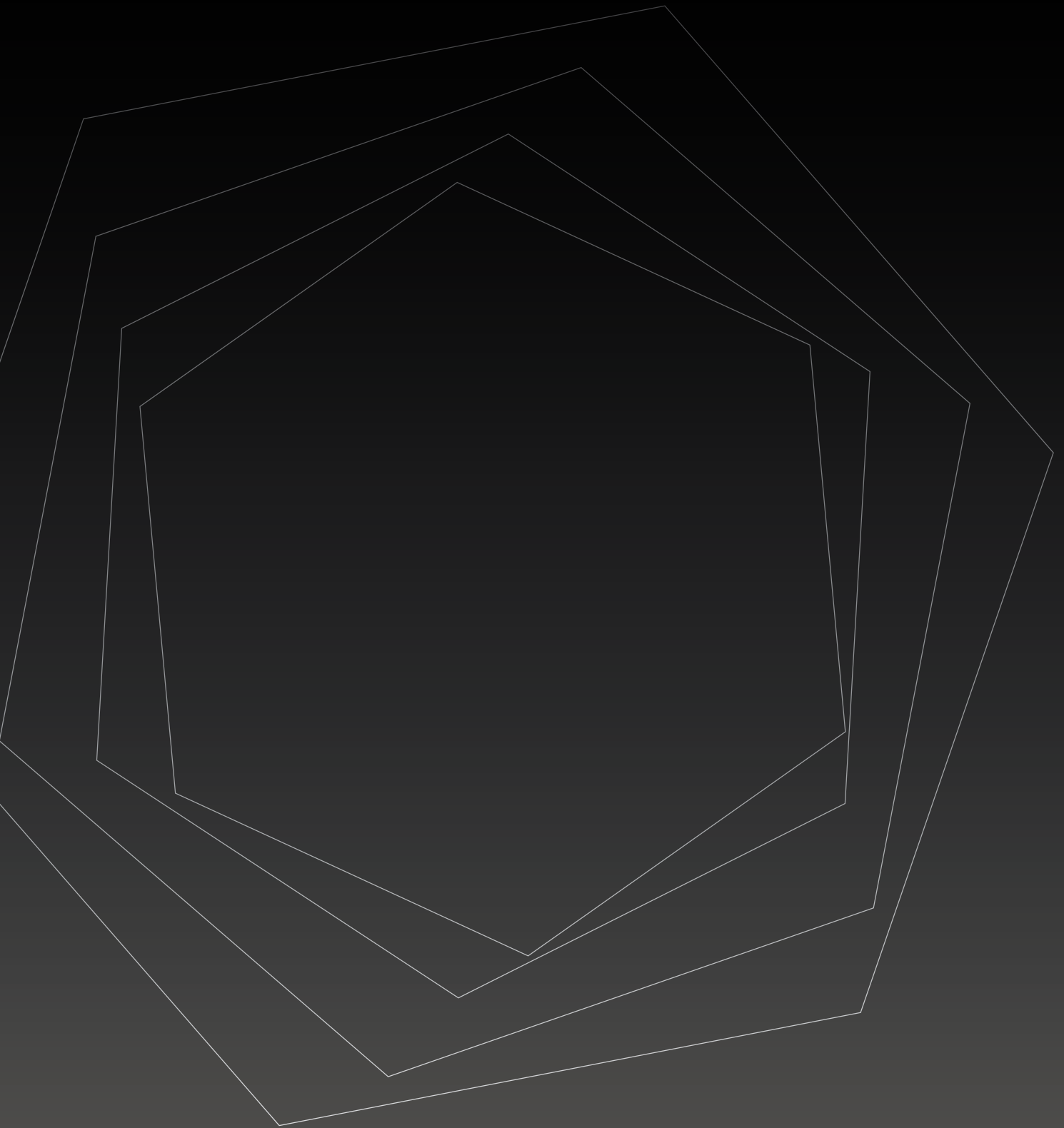


Headland

The Collaborative Corporate

Reimagining relationships,
reputation and revenue

NOVEMBER 2023



Headland

A report from Headland

Foreword: The power of collaboration

The global economy is in fundamental transition. From carbon to electron. Human to robot. Unipolar to multipolar. The availability of information is near endless, yet its flow fragmented. Sentiment becomes polarised. Issues sometimes weaponised.

Succeeding in the face of complexity has always demanded reaching beyond your immediate sphere of influence and working with others. Indeed, the value of traditional collaboration to business – joint ventures, innovation clusters, brand partnerships – has proven value.

But meaningful collaboration is not easy to deliver, and the pursuit of it is sometimes messy.

Headland has had collaboration in its DNA from day one.

We were built to give clients a rounded perspective on their reputation by bringing together the right mix of viewpoints from across different stakeholder groups, audiences and industries. We've always believed a collaborative approach helps clients break down silos, enables productive relationships with stakeholders, and effectively builds reputation over the longer term.

However, set against today's backdrop, bringing together a wide range of perspectives felt merely like the starting point.

Working with Professor Ben Shenoy, a specialist in systemic and behavioural complexity, we set out to challenge our own thinking on how to effectively build corporate reputations, so that all those who work to enhance the reputations of a business – most often represented in the Corporate Affairs functions – are best prepared for a rapidly changing world.

The Collaborative Corporate is the first fruit of our labours. It is a roadmap to successfully unearth reputation and commercial wins for our clients – or Collaborative Advantage, as we are calling it.

Through creating it, we have tried to make objective observations about what we as Corporate Affairs and Communications practitioners do, why we do it, and address some fundamental questions:

- Do organisations build the right relationships, and do those relationships have the right foundations and focus to enable it to thrive in the modern economy?
- Do we pursue the correct objectives when building reputation through our day-to-day activity?
- Do we have a clear enough view on the commercial value that Corporate Affairs can bring to an organisation in the context of 2023's economy and society?

In answering these tough questions, we've been able to piece together a contemporary, optimistic and realistic approach to building reputation and value in the face of all the challenges of today. Specifically, we look at what we call the Grand Challenges, the biggest and intertwined issues facing corporates and all their stakeholders.

At its core, this method expands the nature and ambition of how a business collaborates with others to better effect for itself and the overall system in which it does business.

We believe it can inform how Corporate Affairs teams can best support the organisations they serve, and inform how businesses unlock financial, social and environmental value for themselves, their stakeholders and the wider world.

In the spirit of collaboration, we hope it helps.

Dan Smith,
Managing Director

Glossary

Collaborative Corporate A Collaborative Corporate unlocks value – financial, social and environmental – by addressing the Grand Challenges that impact the wider ecosystem in which it does business.

Collaborative advantage The commercial and reputational edge which stems from pursuing meaningful collaboration with the actors in the external world of each corporate, in order to positively impact – or even transform – relationships, reputation, and revenue.

Convening power A corporate using its reputation to engage with a wide variety of participants from across its ecosystem in order to tackle a Grand Challenge.

Ecosystem The wider arena across which a Grand Challenge needs to be addressed – this goes beyond the corporate itself, its supply chain and its sector. Ecosystems overlap to make up the overall system in which all economic and social activity is done.

Grand Challenge The essence of the most challenging, intertwined issues facing corporates and all participants in an ecosystem.

Stretch collaboration A willingness to enter into a relationship – often with numerous parties – without an expectation that there will be an outcome, but merely acknowledging there is a problem to be solved.

Participants The organisations and individuals who have an interest in addressing the Grand Challenge, and may well play a more active role than typically expected of stakeholders.

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Executive Summary

The case for the Collaborative Corporate

Wake up today anywhere in the world and chances are you'll be confronted with the symptoms of some of the complex, interlinked '**Grand Challenges**' we face as human beings.

Whether it's the climate crisis putting you at risk of fire, floods or food insecurity; technology disrupting your life and livelihood; or polarisation and the feeling that communities are fraying at the edges.

These experiences are as true if you're a CEO in Mumbai, as they are if you're a citizen in Manchester or Massachusetts. Grand Challenges are global, but they express themselves very locally – and have only accelerated and intensified in the past decade. Inevitably, they will become more acute over the next decade.

Some businesses are ahead of this change and are ready for what comes next. The vast majority are in the process of either adapting or rethinking. Others remain tied to what has previously worked and driven performance.

But all businesses and their stakeholders, have something in common: they are all part of a **system** across which these powerful – even existential – challenges are playing out and driving change to the way the system itself behaves and operates. These are shared challenges in which we all have a stake; or rather Grand Challenges which collectively need addressing.

Different stakeholder groups are driving businesses to face into these challenges. Regulators are removing barriers to competition so more shared endeavours and activity can take place within and across sectors. Investors, individually and collectively, are putting pressure on the companies they invest in and focusing capital and resource on big issues. And government, pressure groups and concerned citizens are all looking to business to step up and coalesce others to help create change.

In this world defined by Grand Challenges, business needs to be ambidextrous. Collaborating to navigate and solve them on the one hand, whilst maintaining the essence of what has driven prior performance on the other.

This won't come naturally to many businesses and leaders who are used to a world built on fierce competition. However, putting Grand Challenges at the centre of your thinking doesn't need to be solely viewed through the lens of defensive behaviours or risk management.

Far from it, there is upside to be found in uncertainty. Not just for a more prosperous world, but for the bottom line.

This report focuses on how businesses, and their Corporate Affairs functions, can unearth this upside by putting new and deeper kinds of collaboration at the centre of their approach to their external worlds, and their strategy.

We are calling this 'Collaborative Advantage' – and we believe that a new breed of business behaviours can enable an organisation to seize the opportunity and become a **Collaborative Corporate**.

How to become a Collaborative Corporate and unearth your collaborative advantage

Collaborative Advantage is unearthed by a corporate combining its existing business toolkit with an emerging set of techniques geared towards interacting with its external world in a deeper, more open manner.

It does so by reimagining the interplay between its **relationships, reputation and revenue** to unlock value – financial, social and environmental – for itself and the wider system it operates in.

Corporate Affairs is fundamental to seizing this Collaborative Advantage. Only through an active, influential Corporate Affairs function can business realise it.

Executive summary (continued)

Reimagining relationships

The Collaborative Corporate reimagines the nature, breadth and set of relationships it builds with external stakeholders and third parties.

It does this by:

- **Acknowledging it is part of a system:** most organisations place themselves at the centre of their approach to the external world, literally putting themselves in the middle of their stakeholder map. A Collaborative Corporate starts in a different place. It instead puts a Grand Challenge at the centre of its thinking, and maps its stakeholders – or, framed more collaboratively, its fellow participants – by identifying who has a direct, indirect or informal stake in collectively solving it. This allows it to identify broader – and often surprising – relationships to cultivate and nurture. This shift in thinking from egosystem to ecosystem is the basis for the Collaborative Corporate's success.
- **Deploying 'stretch' collaboration to build new kinds of relationships:** numerous businesses discuss the importance of collaboration, particularly internally. However, this collaboration tends to be 'conventional' in nature – often bilateral, formal and with pre-conceived outcomes. The Collaborative Corporate is bolder and enters into 'stretch collaboration' – multi-lateral, informal relationships where all that the participants have in common at the outset is the shared belief that addressing the Grand Challenge is worthy of effort. Usually, the participants have different – sometimes conflicting and contradictory – views on how to best address the Grand Challenge. However, through participation, humility and goodwill, dialogue becomes productive and new long-term relationships are built.
- **Developing new kinds of relationships with unusual suspects:** the complex nature of the Grand Challenge being addressed demands that the Collaborative Corporate broadens its view of prospective partners. It actively seeks to build relationships with its critics, participates fully in the growing numbers of informal, cross-sector and self-organising coalitions and also recognises when there is value in meaningfully collaborating with its competitors.
- **Recognising that collaboration starts at home:** to be able to become a Collaborative Corporate, a business must join the dots internally. If internal silos prevent a business from seeing the bigger picture, meaningful relationships and a successful reputation cannot happen externally. Many organisations are brilliant at eroding internal barriers and fiefdoms. The ones that do so successfully tend to have a Corporate Affairs function which operates effectively and regularly with other parts of the organisation – from marketing and HR functions to risk, legal, commercial and investor relations teams. A Collaborative Corporate successfully builds productive cross-functional relationships, based on a shared and clear understanding of the Grand Challenges which the business is addressing.

Reimagining reputation

The Collaborative Corporate reimagines the objectives and methods by which it seeks to build and protect its reputation.

It does this by:

- **Adopting a different power dynamic with its stakeholders:** the Collaborative Corporate's mindset starts from a positive, optimistic, constructive place, in terms of the way in which it acts with organisations in its external world. Instead of seeing 'stakeholders' as entities which need 'managing', its default position is that external third parties are fellow 'participants' with whom a productive form of 'partnership' is possible and should be explored. This requires a degree of courage, because it demands that the corporate relinquishes some of its power and control, acting in a more open and vulnerable fashion.

