Collaborate to Win

Organisations with a strong collaborative culture have a better chance of winning in the market place, says **Kaushik Mitra**

In today's fast paced and constantly changing business environment, Organisations are constantly striving to out innovate and out execute each other to remain competitive. As cost advantages narrow and product differentiation and life cycles dwindle in most industries, the 'Right to Succeed' is often determined by 'Execution Excellence', that is, the speed and quality of execution. Not surprising therefore that a significant part of management writing has focused on execution. The attention has been mostly on the harder aspects of 'Planning', and 'Capability' required for consistently flawless execution. There is however an equally important softer driver of flawless execution and that is how individuals and functions within an organisation work inter-se themselves which ultimately impacts the speed and quality of execution. This aspect is Collaboration. Collaboration must not be confused with 'Coordination', which is just the physical aspect and a subset of collaboration. Collaboration goes beyond the physical coordination to include the emotional aspects of positive intent and willingness to sacrifice for the common goal. To collaborate, individuals need to be willing to sacrifice individual performance KPIs for the larger team objective. This is at the heart of collaboration and separates it from the physical aspect of coordination where each one does one's bit. Simply put, coordination delivers '1+1 = <2' result whereas collaboration delivers '1+1 =>2' result, always. Organisations need to balance their focus between hard coding the coordination 'algorithm' to creating a culture of collaboration. This will, over a period of time, create a competitive advantage. Having said that, creating a collaborative culture is not easy, as employees naturally tend to focus more on individual and functional KPIs. To build a collaborative culture organisations need to shift away from individual KPIs to team KPIs, reward collaborative behaviour and set a strong collaborative tone at the top. Let's understand collaboration a bit better before we get to what it takes to build a collaborative organisation culture.

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What is Collaboration?

The Webster's dictionary defines Collaboration as, "to work with another person or group in order to achieve or do something". In Organisations, collaboration is akin to the central nervous system, which keeps the various parts of the organisation's value chain working seamlessly. Let's take a few examples to understand the concept better. Take a simple example of a family; parents collaborate to ensure a good upbringing of their children. It requires coordinating the

various inputs that go into a child's development, such as value education, sports, extra-curricular activities and so on. At the heart of this collaboration is positive intent on the part of both the parents and a genuine interest in the overarching objective, that is, the development of their child.

To understand the significance of collaboration, let's consider the example of a flight from Dubai to New York. Now think of the collaboration that is required between the Pilot and his crew and the numerous Air Traffic Controllers of various flying zones that the flight covers before it reaches its final destination. Each ATC carefully hands over the aircraft's flight path and coordinates to the next. It's mindboggling and what is unique is that all stakeholders in this process have one common objective - to ensure safe passage of the aircraft. It's chilling to think of the consequences if the objectives were not aligned. Similarly it is not difficult to contemplate the significance of collaboration between a team of doctors performing a critical Surgery. Each one on the team is a specialist in his or her own discipline but the success depends on the quality of their collaboration. Here again they are joined by a common overarching objective, that is, successful recovery of the patient.

In organisations, collaboration is how different functions, such as marketing, sales, R&D, finance, HR, manufacturing and supply chain work in synch with each other to deliver the common business objectives of driving top-line and market share, bottom-line and creating shareholder value.

Collaboration helps an organisation execute with speed and accuracy consistently. Over a period of time it becomes a competitive advantage. Organisations with a strong collaborative culture have a better chance of winning in the market place. Collaboration provides a tailwind in "good times" and removes headwinds during "tough times".

How to create a culture of collaboration?

Before talking about what it takes to build a collaborative culture let's

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look at a typical business challenge. Silo Inc. wants to launch a new product into the market. The marketing team wants a differentiated product which the consumers will love. The R&D team's focus is on delivering best quality products even if comes at a high cost as quality is the key functional deliverable for them. The sales team points out that the distributors are unwilling to invest higher amounts in Silo products and need to be incentivised through higher margins and discounts to sell a new product. The operations and supply chain team is concerned about the capacity constraints that this new product will entail in the plant lines. That will impact the operations team's KPIs of cost and efficiency. They are not happy producing this new product. The finance team is worried that the new product is margin challenged and Silo Inc. needs to either lower the cost of production or increase the price. Naturally, it is focused on improving margins and delivering the bottom-line. Their pet peeve is "Margin dilutive innovation".

The above is a typical situation in 'Make-Sell-Deliver' companies. The question is how does Silo Inc. launch a new product in the shortest possible time while ensuring that it succeeds in the market delivering incremental growth and margins? The answer lies in collaboration.

