THE CONFERENCE BOARD

C-Suite Challenge 2020

Collaborating to Compete

Chile Edition

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C-Suite Challenge 2020

Collaborating to Compete Chile Edition

by Charles Mitchell

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A Complex Business Environment Calls for Collaboration: Insights for What's Ahead

The Conference Board's annual C-Suite ChallengeTM 2020 survey finds CEOs and C-suite executives believe that collaborating externally with nontraditional partners is critical to remaining competitive.

As organizations and the global economy begin their recovery from the havoc wreaked by the Covid-19 pandemic, a smart external collaboration strategy that includes traditional partners such as supplies and other vendors, nontraditional partners from startups to governments to think tanks, and even competitors, can jumpstart growth and innovation and fill skills and talent gaps that may have been lost. The "new normal" that emerges driven by altered consumer spending habits and methods, changes in how work gets done within an organization and the need to transform business models will complicate recovery for many organizations. The uncertainty will only be amplified by what CEOs and C-Suite executives see as continued concerns around global trade, global political instability, more demanding customers, and growing risk around cybersecurity and data use and protection. Amid these disruptions few organizations are likely to have the internal knowledge or the resources to ensure future success without a strong external collaboration strategy and networks.

However, for a company to gain meaningful value from collaboration, it must create a culture that values it. The external and internal boundaries that once delineated (and in some cases protected) a company from the volatile world around it, and helped to manage and coordinate the inflow, outflow, and crossflow of resources, ideas, and information, can now work against an organization's agility and resiliency.

Our responding C-Suite executives in Chile say their external collaboration strategies are driven by a desire for strategic growth, gain exposure to new technologies, and expand their product and service offerings which contribute to the goal of increasing profitability. But to reach their goals they must overcome obstacles that include revamping their internal cultures and structure to collaborate more effectively, difficulty in identifying the right partners, concerns over a loss confidentiality, and a lack of under-standing of the ecosystems in which their organizations must collaborate.

It is worth the effort. Research by The Conference Board shows external collaboration--ranging from strategic alliances to joint ventures to crowdsourcing, including partnership between competitors, industry sectors, big and small firms, government, academia, customers, and communities--can create a business ecosystem that drives innovation outcomes that far exceed the scope of what any single sector or organization can achieve. While this type of collaboration can raise antitrust concerns among regulators, according to our survey, they are not seen as a significant barrier by executives globally and in Chile.

Defining Collaboration

In our survey we define three types of external collaboration:

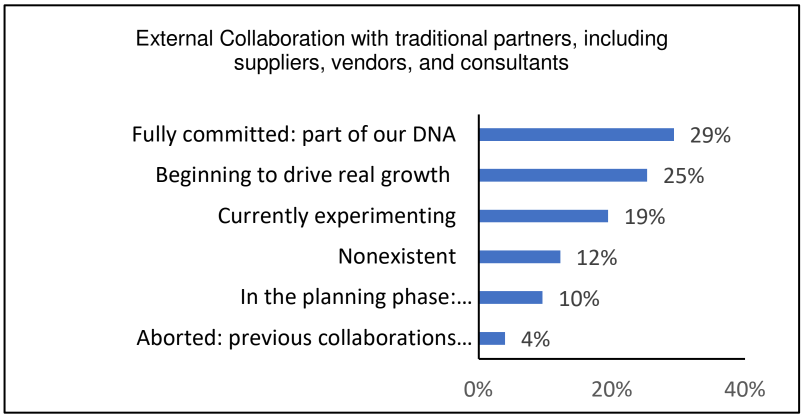
- **With traditional partners**: Sharing knowledge, information, targets, ideas, and goals with suppliers, vendors, and consultants to improve business performance.

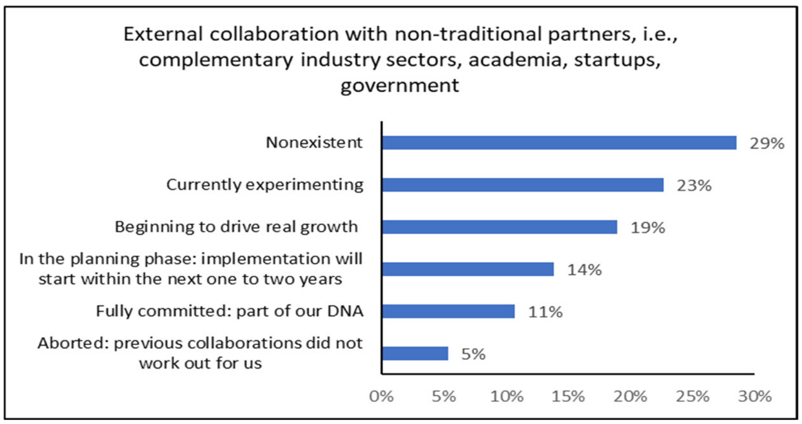
- **With nontraditional partners**: Same as above, but with unconventional partners including those in related or complementary sectors, universities, think tanks, startups, and government.

- **With competitors**: Partnering with competitors to achieve common business objectives.

The Current State of External Collaboration

Few organizations in Chile currently view external collaborations with nontraditional partners, including competitors, as an embedded part of corporate strategy but, as external pressures mount, there should be a trend toward greater experimentation.





Not only in Chile, but globally, a considerable number of organizations are either experimenting or planning to experiment with nontraditional partners. A 2017 study by the Unilever Foundry, the company's collaboration platform, says around four out of five corporates globally (79 percent) and startups (78 percent) anticipate more collaborative work in the future and that startups believe they are up to the task, with almost nine in ten (89 percent) claiming they're able to deliver business solutions that can scale.

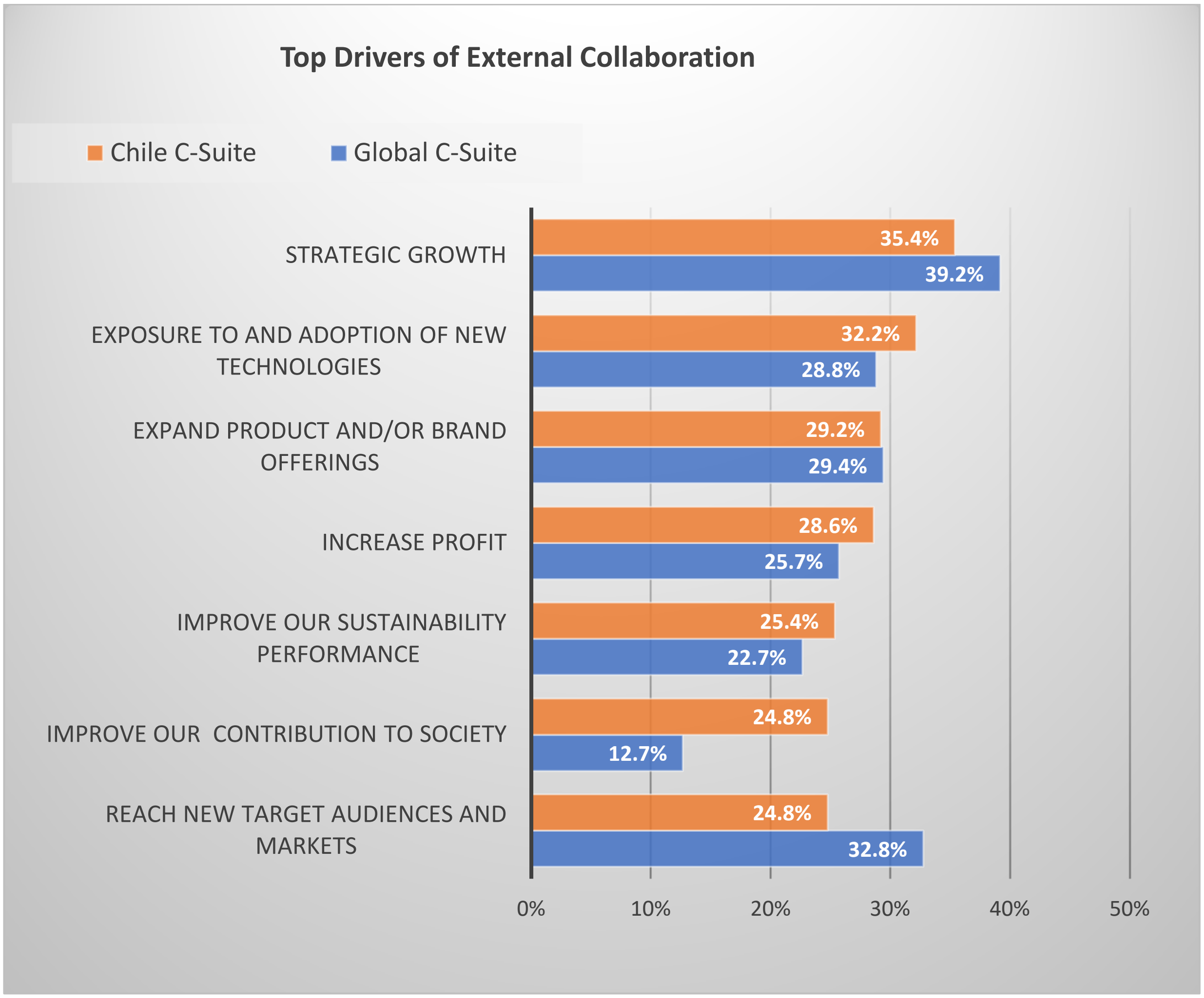
Questions to Help Create an External Collaboration Strategy

Embarking on a collaboration strategy with nontraditional partners and competitors requires asking some hard questions about an organization's basic operating assumptions, business models, available talent and skills, risk tolerance, and organizational culture. Here are eight question that need to be asked to start the collaboration journey:

1. What might our industry look like in 5 to 10 years? How will we prepare for future scenarios?
2. Is our current business model sustainable? How can we serve our customers better and create greater value for them by collaborating externally and internally?
3. Who are our competitors? Who are our partners? Should some organizations be both? Can we leverage network economics to drive growth?
4. What capabilities are we missing that would be mission impossible to build from scratch?
5. How do we choose the right partner? Do we look for someone with a similar or complementary culture?
6. Do we have clarity around the opportunity a partnership provides? Are we clear about our own objectives and understand our partner's motivations and strategic interests? Does the operating plan truly capitalize on each other's strengths?
7. Have we clearly identified boundary conditions? Is it clear what's on or off the table, including intellectual property (IP) and access to customers?
8. Do we have the resources and commitment to take full advantage of the partnership? Do we understand the implications of not doing this deal?