Executive summary (continued)

- **Believing that trust is an outcome, not an objective:** for years, the pursuit of trust has been a central strategic objective for businesses and their Corporate Affairs functions. A Collaborative Corporate still values trust. However, instead of seeing it as a pre-requisite to continue having a licence to operate, it is much more focused on the nature of its participation and the actions it is taking to tackle the Grand Challenge. Trust is built through the commitment from a Collaborative Corporate to meaningfully participate, rather than because it is solely focused on “winning trust” to be able to deliver on a commercial plan.
- **Seeking to convene fellow participants to act:** the Collaborative Corporate builds the capacity to convene a broad array of participants in meaningful dialogue. In doing so, it leads the way in identifying actions that numerous parties can take to tackle the Grand Challenge in question. The convening power of a Collaborative Corporate is the truest barometer of its reputation, as it demonstrates its influence across its ecosystem.

The Collaborative Corporate explores the opportunities that exist in the space where ecosystems meet and overlap, within the wider system in which all businesses operate. Here is where business models can be reimaged, new partnerships built and fresh revenue streams created.

Reimagining revenue

The Collaborative Corporate reimagines how it innovates to create new revenue streams and commercial upside.

It does this by:

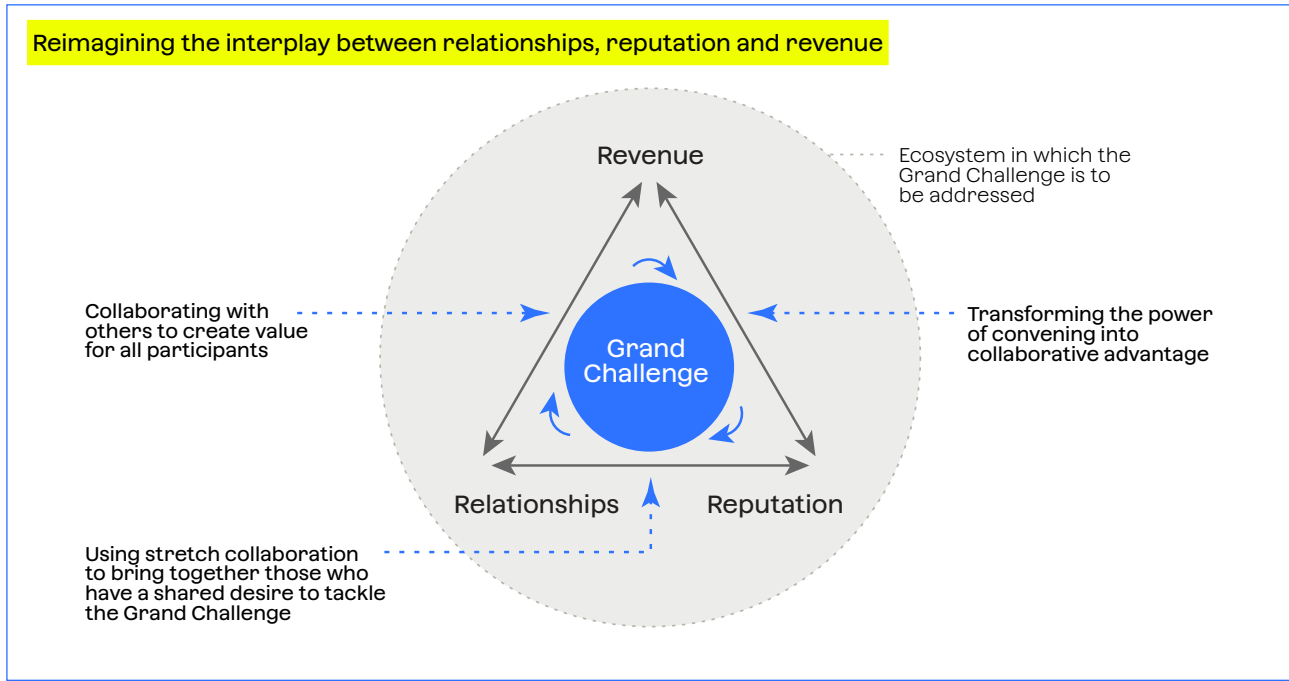
- **Enabling the innovation that comes from collaboration:** a Collaborative Corporate dedicates time and resource to building the networks and alliances across its ecosystem which can fuel innovation. It recognises and harnesses the proven link between innovations that stem from collaborative behaviours and the creation of value.
- **Identifying where its ecosystem overlaps with other ecosystems through addressing a Grand Challenge:** traditionally, businesses have often found competitive advantage by exploring the ‘white space’ between conventional markets. This is because the intersections that lie at the overlaps between sectors are frequently where friction exists that can give rise to market failures – and these failures can be reframed as market opportunities. In a similar vein, the Collaborative Corporate explores the opportunities that exist in the space where ecosystems meet and overlap, within the wider system in which all businesses operate. Here is where business models can be reimaged, new partnerships built and fresh revenue streams created.

By behaving in this manner, the Collaborative Corporate unearths its Collaborative Advantage.

Ultimately this serves to unlock value – financial, social and environmental – for itself and the wider ecosystem in which it does business.

The Collaborative Corporate can therefore surf the wave of creative destruction wrought by the volatility, uncertainty, complexity and ambiguity across the system in which all businesses and their stakeholders operate.

Executive summary (continued)

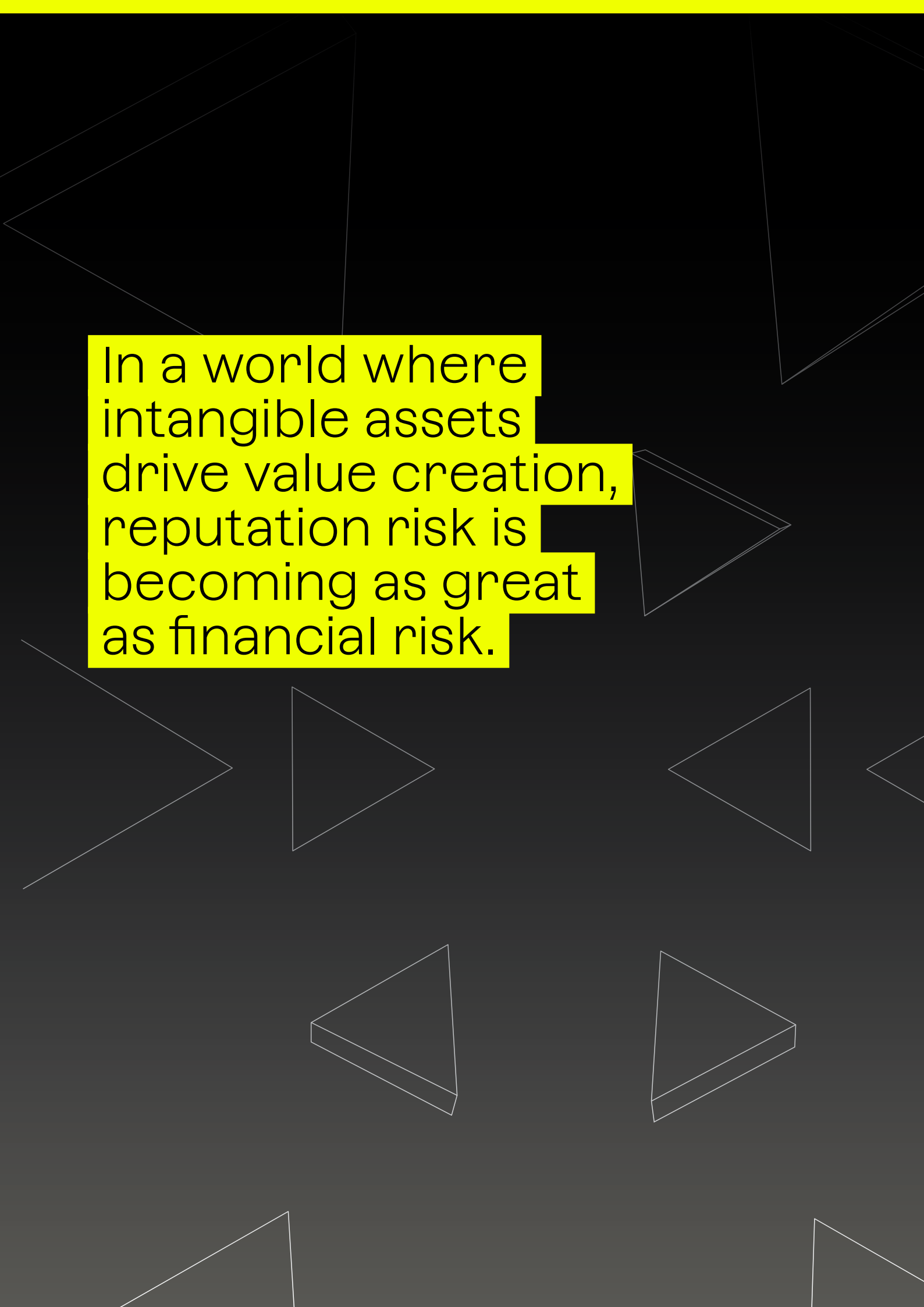


The research conducted for this report

A literature review was conducted by Professor Ben Shenoy on topics related to collaboration in business and society.

The primary and secondary research commissioned for this report was conducted by Headland's Strategy, Insight and Planning (SIP) team. This comprised:

- An n=2000 poll, representative of GB adults, conducted online by YouGov, 3–4 October 2023.
- An n=500 poll of opinion formers (drawn from civil society, business, politics, the media, third sector and beyond), conducted online by YouGov, 4–10 October 2023.
- Interviews with a sample of CEOs and Senior Executives from Headland's clients and wider network.
- A review by the Headland team of the most recent preliminary results call transcripts from all FTSE100 companies (except 8 companies that are investment vehicles). Analysis categorised the number of "Grand Challenges" mentioned on the calls.



In a world where
intangible assets
drive value creation,
reputation risk is
becoming as great
as financial risk.

The need for the Collaborative Corporate

1. The modern business world is complex: identify the Grand Challenges

The ‘silent pandemic’ doesn’t involve a virus of any kind. Instead, it refers to antimicrobial resistance (AMR) – microbes, including bacteria, which are resistant to antibiotic drugs. AMR is a major concern for the pharmaceutical and healthcare sectors. It is estimated that 1.26 million people died from AMR in 2019. If doctors cannot control infection, they will not be able to administer chemotherapy or perform invasive surgery and procedures such as premature births become much riskier.

But AMR is also a significant challenge for the food industry. 70% of the antibiotics consumed by production animals are for preventing disease, so the operations of food companies potentially contribute to the rising threat of AMR. Investors in food companies have become increasingly aware of this risk and how it might affect returns. Food shareholder activism over AMR has grown, with resolutions being passed at recent Annual General Meetings (AGMs) of Yum! Brands, COSTCO, Walmart and McDonald’s.

The way that AMR has insinuated its way into food company AGMs illustrates the intertwined nature of today’s complex world that leads to unintended – and unanticipated – consequences.

Business parlance has evolved to reflect this messiness. The term VUCA¹ – volatile, uncertain, complex and ambiguous – is perhaps the best shorthand to describe the rapidly changing environment in which business is done. This environment is built upon somewhat open, shared systems across society (e.g. the movement of labour), technology (e.g. the open internet), geopolitics (e.g. multi-lateral trade deals) and the planet (e.g. the biosphere). These systems are not static, nor easy to predict, and interact with each other.

The most challenging issues which evolve within these systems, like AMR, can be characterised as ‘*Grand Challenges*’. These Grand Challenges share certain features:

- **Multi-faceted:** They contain a web of interdependencies which taken together make them intractable;
- **Contradictory:** They involve a diverse range of stakeholders who may not agree on the nature of the problem, let alone potential interventions to address them; and
- **Anomalous:** They do not yield to solutions that have worked in the past.

The term VUCA was coined more than 30 years ago – so what’s different now? Why the need for this focus today on Grand Challenges? A key reason is the interlinked nature of distinct existential threats: for example, the climate and nature crises are combining to create water and food supply crises, the forced movement of people and labour, and the ongoing disruption to supply chains. The depth and severity of these issues have the potential to rapidly erode and destroy value.

Another reason is that, in part due to technology, the pace of disruptive change has accelerated. The Internet changed how businesses interact around the turn of the century over a span of five years, smartphones transformed communications from 2007 onwards over a period of two to three years and generative artificial intelligence has mutated the nature of content generation in less than a year.

The Collaborative Corporate: Why it's needed (continued)

Such systemic risks are not diversifiable – so corporates increasingly have no option but to get involved in tackling them and framing them as a **Grand Challenge** which they have to address. The choice is starker than ever before: accept change will happen to you or try and get ahead of it.

