

# THE ECONOMICS OF COLLABORATION

BUILDING CAPACITY TO ADDRESS FUTURE CHALLENGES



# THE ECONOMICS OF COLLABORATION

## BUILDING CAPACITY TO ADDRESS FUTURE CHALLENGES

April 2015

PREPARED BY:



AUTHOR:

David Beurle

# TABLE OF CONTENTS

1.0	Collaboration- From the Playground to the Marketplace .....	4
2.0	Defining Collaboration .....	6
3.0	Collaboration from an Economics Perspective .....	8
3.1	Key Concepts.....	9
3.1.1	The Law of Supply and Demand.....	9
3.1.2	The Role of Information .....	10
3.1.3	Profit Maximization .....	10
3.1.4	Externalities Positive and Negative.....	10
3.1.5	Game Theory and Collective Action .....	11
3.1.6	Types of Games .....	13
3.1.7	Collective Action and Issues of Inaction .....	13
3.1.8	How Our Understanding of Profits May Hinder Collaboration .....	14
3.2	Measuring the Success of Collaborative Relationships.....	15
3.2.1	Efficiency and Equity in Policy and Partnership-Building .....	15
3.2.2	Using Collaboration to Improve Outcomes.....	17
3.2.3	Economies of Scale and Scope .....	18
3.2.4	Using Collaboration to Move the Market .....	20
4.0	Perceived Value of Collaboration: Practical Insights .....	21
4.1	Using Scenario Planning to Explore the Future .....	21
4.2	Collaboration as a Driver for Future Success.....	23
4.3	Building Functional Collaborative Networks .....	26
5.0	Future iQ Case Studies: How Collaboration Really Works.....	28
5.1	Steering it Forward in Northeast Nevada: Sharing Information and Building Trust.....	29
5.2	The Palliser Economic Partnership in Southeast Alberta: Capacity Building at Work.....	31
5.3	Task Force LIMA, Allen County Ohio: Proactive Collaboration Anticipates Challenges .....	33
6.0	Conclusion: Practical Steps to Realize True Results .....	35
7.0	Additional References.....	36
8.0	Acknowledgements .....	36
9.0	About Future iQ Partners.....	37



*“Individual commitment to a group effort—that is what makes a team work, a company work, a society work, a civilization work.”*

— Vince Lombardi



## 1.0 COLLABORATION - FROM THE PLAYGROUND TO THE MARKETPLACE

*The principle of collaboration is instilled in each of us from an early age. We are taught as children to share with others. Many of the games and sports that we play require us to form teams. These experiences are as commonplace and essential to our childhoods as anything else.*

A number of vital lessons are learned on playgrounds and ball fields. Three are particularly salient in the context of collaboration. First, we learn that competition drives many aspects of life. In most instances, however, this competition is not framed in terms of winners or losers, but rather in terms of profit and loss. Second, we learn that sometimes life requires us to work with others, and other times it is in our own self-interest to form teams. Finally, we learn that specialization of roles can be the easiest and most effective way to practice teamwork.

*There is only one pitcher on a baseball diamond and one goalie on a soccer pitch.*

By assigning roles within this structure, it frees the other members of the team to fill other roles and concentrate their respective talents.

Collaboration among individuals and organizations is one of the most timely conversations topics in a number of circles. Many of these discussions have emerged in response to the so-called “sharing economy,” where entrepreneurs and producers coalesce around co-working, incubator-style working spaces. This arrangement increases efficiencies between individuals as it allows for the free exchange of information, ideas, and talent. Many of these same principles have been adopted by organizations of all sizes as part of the “lean” organization movement.

Competition has historically served as the major deterrent to organizations in the private and public sectors from collaborating in a formal manner. Professionals across organizations frequently consult with each other, yet few of these conversations result in a true work product.



*“Gettin’ good players is easy. Gettin’ ‘em to play together is the hard part.”*

– Casey Stengel



Decision makers in these organizations often limit their strategic thinking to ways to build and maximize internal resources and prioritize their self-interests.

The scope of competition among organizations has expanded significantly over the course of the last several decades. Where communities used to jockey with each other to attract businesses and residents, these same communities are now matched against global competitors. Where companies used to consider the production capacity of local competitors, they now must also consider competition from foreign markets. This expansion of competitive scope can also be seen in youth sports, as travel teams frequently compete against teams in neighboring states, where they used to compete against the closest towns.

