Getting Beyond Falling Short

Everyone is talking today about transformation, change, resilience, and reimagining the future. These were already well-established catchphrases, but the experience with COVID-19 amplified three trends in a way that elevated them to the top of the leadership agenda.

1. The context in which organizations formulate and execute their plans and strategies is becoming **less predictable**.
2. The **value of speed** is increasing as the pace of adoption of new technologies accelerates and the persistence of profit pools shrinks.
3. **Collaboration** is emerging as an essential source of competitive advantage in its own right, both at the individual level as leaders increasingly distinguish themselves as collaboration orchestrators rather than subject matter experts and at the organizational level as competition and getting things done increasingly revolves around ecosystems.

Organizations of all types are redirecting their strategies for this fast-changing environment, and there is growing awareness that winning in the future will require different capabilities and ways of working. Organizations are undertaking all kinds of initiatives to effect these changes. They are developing new strategies, recasting their organizational structures and processes, acquiring or partnering with new entities, putting in place new resources for training and developing their people, and building and implementing new technology assets, among other things. While they are all distinct, what makes them strategic collaborations is their purpose is to set new goals and attain them.

A lot of research has been done on strategic collaborations. So what is the state of play for strategic collaboration performance? What makes organizations good at them? And most importantly how can they get better at them?

Let's run a thought experiment to see what we can learn from it.

A seasoned executive you know is the sponsor for an initiative to transform their organization's customer experience. The initiative's core is the adoption of a personalization engine to drive more dynamic and predictive marketing and sales. But it is more than a front office initiative, with important connections across the organization, including a new organizational structure to better integrate the front office with middle office service and fulfillment operations. There is also a link to IT, with the migration of crucial infrastructure to a cloud-based technology stack. The stakes are high. The initiative will reduce the organization's cost base. And it provides the foundation for a rapid scale-up of a new growth strategy premised on new self-service offerings backed by a far more dynamic and responsive planning and fulfillment platform.

The initiative is a posterchild for transformation best practices.

- The entire senior management team has communicated the absolute necessity for this initiative to be successful to fulfill the organization's strategy. The team is also all-in on an active, agile management

approach to overcome roadblocks and react to new information as they arise rather than a set-and-forget big bang.

- This effort involves a mass mobilization, not just an isolated swat team. Operating managers across functions have skin in the game, with their performance reviews tied to their respective roles in the transformation.

- The project team pulled in high-caliber resources from across the organization and externally, with careful attention to assembling a core of digital experts steeped in the leading strategies and tactics of digital marketing and cloud transformations. A position on the team is billed as a fast-track to career advancement, and team members are highly motivated.

- The organization has an internal program management function headed by a well-credentialed change management executive hired in from a competitor. The function boasts a full complement of project management professionals empowered to track pre-defined key performance indicators and drive a rigorous stage-gate process. In addition, a change management arm is charged with engaging employees' hearts and minds through communications and attention to behavioral change.

- Moreover, the initiative has a generous budget to bring in a top-notch management consultant. The consultant proposes to deploy proprietary assets that feature a target operating model of pre-configured processes to accelerate the transformation. An AI platform will extend the operating model with out-of-the-box functionality add-ons and an A-team of consultants with experience on numerous similar projects in the organization's industry sector.

With all the boxes checked, how likely do you think it is that this strategic collaboration will produce its target results, within the scheduled time frame, for the level of direct and indirect cost planned?

Would you bet heavily on it achieving those three outcomes? Even though there could be good reasons to call it successful at some point, we wouldn't.

You know **collaborations like this do not have a good track record**. McKinsey reports that 70 percent fail overall. Alvarez & Marsal puts the failure rate even higher at 80 percent. BCG zeroes in on this sort of digital transformation and reports a 70 percent failure rate. A.T. Kearney is more pessimistic still, holding that 90 percent of digital transformations fail. None of this is new either. Professors Nohria and Beer of Harvard Business School cited the 70 percent failure rate back in 2000, well before the identification of all those best practices. And you know that just because organizations pushed through strategic collaborations under stress during the pandemic it does not mean the underlying trend has changed as we confront the unsustainability of those collaborations. If anything, Covid has increased the need to achieve more complex strategic collaborations.

Why is that? Does it mean the best practices are all wrong? We do not think so. More than just good practices, many are necessary for success. The problem is they are not sufficient. What keeps our wallets in our pockets is a belief that there is something else at play.

What is that something else? Before making the big reveal, we must get a couple of things straight.

First, the truth is neither side of the bet is well understood.

While all the studies to date revealed essential insights, there are still many unknowns. Strategic collaborations are complex, fragile actions. They come in all shapes and sizes and play out in highly varied circumstances. Even the seemingly simple question of defining what constitutes success or failure is fraught. As a consequence, while the reported headline failure rates demonstrate the tremendous economic and non-economic costs organizations are suffering, the study findings are insufficiently precise to drive corrective actions.

The best practices identified to date have two characteristics that limit their impact. First, these practices were identified in isolation by specialists steeped in various disciplines. So, individual practices may be well understood, but the connections among them are not. The second limitation stems from many best practices relating to the "what" but not the "how." Thus, we may know what "good" looks like, but we do not necessarily know how to get to "good".

At the same time, two unique characteristics of a strategic collaboration severely limit organizations' abilities to independently learn how to improve their capabilities. One is the way they transcend the functional and business management structures organizations use to coordinate internal learning and performance improvement. Ownership of these actions and the data they generate are too distributed to allow for effective postmortems. Absent rigorous metrics, moreover, individual biases color judgments. The other is the sporadic nature of strategic collaborations and their unique characteristics. Most organizations simply do not conduct enough of them to learn meaningful lessons.

Second, we think collaboration is the common denominator across the different kinds of initiatives organizations pursue to further their goals. **Most research conducted to date concentrates on the topic, structural characteristics, and outputs of the collaborations, but little attention has been paid to the collaboration process itself.** What are the inputs to the strategic collaboration? How are those inputs processed, analyzed, and converted into decisions? How are decisions translated into actions? And how is the performance of the process measured and new learning fed back in? **Our research to date indicates that collaboration performance is rooted in this process and that is where new solutions will be discovered**.

We established the Institute for Strategic Collaboration (ISC) to do this discovery. Our mission is to understand what the state of play really is for strategic collaboration performance, what drives it, and how organizations can get better at them. To this end, **ISC is conducting an ambitious research project to assemble big data on strategic collaboration process performance**. The hallmarks of the research are the application of rigorous performance metrics, a focus on the processes within a strategic collaboration, and the collection of a sufficiently large portfolio of case profiles to allow us to control for the complexities that characterize real-world collaborations.

ISC is singularly focused on getting to the root of the results gap and looks forward to following where the data lead.