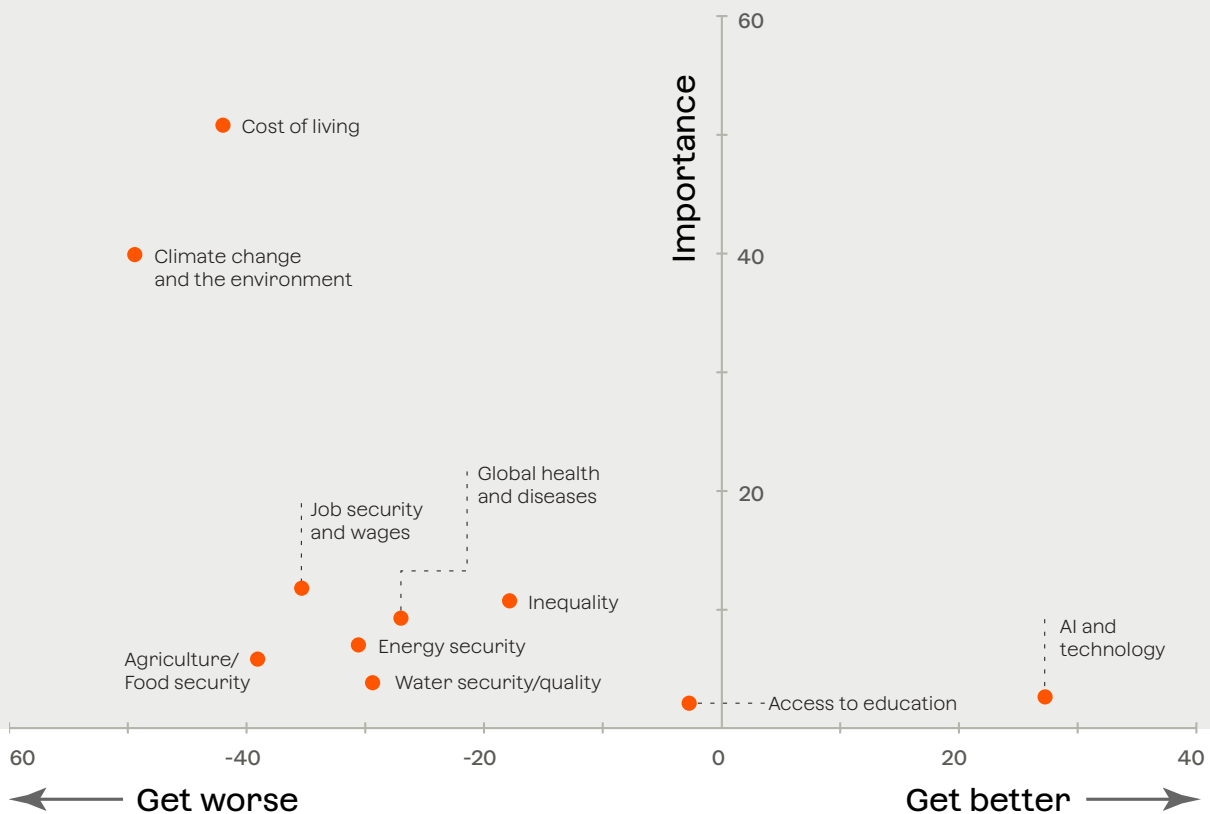
When a business faces such a challenge, which can directly impact its performance and reputation, its instinct is often to reach for a similar playbook and 'solve it'. But building effective responses to a Grand Challenge is, by definition, incredibly challenging, requires the support and involvement of numerous stakeholders and often takes years or decades.

As they play out, Grand Challenges are labelled as market failures (for example, in the UK, the degree to which sewage is polluting our waterways), societal failures (for example, the current perceived lack of safety for children using social media), and at their most largescale and existential, planetary failures (the starkest example being the dual crises of climate and nature). The UK public is strikingly pessimistic about the prospects for improvement on what they believe are the two most important challenges facing global society today – the cost of living and climate change (see Figure 1).

UK public's perception of importance of and likelihood of progress on Grand Challenges. Headland poll of the general public.

Figure 1

Tackling the "Grand Challenges" – How important and How addressable?



Question wording

Vertical axis: From the following list, what, if any, are the most important shared challenges facing people in the world today? Please select up to TWO.

Horizontal axis: Do you think that the following will improve or worsen over the next 10 years, or will they stay the same? Net score, "improve" minus "get worse".

2. Responding to ‘Grand Challenges’: How stakeholder behaviour is changing

Business behaviour has significantly evolved over the past decade to address Grand Challenges, as clearly illustrated by the volume and scale of funding for environmental and social initiatives. And the recent growth of movements such as B-Corp and issues-specific taskforces demonstrates the appetite of sections of the business community to combine and deliver meaningful change.

Yet one only needs to read about the depth of today’s crises of climate and nature, or, for example, the complexity of response required to ensure that AI becomes a positive economic and social force, to conclude that greater, broader and more coordinated responses to shared Grand Challenges will be required over the next decade and beyond.

Public opinion supports this view – indeed, the vast majority of people believe that UK businesses are failing to respond to the Grand Challenges we face – 63% of the general public think businesses are faring badly in addressing issues beyond their own core interests. Opinion formers are even more negative, with 71% saying businesses are doing badly.

What’s more, core business stakeholder groups are driving corporate adaptation to Grand Challenges, for example:

- **Regulators are encouraging collective action:** Regulators recognise that a singular focus on encouraging competition for the benefit of consumers has limits. For example, the Competition and Markets Authority (CMA), the UK’s competition regulator, recently announced that its Green Agreements Guidance would broaden exemptions for businesses in the same sector working together to collaborate on issues such as climate change.

- **Investors are increasingly forming issue-led coalitions:** Investors are increasingly pooling their influence and capital to stimulate change. For example, Nature Action 100 is an investor coalition of investors representing \$23.6tn in assets under management, including AXA Investment Managers, BNP Paribas and the Church Commissioners for England, targeting 100 companies, calling for urgent action on nature and biodiversity loss to mitigate financial risk.

- **Consumers and citizens have high expectations:** Only 21% of people think businesses can be effective working alone. The most impactful type of corporate collaboration citizens can imagine is businesses working together, across sectors, with 60% of the general public and 63% of opinion formers thinking that this would be effective at tackling the Grand Challenges we face. For all other forms of business collaboration (with national governments, local government, and non-profits) more than 50% of the public expect it to be effective.

With stakeholder expectations and behaviours changing, if a corporate’s response to a Grand Challenge is perceived to be lacking, then the risk of long-term reputational and financial damage grows.

There is, therefore, both self-interest and collective need for action to meaningfully address the challenges that are impacting reputation and value today and which are simultaneously shaping the economy and society of tomorrow.

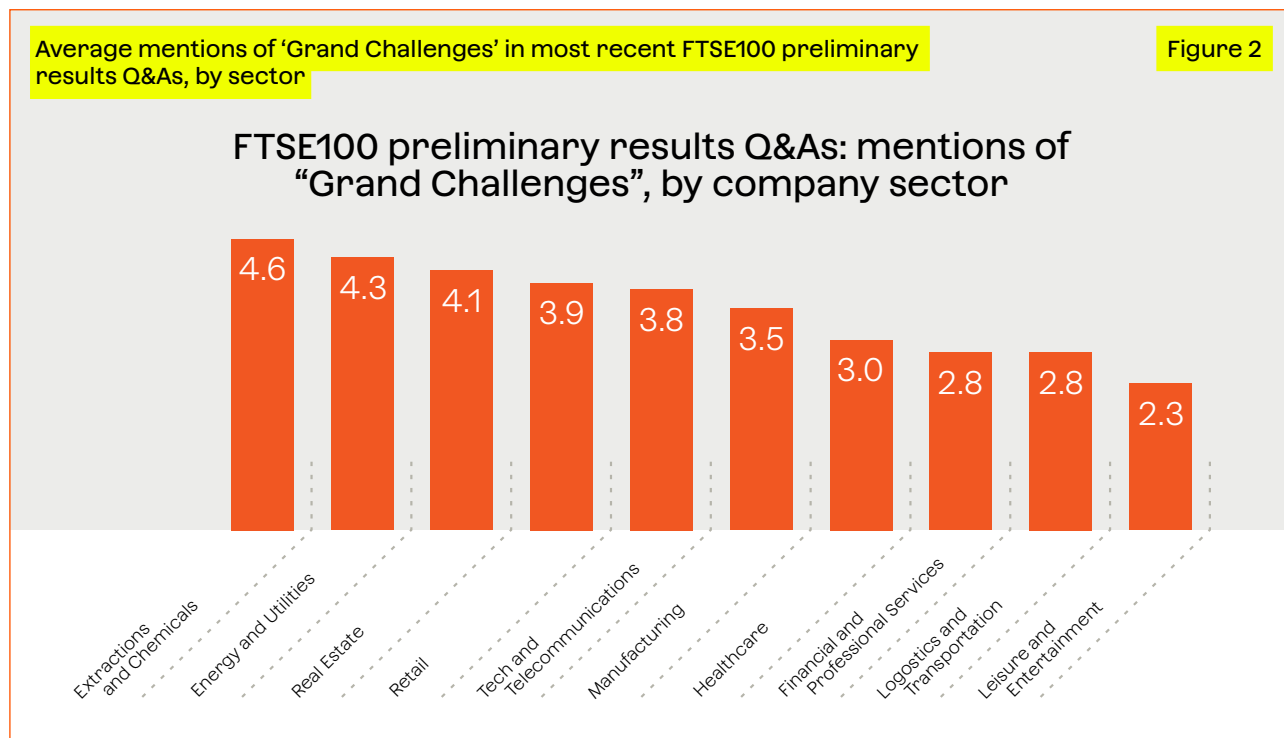
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The need for the Collaborative Corporate (continued)

With stakeholder expectations and behaviours changing, if a corporate's response to a Grand Challenge is perceived to be lacking, then the risk of long-term reputational and financial damage grows.

Corporates are already integrating these considerations, not just into their annual reports and sustainability reports – where they have lived for some time – but drawing out their implications and the actions they are taking in quarterly earnings calls. This suggests that the challenges are rightly seen as 'grand' – with immediate consequences for the investment case of businesses. Our analysis of the most recent earnings calls of each of the FTSE100 businesses suggests that CEOs and CFOs are proactively engaging with, on average, between three and four different substantive challenges.

The businesses doing so most extensively tend to be those in the extractive and energy sectors and the least extensively including those in the leisure and entertainment and financial and professional services sectors (see figure 2). This suggests that the carbon intensity and other societal impacts of these first groups of businesses are so great that their leaders feel compelled to engage on these issues. That separation between return and societal impact is breaking down.



3. The business case for finding upside in uncertainty: Unearthing ‘Collaborative Advantage’

We appear to be painting a picture of doom and gloom and to be saying that corporates have no choice but to engage with, and adapt to, grand environmental, social and technological challenges just to survive. That is precisely what we’re saying – but it’s only part of the story.

The other side of the equation is that we are increasingly observing businesses that are leaning into Grand Challenges and, in growing numbers, placing them at the centre of their business strategies.

As environmental challenges and technological disruption accelerate in the coming years, businesses face a choice of Grand Challenges imposing change on them, or finding a way to unearth new competitive advantage.

Behaving as a Collaborative Corporate is a central part of achieving the latter.

By reimagining the role and nature of collaboration of an organisation, a corporate can positively impact – or even transform – a business’s relationships, reputation, and revenue.

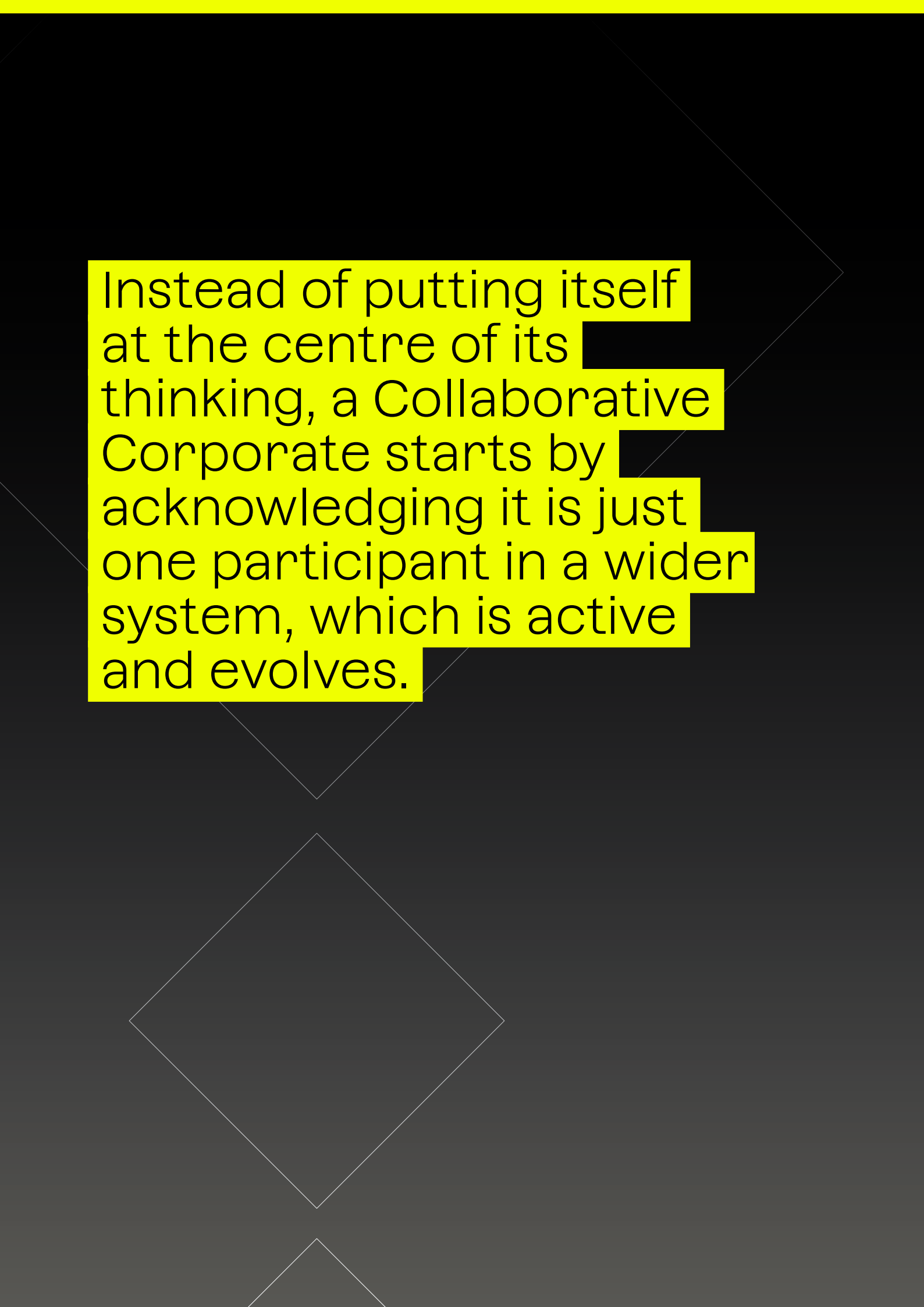
The prize is the unearthing of ‘collaborative advantage’: a commercial and reputational edge which stems from pursuing meaningful and deep collaboration with the participants and stakeholders in its external world.

