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The Corporate Collaboration

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'Rotating leadership may be part of the secret sauce that allows organizations like Apple to release breakthrough products and achieve a competitive advantage.'

Earlier this year, Apple released a list of partners that supply the chips, parts, and technology that make its products. (You can view the report [here](#)) The list is comprised of 156 companies -- from big brands such as Intel, Panasonic, and Samsung Electronics to less well-known firms like Zeniya Aluminum Engineering and Taiyi Precision Tech Corporation.

What's striking about the list is its length. The 156 partners underscore the fact that iPads, iPhones, and MacBook Airs are not only the results of the genius of the late Steve Jobs and his A-team of engineers. Rather, they are the fruits of numerous collaborative partnerships. Of course some of Apple's alliances are simple procurement relationships -- Apple needs a certain part, so it finds a willing seller. But many of these partnerships are intense, behind-the-scenes collaborations -- sometimes lasting multiple years -- that involve Apple and another company jointly designing new products and technologies.

The computer industry is highly collaborative. Any given product -- be it a laptop, a desktop, a tablet, or even an operating system -- is the result of many alliances and collaborations. I've always been interested in how these collaborations happen, and what it is that makes one partnership yield a groundbreaking innovation, while another yield nothing all that exciting. (Full disclosure: I've advised, consulted, or worked at a number of high-tech companies including Intel, Microsoft, Cisco, and Google.) Over the course of my career and in my fieldwork, I've talked to a number of Chief Technology Officers or Engineering VPs at big companies. They often report that the majority of their time is spent on these collaborations, and that many of them are incredibly challenging. These partnerships are hard to make successful, especially when success is defined as a breakthrough technology or achieving a 'big' performance improvement like a dramatic increase in hard drive memory or microprocessor speed.

Why is it so hard to make these collaborations work? In principle they should be easy to execute. After all, these companies are market leaders in their fields and they are not direct competitors. Often, these same companies have collaborated before. So they're not plagued by the usual problems associated with new alliance relationships, such as lack of trust.

It's the subject of my latest research* with my colleague from Stanford, Kathleen Eisenhardt. Together we looked at case studies of eight technology collaborations between 10 organizations in the computing and communications industries between 2001 and 2006. We found that the key to successful collaborations lies in the way the two partners share leadership. In particular, collaborations that use rotating leadership -- a give-and-take management approach where partners alternate control of phases of innovative development -- are most successful.

The approach helps generate better products, greater incremental revenues, more trade secrets, and a bigger number of patents than other kinds of collaborations. Employees prefer them, too. Team members rate the innovations generated by these kinds of rotating leadership collaborations as 50 percent better than innovations produced by other kinds of partnerships.

Generally speaking, the corporate collaborations we looked at used three different approaches to leadership: domineering, consensus, and rotating. Domineering leadership is where one partner controls the entire process. Decisions are made fast, but they're not always the best. Consensus leadership is where representatives from both sides agree on every decision at every point in the process. Decisions are thoughtful, but the innovation process takes much, much longer and partners often agree to the lowest common dominator aspirations.

In rotating leadership, the partners take turns being in charge. One partner takes over during the software design phase,

say, and the other takes over the testing phase. During the time in which one partner is leading, it has complete unilateral control. This is optimal because it makes decisions speedier and more efficient. (This is an advantage rotating leadership shares with domineering leadership.) The fact that the leadership rotates back and forth allows both partners to contribute their expertise at different points in time. The result is a broader more diverse network of minds working together to solve problems. In other words, rotating leadership provides unilateral control to both partners, just at different times.

Another big benefit of rotating leadership is that it widens the pursuit of potential innovations. Different companies naturally have different priorities. Since leadership is shared, each company has an opportunity to single-mindedly pursue its objective and influence the collaboration's trajectory. Different objectives in different phases mean a larger search for innovation. This larger search often yields groundbreaking products and technologies.

Rotating leadership may even explain a puzzle in the computer industry and other interdependent environments. It may explain why some companies like Intel and Microsoft are able to maintain symbiotic relationships over many years. Famously, these partners used their relationship to develop the technologies underlying the Wintel platform. The platform became the industry standard, and allowed them to seize technological leadership from the PC original equipment manufacturers (OEMs) like IBM and Compaq. Taking turns may be necessary to prevent a long-term symbiotic relationship like this from becoming stale or competitive.

Apple's recent announcement has exposed what industry participants have widely known: that while Apple's PR emphasizes the lone wolf genius of the company and its leaders, Apple is actually very collaborative with other companies. (The new relationship with Intel being the most important example.) Rotating leadership may be part of the secret sauce that allows organizations like Apple to release breakthrough products and achieve a competitive advantage.

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