

Social Web Studies

What kind of Collaboration is right for your business?

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Collaboration in Social Media age

- **The good news** is that potential partners and ways to collaborate with them have both expanded enormously in number.
- **The bad news** is that greater choice has made the perennial management challenger of selecting the best options much more difficult.

Collaboration in Social Media age

- Should you open up and share your intellectual property with the community?
- Should you nurture collaborative relationships with a few carefully selected partners?
- Should you harness the “wisdom of crowd”?

Collaboration in Social Media age

- Different modes of collaboration involve different strategic trade-offs
- Companies that choose the wrong mode risk falling behind in the relentless race to develop new technologies, designs, products and services

Collaborative Architecture

- All too often firms jump into relationships without considering their structure and organizing principles...

Given your strategy...

- **How open or closed should your firm's network of collaborators be? and**
- **Who should decide which problems the network will tackle and which solutions will be adopted?**

The Four Ways to Collaborate

There are two basic issues that managers should consider when deciding how to collaborate on a given innovation project: Should membership in a network be open or closed? And, should the network's governance structure for selecting problems and solutions be flat or hierarchical? This framework reveals four basic modes of collaboration.

Innovation Bazaar A place where a company can post a problem, anyone can propose solution, and the company choose the solutions it likes best. Example: InnoCentive.com website where companies can post problems	Innovation Community A network where anybody can propose problems, offer solutions, and decide which solutions to use. Example: Linux open source software community	PARTICIPATION	Flat
Elite Circle A select group of participants choose by company that also defines the problem and picks the solutions Example: InnoCentive.com website where companies can post problems	Consortium A private group of participants the jointly select problems, decide how conduct work, and choose solutions Example: IBM's partnerships with select companies to jointly develop semiconductor technologies		Hierarchical
GOVERNANCE			
Hierarchical			Flat

Collaboration Networks

- Collaboration Networks differ significantly in the degree to which membership is **open** to anyone who wants to join;
- Collaboration Networks also differ fundamentally **in their form of governance**. In some the power to decide which problems are most important, how they'll be solved, what constitutes an acceptable solution, and which solution should be implemented is completely vested in one firm in the network: the "kingpin".

Open or Closed Network?

- In totally **open collaboration** everyone can participate. A sponsor makes a problem public and then essentially seeks support from an unlimited number of problem solvers, who may contribute if they believe they have capabilities and assets to offer. Ex.: Open Source software projects such as Linux, Apache, and Mozilla are examples of these networks;
- **Closed Networks**, in contrast, are like private clubs. Here, you tackle the problem with one or more parties that you select because you deem them to have capabilities and assets crucial to the sought-after innovation.

Open or Closed Network?

- Discussions of collaborative innovation in both academic journals and the popular media often wrongly link “openness” only with “flatness” – and even suggest that open, flat approaches are always superior. **The notion is deeply flawed, however.**

Open or Closed Network?

- The **costs** of searching for, screening, and selecting contributor grow as the network becomes larger and can become prohibitive.
 - **So understanding when you need a small or large number of problem solvers is crucial**
 - **Closed modes, obviously, tend to be much smaller than open ones.**

When you use a **closed mode**, you are making two implicit bets:

- 1 - That you have identified the knowledge domain from which the best solution to your problem will come, and...
- 2 – That you can pick the right collaborators in that field

However...

If you don't know where to look for solutions or who the key players (and have no way to find out), a **closed mode** is dangerous shot in the dark.

The big advantage of an **open network** is:

- Its potential to attract an extremely large number of problems solvers and, consequently, a vast number of ideas.
- You do not need to identify either the best knowledge domains or the most appropriate expert in those domains.
- You don't need to know your contributors. Indeed, the fact that you don't know them can be particularly valuable.

Open modes, however, have their disadvantages...

- Notably, they're not as effective as closed approaches in identifying and attracting the best players. That's because as the number of participants increases, the likelihood that participant's solution will be selected (especially for ambiguous problem) decreases;
- The best parties, therefore, prefer to participate in closed relationships;

Another requirement of **open modes** is...

- **...that participating in them must be easy**
 - This is possible when a problem can be partitioned into small, well-defined chunks that players can work on autonomously at a fairly low cost.
 - Ex.: The inherently modular structure of the Linux open-source community allows software developers to create code for new features without touching other parts of the application.
- **Of course, not all problems can be partitioned into small, discrete chunks.**
 - Ex.: The development of radically new product concepts or product architectures is a integral task that has to be embraced in its entirety. In such cases, closed modes that provide na environment where collaborators can closely interact must be employed.

