JOINING FORCES

Collaboration is the new buzzword in business. But if all enemies are now friends, what happens to the competition that drives them?

Sarah Norris

These days fashion collaborations are as rife as paparazzi at New York Fashion Week. International high-street labels such as GAP, Topshop and H&M have all partnered which chichi designers in pursuit of new customers new bucks and new kudos. When there's long-time collaboration advocate, mid-level department store Target Australia. It has recruited Stella McCartney, Cavalli and more in the hope of living up to its "Tarjay' moniker, while continuing to own the lucrative space between big-discount outlets – take a bow, Kmart – and department stores such as Myer and David Jones.

In the biz they're called 'Capsule Collections' – one-off fashion lines produced by established and sought-after designers in an exclusive deal with a retailer. Karl Lagerfeld got into bed with H&M in 2004, producing a collection that ranged from US$19.99 to US$149 and offered at half of its 1000 stores in Europe and the US. It was a triumph, selling out in a few hours, leaving H&M marketing director Jörgen Andersson rubbing his hands and saying, "We've been operating this business for some 60 years and we've never seen anything like it."

Seven and a half minutes was all it took for Stella McCartney's 42-piece range to sell out in Australian stores in 2007, with enthusiastic shoppers descending on Target and elbowing their way from the racks to the register. Target executives must have patted themselves on the back because it remains the store's most successful designer collaboration to date. But it's not just simply about moving the merchandise. "Collaborations with an exclusive designer, or top model, artist or personality, help the retailer reclaim status and credibility by offering high-end design at an affordable price. It also gives them an opportunity to stay relevant and give something unique back to their consumers." Says founder and principal of retail marketing consultancy Retail Oasis, Stephen Kulmar.

For retailers, collaborations are a way of reaching a broader market, perhaps a future market, as well as providing opportunities to build hype and garner recognition from fashion commentators, bloggers and social-media enthusiasts. But it's not a simple case of build it and they will come.

While partnerships like that between fast-fashion brand Topshop and supermodel Kate Moss have been overwhelmingly successful – the launch of her 2007 line saw 2000 women queuing, many of them overnight, and gave Topshop its biggest single day of trading, contributing significantly to the company's share price – others have been more miss than hit. The 2012 Christmas collaboration between US luxury department chain Neiman Marcus and Target was highly anticipated; two months later it was hailed an exemplary failure, with one critic saying it was "too weird, too pretentious, too expensive, and in the end, too out of step with what today's arbiters of style deem cool".

The C Word

Collaborations, co-design, co-create – if it starts with 'co' it seems everyone wants a bit of the action. And it's not only the fashion world where partnerships like these are pervasive; the business community has long realised there's something to gain from mutually beneficial alliances, too. For many, the fear of not remaining cutting-edge has meant collaborations are both sought and seen as the ticket to staying alive in this rumble-tumble competitive market.

University of California, Berkeley, professor Morten Hansen, author *Collaboration: How Leaders Avoid the Traps, Create Unity, and Reap Big Results*, cites Apple as a company that understands just how collaborations can and should work. "The iPod 2001 was a collaboration across units in Apple and with partners outside," he explains. "It was put together by already existing technology. In hindsight, we know how important that was. The company that should have done it, Sony, was in a far better position to do it, but they failed miserably to collaborate."

Hansen says the lone genius plying his trade in a garage is a cute but antiquated concept. Silos (in business parlance, groups that work in isolation and do not interact with colleagues) were once hailed as visionary, but are being replaced by scenarios where companies are mapping networks of influence both in and outside their organisations as a way to get ahead or find the next big thing.

"Research shows innovation takes place when networks meet and there's an intersection of different types of people. A re-combination of existing assets into new configurations – that's the way innovation works, not in a garage," says Hansen.