The benefits of collaboration to business are not new – the value creation derived from internal collaboration across business silos, joint ventures, open innovation, knowledge sharing and participation in multi-stakeholder/inter and intra-industry initiatives are proven. Business success has often demanded reaching beyond an immediate sphere of influence and working with others.

However, we believe the response to Grand Challenges from corporates should be one of collaboration on a new and broader scale than most businesses currently deploy.

This report unpacks how to behave as a Collaborative Corporate and the implications for the C-Suite, Corporate Affairs and all the parts of any business that drive reputation, as they look to unearth competitive advantage and ultimately create value – financial, social and environmental.

By reimagining the role and nature of collaboration of an organisation, a corporate can positively impact – or even transform – its relationships, reputation, and revenue.



Instead of putting itself at the centre of its thinking, a Collaborative Corporate starts by acknowledging it is just one participant in a wider system, which is active and evolves.

Becoming a Collaborative Corporate

To succeed in today’s complex and volatile world, the Collaborative Corporate needs to unearth “collaborative advantage”: a commercial and reputational edge which stems from pursuing meaningful collaboration with others in pursuit of addressing shared, Grand Challenges which impact the system in which all stakeholders operate.

To do this demands a different way of thinking on three levels (see Figure 3). Collaborative Corporates successfully reimagine:

Relationships:

- Instead of putting itself at the centre of its thinking, a Collaborative Corporate starts by acknowledging it is just one participant in a wider system, which is active and evolves. Rather, it puts a shared ‘Grand Challenge’, which is impacting the ecosystem, at the centre of its approach to building external relationships and identifies others who have a desire or need to tackle the shared problem.
- And instead of viewing these third parties as stakeholders who need managing through one-to-one engagement, a Collaborative

Corporate maps a broader range of participants who can play a role in collectively addressing a Grand Challenge, opening the organisation up to new perspectives, challenges and opportunities.

Reputation:

- Instead of focusing on winning the trust of third parties to protect a corporate’s licence to operate, a Collaborative Corporate builds reputation through active participation and action with others towards addressing the Grand Challenge.
- Building trust with third parties is therefore an outcome of participation, not an objective for the business.

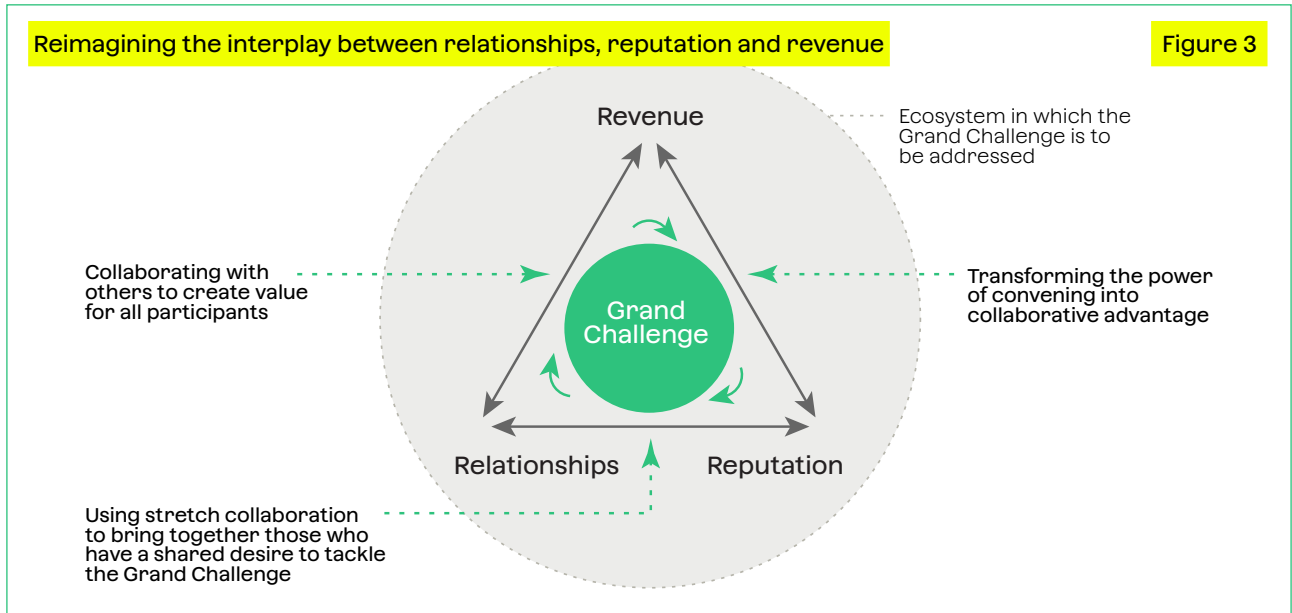
Revenue:

- Through building a broader range of relationships and participating in a more open, multi-lateral manner, Collaborative Corporates are able to identify opportunities to innovate and build new revenue streams through collectively addressing shared challenges.

Being Ambidextrous: being in both a conventional and Collaborative Corporate mindset

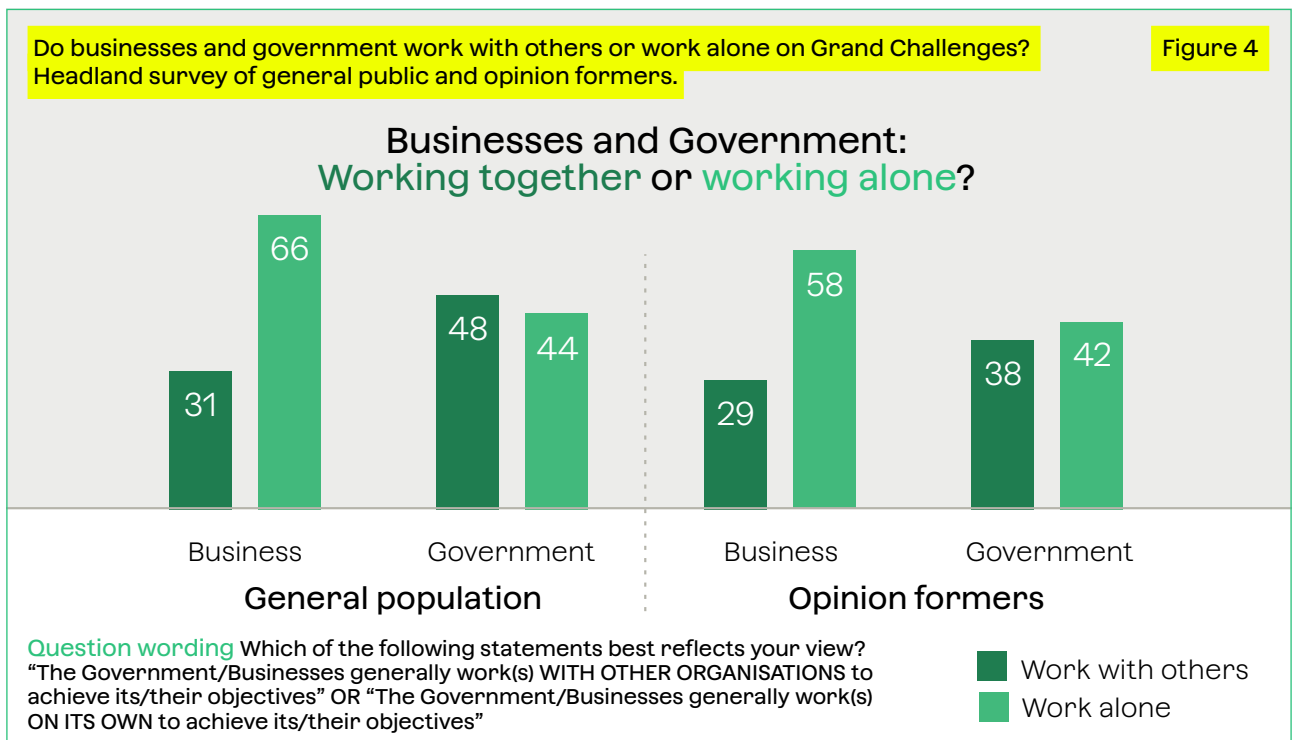
	Conventional Corporate mindset	Collaborative Corporate mindset
Typical Relationships	Bilateral with stakeholders	Multilateral with participants
Approach to Reputation	Build trust and protect the licence to operate	Participate and act to enable change
Creation of new revenue streams	Traditional R&D processes to build new product/service lines	Open innovation across ecosystems in which the Grand Challenge is being addressed

Becoming a Collaborative Corporate (continued)



This represents a challenge to today's corporates, who are not currently seen as behaving collaboratively, either by the public in general or the more closely connected opinion formers (see Figure 4). For all their perceived faults, government is seen as more likely to be working with others to make progress on our shared Grand Challenges.

This report focuses on each of these areas in turn, demonstrating how a Collaborative Corporate reimagines relationships, reputation and revenue to unearth its 'collaborative advantage' in today's volatile, uncertain, complex and ambiguous world.



Case study

Pret as a Collaborative Corporate – addressing the Grand Challenge of the food allergy epidemic

In 2018, UK food-to-go retailer, Pret, was involved in two tragic cases in which customers died following allergic reactions to sandwich products.

The high-profile nature of the tragedies impacted Pret's corporate reputation and sales began to suffer. Pret suddenly became the centre of a Grand Challenge: addressing the rising epidemic of food allergies among the general public.

In its response to the Grand Challenge, Pret needed to become ambidextrous. On the one hand, it needed to act as a conventional corporate, doing all the things that its customers had come to love about the brand and business, to maintain the market share and competitive advantage it had built over numerous years. But on the other hand, it also needed to become a collaborative corporate, recognising its responsibility to work with all its stakeholders, sector and adjacent sectors to solve a systemic issue.

Working with Headland, Pret's response was to start at home. It hired the ex-CEO of the Food Standards Authority to conduct a thorough review of its operations and culture to make recommendations about the changes the business could make to ensure a tragedy would not happen again, and to make the business fit for a world where increasing numbers of its customers had food allergies.

These recommendations became the Pret Five-Point Allergy Plan, a market-leading approach to managing allergies for a food-to-go business. And the plan became the basis for deep, meaningful collaboration with numerous participants who shared in addressing the Grand Challenge. Pret sat down and listened to its competitors about the implications for the whole industry, whose advice sharpened these recommendations and made it replicable across the industry.

