Delivering Breakthrough Innovation – How to Put Theory Into Practice

Five Leading Practices for Collaborative Development Partner Selection and Management

by Noel Sobelman

Companies have been moving away from do-it-yourself (DIY) innovation to proactively team with customers, suppliers, start-ups, and universities to develop new products and solutions for years. There is a second wave of collaborative development that is quickly being adopted by today’s leaders. Companies like GE, Coca-Cola, J&J, Nike, Lowe’s, Whirlpool, Intuit, and Cisco are taking collaborative development practices and using them to develop game changing products and transformative new business models. They have moved beyond two-party transactional approaches to form collaborative networks that work together from the earliest stages of the innovation cycle.

Whether innovating your core products or seeking your next breakthrough, if your organization is still approaching collaborative development with an ad hoc or opportunistic approach it is likely that you are only achieving pockets of success.

Collaborative Development Strategy

A well-executed collaborative development strategy delivers significant productivity, cycle time, and efficiency gains, but more importantly, winning solutions. It defines your purpose for partnering, the types of partners you are seeking, your partner management structure, and helps guide partnering decisions. If you aren’t getting the results you expect from your collaborative development initiative or you are just starting out, ask yourself and the rest of your leadership team a few basic questions:

- Are your partnering decisions consistent with your innovation strategy and objectives?
- Have you established clear criteria to guide partnering decisions?
- Are you seeking a technology or capability to fill an immediate need or are you looking for a collaboration partner?
- Do you understand your company’s strengths and core competencies at each stage of the development cycle from discovery to new product or business scale-up?
- Do you have a plan for partner support with the appropriate management infrastructure?
- Has your collaborative development strategy been clearly communicated to the organization?

The following client snapshot shows how one company transformed their partner selection and management practices and demonstrates the power that collaborative development can have when creating a breakthrough innovation.

Client Snapshot

A large, global healthcare company, a market leader in the development and commercialization of professional blood pressure and heart rate monitoring devices, had experienced some significant setbacks on a project that involved some complex R&D challenges. Early in the development cycle, the company licensed a promising new wireless technology that could, in concept, transform its product line by moving it into the consumer space and altering how athletes monitor heart rate and breathing while working out. The concept, a wearable device the size of a watchband, provided functionality equivalent to a product currently in the market but was one-tenth the size, used a fraction of the power, and cost significantly less to manufacture.

Despite all of the promise, the company struggled to get the concept into development due to a lack of in-house technical expertise and market understanding. The transactional approach they were taking to innovation limited their capability. They failed to leverage the tremendous technology integration and market understanding of their technology partner or others in the wearable technology ecosystem.

They realized they would need to change their innovation approach. They had to move from an arms-length transactional relationship with their partner network to a more open and collaborative approach. At this point, they decided to take a step back and rethink their partnering strategy.

Over the course of the next eight months, I worked with the company to design and implement strategic and operational process disciplines that are fundamental to collaborative development success. We started by focusing on partner selection and management. Key elements of this process include the five practices featured below.

1. Set Collaborative Development Goals & Partner Selection Criteria
Partnering decisions were previously made on an ad hoc basis by project teams seeking to solve specific project challenges with little regard for overall corporate innovation goals. Through a series of strategic planning workshops, the senior management team articulated a set of desired outcomes and spelled out how the company intended to work with partners to achieve its innovation objectives going forward. Once established, these broad objectives served to guide partnering decisions, using criteria such as strategic objective alignment, core development competency, technical risk, resource capability, IP leverage, operational leverage, target consumer needs, and market access.

2. Analyze the Value Chain to Determine Partner Fit

Once collaborative development goals were set, the company determined where it excelled in the initial concept's value chain. This helped clarify the role of development partners. To do this, they broke the value chain down into logical components and analyzed each to determine whether analysis and development activity should be driven internally or externally. Components that were core to the company's competitive advantage or had high strategic value were kept in-house, while parts that were outside of the company's "wheel house" where candidates for partnering.

For example, the small, low power wireless technology that had previously been looked at as a licensing opportunity was revisited. It so happened that the start-up developing that technology had a wealth of market information and consumer insights it had gathered from several failed attempts to enter the target market area on their own. So engaging the technology start-up as an ecosystem partner instead of a licensor of technology made a tremendous difference, especially in the discovery and ideation phases of the program. Furthermore, the startup's agility and ability to turn around rapid prototypes made a huge difference as the companies worked together to experiment and refine the concept.

3. Structure Teams to Ensure Support

Once the company chose which value chain components required a partner, it developed the partner management structure, internal teams, and infrastructure that were required to support each relationship. The level of support depended on several factors, including how critical the component was to the proposed opportunity or product line platform, the number of platform derivative projects impacted, the anticipated partnership duration, and the level of technology integration. More critical relationships required more support infrastructure and senior management attention. A dedicated R&D lead was assigned to manage the wireless technology partner. This person was responsible for both business and execution elements of the program and served as the primary conduit for information flow to and from the partner.

4. Quality Management Considerations

Given that this company was in the highly regulated medical device industry, partner quality management was critical. For each development partner, the company considered three quality management alternatives:

1. Requiring the partner to adopt the company’s own existing quality management system
2. Allowing the partner to operate under their own set of procedures
3. Establishing a hybrid approach

After a review of each proposed partner’s quality management practices, the company chose to maintain an oversight role and operate under the partner’s quality procedures to ensure clear, unambiguous responsibility for quality assurance throughout the product’s in-market lifecycle.

5. Articulate Collaborative Development Strategy from the Top Down

When communicating the newly formed collaborative development strategy and rationale for partnering decisions to the wider organization, senior management made clear:

1. The primary purpose for going outside or keeping inside
2. The types and number of partnerships it would seek
3. The anticipated management structure necessary to govern each relationship

Clear articulation of the collaborative development strategy helped ease concerns and guide project decisions and activities, as the rationale and benefits of partnering were now clear to the business development, marketing, product development, partner management, and supply chain teams that needed to execute.

Benefits of a Clear Collaborative Development Strategy

An effective collaborative development strategy with a clear partner selection and management approach can:

1. Ensure partner selection decisions align to your company and project innovation objectives
2. Move beyond transactional approaches to collaborative, strategic partner relationships
3. Combine the strengths your large company brings to an opportunity with those of your partner’s (e.g., more agile start-ups)
4. Help you establish a partner management infrastructure with clear ownership and accountability for success
5. Ease concerns of key stakeholders throughout the organization
6. Improve the odds of success when working with development partners (i.e., improved productivity and fewer partnering missteps)

The strategic and organizational changes my healthcare client made helped them avert a costly failure in their quest to enter a new market and put them on solid footing for a string of successful follow-on collaborative development initiatives. They have since fostered a growing
network of value-add partners who complement their strengths. They have embraced external collaboration as the norm for both core and breakthrough innovation initiatives.

Originally published on May 3rd, 2015

What's your view? Add your question or comment
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For the past 25 years Noel has worked extensively in the areas of innovation strategy, product development, portfolio management, product commercialization, and the software systems that enable innovation. His industry background includes experience with high technology, life sciences, consumer packaged goods, industrial, and renewable energy companies. He is a frequent speaker, researcher, and writer on innovation effectiveness, disruptive innovation, and time-to-market reduction.