Building through collaboration

Companies looking to expand transportation and logistics networks by leveraging existing assets through partnerships must overcome a number of obstacles to secure success, according to Wolfgang Lehmacher. Here the Hong Kong-based networking expert explains how those who take on the challenge can make collaboration work.

In the world of commerce and global supply chains, reliable and efficient delivery services are essential, and the transportation networks that provide these services are a cornerstone of all economies. But with countries and markets around the world becoming more interconnected, and the needs of customers more complex, transportation networks face major challenges. Very few players have the reach and network coverage to satisfy these demands alone.

Successfully collaborating with others can enable companies to offer new services, and to reach beyond their own borders and means. It can ensure a seamless and coherent customer experience through shared frameworks and operational principles. And it can also allow each partner to focus effort on the specifics and dynamics of its market, while the lead entity and partner is ensuring network coherence across all geographies.

The result of successful collaboration is a network that responds very well to local requirements and rapidly adapts to changing demand patterns. But those looking to build networks where the assets are not owned by one company need to know how to share. This means sharing vision, risks, investments, and profits.

The factors essential to the success of the collaborative model for those seeking to grow their footprint without extensive fixed investments can be split into three levels: the "leadership and strategic" level (why), the "operating" level (what) and the "management" level (how).

Leadership is crucial for ensuring a collaborative network is well integrated. When it is good it drives the success of the network and business community, as well as the success of each individual partner. When it is poor, the opposite is almost certain.

Integration in collaborative networks starts with alignment between partners, which in turn comes through shared ambitions and beliefs – the jointly accepted strategy. This alignment can only be achieved when the leaders and often owners of the participating companies are willing and able to align themselves with each other.

Successful collaborations are built around shared ambitions and a common set of values shared by all partners involved. They can be sustained over time by ensuring a focus on continuous mutual benefits and joint prosperity. Achieving this requires clarity and alignment in terms of the respective strategies of the individual partners.

Collaborations should be a core element of the strategy, endorsed and clearly announced by the top management of each partner. This canon of aligned messages needs to percolate down through all levels of the collaborating organizations.

In addition, branding is also an important strategic factor. Brand functions as a common signature and reference for customers and the network and business community alike, contributing to a common identity within the network and a seamless and coherent customer experience.

While its brand is often the core value that the lead entity and partner of a collaborated network brings to individual partners, this does not mean local brands should be replaced. The network may well wish to respect the existing local partner brand and leverage the goodwill it has built up in its community. However, some sort of commonality is helpful as a reference for customers so co-branding can often be a sensible compromise.

At the operating level, integration is driven by product concepts and standards, aligned processes and interfaced IT systems. Customers demand a coherent offering, which requires the same broad product concepts and standards to be used across the common platform. Aligned processes as well as flexible and reliable IT interfaces enable this by making effective and efficient network management possible. So while local processes have to be tailored to support local offerings, across the network there needs to becommon set of operating principles and rules to ensure the seamless flow of goods and information.

At the management level, alignment of governance mechanisms is a key enabler of successful integrations. Contracts with collaboration partners underpin the network and are undoubtedly the most critical governance mechanism as they summarize all critical factors. Often a prudent approach to forming a collaborative network is to gradually upgrade contracts as partnerships develop and strengthen.

In their early stages, collaborative partnerships need to focus on realizing "quick wins". This can be about ensuring agreed financial and operational milestones are reached, as well as realizing softer achievements such as rapid knowledge transfer and sharing of best practices. This allows all partners to see the benefits of the collaboration early on, thus cementing the relationships.

At the beginning, and more importantly as the collaboration progresses, a constant dialogue between partners is essential to prevent and address concerns and tensions that may emerge and leverage opportunities along the way. Effective communication skills and an ability to understand and adapt to different cultures - whether that be a corporate culture or the culture of a country - is key to enabling this.

Beginning with a "lighter" collaboration agreement - for example some sort of agency or service arrangement - and then eventually progressing through to a fully-fledged franchise contract with elements of participation minimizes risks. This gradual approach also ensures the suitability of partners can be thoroughly assessed before they become fully entrenched in the network.

In short, participations cement the relationship while road maps attached to the contracts serve as useful reference points for the partners along the gradual path towards more solid and entrenched relationships.

For companies able to tackle all these challenges together, the collaborative model can enable each partner to focus on its core activities and strengths. Although profits are split amongst numerous partners, collaboration enables expansion beyond the financial and knowledge barriers of individual companies through shared investments, expertise and risks.

And while decision making and implementation of new ideas may be slower than when all assets are owned by one company due to the numerous partners involved, this is offset by the natural tendency for collaborative networks to enable greater operating flexibly to tailor services to local markets and specific customer needs.

The collaborative culture promotes the creation of value beyond the organization, for partners and customers alike. For those who make it work, it also drives profit and revenue growth beyond the levels of ownership models.