Collaboration Drivers

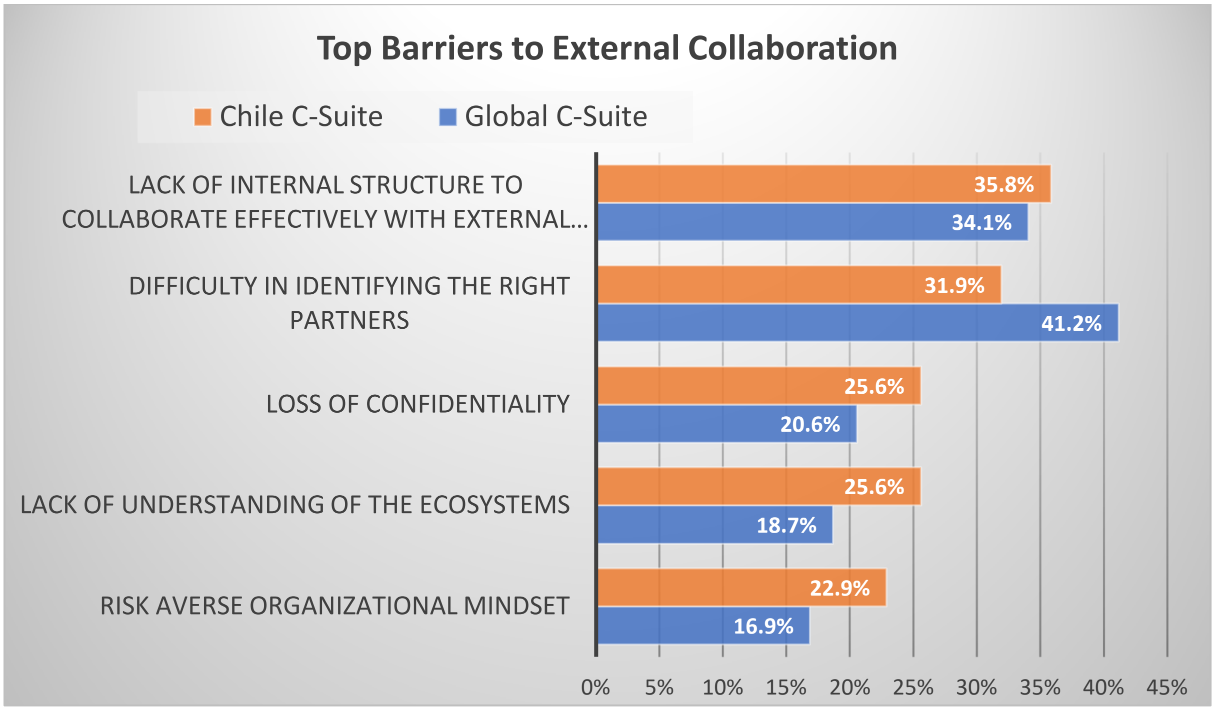
For C-Suite executives in Chile, collaboration strategies are about driving growth gaining access to new technologies, and expanding brand offerings.



Improving sustainability performance and the company's contribution to society are seen by C-Suite executives in Chile as important drivers of external collaboration with non-traditional partners.

Confronting the Barriers to External Collaboration

C-Suite executives in Chile see an internal culture that fails to support and reward collaboration, finding the right partner, loss of confidentiality and a lack of understanding about their overall business ecosystem as the greatest obstacles to collaboration in nontraditional partnerships. Compared to their global peers, Chilean C-Suite executives show less concern about the need to overcome cultural differences with potential partners and the inability to evaluate and measure business outcomes related to external collaborations.



Selecting the right partners and getting the most from nontraditional alliances requires clarity around the opportunity, vision, and each other's values. Start with a partnership mindset—not just a strong desire to access the partner's technology or asset. Outline both partners' fields of interest and markets. It is important to understand a partner's culture (both their business culture and, in the case of international partnerships, their national culture) from the start because it will influence how strategic decisions are made. Look at the deal from the partner's point of view. If the partnership leverages your core business but is only an adjacent one for your partner, the partner may lose interest. Find out how the partner has worked with previously with partners like your organization.

Developing and executing an external collaboration strategy, especially with nontraditional partners, requires patience and a longer-term view. For this reason, strategies and approaches used in digitally transforming an organization can be applied to improving external collaboration efforts. About one in five C-Suite executives in Chile say they have yet to see an adequate return on their investments in collaboration with nontraditional partners. As in digital transformation, organizations often do not receive an immediate payoff from their investment of time and resources in partnership formation. Like digital transformation strategies, successful external collaboration requires a myriad of internal changes, including a more open and transparent culture, changes in risk tolerance, new employee and leadership skills, and a compensation system that rewards collaborative behaviors. For executives responsible for collaboration, it is important to effectively communicate the longer term benefits, especially less tangible ones that that go beyond the bottom line, to the CEO and C-suite colleagues.

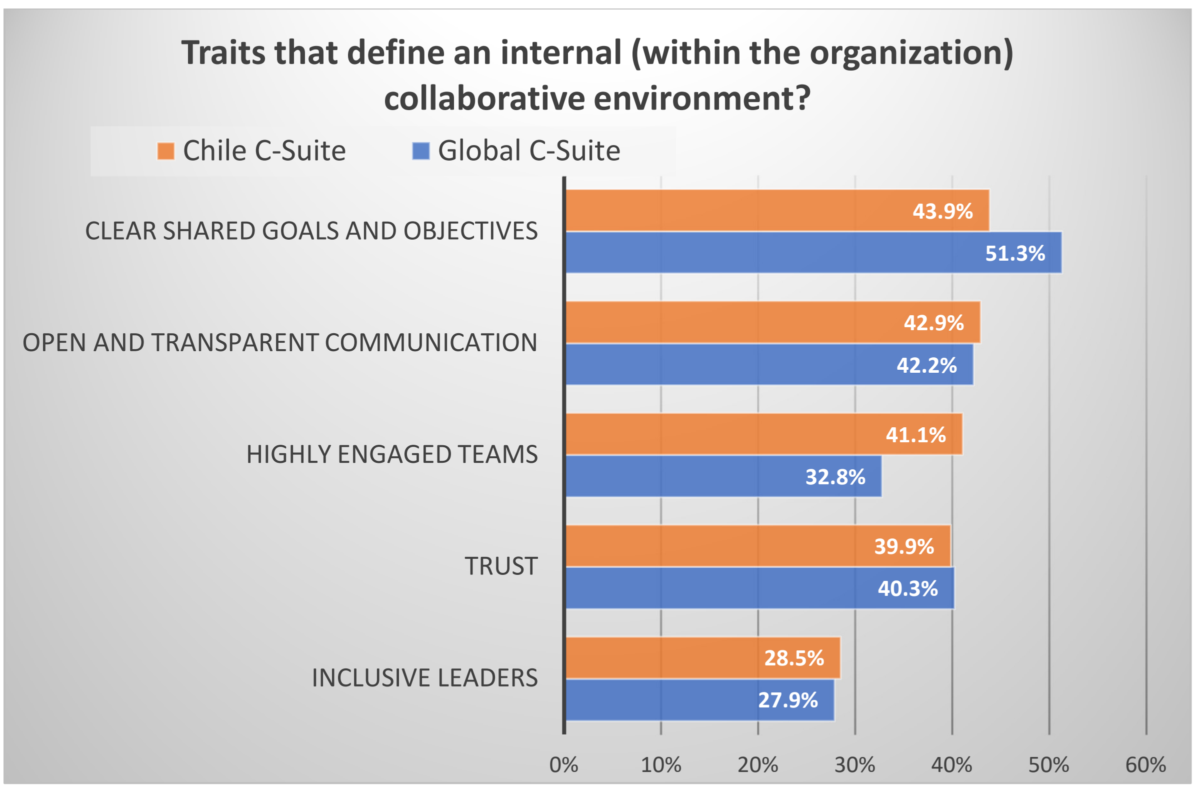
Since existing corporate policies regarding intellectual property, compensation, and information-sharing can become obstacles to effective external collaboration, organizations can increase returns on external collaborations by prioritizing the multifaceted complexity of internal cultural issues.

Both CEOs and C-Suite executives in Chile show concern about how resistance to change can affect their organizations' ability to collaborate. For example: both CEOs and C-Suite executives see unwillingness of management to give up current business model and products and risk averse organizational mindset as top ten barriers to effective external collaboration. Resistance from business units is a top ten barrier for C-Suite executives (it is ninth), slightly higher than the CEO ranking at eleventh. Given the importance of an organization's culture to the success of external partnerships, these findings suggest that senior executives should increase their understanding of the fundamental internal changes and structures necessary for the organization to become an effective collaborator. For a company to gain meaningful value from collaboration, it must create a culture that values it.

Building a Collaborative Organization

C-suite executives in Chile believe a highly collaborative organization establishes clearly shared goals and objectives, practices open and transparent communication, creates highly engaged teams, and builds trust. When it comes to the skills, traits, and competencies their organizations need to become better collaborators, they think leaders and employees should think strategically, foster teamwork, and focus on customer needs.

All in all, creating a collaborative culture requires a reconsideration and redesign of traditional rewards and compensation systems. Both CEOs and C-suite executives in Chile doubt that their existing reward and recognition systems support a collaborative culture. Also, people respond to clearly defined goals and an overarching purpose. Collaboration is effective only if goals are evident and employees understand that it will benefit a cause larger than any individual.



A checklist for successful collaboration with nontraditional partners

- ✓ Senior management is proactively involved on an ongoing basis. Their actions demonstrate the importance of the alliance.
- ✓ The right talent is in place. The key people assigned have strong expertise and collaboration skills. There is sufficient staffing on both sides.

