

## BEFORE YOU PARTNER WITH OTHERS, GET YOUR OWN HOUSE IN ORDER

BY MICK BROEKHOF

*Many CPG companies are jumping into the hot field of external collaboration. In this article, we examine why that frequently fails and what companies should consider before aligning with a partner.*

When asked the secrets of successful collaboration with third parties, most company officers will point to the choice of partner, commitment of the parties involved, and clear objectives defined upfront. The stories they tell are about the right chemistry between CEOs on golf courses, enthusiastic kick-off meetings involving high-level staff from both companies, and creating win-win situations. Companies fail at collaboration when they overemphasize the quality of the relationship and synergies with the other party. They overlook the most important requirement for successful collaboration: a strong internal foundation required to sustain relationships over the long run. The old adage, “cure thyself [before you can cure others],” holds true for third-party collaboration.

### Evolve the Process

A good example is the product development process (Figure 1). A company that develops products in a *Functional & Sequential* process typically works in silos and with hand-offs. It will have little or no experience in collaboration compared to a company that practices a *Cross-Functional & Concurrent* development process. Here, different functions have learned to work together in teams that drive towards a common goal. The latter process is the necessary stepping stone to the advanced stage of a *Collaborative & Synchronized* process practiced by companies that are successful in external collaboration. In collaborative networks, companies must not only engage and collaborate internally, but they now must learn how to work with another company’s culture and innovation process, which requires a higher level of maturity in the organization.

Companies that work in a cross-functional manner are generally more successful than companies that operate in a purely functional model, but making it work is challenging. In the end, the basic issue is how people see their roles, how they view their colleagues in different functions, and how they relate to outside parties. To sum it up, the *Collaborative and Synchronized* model of product development is all about “they” becoming “we.”

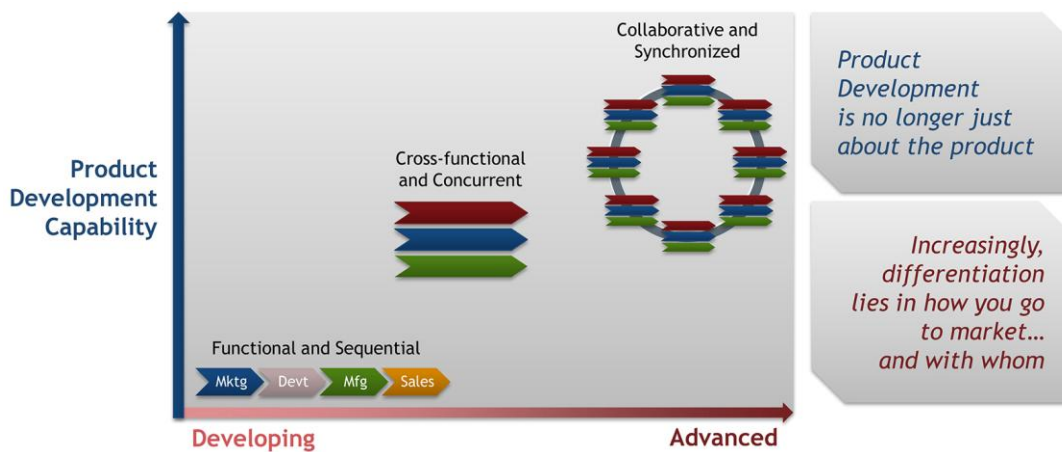


Figure 1: Product Development Process

## Address Internal Issues First Before Looking Outside

In Kalypso’s work with clients in the Consumer Packaged Goods (CPG) industry, we find that internal issues often revolve around four workstreams: Development Process, Design & Engineering, Supplier Operations, and Consumer Insights. Assessing and then improving these processes internally first builds a better foundation for successful collaboration with external parties. Figure 2 provides steps to turn these internal issues into opportunities for collaboration.

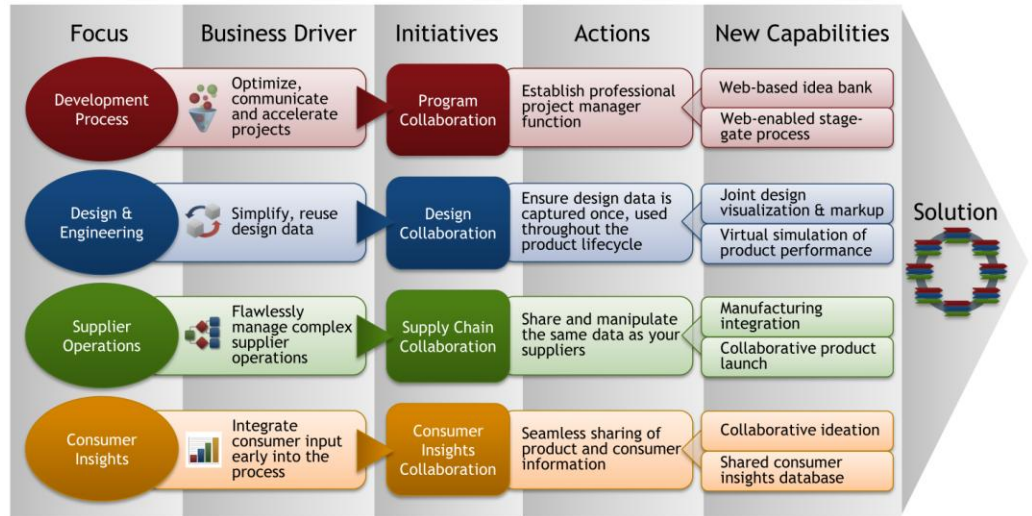


Figure 2: Solutions for internal issues

## Best Approach: Establish Strong Fundamentals, Then Add specific High–Priority Collaboration Initiatives

So, how do we move from being internally focused to being more open? In most companies, management does not have the appetite for taking on all of these elements at one time. This is often described as “Change Fatigue.” We are more likely to hear CFOs say that the program has to be “self-funded.”

Kalypso advocates first improving the fundamentals and then piloting a few, high-priority collaborative initiatives in sequence. The choice of initiatives will vary from company to company, based on capability and infrastructure. But regardless of the difference in approach, the theme is the same — invest, recover, invest, recover, etc.



Figure 3: Best approach to mix improving fundamentals and collaboration initiatives

Recently, one of our retail clients decided to improve their collaboration approach for the development of new products. The corporation first focused on improving select fundamentals — their own Innovation Strategy, their own Phase-Gate Process, and their Organizational Effectiveness. When they had those in order, they started improving select collaboration programs with select suppliers: Supply Chain Collaboration and Program Collaboration. After those processes were successfully in place they pursued Design Collaboration and Consumer Insights Collaboration. This exercise took over a year to complete but the foundation proved to be strong. Both internal and external partners are aligned, fully understand each other’s competencies, and work more efficiently to launching new, successful products.

To learn more about Collaborative Innovation, download our research white paper at [www.kalypso.com/landing/best-practices-in-collaborative-innovation/](http://www.kalypso.com/landing/best-practices-in-collaborative-innovation/).

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