*The emergence of national and global competitors has also opened clear spaces for more meaningful collaboration.*

As the size of potential rivals increases, so too does the recognition that communities and organizations must expand their own perspective to foster regional or national partnerships. These partnerships are pursued to increase both the scale and scope of products and services offered, as well as to increase visibility.

Many of these partnerships, which include everything from co-branding initiatives to shared services seem like second nature to the participating organization. However, fewer understand that the principle of collaboration and its benefits are strongly rooted in the tenets of classic economic theory. A basic understanding of a number of these concepts may assist communities and organizations in advocating for additional collaborative relationships.

The purpose of this technical paper is threefold. First, we will establish a basic working definition of what collaboration is and its varying levels of intensity, as defined by economics and sociology. Second, we will discuss many of the economic principles that explain both why collaboration occurs, and how it benefits those partners that engage. These principles will further be related to a series of case studies based on Future iQ Partners' work in a number of regions. Finally, this paper will outline the ways that a number of tools and techniques, including network analysis and scenario planning may assist organizations and communities in building more significant and impactful collaborations.



### Section Summary:

*Before one learns how to effectively do anything, they must first learn what it is. Collaboration is a buzzword that is increasingly used in business, information technology, and government. However, most of what is written about collaboration assumes that the concept is well understood. In this section, we present a working definition of collaboration and discuss some of the ways that definitions differ depending on context.*



*“Alone we can do so little; together we can do so much.”*

*– Helen Keller*

## 2.0 DEFINING COLLABORATION

*Within a general context, collaboration can be defined as any relationship between two or more people. It is a more formal relationship than cooperation, which can also imply agreement between individuals not to work with each other. Individuals in a collaborative structure may or may not have formal relationships, but are defined merely by their working towards some common goal.*

Collaboration, when viewed from the perspective of economics, generally focuses on the ends rather than the means of the relationship. Specifically, economists tend to concentrate on how collaboration between two or more actors leads to a different outcome, which may be positive or negative, than what would be achieved if each of those actors worked alone. From this perspective, collaboration is viewed as an incremental process that looks at marginal gains, either in the final outcome or in realized savings in achieving that outcome. There are a number of rules and concepts that help explain this behavior. These shall serve as the basis of the next section of this paper.

Before shifting to a discussion of core economic principles and what they have to say about collaboration, it is important to take a brief detour to consider the concept from the perspective of sociology. Where economists are focused on outcomes, sociologists tend to focus on both the motivations and processes of collaboration. In other words, the result is a “means-based” definition that emphasizes a number of levels of intensity of relationships that may or may not affect the outcome of a partnership.

According to Arthur Himmelman (2002), “*Collaborating is defined in relationship to three other strategies for working together: networking, coordinating, and cooperating that build upon each other along a developmental continuum. It is important to emphasize that each of the four strategies can be appropriate for particular circumstances depending on the degree to which the three most common barriers to working together -- time, trust, and turf -- can be overcome. These strategies are most effective when there is a common vision and purpose, meaningful power-sharing, mutual learning, and mutual accountability for results. The definitions of terms are offered to assist decision-making about appropriate working together relationships as well as in assessing organizational readiness to make internal changes that support external multi-organizational relationships.*”



**Definition of Collaboration:**

*“Collaborating is a relationship in which each organization wants to help its partners become the best that they can be at what they do.”*

– Arthur Himmelman (2002)



*“People are more likely to remember the great social interaction they had with a colleague than the great meeting they both attended.”*

– Ron Garan

**Networking** is defined as exchanging information for mutual benefit. “Networking is the most informal of the inter-organizational linkages and often reflects an initial level of trust, limited time availability, and a reluctance to share turf.”

**Coordinating** is defined as exchanging information and altering activities for mutual benefit and to achieve a common purpose. “Coordinating requires more organizational involvement than networking and is a very crucial change strategy. Coordinated services are “user-friendly” and eliminate or reduce barriers for those seeking access to them. Compared to networking, coordinating involves more time, higher levels of trust yet little or no access to each other’s turf.”