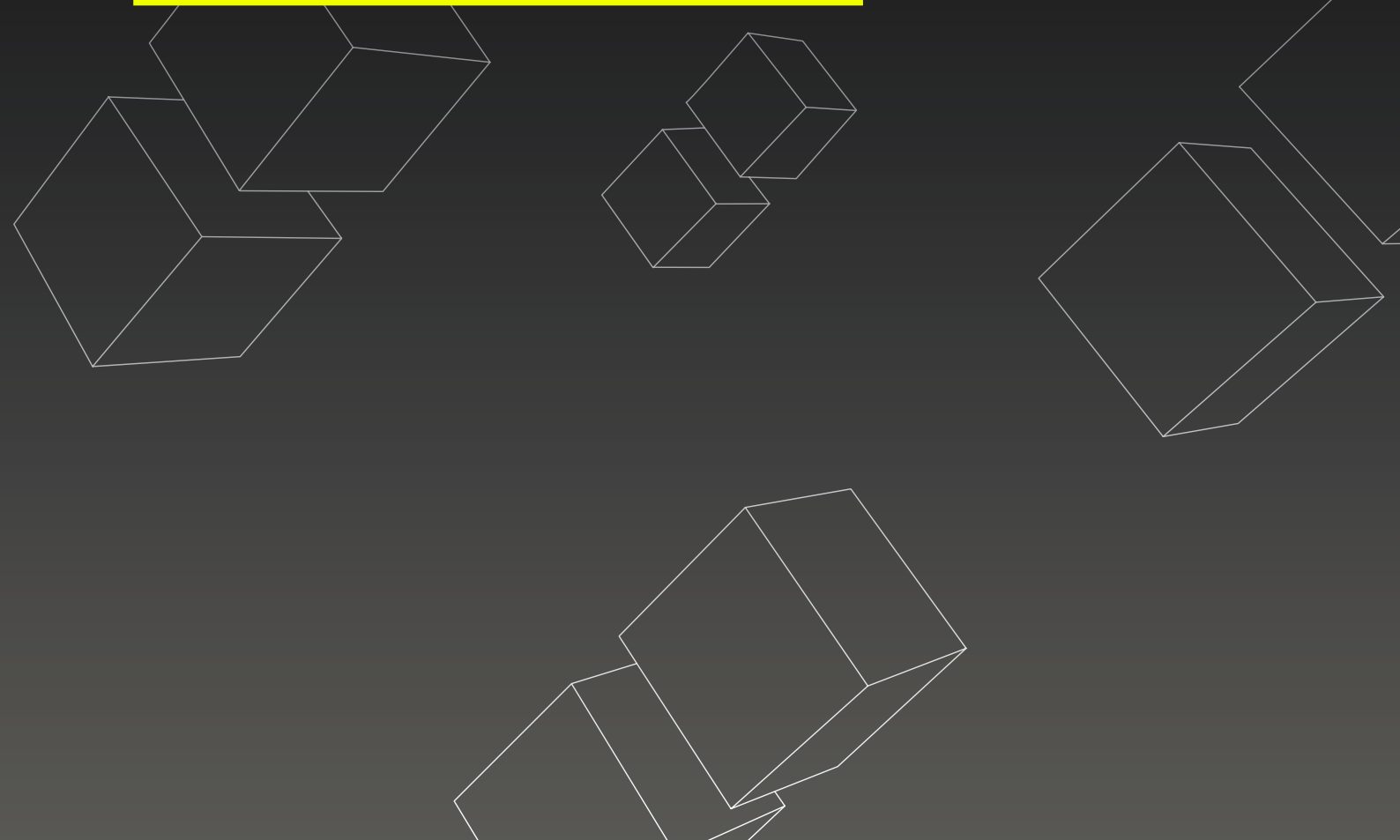
By swiftly making operational changes to its product labelling and processes, Pret was able to show a way forward. These changes allowed constructive dialogue with regulators, campaigners and the Government as the latter introduced Natasha's Law, which enshrined in the UK statute book the requirement of listing all product ingredients on individual pre-packed food products.

And Pret shared its learnings with stakeholders in the wider food ecosystem, from restaurants to larger retailers.

Societal understanding of people's food allergy needs has transformed over the past 5 years, and so has the behaviour of vast swathes of the UK's food, retail and hospitality sectors.

In addressing the Grand Challenge in a collaborative manner, Pret built deeper relationships with its customers, suppliers, campaigners and its wider sector, renewed its reputation as a brand which instinctively 'does the right thing' – whilst simultaneously increasing revenue.

A Collaborative
Corporate reimagines
relationships, reputation
and revenue to unearth
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complex and
ambiguous world.



Section 1:

The Collaborative Corporate – Reimagining relationships

1.1 A new set of relationships: From stakeholder to ecosystem mapping

Businesses tend to map their external worlds through a simplistic lens, drawing a stakeholder map of the external relationships that matter to them commercially and reputationally by putting themselves at the centre.

They then link in the broad-brush stakeholder groups that they perceive to represent their external world: colleagues, communities, investors, lenders, suppliers, business partners, customers, policymakers, regulators and NGOs.

In so doing, a conventional corporate puts itself at the centre of its world in the way it views external relationships.

However, in a VUCA, hyperconnected world, it is necessary to envision relationships more broadly and from a different perspective. Businesses are part of a wider system, which is itself made up of numerous smaller ecosystems. These ecosystems are made up of a web of interactions and interdependencies between the participants in it.

The system is not static. It evolves as long-term trends – or Grand Challenges – that impact it play out.

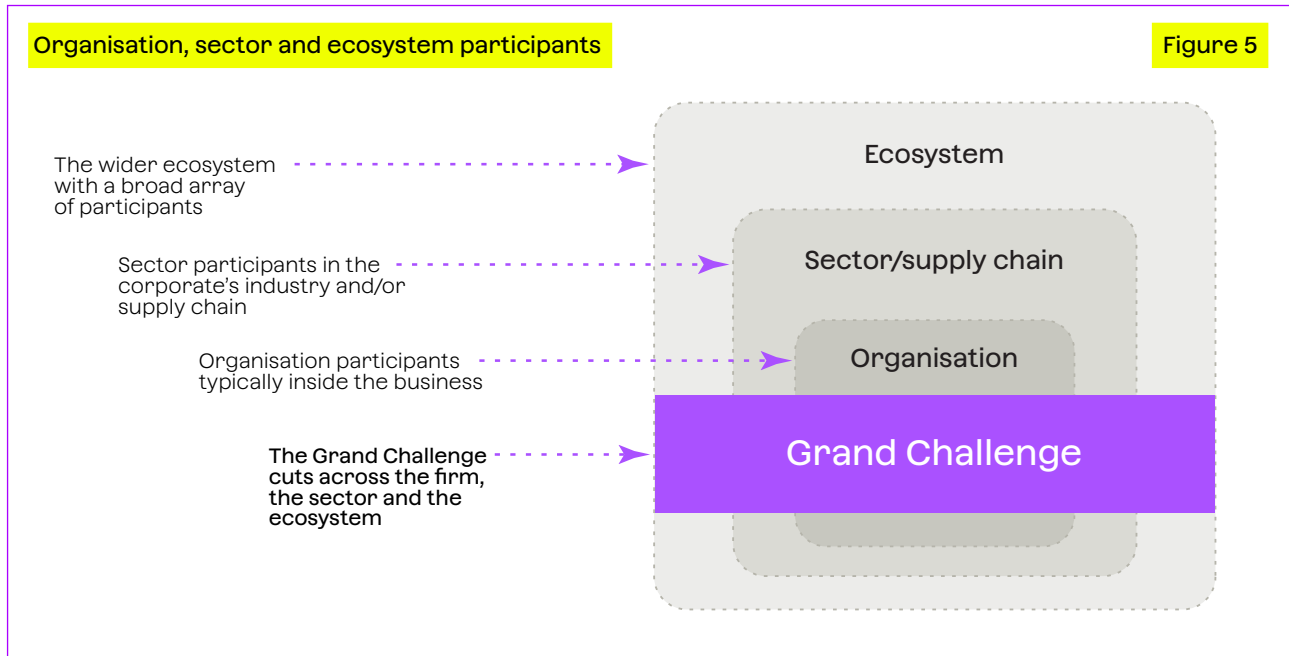
A Collaborative Corporate puts the Grand Challenge – as opposed to itself – at the centre of its thinking.

This shift from “egosystem” to “ecosystem”² thinking in the way a business views its place in its external environment, enables a Collaborative Corporate to ascertain a more nuanced and clearer view of the ‘ecosystem participants’ that are involved in addressing the Grand Challenge which will impact it over the long term.

A Collaborative Corporate therefore identifies the relationships that matter most to it at three levels (see figure 5):

- 1. Organisational participants:** the stakeholders who have a direct stake in tackling the Grand Challenge through the delivery of the business’s products and services (e.g. staff, managers and shareholders).
- 2. Supply chain participants:** the stakeholders who have a direct stake (through contractual relationships) in shaping the business’s ability to address the Grand Challenge (e.g. direct and indirect suppliers, distributors and customers).
- 3. Ecosystem participants:** the stakeholders that have a stake in addressing the Grand Challenge, but may have differing strategies and views on how best to achieve it (e.g. communities, interest groups and the general public).

Section 1: The Collaborative Corporate – Reimagining relationships (continued)



The iconic British car manufacturer, JLR (Jaguar Land Rover), is two years into the delivery of a long-term strategy to deliver luxury electric vehicles, with the target of reaching net zero by 2039.

The business is repositioning itself from the premium to the luxury segment of the market and it is addressing the Grand Challenge of creating vehicles for its clients which are fit for an era of clean energy and sustainable capitalism.

This has enabled JLR to redraw the way it builds many of its external relationships, taking a Collaborative Corporate approach and putting the Grand Challenge of eliminating emissions at the centre of its thinking. Partnerships and collaboration are a cornerstone of JLR's *Reimagine* corporate strategy.

In 2022, JLR launched Open Innovation – a programme to drive collaborations with start-ups, scale-ups and like-minded external organisations on topics related to electrification, sustainability, and digital services. The approach enables JLR to build new relationships across its ecosystem by bringing together parties who want to achieve progress against shared Grand Challenges as part of their growth. It enables constructive dialogue and action.

What's more, these relationships also serve to reduce future risk, building a network of future supply chain participants who can help the business deliver its commercial strategy in as agile a way as possible.

As part of the new global initiative, JLR was a founding partner in a first-of-its kind mobility innovation hub in the UK in 2022, in partnership with the global innovation platform and investor, Plug and Play, which connects startups, corporations, venture capital, and academia. In 2023, Bentley Motors became a partner of the Plug and Play UK Mobility platform, demonstrating that two major UK automotive players understand the value of collaborative efforts to accelerate innovation across the industry.

Businesses are part of a wider system, which is itself made up of numerous smaller ecosystems.

Section 1: The Collaborative Corporate – Reimagining relationships (continued)

1.2 A new nature of relationship: Building bonds through ‘Stretch’ collaboration

Not only do firms need to engage with a broader set of participants, but they need to engage with them more *deeply*.

A conventional corporate often builds transactional relationships with stakeholders. They engage with them enough so that they demonstrate openness and transparency, but they tend to do so from a mindset of reputation risk management, first and foremost.

The Collaborative Corporate is more constructive and committed to building long-term relationships with a broad set of participants. It actively seeks to convene others, recognising the influence it has within the ecosystem in which it operates.

And what is more, it is unafraid to build close relationships with potentially divergent – or even opposing – interests. However, finding the bravery and resource to start a dialogue with participants with potentially minimal common objectives is not easy. It demands a commitment to ‘stretch collaboration’. Stretch collaboration is a willingness to enter into a relationship – often with numerous parties – without an expectation that there will be an outcome but merely acknowledging there is a problem to be solved.

This differs from conventional forms of collaboration in the following ways:

	Conventional Collaboration	Stretch Collaboration
Nature of collaboration	Bilateral	Multi-lateral
Essence of collaboration	Formal/contractual	Informal/agile
Process of collaboration	Closed	Open
Intellectual property arising from collaboration	Owned	Shared
Outcome of collaboration	Determined at outset	Discovered through process

It should be noted that a Collaborative Corporate still practices conventional collaboration. Its outward-looking nature means that it engages in numerous forms of bilateral relationships: for example, joint ventures for commercial growth, research and development partnerships to create new products or services or brand partnerships to reach new consumer audiences. However, it is through the practice of stretch collaboration that real collaborative advantage is built.

Let us look at an example of a business that has been engaging in a form of stretch collaboration for a while- McDonald’s. Greenpeace launched a campaign to highlight the impact of soya bean farming on the Amazonian rainforests. It involved two streams of activity: (1) Greenpeace campaigners, dressed as seven-foot tall chickens, chaining themselves to chairs in McDonald’s restaurants and (2) a report based on six years of undercover investigation, detailing the degree of rainforest devastation using aerial surveillance, satellite images and government documents.

Section 1: The Collaborative Corporate – Reimagining relationships (continued)

For collaboration to be effective, the corporate needs to reimagine how it goes about interacting with and exercising its power over the other ecosystem stakeholders.

In spite of the campaign group's confrontational approach, instead of going into 'reputation protection' mode, McDonald's chose to engage with Greenpeace, arguing that they agreed with the report's analysis, but not its proposed solution. Greenpeace elected to work with McDonald's to recruit other parties in the soya bean supply chain to work out how to address the issue. A moratorium on buying soya beans from deforested Amazonian land was agreed by virtually all the parties in the whole supply chain after barely four months of discussion – virtually unheard of in the world of multi-party negotiations. The moratorium is still in place today and has been surprisingly effective.

As the above example demonstrates, it is possible to conduct a dialogue under difficult circumstances. Both parties overcame their initial instincts, which were to engage in adversarial, argumentative behaviour, and instead chose curiosity and to combine logic and reasoning with empathy.

There is a growing body of behavioural research³ on ideas such as 'stretch collaboration' and 'depolarisation by design' that offer us evidence-based principles on how to manage such conversations. As Bob Langert, the former Vice President of Sustainability at McDonald's, said: "We see so many examples of polarisation today, in politics for sure, but in the sustainability world, too. No one wants to budge, or compromise. I give Greenpeace great credit for its openness to change its tactics with us."

For such collaboration to be effective, the corporate needs to reimagine how it goes about interacting with and exercising its power over the other ecosystem stakeholders. This type of stretch collaboration requires imagination, perspective-taking and a dose of humility.