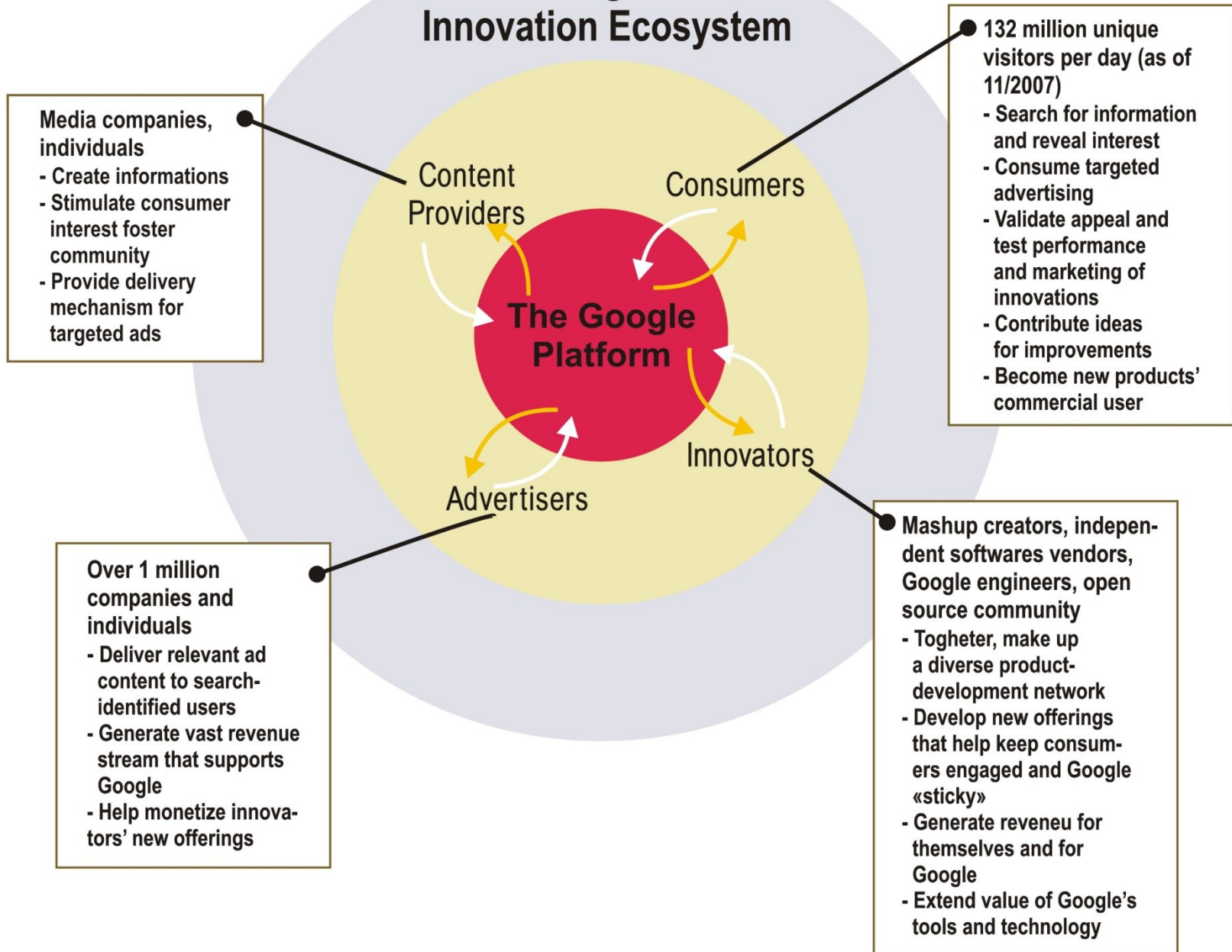
Flat or Hierarchical Governance?

- The chief distinction between a hierarchical and flat form of governance is **who gets to define the problem and choose the solution.**
- In the **hierarchical form**, a specific organization has this authority, which provides it with the advantage of being able to control the direction of the innovation efforts and capture more of the innovation's value.
- In the **flat form**, these decisions are either decentralized or made jointly by some or all collaborators; the advantage here is the ability to share with others the costs, risks, and technical challenges of innovation.

Hierarchical Governance is desirable...

- When your organization has the capabilities and knowledge needed to define the problem and evaluate proposed solutions.