**Cooperating** is defined as exchanging information, altering activities, and sharing resources for mutual benefit and to achieve a common purpose. “Cooperating requires greater organizational commitments than networking or coordinating and, in some cases, may involve written (perhaps, even legal) agreements. Shared resources can encompass a variety of human, financial, and technical contributions, including knowledge, staffing, physical property, access to people, money, and others. Cooperating can require a substantial amount of time, high levels of trust, and significant access to each other’s turf.”

**Collaborating** is defined as exchanging information, altering activities, sharing resources, and enhancing the capacity of another for mutual benefit and to achieve a common purpose.

“The qualitative difference between collaborating and cooperating in this definition is the willingness of organizations (or individuals) to enhance each other’s capacity for mutual benefit and a common purpose. This definition also assumes that when organizations collaborate they share risks, responsibilities, and rewards, each of which contributes to enhancing each other’s capacity to achieve a common purpose. Collaborating is usually characterized by substantial time commitments, very high levels of trust, and extensive areas of common turf. A summary definition of organizational collaboration is a process in which organizations exchange information, alter activities, share resources, and enhance each other’s capacity for mutual benefit and a common purpose by sharing risks, responsibilities, and rewards.”

From this perspective, we see that collaboration can be both defined in terms of process and outcome, with each contributing important weight to our understanding of the term. Each of these concepts will become important as we discuss the ways in which economic principles can both inform and facilitate greater collaboration among organizations.



### Section Summary:

*Economic principles help us explain all manner of aspects in everyday life. They can help us understand why gas prices may be different at two service stations on a busy intersection. They can also help us understand why some of the busiest hot dog vendors in New York City are set up by the wealthiest investment firms. Economics has a great deal to say about why collaboration happens and how it can benefit organizations. Some of these key principles are discussed here, along with examples that should be familiar to most readers.*



*“Collaboration begins with mutual understanding and respect.”*

– Ron Garan

## 3.0 COLLABORATION FROM AN ECONOMICS PERSPECTIVE

*Most of us are familiar with the general concept of the ways that an economy works based on what we receive from news sources. Reports about the monthly unemployment rate give us some basic information about the way that labor markets function and the demand for workers. Every autumn brings reports about forecasted spending during the holiday shopping spending and a list of the “hot” toys for that year. This gives us a clue about the concepts of supply and demand. This is reinforced every time we drive past a gasoline station or visit a movie theater. There are concepts of economics in nearly every aspect of daily life, yet we rarely consider how they may explain the how’s and why’s of common occurrences.*

The same can be said of collaboration. It occurs more frequently than is generally recognized primarily because cooperation is second nature for many of us. However, we have demonstrated that collaboration, as a concept, comes in many different forms and degrees of significance. As such, true collaboration between individuals or organizations is a more difficult concept to both identify and understand.

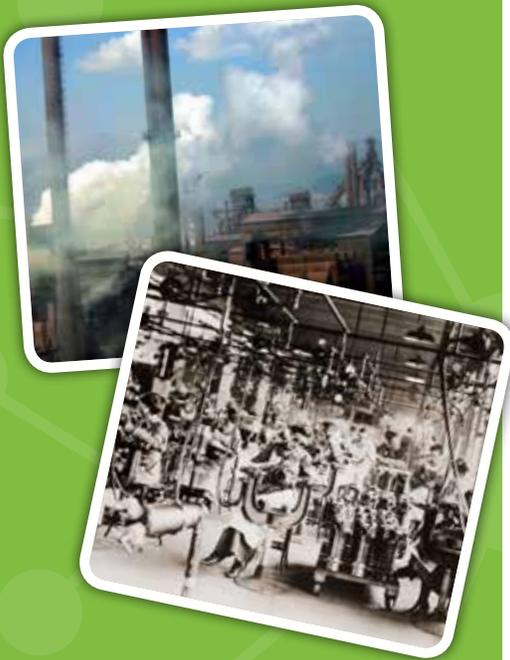
*There are a number of economic principles that both explain why individuals and organizations may or may not choose to collaborate to meet share goals.*

These same concepts can also shed light on the motivations that inspire deeper levels of collaboration and both the costs and benefits of doing so. Finally, economics also has much to say about the nature of the goals pursued by public and private organizations and how slight differences in understanding may present a more significant barrier to collaboration than politics or personalities.