So what does it take to build a Collaborative Organisation? There are five enablers and in no particular order of importance they are:

1) Busting the functional silos by creating synergy between functional KPIs and the overarching business KPIs of revenue, market share and profit
2) Moving away from individual KPIs to team KPIs
3) Having clearly defined "Ways of Working" and clarity of "Roles and Accountabilities"
4) High level of trust and EQ amongst senior managers
5) A strong tone at the top with the CEO driving a collaborative culture

Busting Functional Silos

Let's talk about each of these in some more detail. As evident from the earlier discussion on how collaboration works, it is clear that having synergistic objectives fosters collaboration. In a typical organisation characterised by a value chain comprising of Innovate, Brands, Make, Sell and Deliver elements, we have the following functions i.e. marketing, R&D, sales, HR, finance, operations and supply chain. Each function has its own set of functional objectives which may be conflicting with that of other functions and therefore in a cross-functional context not always synergistic. In our example above each function was focused on delivering their functional KPI with respect to the new product. Marketing wanted differentiation, sales wanted discounts, R&D wanted the best quality, operations was unhappy about reduced efficiencies and finance was raising the red flag on margins. Collaboration is elusive in this case owing to conflicting functional KPIs. A synthesis of divergent KPIs is needed into one common goal to unlock the value through collaboration. In this case, common overarching KPIs for the product launch ought to be incremental volume, net revenue and gross margins from the new product. To achieve these goals each function must then set their respective sub-functional goals, such as, optimised COGS in the case of R&D to deliver the quality that the consumer is willing to pay for, distribution metrics and costs for sales to ensure target reach within a defined time period post launch, pricing to deliver acceptable margins by marketing and minimising efficiency deration by operations. This is possible only through collaboration.

From Individual KPIs to Team KPIs:

The key is to have a common overall objective for cross-functional initiatives that bind the team and stimulates the need for collaboration. Let's take our earlier example forward. The product is launched and the review after a year shows that the quality scores are in line with R&D target, distribution KPIs are ahead of the sales team targets and link test results show great scores for the product communication. However the business objectives of incremental volume, net revenue and gross margins are not met. Turns out that the pricing was not right, cannibalisations assumptions were incorrect and inflation has eroded the margins. This is a good example of functional KPIs being delivered but the business delivery falling short of target. To use a cricket analogy it's similar to Sachin scoring a century but India losing the match.

There is therefore a clear and present need for organisations to strike the right balance between individual KPIs and team KPIs. It is naïve to believe that the sum of individual results delivery will seamlessly lead to delivery of business results as is evident from our above example. Think of a 4 X 100 metres relay race. Success in the race depends on the individual speed of the runners but the differentiator often is how effectively the 3 baton exchanges happen. Organisations need to set more team goals and from team goals will flow the individual objectives. This becomes a strong driver of collaborative behaviour over time.

Clearly defined "Ways of Working" and "Roles and Accountabilities":

It's not enough to have collective KPIs without defining the process. Going back to our above example, ideally the new product launch should be part of an "Idea to Execution" committee process which would comprise of relevant cross-functional stakeholders from sales, marketing, finance, R&D and operations. This team should

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meet on a regular basis pre-launch to ensure all aspects of the launch are discussed and aligned so as to ensure the maximum chance of success. Most organisations have this in some form or the other, such as an 'Innovation Stage-gate' process. This process lays down clear steps and functional accountabilities and that provides the structure for collaboration.

Trust amongst Senior Managers & Tone at the Top:

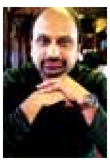
The effectiveness of the stage gate process above depends not only on the process but also on the positive intent and collaborative behaviour of cross-functional stakeholders. The challenge here is to not apply functional lenses for success but to focus on the overall business delivery and at times this means sacrificing functional KPIs for the overall business cause. That is the litmus test of collaboration. It is not easy and is at the heart of conflict in a Matrix organisation. In a manner of speaking 'Ways of Working' gets the horse to the watering hole but it takes a high level of EQ and collaboration amongst cross functional team members to make it drink. This to my mind is the most challenging aspect of collaboration and the most difficult for organisations to overcome and doesn't happen overnight. It needs nurturing and years of re-enforcing and rewarding collaborative behaviour. The key is to set a strong tone of collaboration at the top. This involves collaboration featuring in the organisation's key strategies, building collaboration KPIs into employees' performance objectives and rewarding collaborative behaviour particularly where functional KPIs are sacrificed to deliver overall team and business KPIs.

While cross-functional collaboration is required across the organisation there are a few areas where collaboration is critical to execution and success of the business:

1) **Commercial Effectiveness:** Sales and marketing need to collaborate to create and execute a well-integrated and synergized commercial calendar. The key objective here is to drive margin accretive top-line growth.
2) **Supply Chain Agility:** The overarching objective here is to ensure that demand is met in the most cost effective manner. The functions which need to collaborate in this process are typically marketing, sales, operations, finance and supply chain.
3) **Proactive Risk Management:** finance, legal and corporate affairs need to collaborate on a regular basis to proactively mitigate business risk. Clearly the objective here is to ensure business continuity.
4) **Idea to Execution Speed:** We have talked about this earlier and the objective is to crash the "Idea to execution" time while ensuring the best chance of success in the marketplace. Typically this involves collaboration between marketing, sales, R&D, operations and finance.

In Conclusion

The new term to define today's business environment is VUCA - Volatility, Uncertainty, Complexity and Ambiguity. In these times, collaboration can be a key differentiator between success and failure for organisations. A collaborative culture is tough to build and needs organisation-wide effort and patience. In the long term it is bound to pay back handsomely by way of sustainable competitive advantage, which enables an organisation to consistently out-execute competitors.■



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