Google's Innovation Ecosystem

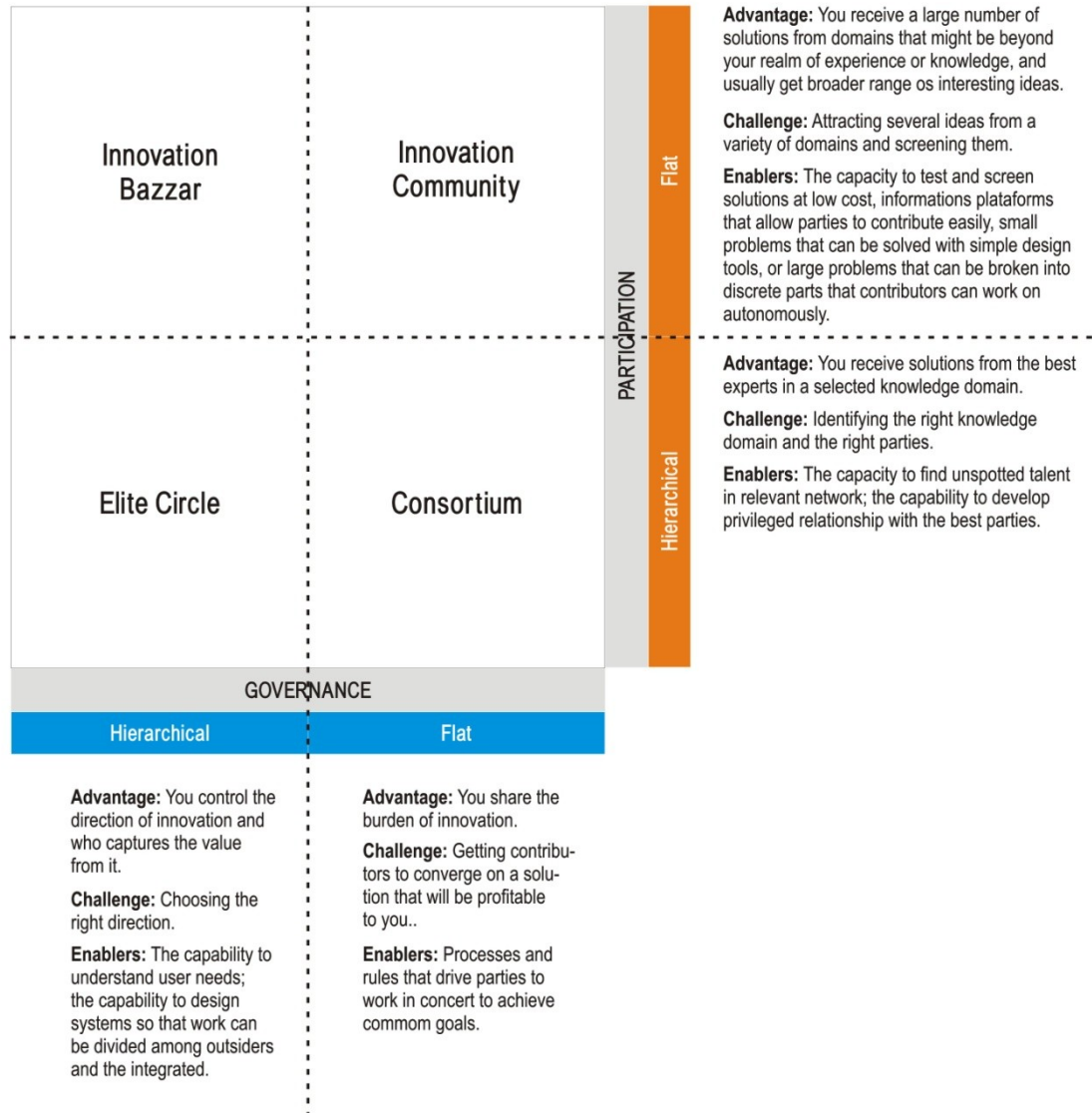


Conversely **Flat modes** work well when...

- No single organization has the necessary breadth of perspective or capabilities.

How to Choose the Best Mode of Collaboration

When selecting a mode of collaborative innovation, managers need to consider the distinct strategic trade-offs of each mode. Below are some important advantages and challenges of the different approaches to collaboration, and examples of capabilities, assets, processes, and kinds of problems that make each easier to carry out.



Designing incentives – both financial and nonfinancial...

- ...that attract external collaborators is crucial with any of the four modes of collaboration.

Open and Closed Innovation: The Future?

- ◉ Continued reform of the closed model: networked, platform innovators
- ◉ Closed innovators learning from open model
- ◉ Wider application of the open model from software
- ◉ Hybrid mixes of the open and closed models

Thanks!



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