That 'snooze, you lose' ethos is also driving many companies to put aside their differences and shack up with rival businesses for a mutually desirable outcome. "Something new is going on," states Accenture in a 2012 paper entitled *Making Cross-Enterprise Collaboration*

Work. "It's getting harder and harder to define what a 'company' is any more, or to figure out exactly where the traditional boundary lines separating an enterprise from its vendors, partners and competitors are being drawn. Two companies may compete viciously in one part of the world and still cooperate in another. They can also entwine themselves in each other's value chains."

This move has seen companies such as Boeing set up cross-enterprise agreements and partnerships with upwards of 50 businesses on the design, testing and manufacturing of its Dreamliner. Endo Pharmaceuticals in the US and Orion Corporation in Finland announced a collaborative agreement to pursue the lucrative oncology drug market together.

The Accenture report argues these types of partnerships are much more than establishing go-to-market agreements with peers to fill capability, functional or technology gaps. "What's happening now is fundamentally different. It is a move worthy of the word collaboration – literally, 'working together', not simply exercising mutual contractual obligations. The Boeing relationships, for example, went fairly deep into the essence of what it means to be a corporation, with participants sharing in risks as well as rewards. The Endo-Orion relationship means that both companies are opening up to each other a great deal of the hear of what makes each of them competitive – ideas, processes and market strategies."

Navigating the Pitfalls

While cross-enterprise collaborations sound like the best thing since sliced bread, they do bring challenges. "Companies must be able to manage relationships across organisational boundaries as effectively as they do within those boundaries. Success, in other words, involves far more than how contracts are established, how marketing is managed and how work hand-offs are documented," says Craig Mindrum, CEO of management consultancy firm Mindrum Northstrongand co-author of the Accenture study.

The four golden areas that must be addressed are talent, leadership, culture and organisation – which, said quickly, sounds simple. According to Accenture companies that successfully partner with other organisations over an extended period to seize a marketplace opportunity will be those that create solutions covering all four dimensions. "One vital ingredients of getting multiple enterprises working in sync is a common base of knowledge and skills about the functional and process areas at the heart of the collaboration" says Mindrum.

Designer Lagerfeld didn't get that brief. So excited to have his off-the-rack range on everyone and anyone with a dollar to burn, he criticised Swedish retailer H&M for adhering to the number-one rule of fashion collaborations: ‘massclusivity’ – offering an exclusive product on a limited-edition basis.

“The incomprehensible decisions of the management in Stockholm have taken away any desire to do it again. They did not make the clothes in sufficient quantities. I find it embarrassing that H&M let down so many people,” said Lagerfeld in 2004,”I don’t think that is very kind, especially for people in small towns and countries in Eastern Europe. It is snobbery created by anti-snobbery.”

Of great importance also is HR strategy and workforce planning, necessary to anticipate what skills a collaborative initiative will need, where they will be needed and which – or whom – is best placed to lead from that skills perspective. In contrast to fashion collaborations, which are usually about individuals, cross-enterprise partnerships demand a screwy approach to leadership. “[In traditional structures] it’s commonplace, for example, to prize ‘strong’ leadership. But that concept of strength changes in cases where executives must work together and marshal their resources and energies towards a shared goal,” says Mindrum.

The same also applies to culture. Collaborating organisations do not have to have identical cultures but they must understand and respect each other, and people must know how to work together effectively in an atmosphere of trust. The car industry is the perfect example of where this can be achieved. In an industry-wide move to limit development costs, offset expenses and share risks, the world’s largest producer of luxury vehicles, BMW, and the world’s largest automaker, Toyota, got together earlier this year to produce a mid-size sports car. This isn’t their first collaboration and, in fact, these partnerships are widespread across the industry with the likes of General Motors and Peugeot working together, as well as Daimler and Renault.

“In light of the technological changes ahead, the entire automotive industry faces tremendous challenges, which we also regard as an opportunity,” BMW chief executive officer Norbert Reithofer said recently. “This collaboration is an important building block in keeping both companies on a successful course in the future.”