1.3 New kinds of relationships: Collaborating with unusual suspects

One consequence of a shift in focus towards tackling Grand Challenges is that corporates will need to collaborate with *unusual suspects*.

These unusual suspects may appear to share little common ground with the business and may even have a potentially adversarial relationship, at least at the outset. Through stretch collaboration, they can become more active participants in the process of dialogue and co-creation to tackle Grand Challenges.

This typically involves building relationships which may feel – at first glance – uncomfortable, uncompetitive or beyond the core commercial emphasis of the business model. However unnatural this might feel, businesses need to lean into engaging constructively with a wide range of cross-sector participants, including their critics. McDonald's and Greenpeace would not have been able to achieve the soya moratorium if they had not had the open-mindedness to listen to the views of the 'enemy'.

The Collaborative Corporate seeks to, and devotes resources to, nurture the following kind of relationships with participants in its wider ecosystem:

Section 1: The Collaborative Corporate – Reimagining relationships (continued)

1. Collaborating with ‘the enemy’: competitors are increasingly coming together to solve Grand Challenges. This is particularly true of the Grand Challenges of the climate and nature crises.

For example, the UK’s biggest supermarkets – which compete in one of the most fiercely competitive sectors of the UK economy – recently committed to an ‘unprecedented’ collaboration to address carbon emissions. Collaborating with the NGO WWF, and the publicly-funded body Wrap, the UK’s eight biggest supermarket retailers have created a common ‘set of rules’ by which to measure and report supply chain emissions – and a commitment to finance the initiatives to ensure they are delivered. This industry-wide, multi-participant stretch collaboration was described by WWF as “an unprecedented move of pre-competitive collaboration in the highly competitive retail sector”. This type of cross-sector collaboration differs greatly from the traditional relationships entered into through an industry trade body, whereby the purpose of the relationship is, fundamentally about fending off and managing criticism or enabling a favourable regulatory environment for protecting or increasing profit.

In a similar vein, shipping competitors CMA CGM and Maersk are collaborating to develop and scale fuels and vessel technology to achieve net zero emissions by around 2050. Low-carbon fuels currently still lack the scale to sharply cut the footprint of an industry that contributes about 3% of global emissions. Their partnership would involve developing standards for operating green methanol vessels and accelerating the readiness of ports to refuel ships with methanol.

Competitors are increasingly coming together to solve Grand Challenges. This is particularly true of the Grand Challenges of the climate and nature crises.

2. Collaborating through informal, cross-sector and self-organising coalitions:

More and more organisations are joining action-oriented, informal coalitions which span participants from numerous sectors. A very recent example of this is Apple and Nike who, in collaboration with the Clean Energy Buyers Institute’s (CEBI) Global Programs, have launched the Clean Energy Procurement Academy. This is an initiative aimed at equipping companies with the technical know-how to embrace clean energy and support worldwide supply chain decarbonisation. Referring to the scheme, Nike’s chief sustainability officer Noel Kinder said: *“The Clean Energy Procurement Academy is key to breaking down barriers to clean energy adoption, while also helping us demonstrate demand and advocate for clean energy solutions in essential regions. Collaborating cross-industry helps us tackle systemic challenges together.”*

One particular category of note is self-organising coalitions that coalesce around existential threats to change a system from the inside. Examples of such groups include Chapter Zero, a group of Non-Executive Directors (NEDs) who better prepare other NEDS to address climate change, Purpose Disruptors, advertising creatives working to align advertising better with climate action and the Chancery Lane Project, lawyers who are educating each other on the legal aspects of climate change.

The Body Shop takes an active and global campaigning approach on several Grand Challenges, from youth engagement in democracy to female empowerment. They collaborate with numerous external partners who bring expertise that The Body Shop lacks or who can access audiences the business can’t directly reach. This approach means engaging with other organisations’ objectives and their tactics, whilst staying focussed on the purpose of the organisation, a cultural discipline which is led and reinforced by the function responsible for communication and activism.

Section 1: The Collaborative Corporate – Reimagining relationships (continued)



The basic foundations of why we do what we do are enshrined within the business and they're not negotiable. That's the thing that helps us stay true to what we're doing and avoid, to give a tactical example, awareness raising for awareness' sake. Not because I think it's a good idea, but because we have it codified."

Chris Davis, International Sustainability, Activism and Communications Director,
The Body Shop International



1.4 Internal, conventional collaboration as a foundation for external, stretch collaboration

We have been describing new relationships and new kinds of relationships.

However, it is worth noting that any aspirations for stretch collaboration will only be realised if the business can build on a solid foundation of a strong culture and track record of internal, more conventional, collaboration.

Corporate affairs will need to play an increasingly important role in facilitating better internal collaboration – both bilaterally (e.g. between Corporate Affairs and Marketing) and multi-functionally (e.g. across legal, risk, commercial, product teams, etc.). Some organisations are very good at this; others suffer from the very real walls of structural silos and the behaviours that separate P&Ls can create. Internal fiefdoms can be the root cause of a failure to see the bigger picture externally.

Aspirations for stretch collaboration will only be realised if the business can build on a solid foundation of a strong culture and track record of internal, more conventional, collaboration.

Encouraging such cross-functional co-operation can be informed by the creation and successful communication and commitment to a corporate purpose. A purpose can help erode silos, encouraging all colleagues to commit to playing a part in a bigger mission that can only be achieved collectively. Often, the purpose is an articulation of how a business strategy aligns to tackling a Grand Challenge, or numerous Grand Challenges, that an organisation has a stake in.

This puts a disproportionate need on Corporate Affairs to be a driving force of internal collaboration, because to build reputation effectively, organisation need to excel at building relationships across silos, using the Grand Challenge to focus the attention of multiple internal participants.

Whilst collaboration continues to be a popular topic which receives lip service within numerous organisations, plenty of businesses struggle in practice to balance the competing commitments of driving performance within units and encouraging collaboration across silos. It is often only in times of crisis that genuine collaboration happens; this is insufficient if a corporate is going to engage in true stretch collaboration and unearth their collaborative advantage over the longer term.

Section 1: The Collaborative Corporate – Reimagining relationships (continued)

Unearthing collaborative advantage – reimagining relationships

Key takeaways for the C-suite	Key takeaways for corporate affairs
From “egosystem” to “ecosystem”: understand the ecosystems and Grand Challenges that inform and impact your long-term strategy	Identify the Grand Challenges, linking them to commercial reality: translate the commercial strategy of the business into an articulation of the Grand Challenges facing the organisation
Empower ‘stretch’ collaboration: ensure that your culture and purpose nurture people’s desire to enter into ‘stretch’ collaboration with third parties beyond their existing networks	Map your ecosystem: redraw your stakeholder maps to identify new and unlikely third parties to build relationships with
Competition versus co-opetition: provide clarity on where deeper relationships with competitors are beneficial to the execution of your strategy	Build collaborative capacity: identify the resource and skillsets that the Corporate Affairs team may need to build to enable ‘stretch’ collaboration (both internally and externally)

It is often only in times of crisis that genuine collaboration happens, this is insufficient if a corporate is going to engage in true stretch collaboration and unearth their collaborative advantage over the longer term.

Section 2:

The Collaborative Corporate – Reimagining reputation

2.1 From ‘stakeholder management’ to ‘participant partnership’

What we are advocating in terms of the evolution of corporate relationships suggests a profound shift in the way corporate reputation is built.

It suggests that, for a corporate to manage its reputation effectively in a more networked world, addressing Grand Challenges, it needs to recognise that it succeeds by helping the wider ecosystem succeed. This implies a shift in relative power and control in relation to other stakeholders. In their book on power dynamics in a hyperconnected world, Jeremy Heimans and Henry Timms⁴ argue that such a democratisation was a consequence of shifting power dynamics. They describe how some firms are shifting their stance towards stakeholders – whether consumers, investors or employees – from a mindset of ‘consumption’ to one of ‘co-creation’, with an associated shift in behaviours towards greater participation in decision-making and transparency.

This requires a degree of courage, because it demands that the corporate relinquishes a degree of its power and control, generating trust by acting in a more open and vulnerable fashion. However, it seems increasingly likely that corporates could be pushing at an open door – both the public and opinion formers believe business collaboration can be effective (see figure 6). It also implies that firms should worry *less* about their reputation, instead rolling their sleeves up, getting involved and trusting that reputation is a natural *byproduct* of the process of collaboration with numerous participants in their ecosystems.

...firms should worry less about their reputation, instead rolling their sleeves up, getting involved and trusting that reputation is a natural *byproduct* of the process of collaboration with numerous participants in their ecosystems.

Section 2: The Collaborative Corporate – Reimagining reputation (continued)



2.2 Turn trust from an objective to an outcome: actions matter most

For years, the pursuit of building trust has been the underlying objective of much Corporate Affairs activity.

To a Collaborative Corporate, trust is an outcome of the way it builds its reputation with other participants in its ecosystem, not an objective which informs the kind of external-facing and communications activity it delivers.

Rather, trust is built through the process of participation and the ongoing actions that it commits to delivering to tackle the Grand Challenge.

A good example of this is the way TSB, working with Headland, tackled the Grand Challenge of online financial fraud.

Retail banks in the UK do not guarantee a customer a refund if they fall victim to online fraudsters. Banks argue that because a customer gave away personal details or other secure information through the process of being defrauded, they bear personal responsibility. Therefore, the bank is not obliged to refund the money.

With the risk and sophistication of online fraud becoming a growing issue for customers,

TSB conceived of and launched the Fraud Refund Guarantee (FRG). The Guarantee was the first scheme of its kind. It guarantees that any customer who falls victim to fraud will be refunded, regardless of their personal actions through the process of the fraudulent activity.

By taking the lead in address the Grand Challenge, TSB was able to collaborate with participants throughout its entire ecosystem. Government, campaigners, politicians, regulators, influencers, commentators, customers and, over time, the rest of the retail banking sector recognised that TSB's approach was the right one.

This ecosystem-wide change in attitude and behaviour has led to the Payments System Regulator, the body that oversees the retail banks' payments behaviour, concluding that the industry should follow TSB's approach by introducing mandatory fraud reimbursement from 2024.

By addressing the Grand Challenge and collaborating with numerous participants across its ecosystem, TSB saw its trust scores improve – the outcome of behaving in a Collaborative Corporate manner.

Section 2: The Collaborative Corporate – Reimagining reputation (continued)



I have found that trust emerges through the work you do together. The important thing is from the get go, transparency is really important. I've run some big cross-sector alliances and what we've always started with is just trying to get people to write down: what are they hoping for, what are their concerns, what are their beliefs. Not rushing to draw the Venn diagram and say 'this is the bit that's overlapping'. Often the very act of doing that creates its own space that overtime, new things begin to emerge.

Kieron Boyle, Chief Executive, Impact Investing Institute



2.3 Convening power: the barometer of reputation

In this era of Grand Challenges, the ability to convene a broad array of participants/stakeholders in meaningful dialogue and action itself constitutes a competitive advantage. Indeed, it is a crucial part of unlocking a business's collaborative advantage.

In the examples already touched upon, Pret had the convening power to bring together government, competitors and the wider industry together to deliver change against the Grand Challenge of rising rates of food allergies. JLR could bring together numerous participants in its ecosystem to breathe life into the Open Innovation scheme. TSB had the ability to bring together the retail banking industry, government and regulators to instil change across the sector. And Apple and Nike have enlisted the support of industry giants including Amazon, Meta, PepsiCo and REI Co-op for their Clean Energy Procurement Academy. These businesses have the brand power to drive media coverage and social media engagement which helps create change.

For the Collaborative Corporate, its convening power – traditionally defined as a key aspect of soft power – is a crucial marker of the health of its reputation.

However, it also demands that the Collaborative Corporate has the skills, resource and culture to successfully convene numerous stakeholders and enable the stretch collaboration described above.

Collaboration is not easy. Aligning different agendas and viewpoints requires diplomacy, patience, time and a high degree of emotional intelligence – among many other skills.

Once an informal coalition has been convened to address a Grand Challenge, it is incumbent on the Collaborative Corporate who has brought ecosystem participants together to nurture the relationships. Ultimately, they need to find a way to agree and prompt action towards resolving the Grand Challenge that all parties conceive of as being worthwhile. It is worth restating what is perhaps obvious: reputational value only accrues to corporates that are able to convert honourable aspirations into symbolic actions with a serious intent to make meaningful progress on solving tough problems. This is an emerging skillset for many businesses and a potentially new area for Corporate Affairs teams to invest in resource and training.

Section 2: The Collaborative Corporate – Reimagining reputation (continued)

Case study

National Grid ESO: Stretch collaboration in the face of the cost of living crisis

National Grid ESO, the company responsible for operating and planning for Britain's electricity system, recognised the need to address the twin challenges of an energy supply crunch and the cost of living crisis.

It used its convening power and engaged numerous participants in an exercise of stretch collaboration to achieve beneficial change that had eluded the sector for decades, by creating a new consumer product.