*“It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest.”*

– Adam Smith

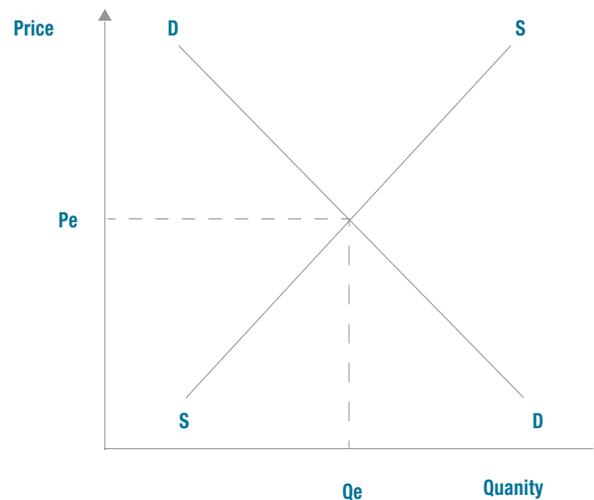


The goal of this chapter will be to explain many of the common ways that economists understand the nature of collaboration and how its effects are measured. These concepts may assist in recognizing opportunities to collaborate with others and to express the benefits that are likely to follow. Many of these concepts may again be familiar to most readers, though they may not have been considered in this context.

## 3.1 KEY CONCEPTS

### 3.1.1 THE LAW OF SUPPLY AND DEMAND

One of the first theories that a student of economics is taught is that of the basic operation of the market. This model is driven by a number of key concepts, but none are more important than supply and demand. Simply stated, supply measures the amount of a good or service that is available for consumption at a given cost and demand represents the level of consumption of that good or service at a given price. Using these two concepts, we can model the market for a typical good on a simple line graph.



It is important to note that supply tends to be modeled as an upward sloping line as we assume that, as the sale price of a good increases that more producers will enter into the market to supply it. Similarly, we model demand with a downward slope as it is assumed that more of a typical good will be consumed as its price decreases. The intersection of the two lines or equilibrium determines the amount of the good or service that is produced, and the average price that consumers pay for it. There are exceptions to every rule, but this basic model will serve as the starting point for the remainder of this discussion.



*“A knotty puzzle may hold a scientist up for a century, when it may be that a colleague has the solution already and is not even aware of the puzzle that it might solve.”*

– Isaac Asimov



This model is also overly simplified by necessity. Economists assume that any changes that may occur do so under the principle of *ceteris paribus*, or “all things being equal.” We know that the world is far more complex than this. However, in keeping with the spirit of the discussion, the concepts to follow and their effects will be explained within the context of this simplified framework.

### 3.1.2 THE ROLE OF INFORMATION

A third concept that helps explain how markets function and will play an important role in later discussions is the significance of information. One of the requirements of a perfectly-functioning market is that everyone who is engaged as a producer or consumer has clear information regarding the actions and motives of everyone else in the market. This means that consumers know both who else is demanding the same good or service and at what price, but also how many producers are currently providing that good or service and at what cost. The concept of perfect information rarely exists in any marketplace and can therefore also be viewed as a commodity of some value. This will be more fully explored later in this chapter.

### 3.1.3 PROFIT MAXIMIZATION

The goal of consumers under normal market conditions is to purchase the quantity of any good or service at the lowest price possible. Conversely, the goal of suppliers is to produce as much of a good or service as is demanded in the market at the lowest cost possible. The difference between the cost incurred to produce something and the price paid for it drives the concept of profit or utility maximization. The concept of utility is one that often defies valuation. It is associated with a general state of well-being or happiness. Profits are more easily quantified and understood and will therefore be used throughout the remainder of this discussion.

### 3.1.4 EXTERNALITIES POSITIVE AND NEGATIVE

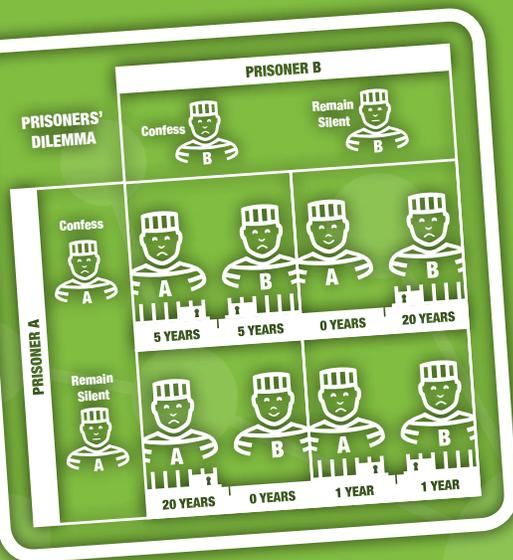
One of the other economic concepts that is affected by the presence or lack of collaboration among actors is the presence of spillover effects, or externalities. This refers to costs or benefits that “spill over” to the rest of society, or those not involved in a transaction.