- ✓ Objectives and goals are understood and adjusted when circumstances change.
- ✓ Roles, responsibilities, and expectations are clear and are revisited regularly. Both parties should contribute to the partnership's mission in unique ways.
- ✓ Communication is robust. Frequent and collaborative communication takes place between all the work groups—vertical and horizontal, formal and informal.
- ✓ Work systems are aligned, including email, safety data, budgeting, quality assurance, and forecasting.
- ✓ Conflict resolution is constructive. Issues are recognized early and dealt with immediately according to established principles.

C-Suite Challenge 2020: Collaborating to Compete

A Complex Business Environment Calls for Collaboration: Insights for What's Ahead

According to The Conference Board's C-Suite Challenge TM 2020 survey CEOs and C-suite executives in Chile believe that collaborating externally with nontraditional partners is critical when it comes to their organization's ability to remain competitive.

As organizations and the global economy begin their recovery from the Covid-19 pandemic, a smart external collaboration strategy that includes traditional partners such as supplies and other vendors, nontraditional partners from startups to governments to think tanks, and even competitors, can jumpstart growth and innovation and fill skills and talent gaps that emerged during the crisis. The "new normal" driven by altered consumer spending habits and methods, changes in how work gets done within an organization, and the need to transform business models amid a flurry of evolving technologies including artificial intelligence will complicate recovery for many organizations. The uncertainty will only be amplified by what CEOs and C-Suite executives see as continued concerns around global trade, global political instability, more demanding customers, and growing risk around cybersecurity and data use and protection.

Our survey finds that intensifying competition and the creation of new business models in response to disruptive technology are two critical issues CEOs and C-suite executives in Chile say their organizations will face in 2020. Today, amid the disruptive impacts and the trans-formational speed of digital technologies, as well as the rapid emergence of new competitors, few organizations are likely to have the internal knowledge or the resources to ensure future success. The external and internal boundaries that once delineated (and in some cases protected) a company from the volatile world around it, and helped to manage and coordinate the inflow, outflow, and crossflow of resources, ideas, and information, can now work against an organization's agility and resiliency.

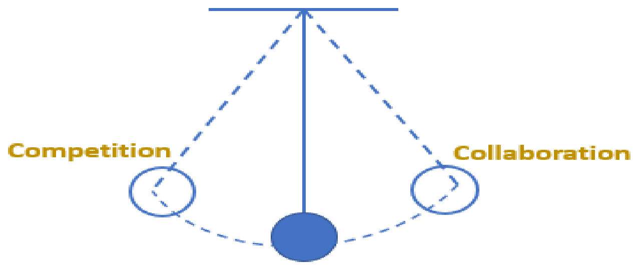
Partnerships between competitors and big and small firms, with government, academia, customers, and communities and across industry sectors can create a business ecosystem that drives innovation outcomes that far exceed the scope of what any single sector or organization can achieve. Take for instance Japan's Toyota Motor Corporation, currently the most profitable car maker on the planet, but one that, according to The Wall Street Journal, "doesn't feel it can face the future of the auto industry on its own" and has recently joined in a series of alliances with nontraditional partners and competitors—a strategy it calls "creating friends"--to share the burden of technology investments.

Traditionally, companies have viewed competition as a zero-sum game where one's success most often comes at the cost of another's failure. But the speed and scale of change require a faster, more complex, more nuanced, and more holistic response. In sum, the C-suite believes that thinking more strategically is the most important skill organizations need to improve both internal and external collaboration.

The Pendulum of Competition and Collaboration: What is the Right Balance?

Strengthening collaboration while being alert to competition and remaining agile enough to quickly change course if market conditions demand is a difficult balancing act. Companies will at times have to raise barriers to protect the firm and its intellectual property, and at other times tear down the walls to encourage innovation.

This balancing act raises important questions. What is the right balance between financial value and societal impact? Does the speed required to reach new markets with new products also require greater internal collaboration and flatter organizations with decentralized decision-making processes? Can a vertical build lead to faster growth than an acquisition mindset?



Considering the entire ecosystem requires companies to maintain an open mind when choosing between building or buying, whether the choice involves technology, marketing expertise, or talent and skills. Where the pendulum swings probably depends on each company's sector and geography.

About the Signposts of Innovation

Collaboration is a critical part of a company's innovation strategy. In The Conference Board's "Signposts of Innovation" model, the external innovation system is one of the six signposts that drives an organization's results from innovation.

The Signpost of Innovation Framework identifies six key areas (research and development, digitization, customer experience and branding, environmental and social sustainability, internal innovation culture, and external innovation ecosystem) and provides guidance on the innovation metrics that may be developed to populate each one. Please visit https://www.conference-board.org/future-of- innovation/ for regular updates on this project.

Who's Collaborating with Whom: The Current State and Benefits of Collaboration

Despite the urgency and growth opportunities, few organizations in Chile currently view external collaborations with nontraditional partners as an embedded part of corporate strategy or driving real growth

Defining Collaboration

In our survey we define three types of external collaboration:

- **With traditional partners**: Sharing knowledge, information, targets, ideas, and goals with suppliers, vendors, and consultants to improve business performance.

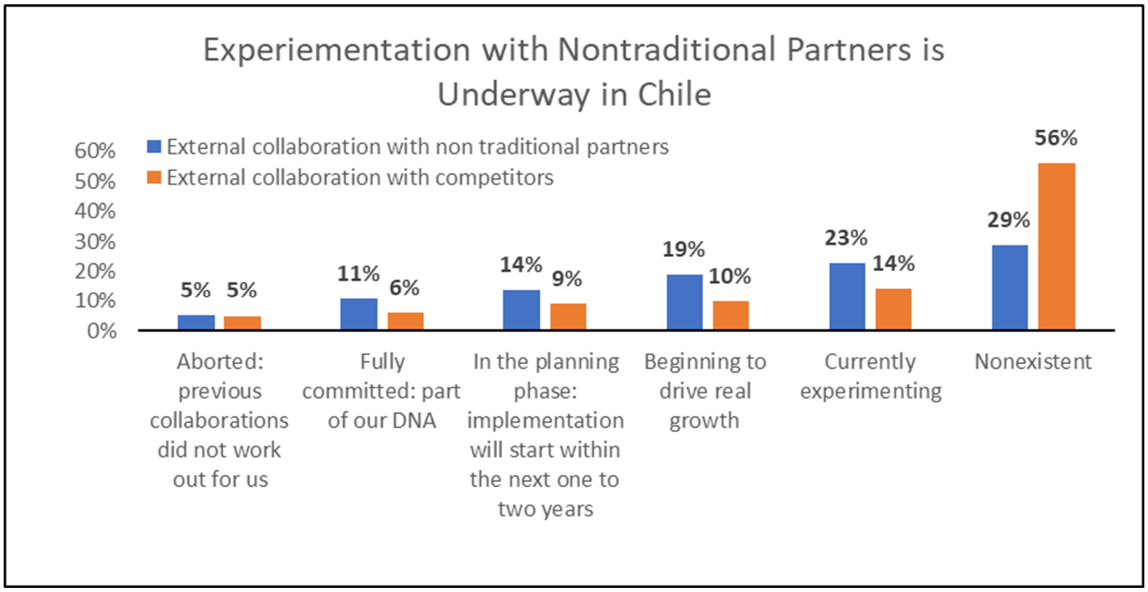
- **With nontraditional partners**: Same as above, but with unconventional partners including those in related or complementary sectors, universities, think tanks, startups, and government.

- **With competitors**: Partnering with competitors to achieve common business objectives.

Examples of Collaborations	with Nontraditional Partners
External collaboration with non-traditional partners	**External collaboration with competitors**
Unilever created an entire ecosystem of diverse partners to address an urgent sanitation problem affecting more than 600 million poor Indians. It acted as a partner with NGOs, banks and schools to create a profitable market for cleaning products in rural India. At the same time, it was lifting women from poverty with microloans and jobs, improving sanitation and enhancing public health awareness through educational campaigns.	General Motors is partnering with Honda to speed up the deployment of self-driving cars to major cities in 2019. Honda will contribute about $2 billion over 12 years to the partnership and will finance a $750 million equity investment in Cruise, GM's self-driving car.
In 2015 Apple collaborated with the fashion brand Hermes to style the Apple Watch.	Google supported Mozilla (Firefox web-browser), a rival to Google Chrome, in order to limit the expanding influence of Microsoft Internet Explorer and Apple Safari.
In 2011, haute couture Versace collaborated with H&M to create a more affordable version of its collection.	Harvard University and MIT formed EDX, a non-profit organization that provides free online courses, each investing $US30 million.
The Roundtable on Sustainable Palm Oil is a not-for-profit that unites stakeholders of the palm oil industry. It was founded to minimize the negative impact of palm oil cultivation on the environment and communities in palm oil-producing regions. It has more than 4,000 members worldwide who represent all links along the palm oil supply chain.	Pharmaceutical giants U.S.-based Pfizer Inc and German-based Merck KGaA entered a strategic partnership that combines their complementary strengths with the goal of meeting the needs of patients with multiple types of cancer and to bring new cancer treatments to market faster.
	The Alliance for Bangladesh Worker Safety is a group of 28 global apparel companies, retailers and brands that recognized the urgent need to rapidly improve working conditions for garment industry workers and have joined together to help improve worker safety in Bangladeshi ready-made garment factories.

While more than half of C-Suite executives in Chile say external collaboration with traditional partners such as suppliers, vendors, and consultants is either part of their organization's DNA or beginning to drive real growth, their commitment to collaboration with nontraditional partners is still emerging.

About 30 percent of Chilean C-Suite respondents say collaboration with nontraditional external partners from such areas as complementary industry sectors, academia, startups, and government is either part of their organization's DNA or beginning to drive growth, but less than half (37 percent) say their organizations are currently experimenting or plan to experiment with this type of external collaboration. Although partnerships with competitors receive media attention, more than 60 percent of responding C-Suite executives in Chile say they are either nonexistent at their organizations (56 percent) or have been aborted because of failure (5 percent). Just 16 percent of Chilean C-Suite executives say such partnerships are either part of their organization's DNA or beginning to drive real growth.