Flexibility in the electricity system has been talked about for decades but has typically been seen as too complex. Last year's energy crisis created the catalyst to get something done – we could see next winter's problem coming right from the Russian invasion in February. We worked with the energy retailers, Citizens Advice, DESNZ, Ofgem and the Scottish and Welsh governments, to show that it was feasible to create a consumer product that would allow them to make money by reducing their energy use. We created the reality but it was only the retailers that could speak to their customers and have them sign up and change their behaviour. And people really did respond – they were worried about the cost of living and seized the opportunity not only to save money but to make money back. And the result for the system was significantly reduced pressure at really key crunch points.

Jake Rigg, Director of Corporate Affairs, National Grid ESO



Collaboration is not easy. Aligning different agendas and viewpoints requires diplomacy, patience, time and a high degree of emotional intelligence – among many other skills.

Section 2: The Collaborative Corporate – Reimagining reputation (continued)

Unearthing collaborative advantage – reimagining reputation

Key takeaways for the C-suite	Key takeaways for corporate affairs
<p>Actions matter most: identify the symbolic actions you can take that will drive collaboration across your ecosystem, and which have commercial upside</p>	<p>Commitment to participate, not licence to operate: build your Corporate Affairs strategy from a mindset of participation and humility with third parties, instead of protection and assumed hostility from stakeholders. And put faith in the fact that trust will be built through long-term, committed participation</p>
<p>Convening power is competitive advantage: recognise that the ability to bring together a broad range of influential third parties is a source of major competitive advantage in a complex and volatile environment</p>	<p>Create collaborative structures: prompt stretch collaboration across the organisation by designing forums and moments which deliberately bring together the broad range of participants in your ecosystem; and empower colleagues to change and adapt their approach to solving the Grand Challenge as the collaboration evolves</p>
<p>Know when to lead and when to follow: identify how your Grand Challenges may differ from those of your competitors to inform whether to lead or to follow the direction of travel the wider industry is taking in addressing long-term strategic challenges</p>	<p>Identify your Heads of Participation: invest in individuals who know how to meaningfully participate in coalitions and ecosystem-wide initiatives can deliver maximum reputational benefit to your business</p>

Section 3:

The Collaborative Corporate – Reimagining revenue

3.1 The correlation between collaboration and innovation

Businesses have long understood the value of collaborating with others to drive innovation and new revenue streams. From JVs to brand partnerships, collaborating with others can be a source of both innovation and income.

Indeed, the link between collaborative innovation and increased revenue and value creation is well documented. For example, one study⁵ compared which types of innovation businesses allocate most effort and resources to (see figure 7) with how much these innovation types generate, in terms of cumulative value to the business (see figure 8).

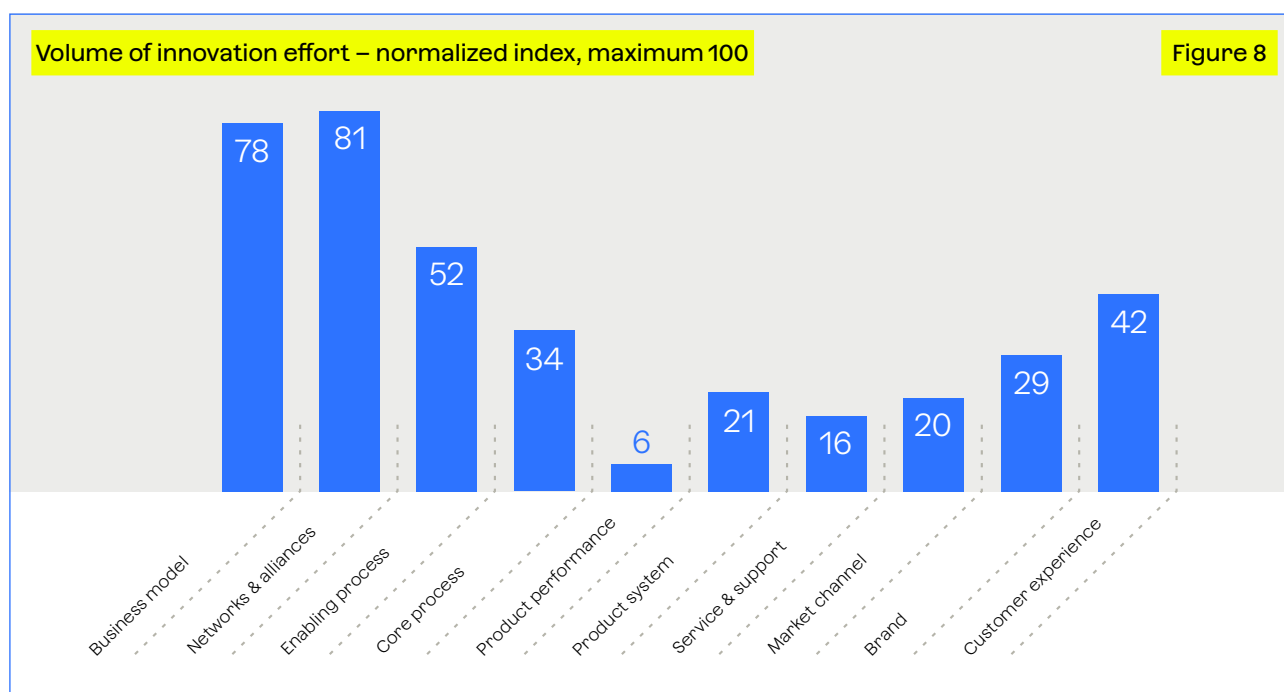
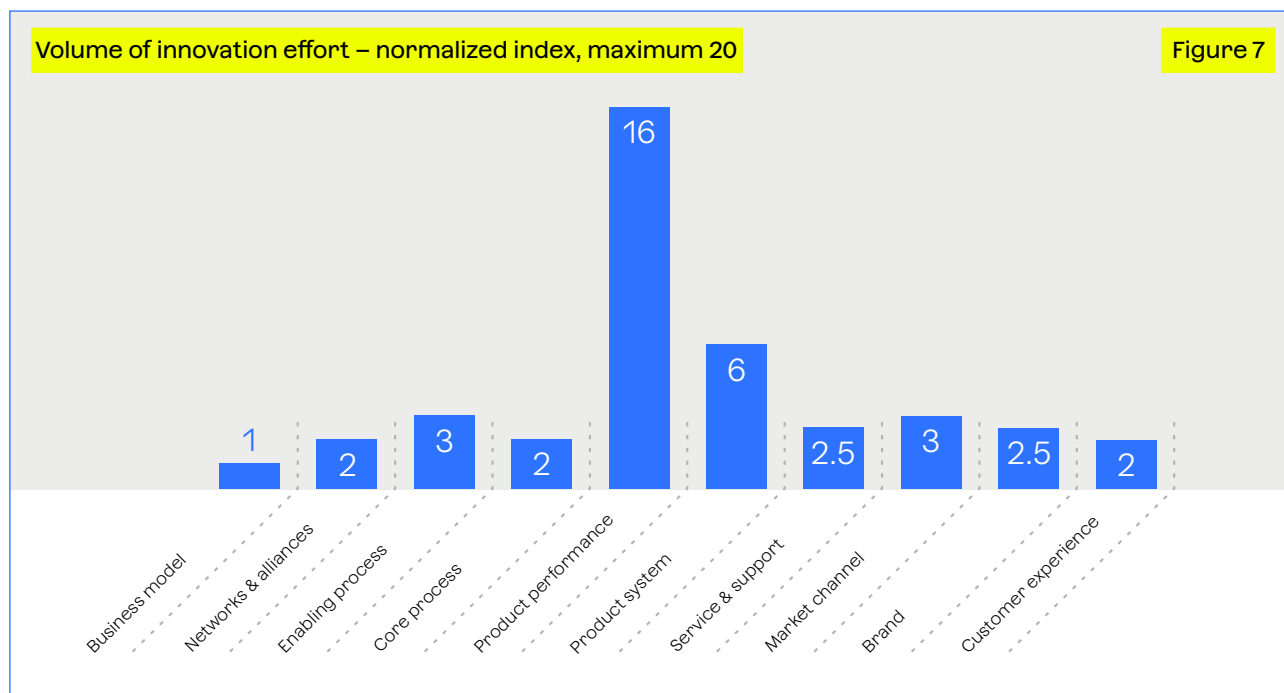
The data suggest that whilst businesses understandably devote the bulk of their effort (65%) to improving product performance or refining product systems, the innovations that generate the most value are those that relate to networks, alliances and business models (i.e. those that are underpinned by collaboration).

Indeed, networks and alliances and business model innovations were *four times* more impactful than product innovations in ultimately creating revenue and value for the organisation.

For the Collaborative Corporate actively pursuing deep stretch – collaboration through networks and alliances across its ecosystem to address Grand Challenges – the innovation potential and, therefore, the potential revenue upside is clear.

The link between collaborative innovation and increased revenue and value creation is well documented.

Section 3: The Collaborative Corporate – Reimagining revenue (continued)



Section 3: The Collaborative Corporate – Reimagining revenue (continued)

Case study

Collaborative corporate behaviours in the property sector

Grosvenor, the international property developer, manager and investor, addresses the Grand Challenge of improving urban social mobility and actively builds alliances across the public sector:



We have a long history of public/private partnerships with municipal authorities – whether it's with Westminster City Council, Cheshire West and Chester, Liverpool City Council or in San Francisco or Madrid – to produce outcomes that improve lives in those cities. In Chester our most recent mission is to improve the life chances of vulnerable children, young people, and their families through affordable housing paired with support services. Whatever else we have in our favour, these partnerships leave people in no doubt about who and what we are and what is our track record. We have found that potential joint venture partners find us an easy due diligence task

Mark Preston, Executive Trustee and Chief Executive, Grosvenor



3.2 Overlapping Ecosystems: Where opportunity lies

By putting Grand Challenge at the centre of its approach, you may assume that a Collaborative Corporate is seeking to protect itself from risk and future disruption – that it is fundamentally in the mindset of protecting value.

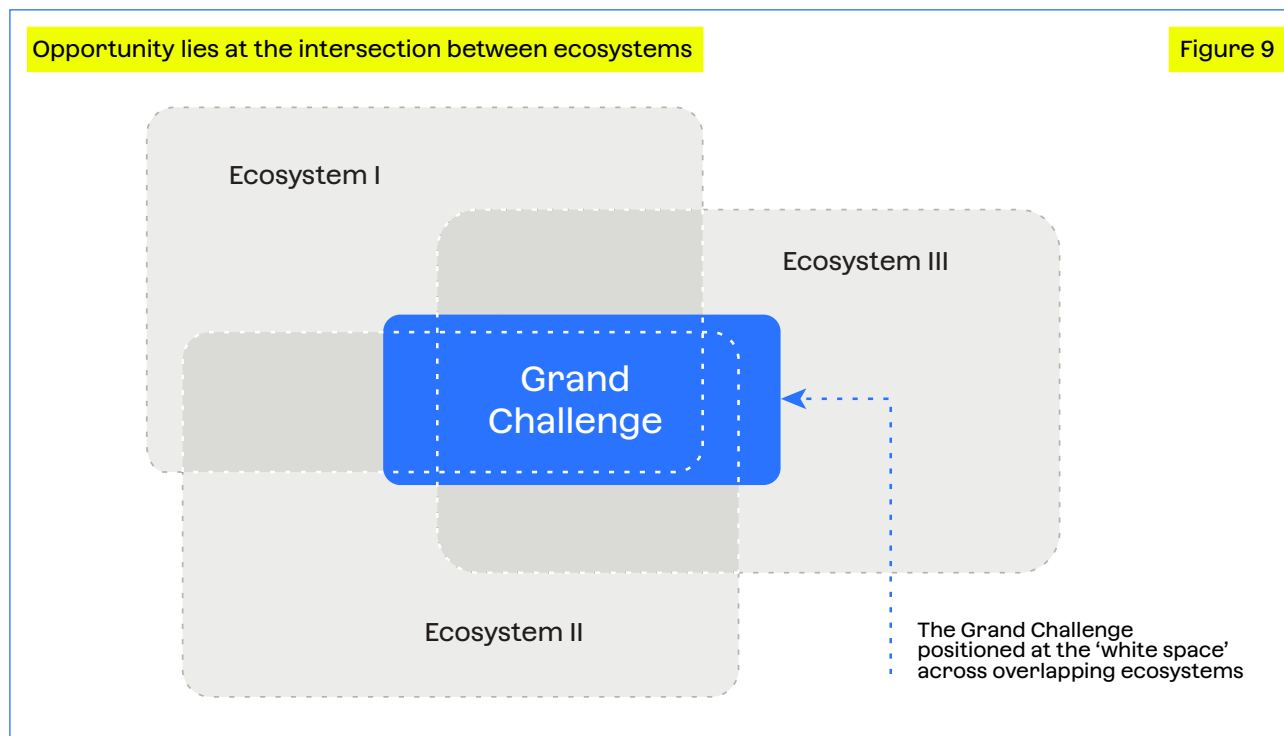
Whilst a Collaborative Corporate approach does build organisational resilience, it is not its sole strategic objective. To the contrary, a Collaborative Corporate opens itself up to opportunities for innovation and new streams of revenue generation.

These opportunities can be found where ecosystems overlap.