Negative externalities occur when a firm or agency engages in an activity that imposes a cost on society that does not have to be paid in the transaction. A classic example is that of a large manufacturer that pollutes a local river. The firm benefits from access to the waterway while residents living downstream are negatively affected.



*“Many ideas grow better when transplanted into another mind than the one where they sprang up.”*

— Oliver Wendell Holmes



### John Nash's Equilibrium

*Nash is perhaps the economist most famously associated with game theory. His work at Princeton in the 1950's is depicted in the Academy Award-winning film, A Beautiful Mind (2001). Nash was awarded the Nobel Prize in Economics in 1994 for the development of model outcomes in non-cooperative games.*

Negative externalities also occur in economic development when cities or other levels of government compete against their neighboring communities for a large producer.

Positive externalities are also possible though they occur more rarely in the private sector. These refer to benefits accrued to a community through the action of others. Examples may include a company's decision to hire a world-renowned architect to design its new headquarters or set aside land as a green space.

Positive externalities are also commonly observed within regional development. The aggressive recruitment of a firm or the offering of tax incentives to facilitate an existing firm's expansion by one community benefits neighboring communities through the firm's presence even though they do not contribute to the effort to attract or retain it.

Positive externalities can frequently dissuade communities to act. The intent of collaboration among communities or organizations is often to ensure that both the costs and benefits of any action are equally shared among all affected.

### 3.1.5 GAME THEORY AND COLLECTIVE ACTION

Game theory is the study of the strategies and interactions between different "agents" or organizations. Many of us are familiar with the concept of game theory through the 2003 film A Beautiful Mind, which describes the life and work of the mathematician John Nash. Game theory has proven to be of tremendous value in military strategy, the study of financial markets, and organizational development.

The most common model that describes the basic tenets of game theory is the prisoner's dilemma. In this game, two suspects are arrested and charged with armed robbery. They are separated for interrogation and each given the option to confess to the crime, implicate the other suspect, or say nothing. The key rule in this game is that both suspects are given the same offer for their cooperation and are not allowed to communicate with each other before deciding which position to take.

If one suspect agrees to confess to a lesser charge and the other does not, the confessor will receive a lesser sentence, such as being an accessory (with a three-year sentence) while the silent suspect is convicted of the full crime (and receives a thirty-year sentence.) If neither suspect speaks, then authorities will only be able to charge them with a mid-tier offense, such as illegal possession of a weapon, which carries a five-year sentence. If both suspects confess, then both will be charged and convicted for a more serious offense, but will be given some leniency and given twenty-year sentences.



*“Teamwork is the ability to work together toward a common vision. The ability to direct individual accomplishments toward organizational objectives. It is the fuel that allows common people to attain uncommon results.”*

– Andrew Carnegie



Game theory suggests that each suspect in this investigation has a dominant strategy, which is to confess. By doing so, they assume that they will receive the lightest sentence. However, since they don't know how the other suspect will act, it is most likely that both suspects will confess and receive matching twenty-year sentences. This is viewed as an inefficient outcome and demonstrates the power of collaboration and information sharing between actors.

Three variations of this game would yield vastly different outcomes and are more typical of how organizations act. If the suspects were allowed to communicate after receiving the offer but before making their decision, they would likely come to some agreement to remain silent and therefore receive the best possible sentence. Conversely, if both suspects know that they or their loved ones might be subject to retribution if they confess, they may also remain silent.

Finally, if the suspects were charged jointly and therefore allowed to cooperate during the course of a full trial, it is assumed that they will build a greater level of trust by the end of the prosecution. This is referred to as an iterated game. An arms race between two countries, such as the United States and the Soviet Union during the Cold War is a classic example of this type of game. Communities also experience iterated games in economic development as they commonly compete to attract new firms and to retain existing firms.