The Confidence Case for Collaboration

Our responding CEOs and C-Suite executives in Chile have a strong belief that their organizations cannot succeed in the future without venturing into external collaboration with nontraditional partners. They were asked to rate their confidence levels about issues related to collaboration on a scale from 1 (low) to 10 (high). The statement "we can succeed in the future without collaborating externally with nontraditional partners" received the lowest confidence score, just 5.0 out of 10 from Chilean C-Suite executives. C-Suite executives in Japan (4.5) and the United States (4.6) are below the global average of 5.2. C-Suite executives in China are the most confident, with a 5.9 level, still considered a relatively modest level of confidence.

Global C-Suite	Chile C-Suite	US C-Suite	China C-Suite	Japan C-Suite	Germany C-Suite	Spain C-Suite
5.1	**5.0**	**4.6**	**5.9**	**4.5**	**5.6**	**5.7**

As noted, one of the most underutilized types of collaboration is between competitors, but 23 percent of responding C-Suite executives in Chile do say their organizations are either experimenting with this type of "frenemy" collaboration or plan to implement such cooperation within the next two years. This type of collaboration can raise concerns around antitrust issues among regulators but, according to our survey, both CEOs and the C-suite in Chile (as well as globally) do not see it as a significant barrier.

Questions to Help Create an External Collaboration Strategy

Embarking on a collaboration strategy with nontraditional partners and competitors requires asking some hard questions about an organization's basic operating assumptions, business models, available talent and skills, risk tolerance, and organizational culture. Here are questions that organizations should address to start the collaboration journey:

The market environment

- What are key trends in our target markets and in our competitive landscape?
- What kinds of companies in our industry—as well as adjacent and seemingly unrelated industries—are growing the most?
- What might our industry look like in 5 to 10 years? How will we prepare for future scenarios?
- Is our current business model sustainable? How can we serve our customers better and create greater value for them by collaborating externally and internally?
- Who are our competitors? Who are our partners? Should some organizations be both? Can we leverage network economics to drive growth?
- What capabilities are we missing, including access to game changing technology, that would be mission impossible to build from scratch?
- How can partners help us attract a new target audience/market?
- How can we transform our product into a service? What partner would make it possible?

Creating the partnership

- How do we choose the right partner? Is a similar or complementary culture important?
- Do we have clarity around the opportunity a partnership provides? Do we understand our own objectives as well as our partner's motivations and strategic interests? Does the operating plan truly capitalize on each other's strengths?
- How well do we understand our partner's culture (both internal business culture as well as their national culture if it would be an international partnership), given the impact it will have on how each side makes strategic decisions?
- Have we clearly identified boundaries? Is it clear what's on or off the table, including intellectual property (IP) and access to customers? Do we know how we would protect our interests if we were to leave the partnership?
- Do we have the resources and commitment to take full advantage of the partnership? Do we understand the implications of forging this deal?
- Can we succeed at building trust before issues crop up or a potential disaster happens? Are we committed to putting in time to build relationships in the be-ginning while everyone is still excited about the novelty and potential of the partnership?
- How much human and financial resources do we want to devote to the partner-ship?

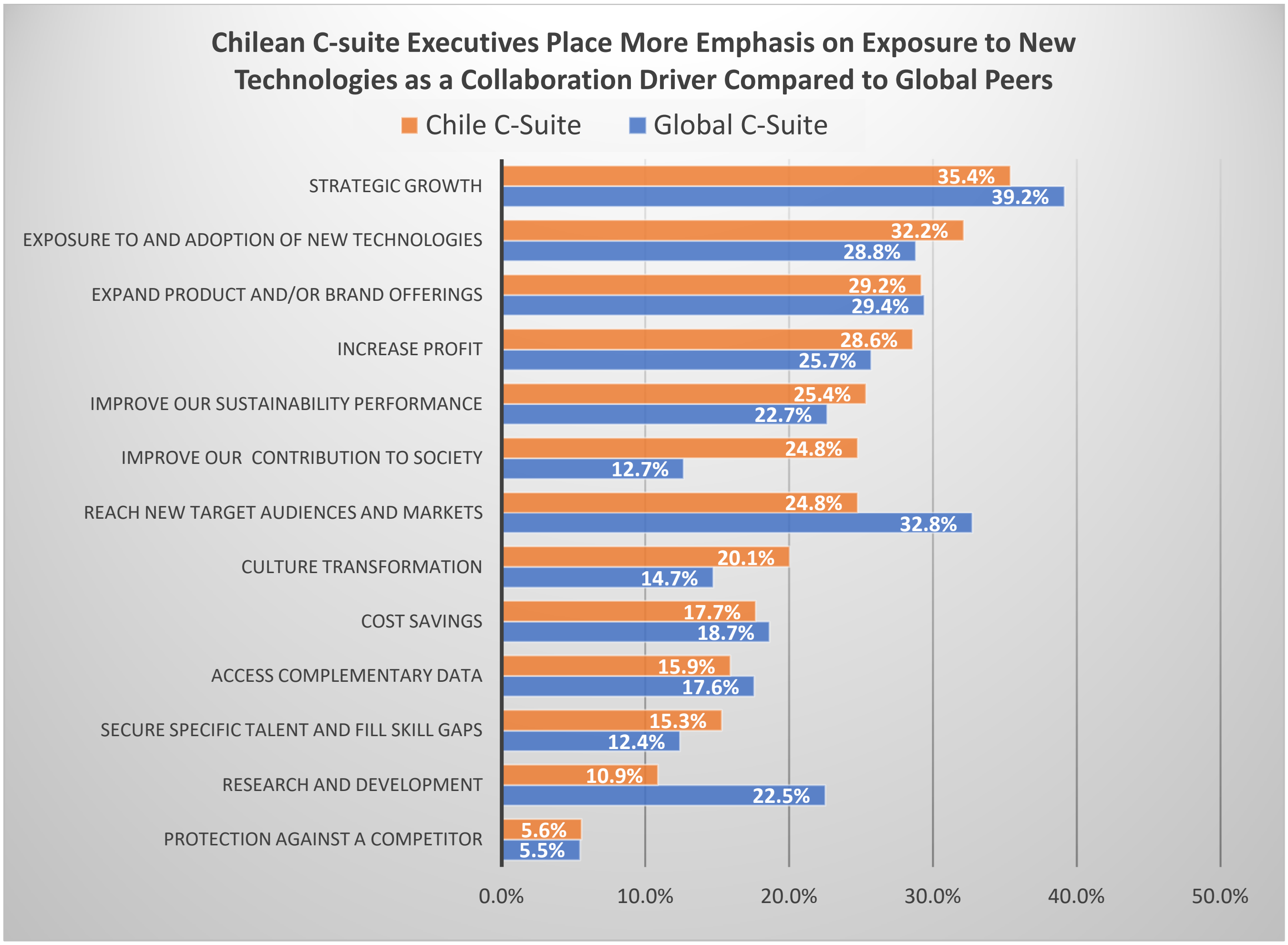
Internal issues

- Do our leaders have the vision, knowledge, skills, and courage to lead a truly collaborative organization and manage nontraditional partnerships? Do our employees have the strategic thinking skills and resilience to understand and embrace this new way of working?
- Does our current structure facilitate external and internal cross-functional collaboration, decentralized decision making, agile innovation, self-organizing teams, and embracing unconventional partners?
- What people, positions and skills, etc., will we need to collaborate? How can we get them? What new roles might we need to execute our future strategy? Is our rewards and compensation system in line with our new direction?
- For C-Suite executives in Chile, collaboration strategies are about driving growth gaining access to new technologies, and expanding brand offerings. Defensive strategies, including cost savings and protection against competitors, rate considerably lower.

There is ample evidence that collaboration can propel real growth. A 2019 report by Forrester Consulting found that external partnerships in companies with well-developed partnership programs (high-maturity companies) contributed an average of 28 percent of overall company revenue compared to 18 percent for low-maturity companies (those with limited partnership programs). High-maturity companies also reported nearly two times faster revenue growth at the company level (30 percent versus 16 percent to 17 percent), than low-maturity companies.

Collaboration Drivers

Chilean C-suite executives place considerably more emphasis on exposure to and adoption of new technologies as a reason for seeking external collaboration that their global peers. They rank it as the second most important collaboration driver, while globally among C-Suite executives it is fourth while CEOs globally place it further down their list at number six.



The reasons for the high ranking locally may be twofold: C-Suite executives are expected to focus on strategic capabilities across the organization and they should have clear knowledge of the technology gaps plaguing the entire enterprise and individual business units. Also, as companies' structure and ways of working become more fluid, C-Suite executives recognize that various business units and functions may lack the necessary technology to meet the digital challenge of transforming business models and to support a more collaborative corporate strategy. One way to fill that gap is through external collaboration with nontraditional partners.

As organizations, especially larger ones, seek partners, they should focus on ones that are using technological innovations that can change their industries. Even if these solutions aren't quite market-ready, the key is the potential they represent. Once they are working together, the organizations can share the burden of additional troubleshooting and development.

Improving sustainability performance and the company's contribution to society are seen by C-Suite executives in Chile as important drivers of external collaboration. C-Suite executives in Chile chose *improve our sustainability performance* as a top five driver of external collaboration—perhaps not a surprise in a country that depends on the exploitation of natural resources as a key economic driver. They also rank *improve our organization's contribution to society* sixth, considerably higher than their global peers who rank it twelfth. This is an indication that many businesses in Chile recognize that embedding socially responsible practices and policies into their corporate culture and everyday operations can have a positive impact on returns and re-affirms their social license to operate.

The collaboration efforts of Procter & Gamble (P&G) illustrate the link between sustainability and strategic growth, expanding markets, and increased profits. The company has established a model for fostering collaborative networks for innovation and sustainability. Its Connect+Develop model uses a technology-enabled platform to gain multistakeholder (e.g., academics, customers, individuals, small and medium-sized enterprises, startups) input to co-create and crowd source. This approach has enabled P&G to establish more than 2,000 successful agreements with innovation partners. As a result, more than 35 percent of its new products have elements that originated from outside P&G.