Traditionally, businesses have often found competitive advantage by exploring the 'white space' between conventional markets. This is because the intersections that lie at the overlaps between sectors is frequently where friction exists that frequently gives rise market failures – and these failures can be reframed as market opportunities^{6,7}.

In a similar vein, when seeking fresh sources of collaborative advantage, it is worth exploring the opportunities that exist in the space where ecosystems meet and overlap (see figure 7).

Section 3: The Collaborative Corporate – Reimagining revenue (continued)



It is here, where elements of business models can be reimagined and new partnerships built, that fresh revenue streams can be created.

A good example of this is the airline, KLM.

KLM's CEO, Marjan Rintel, has declared that the airline sector should stop viewing rail as a competitor.

KLM operates Air France and KLM Royal Dutch Airlines. They are cutting back their domestic routes where passengers could instead choose rail or coach and where customer journeys would take under 150 minutes.

To enable this modal shift, KLM built a collaborative partnership with Thalys, the high-speed rail operator. The collaboration involves KLM buying seats on Thalys trains to transfer passengers travelling between Amsterdam's Schiphol airport and Brussels. This enables KLM to operate one less flight between Amsterdam and Brussels each day, making meaningful carbon emission savings in the process.

KLM and Thalys found opportunity and innovation where ecosystems overlap and they share the common Grand Challenge of encouraging and providing low-carbon mobility. The resulting joint AirRail product is changing customer behaviour and presenting long-term revenue opportunities for both parties.

To enable such innovation requires collaboration with other participants in their ecosystems. The Dutch Government has been engaging on the opportunity to encourage people to travel by train instead of short-haul flights through its Action Plan for Rail and Air Services. It recognises the carbon emissions savings this change in customer travel behaviour could deliver, and they wanted to nurture its widespread adoption.

As corporates face into Grand Challenges, collaborative innovation initiatives across public and private sectors which prompt citizen behaviour change are likely to become more commonplace.

Section 3: The Collaborative Corporate – Reimagining revenue (continued)

Unearthing collaborative advantage – reimagining revenue

Key takeaways for the C-suite	Key takeaways for corporate affairs
Identify the collaborative white space: map your ecosystem and adjacent ecosystems to identify opportunities for innovation, business model change and new revenue streams	Know the drivers of your reputation that deliver commercial value: inform the Grand Challenge you choose to address by researching the reputation drivers of your business that create commercial value
Learn from other Collaborative Corporates: look beyond your competitors, sector and specific Grand Challenges to see how collaborative activity has successfully driven innovation and new business models in other spheres of business	Framing matters: communicate tackling the Grand Challenge through a positive, optimistic narrative; this is more likely to encourage third party collaboration on it, opening up greater innovative and commercial opportunity

As corporates face into Grand Challenges, collaborative innovation initiatives across public and private sectors which prompt citizen behaviour change are likely to become more commonplace.

Conclusion: Unearthing Collaborative Advantage creates value

Businesses operate in a world of interlinked and significant Grand Challenges; their external environments are in a state of permanent, heightening volatility, uncertainty, complexity and ambiguity.

The global economy is transitioning to a more sustainable, regenerative form of capitalism. The dawn of AI is upon us. And global supply chains are interwoven across the emerging lines of a new geopolitical order.

Against this backdrop, the Collaborative Corporate is a blueprint that has the potential to allow businesses to create an edge over competitors. There is the opportunity to thrive by acknowledging that a business is a participant in a rapidly changing ecosystem and then meaningfully collaborate, addressing the shared, Grand Challenges that are impacting it.

By putting collaborative thinking at the front and centre of its approach to facing into inevitable forces of change, a Collaborative Corporate can reimagine the external relationships it develops, the reputation it builds, and the revenue opportunities it nurtures.

In doing so, the Collaborative Corporate can unlock value – financial, social and environmental – for itself and the wider ecosystem in which it does business.

Summary: Key takeaways for those driving corporate reputations

Key takeaways for the C-suite

Key takeaways for corporate affairs

Reimagining relationships

From “egcosystem” to “ecosystem”: understand the ecosystems and Grand Challenges that inform and impact your long-term strategy

Identify the Grand Challenges, linking them to commercial reality: translate the commercial strategy of the business into an articulation of the Grand Challenges facing the organisation

Empower ‘stretch’ collaboration: ensure that your culture and purpose nurture people’s desire to enter into ‘stretch’ collaboration with third parties beyond their existing networks

Map your ecosystem: redraw your stakeholder maps to identify new and unlikely third parties to build relationships with

Competition versus co-opetition: provide clarity on where deeper relationships with competitors are beneficial to the execution of your strategy

Build collaborative capacity: identify the resource and skillsets that the Corporate Affairs team may need to build to enable ‘stretch’ collaboration (both internally and externally)

Reimagining reputation

Actions matter most: identify the symbolic actions you can take that will drive collaboration across your ecosystem, and which have commercial upside

Commitment to participate, not licence to operate: build your Corporate Affairs strategy from a mindset of participation and humility with third parties, instead of protection and assumed hostility from stakeholders. And put faith in the fact that trust will be built through long-term, committed participation.

Convening power is competitive advantage: recognise that the ability to bring together a broad range of influential third parties is a source of major competitive advantage in a complex and volatile environment

Create collaborative structures: prompt stretch collaboration across the organisation by designing forums and moments which deliberately bring together the broad range of participants in your ecosystem; and empower colleagues to change and adapt their approach to solving the Grand Challenge as the collaboration evolves

Know when to lead and when to follow: identify how your Grand Challenges may differ from those of your competitors to inform whether to lead or to follow the direction of travel the wider industry is taking in addressing long-term strategic challenges

Identify your Heads of Participation: invest in individuals who know how to meaningfully participate in coalitions and ecosystem-wide initiatives can deliver maximum reputational benefit to your business

Reimagining revenue

Identify the collaborative white space: map your ecosystem and adjacent ecosystems to identify opportunities for innovation, business model change and new revenue streams

Know the drivers of your reputation that deliver commercial value: inform the Grand Challenge you choose to address by researching the reputation drivers of your business that create commercial value

Learn from other Collaborative Corporates: look beyond your competitors, sector and specific Grand Challenges to see how collaborative activity has successfully driven innovation and new business models in other spheres of business

Framing matters: communicate tackling the Grand Challenge through a positive, optimistic narrative; this is more likely to encourage third party collaboration on it, opening up greater innovative and commercial opportunity

End credits

Authors



Ben Shenoy is a lapsed systems engineer, a recovering management consultant and a practising behavioural scientist. His work focuses on how individuals and organizations can thrive – not just survive – in the face of complexity. He is a Visiting Professor of Psychological and Behavioural Science at the London School of Economics. He holds a PhD in Organizational Behaviour from Harvard Business School and an MA in Systems Engineering from the University of Cambridge.

Ben has taught executive education programmes in conjunction with Cambridge Judge Business School, Columbia Business School, Harvard Business School, the MIT Sloan School of Management and the Stanford Graduate School of Business. Organisations he has advised include: ArcelorMittal, BBC, BCG, BP, Cisco, Daimler, Deloitte, eBay, e.ON, Google, HP, HSBC, Ketchum, Microsoft, McCann-Erickson, NATO, Pearson, Reed Elsevier, Société Générale, Sony, Swiss Re, UK Cabinet Office, Unilever & Walmart. He co-authored *Strategic Decision Making: A Discovery-Led Approach to Critical Choices in Turbulent Times*, published by Kogan Page in 2018. He can be found online at www.benshenoy.com.



Dan Smith is Managing Director of Headland. He is a corporate reputation specialist whose experience spans corporate and financial communications, communications strategy and planning, campaigning, stakeholder relations, sustainability and crisis communications. Dan has worked with businesses and organisations of all sizes to drive impactful change, from FTSE 100 and 250 companies and global household-name brands, to leading charities, government departments, public bodies and start-ups. His experience covers numerous sectors including tech, fintech, telecoms, energy, automotive, retail and the public and third sectors. He is a trustee of environmental campaigning charity, Hubbub

Research



Matt Horrocks leads Headland's Strategy, Insight and Planning (SIP) team. Matt has 15 years' experience of helping political parties and corporates to set their strategies. He initially began in politics, advising the Labour Party in the run up to the 2015 general election and has worked on elections in the US, South Africa, Romania and Israel. He has since advised, among others, National Grid on positioning itself as a driver of climate action, Primark on the relationship between its supply chain ethics and its commercial success, Tesco on understanding the drivers of trust among all its audiences and Heathrow on its plans for third runway expansion and for the modernisation of its airspace.

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Research methodology

The research commissioned for this report was conducted by Headland's Strategy, Insight and Planning (SIP) team. This comprised:

- An n=2000 poll, representative of GB adults, conducted online by YouGov, 3–4 October 2023.
- An n=500 poll of opinion formers (drawn from civil society, business, politics, the media, third sector and beyond), conducted online by YouGov, 4–10 October 2023.
- Interviews with a sample of Headland clients and companies within the agency's wider network.
- A review of the most recent preliminary results call transcripts from all FTSE100 companies (excepting eight that are investment vehicles). Analysis categorised the number of Grand Challenges mentioned on the calls.

Headland's SIP team works with clients to set their reputational strategies, on the basis of deep qualitative research and data analysis, allowing them to better understand the expectations of consumers, investors, colleagues and other stakeholders – and to deploy that understanding across their businesses. Insight answers those questions. The team uses a range of tools – including deliberative focus groups, in-depth interviews, quantitative message testing, audience segmentation and regression analysis.

About Headland

Headland is the UK's leading reputation and communications consultancy. We represent FTSE100 and FTSE250 corporations, world-renowned businesses and brands, trade bodies, NGOs and charities. Our purpose is to champion collaboration and a wide range of perspectives to build reputations for a thriving world.

We believe good reputations give businesses the legitimacy to create the conditions and opportunities to thrive financially, socially, and environmentally, even in challenging times.

We think that reputations are built on purposeful relationships with all stakeholders, and they happen by design. Through a method and culture of collaboration amongst our experts, we shine a light on all perspectives and help businesses act on those insights. Those actions provide the impetus for powerful communications and give rise to reputations that put our clients in control of their futures.

Our clients include Accenture, IMI, TikTok, JLR, TSB, Grosvenor, Pret, Legal & General, Just Eat, Diageo, Darktrace, Matalan, S&P Global, Lidl, Apax, Mobico Group, Heathrow Airport, Mulberry, Watches of Switzerland, Danone, Tata Steel, PepsiCo, KFC, Iberdrola, Randstad, Three Mobile, Premier Foods, The Body Shop, Ardian, IDS, Pemberton, Rail Delivery Group, Alvarez & Marsal and Scottish Power.

Headland: The power of collaboration.

End credits (continued)

References

- 1 Herbert F. Barber, "Developing Strategic Leadership: The US Army War College Experience," *Journal of Management Development* 11, no. 6 (1992): 4–12.
The US Army War College started using the term 'VUCA' in the late 1980s to describe the nature of the environment they encountered in Afghanistan, where instead of facing a regular army they kept having to tackle the mujahideen. Since then, the term has increasingly been applied in a business context.
- 2 https://www.siemens.com/global/en/products/automation/topic-areas/digital-enterprise/partner-ecosystem.html?gclid=Cj0KCCQiAo7KqBhDhARIsAKhZ4ujYYOXgmGtN0PKPzlyP90C_YyWUotZ6acqSMRfwnuHu1LnYEsxu9zwaAnYjEALw_wcB&ac=1
We have to thank Siemens Industrial Partner Ecosystem for coining the term "Ecosystem replaces ecosystem".
- 3 Peter T. Coleman, *Way Out: How to overcome toxic polarization* (S.I.: Columbia University Press, 2022).
Coleman's book investigates the psychological mechanisms that lead to polarisation, and scientifically grounded techniques for depolarising dialogue.
- 4 Jeremy Heimans, and Henry Timms, *New Power: How power works in our hyperconnected world and how to make it work for you* (Vintage Canada, 2019).
Heimans and Timms ascribe the emergence of new ways of businesses interacting with various actors to the digital technology – but we would apply their thinking more broadly, because of the hyperconnected nature of the world in general.
- 5 Larry Keeley, *The Taming of the New* (Boston, MA: Harvard Business School Press, 2004).
Though nearly twenty years old, these data are still worth considering because other research into intangible assets would suggest that the relationship demonstrated here would, if anything, be even stronger if the study were to be replicated today.
- 6 Rita Gunther McGrath, *The End of Competitive Advantage: How to keep your strategy moving as fast as your business* (Boston, MA: Harvard Business Review Press, 2013).
McGrath discusses the need for businesses to shift their focus from sectors to arenas (what we've called ecosystems), and also to search for growth opportunities in the 'white space' between arenas.
- 7 Michael E. Porter, and Mark R. Kramer, "Creating Shared Value," *Harvard Business Review* 89, nos. 1–2 (January–February 2011): 62–77.
Porter & Kramer were not the first to conceive of shared value, but this article was instrumental in popularising the concept.

By putting collaborative thinking at the front and centre of its approach, a Collaborative Corporate can reimagine the external relationships it develops, the reputation it builds, and the revenue opportunities it nurtures.

Headland

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