencies.

Few executives believe their organizations are good collaborating with other firms, or that they personally have a good understanding of how to create value in networks. By and large they generally understand that they must embrace collaborative networks, they just don't know how. Thus, at present there is disconnect between what is being said and the reality of what is happening in many organizations. There is no doubt however, that we are in a time of profound transformation in ways of working, creating value, structuring and managing organizations.

## **9. Endnotes**

---

<sup>1</sup> Daly, J. (22 August 2000), "Sage Advice: An Exclusive Interview with Peter Drucker," *Business 2.0*.

<sup>2</sup> Shuman, J. with D. Rottenberg (1998), *The Rhythm of Business: The Key to Building and Running Successful Companies*, Butterworth-Heinemann, Woburn, MA.

<sup>3</sup> Shuman, Jeffrey, and J. Twombly with D. Rottenberg (2001), *Collaborative Communities: Partnering for Profit in the Networked Economy*, Dearborn Trade, Chicago, IL.

<sup>4</sup> *Expanding the Innovation Horizon: The Global CEO Study*, IBM, 2006

<sup>5</sup> Ibid

<sup>6</sup> Huxham, C. and S. Vangen (2007), *Managing to Collaborate: The Theory and Practice of Collaborative Advantage*, Taylor & Francis.

<sup>7</sup> Drucker, P. (2001), keynote presentation at Delphi Group's *Collaborative Commerce Summit*, June 3, 2001, Coronado, CA.

---

<sup>8</sup> Sources used for the Boeing Dreamliner example are Nambisan, Satish and Sawhney, Mohanbir, *Global Brain: Your Roadmap for Innovating Faster and Smarter in a Networked World*, Wharton School Publishing, Upper Saddle River, NJ, 2008, Lunsford, J. Lynn, “Boeing Scrambles to Repair Problems With New Plane,” *The Wall Street Journal*, December 7, 2007, p. A1, Paris, Costas, “Boeing Won’t Rule Out Further Dreamliner Delays,” *The Wall Street Journal*, 19 February 2008, and conversations with British Consulate Inward Investment Executives

<sup>9</sup> Sources used for the Boeing Dreamliner example are Nambizan, Satish and Sawhney, Mohanbir, *Global Brain: Your Roadmap for Innovating Faster and Smarter in a Networked World*, Wharton School Publishing, Upper Saddle River, NJ, 2008, Lunsford, J. Lynn, “Boeing Scrambles to Repair Problems With New Plane,” *The Wall Street Journal*, December 7, 2007, p. A1, Paris, Costas, “Boeing Won’t Rule Out Further Dreamliner Delays,” *The Wall Street Journal*, 19 February 2008., Lunsford, J. Lynn, “Boeing Delays Dreamliner Delivery Again,” *The Wall Street Journal*, April 10, 2008, p. B3.

<sup>10</sup> MacCormack, Alan, et al (2007), *Innovation Through Global Collaboration: A New Source of Competitive Advantage*, Harvard Business School, Boston, MA.

<sup>11</sup> Drucker, P. (2001), keynote presentation at Delphi Group’s *Collaborative Commerce Summit*, June 3, 2001, Coronado, CA.