Unilever has piloted with hundreds of startups, crafting strategic partnerships that help scale technologies, accelerate innovation. and create disruptive products, services and technologies. Its Sustainable Living Brands grew 69 percent faster than the rest of the business in 2018 and delivered 75 percent of the company’s growth.

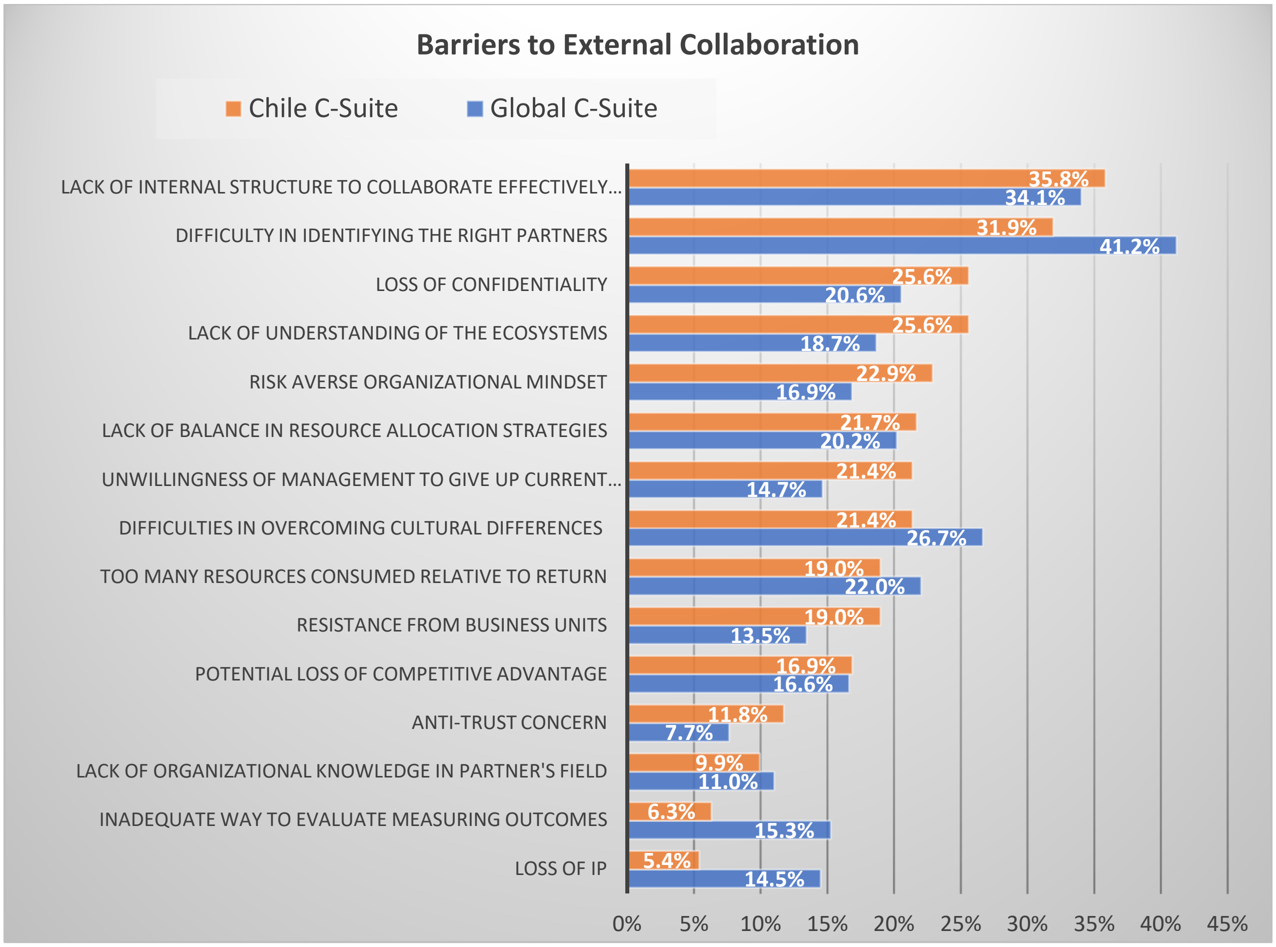
The scale, scope, and complexity associated with improving sustainability performance, regardless of geographic location, means that no one sector–government, business, civil society, or academia–will be able to manage the transformation alone. Companies can collaborate across their industry to create cost efficiencies and leverage the power of a larger network for mutual benefit. Initiatives can include industrywide programs; for example, to develop sustainable materials together or agree on certain production standards that facilitate recycling or making newly developed technologies available to other companies.

In one example that illustrates how an organization can contribute to a more sustainable circular economy, Dell, Arup, a British research laboratory, and Renault are collaborating on delivering circular solutions for product repair, recycled plastics, and the built environment. They have shared the results of their collaborative research to inspire others to adopt circular principles into their own operations.

Missed Opportunity to Fill Skill Gaps? In a world where digital skills often quickly become outdated, paying a premium for specific technology skills may no longer make sense and hiring may not solve all capability gaps. Forming joint ventures, creating external partnerships, and investing in independent startups can be cost-effective ways to find the talent and skills needed to enhance growth and competitiveness. However just 15 percent of C-Suite executives in Chile cite the ability to secure specific talent and fill skill gaps as an external collaboration driver.

Confronting the Barriers to External Collaboration

C-Suite executives in Chile see that an internal culture that fails to support and reward collaboration, finding the right partner, a loss of confidentiality, and a lack of understanding of the business ecosystems in which their firms operate as the greatest obstacles to implementing successful nontraditional partnerships. Corporate policies regarding intellectual property, compensation, information-sharing, and noncompete agreements are often at odds with many of the strategic capabilities and the cultural mindset required for effective external collaboration and can limit a company’s ability to work with such partners.



Barriers to External Collaboration
Chile C-Suite
Global C-Suite
LACK OF INTERNAL STRUCTURE TO COLLABORATE EFFECTIVELY...
DIFFICULTY IN IDENTIFYING THE RIGHT PARTNERS
LOSS OF CONFIDENTIALITY
LACK OF UNDERSTANDING OF THE ECOSYSTEMS
RISK AVERSE ORGANIZATIONAL MINDSET
LACK OF BALANCE IN RESOURCE ALLOCATION STRATEGIES
UNWILLINGNESS OF MANAGEMENT TO GIVE UP CURRENT...
DIFFICULTIES IN OVERCOMING CULTURAL DIFFERENCES
TOO MANY RESOURCES CONSUMED RELATIVE TO RETURN
RESISTANCE FROM BUSINESS UNITS
POTENTIAL LOSS OF COMPETITIVE ADVANTAGE
ANTI-TRUST CONCERN
LACK OF ORGANIZATIONAL KNOWLEDGE IN PARTNER'S FIELD
INADEQUATE WAY TO EVALUATE MEASURING OUTCOMES
LOSS OF IP
35.8%
34.1%
31.9%
41.2%
25.6%
20.6%
25.6%
18.7%
22.9%
16.9%
21.7%
20.2%
21.4%
14.7%
21.4%
26.7%
19.0%
22.0%
19.0%
13.5%
16.9%
16.6%
11.8%
7.7%
9.9%
11.0%
6.3%
15.3%
5.4%
14.5%
0%
5%
10%
15%
20%
25%
30%
35%
40%
45%

Approaches that Contribute to Successful External Partnerships

Members of The Conference Board Councils on Applied Innovation and Innovation Leadership - organizations with a wealth of experience in building nontraditional partnerships - believe some common approaches contribute to successful external innovation ecosystem partnerships. These approaches have also been addressed at Conference Board conferences dealing with strategic alliances and joint ventures.

To begin, it is important to brainstorm everything that could go wrong, such as changes in the business environment or personnel changes at a partner, and develop contingency plans for how to address them. Build in flexibility to renegotiate the deal if necessary, to save it.

Identifying partners and nourishing the partner relationship

Time spent planning prior to launch is time well spent. Start with a partnership mindset—not just a strong desire to access the partner's technology or assets. During the negotiation stage, consider governance, exit strategies, addressing change, and the nitty gritty of the operating model and business plan. If decisions about strategic intent, objectives, decision-making processes, and dispute resolution mechanisms aren't made early, they will have to be made later—when it will be much harder.

- Think about what you are trying to accomplish with potential partners. When selecting a partner(s), make sure you have clarity around the opportunity, vision, and each other's values. Find out how has this partner behaved previously in collaborations like the one you're planning.
- Recognize that your partner will not share all of your strategic objectives. That's OK, if you identify your differences.
- Negotiate for win-win. The partner who feels unfairly treated will find some way to undercut or exit the partnership. Negotiations set the tone for how the partners will solve problems going forward.
- While trust is important, it is also critical to have a solid contractual relationship. Identify boundary conditions: Determine what's on or off the table, including intellectual property (IP) and access to customers. Protect yourself legally by creating a strong governance mechanism.

Additional wisdom from the Councils

Alliances between corporations and startups can be among the most challenging

- Be sensitive to the needs of the startup. They are often cash strapped and have an urgent desire to drive revenue quickly. Hence, they are willing to take on more risk to do it.
- Streamline legal agreements and project decision-making as much as possible.
- Align with startups that have corporate experience. Those that have worked with large companies in the past are better bets for success.
- Encores help: Success often grows with a second or third project with same startup.
- Alliances with customers can be among the most productive

Consider collaborations with customers first. Why? The parties are familiar with each other and strongly motivated to succeed (as a failed project might damage the relationship). Management and employees alike are often more engaged in projects involving customers. In addition, alliances with customers provide ongoing customer feedback. However, while a customer can be an attractive partner, caution is needed because:

- The customer could potentially become a competitor.
- The relationship may alienate other customers.
- **O**verreliance on one company's feedback may hinder potential innovation.

