

## Kooperationsstrategien für Produktinnovationen – Entwicklung eines Cooperation Assessment Toolsets

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**„Procter & Gamble has a history of creating new-to-the-world products through technology – from flouride toothpaste to disposable diapers – and we must continue to do that.“**

CEO John Pepper, 1996<sup>1</sup>

The impressive growth of Procter & Gamble in its more than 150 years of history is based principally on product innovations which add value to customers and consumers and finally to the company's stakeholders. Also in the future, the company's growth will rely on the ability of bringing innovations to the market quickly and efficiently.

„Der Starke ist am Mächtigsten allein“<sup>2</sup> - the aphorism of William Tell in Schillers identically named oeuvre is no more prevailing in today's business environment. Too many, determinants have changed during the last decades of the second millennium as the complexity could be resolved by one company alone. Companies, markets and individuals must open up today in every aspect to stay competitive. Therefore, collaboration between a company and the stakeholders in its environment is a very important way to solve the new challenges – more so since companies went global. Through cooperation strategies they were able to minimize risk and achieve access to know-how and resources for unknown markets and environments.

Collaboration is already an important factor in many industries of today's business world. Companies have transformed during the last 10 years to „fuzzy-walled organizations linked with dozens of partners in strategic alliances such as joint ventures, cross-selling agreements, and patent-licensing deals“<sup>3</sup>. Also, Procter & Gamble is sharing opportunities and risks today with partners. Nonetheless the company might sometimes be kind of internally oriented if compared to companies in other industries and to direct competitors. Today, in the big P & G fortress, a great deal is done internally.

In his 25<sup>th</sup> April 2001 speech<sup>4</sup>, Procter & Gamble's CEO A. G. Lafley talks about four ways of making innovations and new business development: acquisitions, joint ventures, alliances, or doing everything by oneself. Lafley makes the point: There is not *one* solution exclusively. There is a need of getting the best innovations through using every one of the four ways mentioned, at the right moment.

The following work covers strategies which involve cooperation partners throughout the whole value chain.

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<sup>1</sup> Amabile / Whitney 1997, S. 1

<sup>2</sup> Schiller 1991, S. 19 (The Strong is the most powerful alone)

<sup>3</sup> Ernst / Halevy 2000, S. 47

<sup>4</sup> Lafely 2001, o. S.

In the first theoretical part of the paper, various cooperation strategies are presented in the *cooperation grid* as a result of a broad literature research. There are many different types of cooperation strategies which are all part of a continuum between the transactional market exchange and the actual merger of companies. Partners can vary their commitment in the relationship in terms of duration (short-term, long-term or permanent) or involvement (no linkage, sharing of information, resources, funding or even equity). The huge range of different strategies becomes even more evident when the diversity of different possible partners is considered. There are not only cooperation partners in a vertical relationship (suppliers, customers, consumers), there are also partners in a lateral or horizontal perspective (competitors, complementors, society, governments, other profit centers internally or other partners).

Furthermore advantages and disadvantages of strategies involving cooperation partners are discussed. Cooperation strategies involve potential risks and costs (*threats*). Mainly, competitors can gain *access* to own competencies or competitive advantages. Also the field of strategic *flexibility* is reduced when cooperating. Often the *costs* of coordinating the partnership are very high. But there also comes an enormous potential with cooperation strategies. Companies can get *access* to all sorts of resources and competencies or they can improve their *flexibility* significantly. There is also a big potential of reducing *costs*.

Also, changes in the environment of companies are analyzed. Developments in consumer needs, society, business and politics are increasingly encouraging the partnership between companies while technology improvements are enabling the change and are leading to more complexity. This is consistent with the findings many studies suggest: a major management challenge in the 21<sup>st</sup> century will be the management of alliances and acquisitions.<sup>5</sup>

As a result of the discussion and the research of the threats and opportunities of cooperation strategies, two concepts were developed, the *opportunities triangle* and the *threats triangle*, which summarize potentials and risks of cooperation strategies and network design.

The paper also shows how those opportunities and threats can have an impact on profit & loss statements and - after consideration of the dynamic nature of cooperation strategies - also on financial goals (total shareholder return).

Later in the paper, the *cooperation management process* is presented. The processes consist of various steps in the three main phases: *initiation of cooperation*, *conceptualization of cooperation strategy* and *management of the partnership*. For every stage, the paper gives an overview on the success factors. Those success factors vary by cooperation strategy, cooperation partner or the stage in the cooperation management process.

Most importantly, cooperations have to be actively managed! Furthermore, the *cooperation diamond* developed in the paper gives an overview on the main success factors when pursuing cooperation strategies: shared vision and goals, complementarity & compatibility, interdependence, win-win culture and trust.

Later, based on the success factors developed for the cooperation management process, a number of *toolsets* will be developed to help the company assess new projects, particularly niche type

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<sup>5</sup> Vgl. Gomes-Casseres 1999, S. 2

initiatives. The tools will help to define the value net of an initiative and will guide towards a *make-cooperate-or-buy-solution*. The tools also help to find the adequate cooperation partner and cooperation structure.

Before starting with the practical part of the paper, some best-in-class examples of cooperation strategies are provided and a broad overview on cooperation strategies in the fast moving consumer goods industry is given. Cisco Systems stands as an example of a networked company and the pharmaceuticals industry is covered as a best-in-class example in R & D collaboration.

In the practical part of the paper, the toolset is applied to two past niche type innovation initiatives at Procter & Gamble and the learnings of the application are shared. Findings for example show that currently used financial analysis practices give incentives to project managers, not to cooperate or even to push use of internal resources. The tools also need to be reconsidered since with the current financial guidelines they are not fully suitable for niche type initiatives.

As part of the work at P & G, the theory and the results of the internal analysis are further developed to two proposals. In these proposals, cooperation strategies could be able to help to improve NPV of a running initiative. The suggestions show how cooperation strategies are able to improve P & G's power on the market for product components and how a competence profile of a competitor could fit complementarily to Procter & Gamble's competence profile.

Also, there are suggestions made how processes and practices within P & G should be reviewed in terms of cooperation strategies.

The data developed in the following paper can be applied to business unit or category level. It was motivating to see that during the development of this paper, the Procter & Gamble top-management is also developing new ideas in the field of partnerships and cooperations. More partnerships are likely to be forthcoming and Lafley concludes by stating: "That's my goal. That's where I want us to be. I want us to be neutral – totally open and totally neutral to opportunities."<sup>6</sup> Also, this spring, Lafley, Pepper and other leading Procter & Gamble executives visited Cisco Systems, which is a major case study in this paper, and are currently trying to learn from this leading high-tech company. Furthermore during the writing of the paper, there was a collaboration with Microsoft announced which should enhance the retailer communication and improve supply chain efficiency.

Inter-organizational cooperation is seen as an important determinative for the innovation capability of corporations. Often it is also seen as the "source of competitive advantage"<sup>7</sup> or a lack of relationships is a main reason why companies fail. In the future, success will depend less and less on one entity. Ultimately, a company's fate may come to depend on the success of the collective.<sup>8</sup>

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<sup>6</sup> Dorfman 2001

<sup>7</sup> Jarillo 1998, S. 31

<sup>8</sup> Vgl. Gomes-Casseres 1993, S. 9