Developing and executing an external collaboration strategy, especially with nontraditional partners, requires patience and a longer-term view. For this reason, strategies and approaches used in digitally transforming an organization can be applied to improving external collaboration efforts. This is likely to cause organizations to adjust alignment and improve internal communication. C-suite executives in Chile rank lack of balance in resource allocation strategies to implement collaborative strategies (i.e., favoring short-term performance over longer-term growth) as the sixth greatest barrier to effective external collaboration with nontraditional partners. CEOs place it ninth.

One explanation for this disparity in perception may be that executives closer to the day-to-day operations and execution of a collaboration strategy are failing to manage CEO expectations and are not effectively communicating the real or potential benefits (the business case) of external collaboration. This raises an interesting, if understandable, question about time horizons and external pressure from stakeholders and investors. CEOs are generally under pressure externally for more immediate returns, while other C-suite executives can have a longer time horizon and envision a longer-term payoff as the organization transforms itself culturally (a relative slow process) and builds the internal structure, skill sets, and mindsets that will lead to partnership benefits. The solution is a strong business case that will justify the patience required to all stakeholders, both internal and external.

CEOs in mature markets see greater risk and a higher potential price to pay for external collaboration than those in emerging markets. For CEOs in mature markets, there appears to be a perception that their organizations will gain less than they give in an external collaboration with a nontraditional partner unless it is properly planned, executed, and governed. When it comes to collaboration barriers, CEOs in mature markets rank concerns about loss of Intellectual Property seventh (it is fifth in the United States and Europe)—its loss ranks near the bottom in emerging markets at fourteenth and it is fifteenth in Chile. Mature market CEOs rank the loss of confidentially (fifth) and potential loss of competitive advantage (eighth) much higher as collaboration barriers than do emerging market CEOs who rank these two issues seventh and thirteenth, respectively.

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Barriers to Collaboration: The CEO View			
Barriers to Collaboration	Mature Markets CEOs	Emerging Markets CEOs	Chile CEOs
Difficulty in identifying the right partners	1	1	2
Lack of internal structure to collaborate effectively with external patterns	2	2	1
Too many resources consumed relative to return	3	5	8
Difficulties in overcoming cultural differences	4	3	4
Loss of confidentiality	5	7	3
Loss of IP	6	14	14
Lack of balance in resource allocation strategies	7	12	9
Potential loss of competitive advantage	8	13	10
Lack of understanding of the ecosystems	9	4	6
Risk averse organizational mindset	10	10	7
Resistance from business units	11	9	11
Inadequate way to evaluate measuring outcomes	12	6	16
Unwillingness of management to give up current business model and products	13	8	5
Anti-trust concern	14	15	12
Lack of organizational knowledge in partner's field	15	11	13

Organizations may be able to increase returns on collaborations with nontraditional partners by keeping in mind the multifaceted complexity of internal cultural issues. Both CEOs and C-Suite executives in Chile show concern about how resistance to change can affect their organizations' ability to improve collaboration. For example: both CEOs and C-Suite executives see unwillingness of management to give up current business model and products and risk averse organizational mindset as top ten barriers to effective external collaboration. Resistance from business units is a top ten barrier for C-Suite executives (it is ninth), slightly higher than the CEO ranking at eleven. Given the importance of an organization's culture to the success of external partnerships, these findings suggest that senior executives should increase their understanding and prioritization of the fundamental internal changes and structures necessary for the organization to become an effective collaborator. A company that gets meaningful value out of collaboration must have a culture that values it. Ultimately, companies need to assess their culture and promote the value of risk-taking and collaboration internally and externally. Collaboration is a human-centric activity, and it starts with the top. Senior business leaders should be highly visible advocates for the organization's collaboration strategies to set the right cultural tone within their organizations. They should also highlight how important they consider collaborations and be role models for collaborating externally.

The following actions can help organizations build a more collaborative culture:

- Identify business units or corporate functions that can benefit from working with external partners and the key reasons they should pursue external partnerships.

- Involve empowered executives from both sides of the alliance and the leaders who will be running the collaboration from the very beginning. To ensure accountability, one person should oversee all aspects of the collaboration to ensure continuity.
- When planning the deal, take a cross-functional view. Involve teams such as information technology, product development, marketing and communications, health and safety, and legal along with the traditional deal team.
- Focus on communication. Engage the hearts and minds of employees of both partners and explain how the collaboration will affect them.
- Check engagement. To monitor and further reinforce the culture, some organizations take employee engagement and pulse surveys of those involved in the collaboration and create a rewards and recognition program for them, as well.
- Make sure the legal team understands the importance of the collaboration and the potential long-term risks involved if your organization does not collaborate externally. This team's job is defense: to protect the company, not necessarily to drive strategic growth or excite customers. The legal team may view the negotiations as a transaction to be won or lost, not the beginning of a partnership. Help them see the opportunities before the risks.

Organizations in Chile see both advanced and emerging market economies as presenting opportunity for external collaborations. C-suite executives were asked in which region their organizations are concentrating their external collaboration efforts. Executives in Chile are splitting these efforts equally between emerging and advanced economies. Only 10 percent say they are targeting China. However globally the view is that not all regions are created equal when it comes to potential partnerships. Globally, those that embrace external collaboration seem to see a lower perceived risk in teaming up with partners from "peer economies." Collaborations closer to home pose fewer challenges that arise from different languages, cultures, and time zones, as well as geographic distance.

Executives in Europe (73 percent) and the United States (80 percent) overwhelmingly cited "advanced economies" as the primary target area for their collaboration initiatives, and those economies were also the preference of executives in Japan (59 percent). Less than a quarter of executives in Europe (11 percent), the United States (21 percent), and Japan (21 percent) cited Chinese firms as collaboration targets. However, 81 percent of executives in China named their own home country as their primary target for collaboration initiatives. That executives in the mature economies of Europe, the United States, and Japan are more comfortable collaborating with companies in other advanced economies rather than in China should come as no surprise. Issues that could give them pause include possible fears about loss of IP and confidentiality, coupled with concerns about the rule of law and what many consider an unfair playing field for multinationals and joint ventures in China.

When creating alliances across geography and cultures organizations should:

- Gain familiarity with the country being considered, including regulations and policies, demographic trends, and cultural norms.
- Know the market share and demand for your and your partner's products and ser-vices.
- When dealing internationally, make sure your partners will operate in compliance with your home country laws and health and safety regulations. Don't consider shortcuts such as bribery or unethical behavior that runs contrary to your company's values as an acceptable way of conducting business.

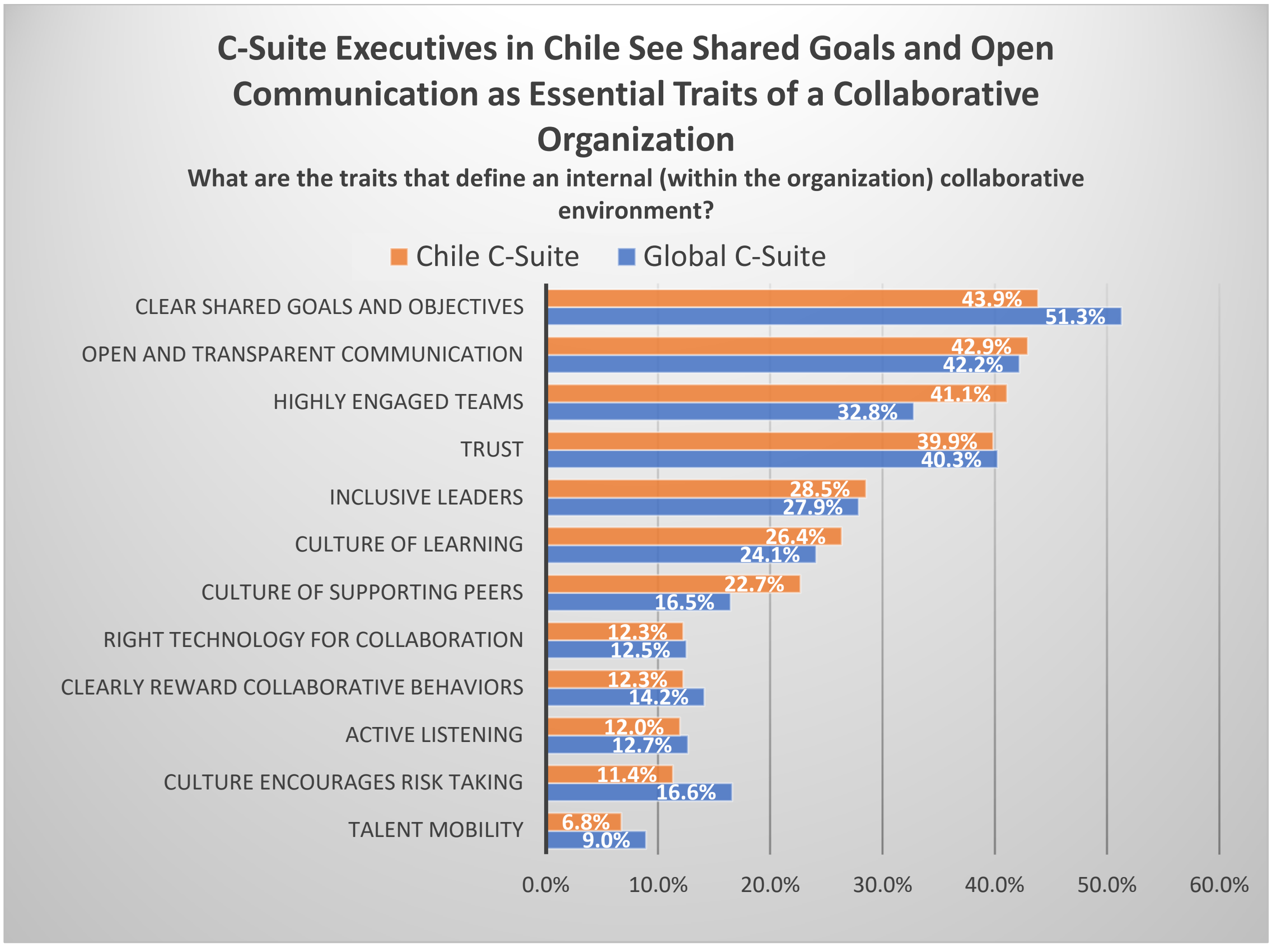
- Not underestimate the agility of your partner. Companies in emerging markets often are used to change in government and regulations
- In dealing with language barriers, recognize that alliances and collaborations will likely take longer to complete.

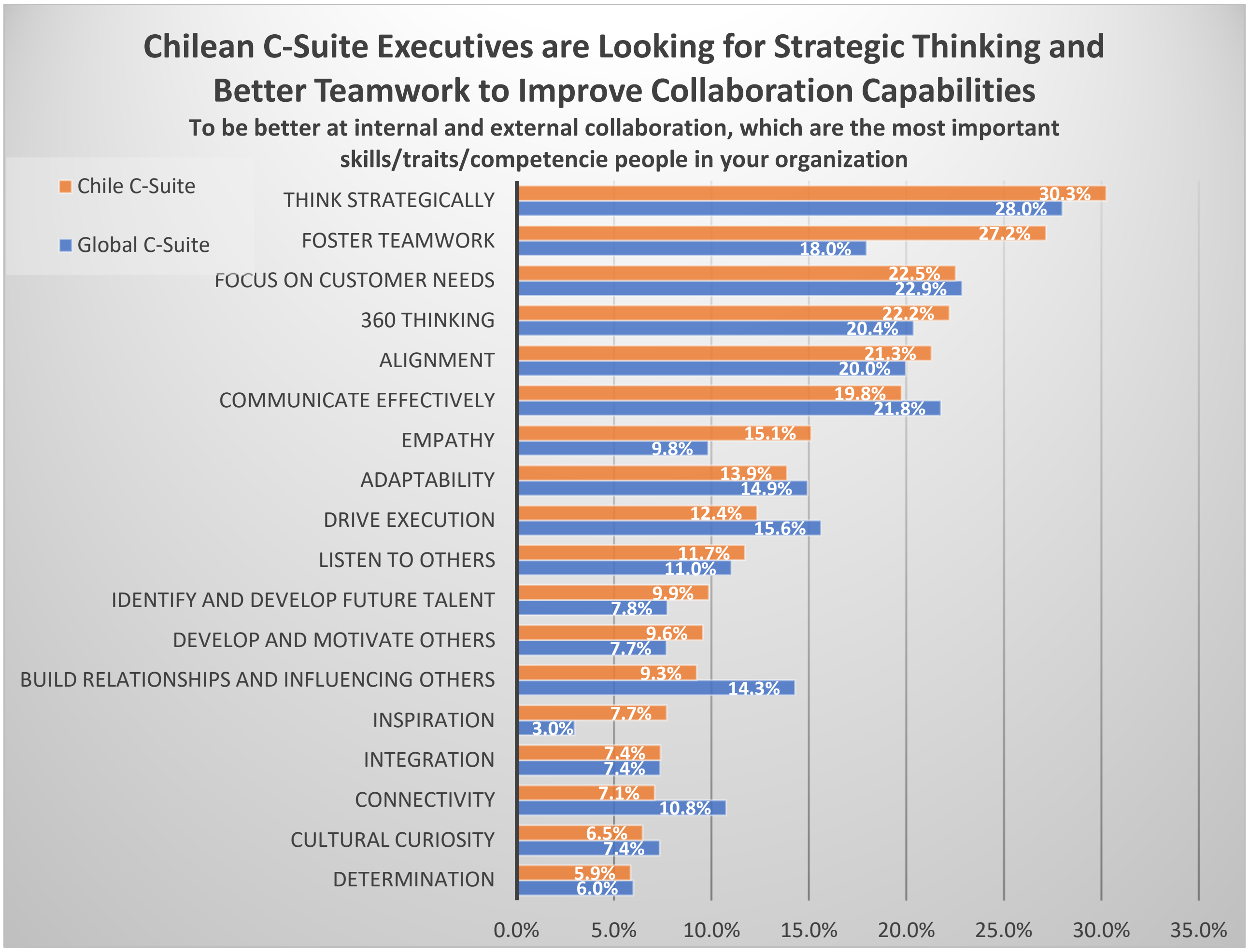
Building a Collaborative Organization

C-suite executives in Chile identify the lack of an internal structure that will allow more effective external collaboration as a major obstacle. When asked which traits define an organization with a strong internal culture, they cite clear shared goals and objectives; open and transparent communication; highly engaged teams, and trust as critical essentials. When it comes to the skills, traits, and competencies their organizations need to become better collaborators, they cite the need for leaders and employees to think strategically, to foster teamwork and a better focus on customer needs.

All in all, creating a collaborative culture requires a reconsideration and redesign of traditional rewards and compensation systems. In Chile, both CEOs and C-suite executives have doubts that their existing systems support a collaborative culture. Traditionally, organizations differentiate rewards based on individual performance. The question for organizations is: Does our performance management and reward systems foster true collaboration or are we re-warding outdated behaviors and paradigms that promote internal competition over internal collaboration? Pitting employees in head-to-head competition tends to drive out collaboration.

Currently, we train managers, but we need to train teams. There is a difference between a leader and a manager. A manager's role is defined by the formal structure of the organization. As hierarchies give way to collaborative work and fluid and often self-managed teams, the need for a manager as a monitor of work gives way to the role of a performance coach for teams.





A checklist for successful collaboration with nontraditional partners

- ✓ Senior management is proactively involved on an ongoing basis. Their actions demonstrate the importance of the alliance.
- ✓ The right talent is in place. Key people have strong expertise and collaboration skills. There is sufficient staffing on both sides.
- ✓ Objectives and goals are understood and adjusted when circumstances change.
- ✓ Roles, responsibilities, and expectations are clear and are revisited regularly. Both parties should contribute to the partnership's mission in unique ways.
- ✓ Communication is robust. Frequent and collaborative communication takes place between all the work groups—vertical and horizontal, formal and informal.
- ✓ Work systems are aligned, including email, safety data, budgeting, quality assurance, and forecasting.
- ✓ Conflict resolution is constructive. Issues are recognized early and dealt with immediately according to established principles.

Data Privacy and Cyber Security: The C-Suite View

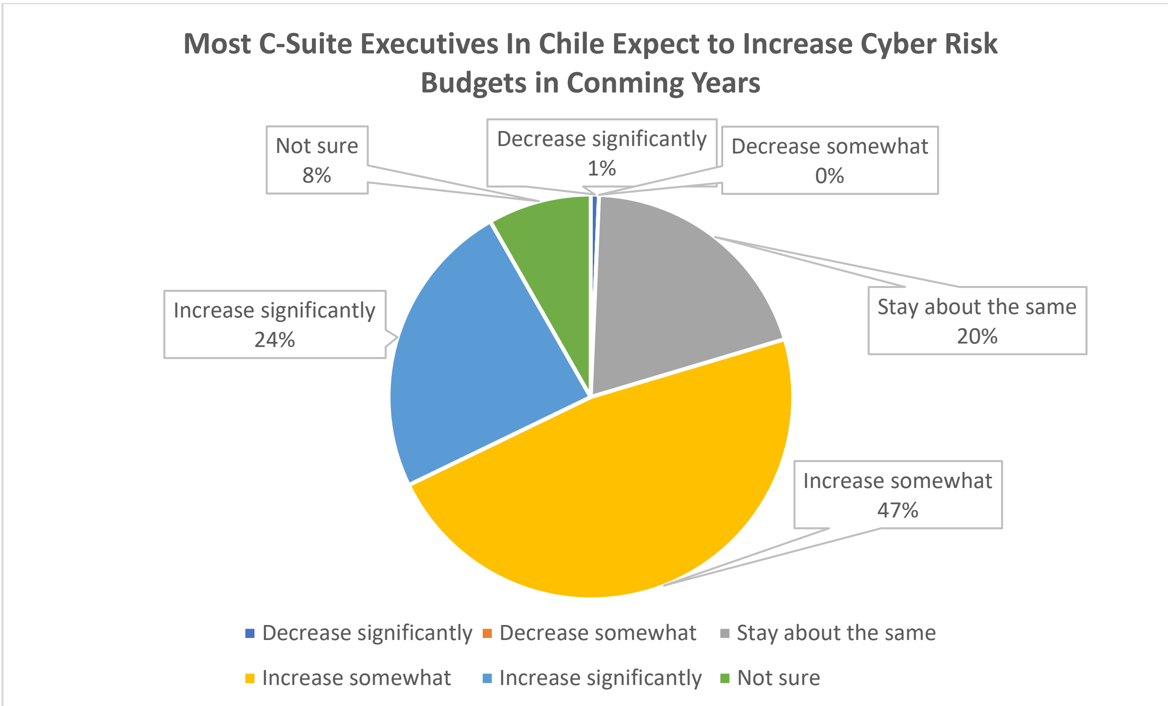
As the global Covid-19 pandemic forces many organizations to up their game on remote working, increased remote access to corporate networks and sensitive data creates significant additional risk. The pandemic is also raising data privacy issues related to health and movement tracking. As part of this year's C-Suite Challenge survey, we asked about respondents' views on data privacy and cybersecurity and the risks and opportunities they see attached to these two critical issues. An overwhelming majority (85 percent) of responding C-Suite executives in Chile believe an ethical approach to data privacy can translate into a competitive advantage, but two-thirds of respondents say governments should take the lead in regulating data privacy. On the cybersecurity side, C-Suite executives in Chile see the biggest threat coming from external hacker attacks, followed by internal employees, and outdated protection.

Members of The Conference Board responsible for cyber security in their organizations believe that humans are the weakest link in the cyber security chain. Organizations can improve their cyber and data risk management by focusing on people, process and technology. Mitigating risk requires a special focus on human behavior and the creations of an information security culture within the organization—two things not always prioritized by organizations. Because today's advanced cyberattacks focus more on exploiting human flaws than system flaws a cyber risk management strategy that depends on technology as its primary defense will be inadequate.

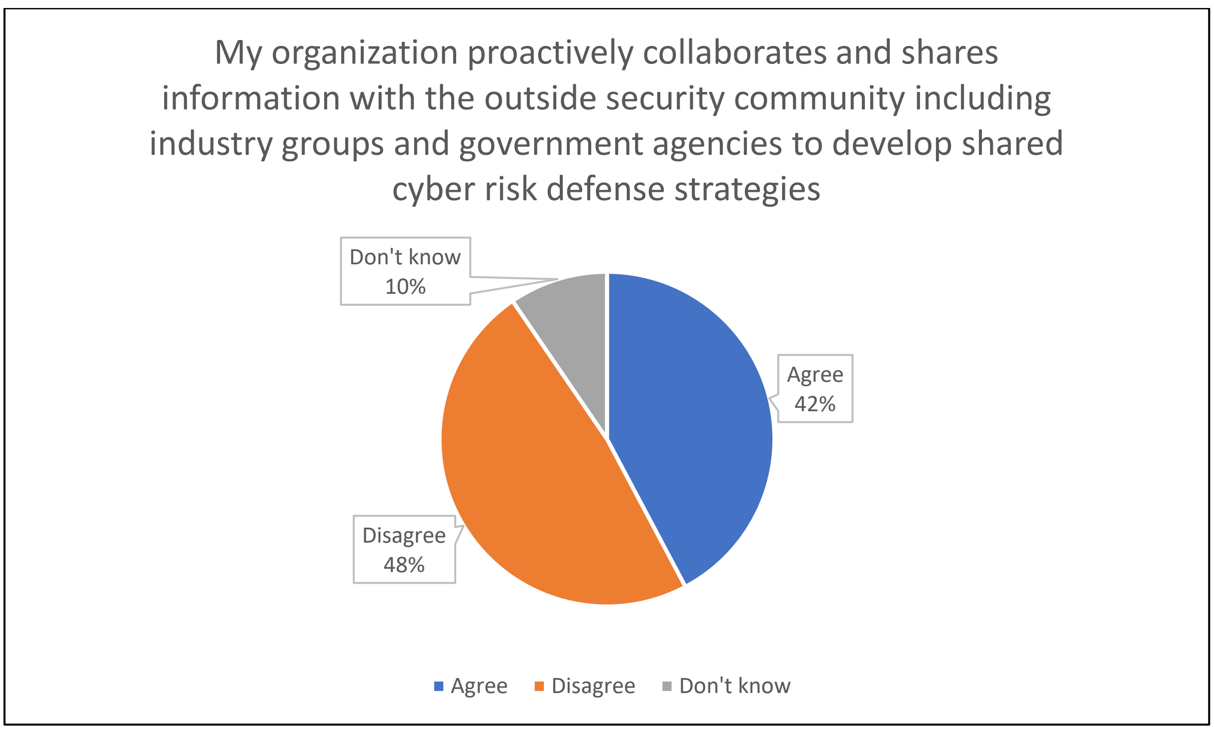
Collaborating with nontraditional external partners to mitigate cyber risk and develop self-regulatory data privacy standards are underutilized judging from survey responses. Just 42 percent of Chilean C-Suite executives say their organizations proactively collaborate and share information with the outside security community including industry groups and government agencies to develop shared cyber defense strategies and only 23 percent say their organizations participate in multi-stakeholder initiatives to share best practices on data privacy.

Where do the biggest cyber risks to your company come from? (choose a maximum of three)

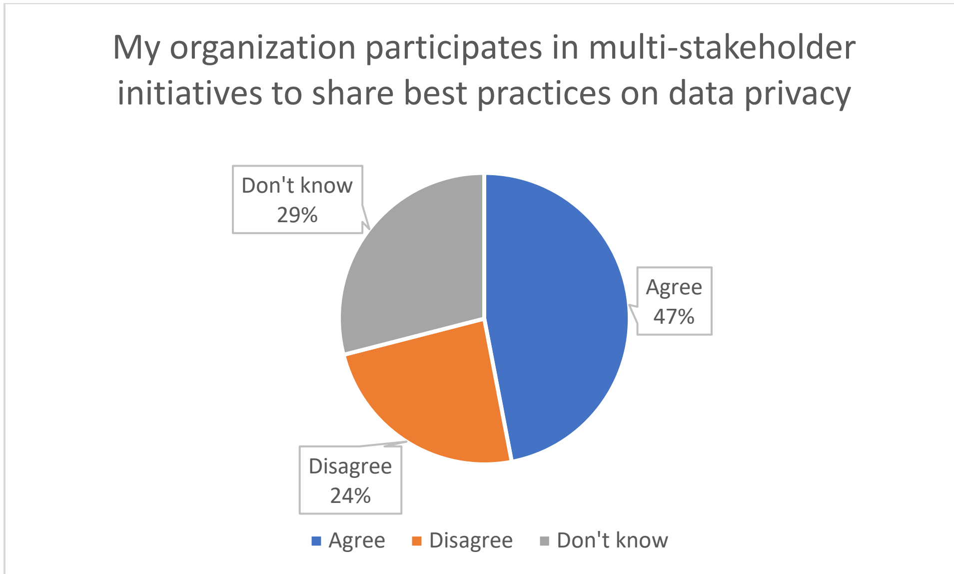
Threats	Chile C-Suite	Global C-Suite	US C-Suite	China C-Suite	Japan C-Suite	Germany C-Suite
Outsiders hacking	76%	64%	67%	30%	71%	65%
Internal employees	45%	46%	41%	50%	42%	65%
Outdated protection	41%	36%	32%	43%	55%	33%
The Internet of Things: billions of connected devices	32%	34%	35%	17%	43%	30%
For-profit crime	27%	32%	32%	50%	31%	42%
Industrial espionage	22%	17%	15%	18%	8%	9%
Vendors/partners	17%	26%	26%	43%	20%	9%
Terrorism	7%	6%	4%	5%	9%	5%
Foreign governments	2%	8%	20%	4%	3%	2%



Most C-Suite Executives In Chile Expect to Increase Cyber Risk Budgets in Conming Years
Not sure
8%
Decrease significantly
1%
Decrease somewhat
0%
Increase significantly
24%
Stay about the same
20%
Increase somewhat
47%
Decrease significantly
Decrease somewhat
Stay about the same
Increase somewhat
Increase significantly
Not sure

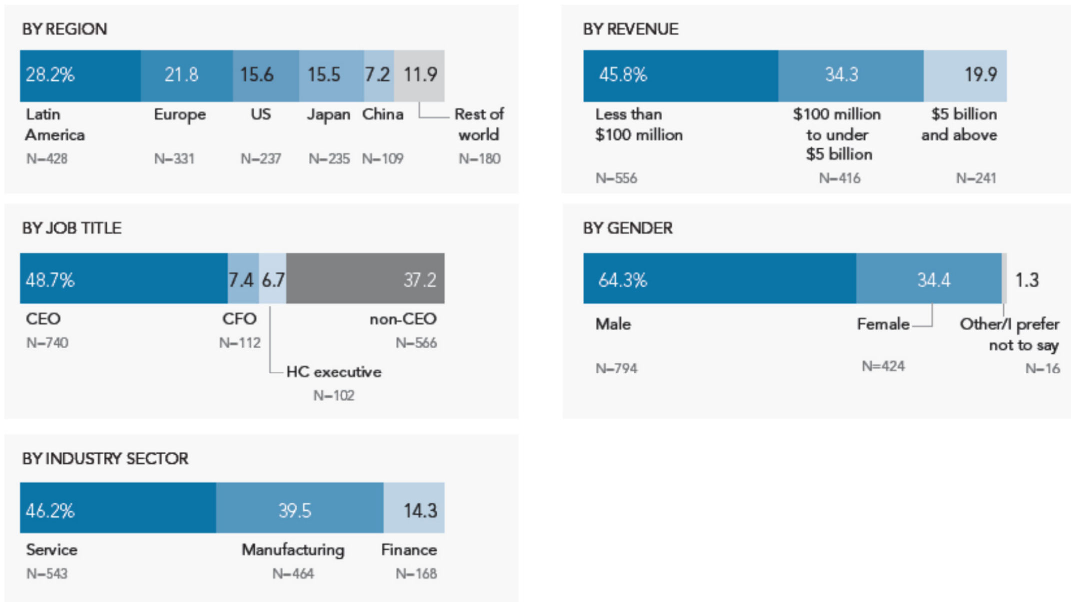


My organization proactively collaborates and shares information with the outside security community including industry groups and government agencies to develop shared cyber risk defense strategies
Don't know
10%
Agree
42%
Disagree
48%
Agree
Disagree
Don't know


My organization participates in multi-stakeholder initiatives to share best practices on data privacy
Don't know 29%
Agree 47%
Disagree 24%
Agree
Disagree
Don't know

Survey Demographics

Respondents' Profile



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About the Author

Charles Mitchell, Executive Director, Knowledge Content and Quality, at The Conference Board, is responsible for the development of member-generated content and ensuring the objectivity, independence, accuracy, and business relevance of the organization's research.

Regional Partners

The project, coordinated by The Conference Board, was made possible thanks to collaboration with 14 institutes around the world that invited their members and contacts to fill in the questionnaire to improve the coverage globally

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About the Survey

Since 1999, The Conference Board CEO Challenge® survey has asked CEOs, presidents, and chairmen across the globe to identify the key strategies they intend to use to meet their critical business challenges. This year,1,520 C-suite executives, including 375 from Chile and 740 CEO respondents (Chile 165), participated. The anonymous survey was carried out between September and October 2019. To provide a representative view from respondents from around the world, we weighted the responses in aggregates (such as global and major regions) by the square root of the respondent's country share in global output (GDP) divided by the respondent's share in the total number of responses from his/her country. "Top 3" rankings are not weighted, but are based on a straight count of how often each option is selected.

While CEO and C-suite priorities certainly vary on a company-to-company basis, we believe this report can serve as a discussion starter and idea prompter within organizations to ensure that the enterprise understands the challenges it faces, the strategic goals it needs to set to meet those challenges, and the strategies and tactics required to be competitive in a global marketplace.