The prisoner's dilemma can be illustrated in another example that is familiar to any organization. Firms and municipalities are frequently pitted against each other when competing for a new contract or a new firm. In responding to requests for information or qualifications, organizations frequently must decide whether to describe their own characteristics as well as those of neighboring or collaborating entities. Furthermore, these decisions often take place in an environment of limited information as the bidding organizations are not fully aware of the conditions required to win the contest. This decision can greatly impact whether the contract is awarded or the firm relocates.

Local economic developers receive requests for information from site selectors on a daily basis. In doing so, communities are asked to provide a variety of information about their community's profile, population, economy, and infrastructure, among others.



*“We could only solve our problems by cooperating with other countries. It would have been paradoxical not to cooperate. And therefore we needed to put an end to the Iron Curtain, to change the nature of international relations, to rid them of ideological confrontation, and particularly to end the arms race.”*

– Mikhail Gorbachev



### 3.1.6 TYPES OF GAMES

When we describe interactions under game theory they tend to be classified based on the type of outcome that occurs or the payoff that actors are competing for. Games can either be zero-sum, negative-sum, or positive-sum.

Zero-sum games are most common as they reflect the economic concept of scarcity. The amount by which one individual benefits is equal to the amount that another individual is made worse off. Communities experience zero-sum games all of the time. When a company announces its intention to relocate to take advantage of lower costs or incentives elsewhere the destination community receives the full benefit while the former home experiences the loss.

Negative-sum games occur when the prize pool that the actors are competing for shrinks over time. The most typical example of this is a collectively bargained labor negotiation. In most instances, neither labor nor management has all of its demands met. This is especially true if labor threatens to strike. Both parties are somewhat better off once the negotiation ends, but the final terms of the contract are likely not to be as beneficial as an initial offer.

Positive-sum games may result in larger benefits for actors who cooperate. This outcome is also possible in a labor negotiation. If both parties are believed to be negotiating in good faith, they may work together to generate intangible benefits, such as improved working conditions, or to increase benefits by decreasing non-labor costs or increasing productivity.

Positive-sum outcomes are also fairly common in economic development. For example, a company that receives infrastructure incentives such as, road or utility improvements, may choose to invest in a new facility whose value exceeds that of the improvements. In other instances, the attraction of a large manufacturer by one community may result in new contracts for suppliers in neighboring communities. In each instance, all actors are better off through collaboration.

### 3.1.7 COLLECTIVE ACTION AND ISSUES OF INACTION

Economists implicitly recognize that many decisions and actions occur within group settings. Yet, we often model the decision making process as an individual act. It is assumed that all individuals act out of their own self-interest, choosing that which rationally makes them better off. By implication, we assume that the same thing occurs in a group setting, with each individual hopefully acting in a way that makes all members better off. However, this is often not the case, as we noted in the discussion of the prisoner's dilemma model.



*“If everyone is moving forward together, then success takes care of itself.”*

— Henry Ford



### **Elinor Ostrom’s ‘Governing the Commons’**

*Political scientist Elinor Ostrom examined the question of how public goods, such as parkland or public schools can be successfully administered when multiple users have claim to these assets. She wrote **Governing the Commons** (1990), which describes how groups such as property owner’s associations and public authorities can effectively manage these goods. She was awarded the Nobel Prize in Economics in 2009.*

Collective-action problems occur when each individual in a group pursues a rational strategy, yet the outcome is bad for all members in a group. This is also referred to as “collective irrationality.” Problems of this type commonly arise in groups where shared responsibilities result in shared benefits. If gaps in information are introduced into this setting, group members may be led to believe that they may not need to perform some function and still derive benefit because someone else will do it. If each member in the group comes to the same conclusion, no action occurs and no benefit is generated. This cognitive dissonance is referred to as shirking.

We have all been members of groups that suffer from collective-action problems. Groups of workers that are assigned projects frequently experience shirking as an irresponsible or inattentive team member will likely have his or her share of the work covered by other team members, yet the team itself may be recognized by management for their efforts. If applied to a broader scale, this phenomenon is famously referred to as the “tragedy of the commons.” We see this behavior in discussions regarding environmental sustainability and global warming where actions such as recycling are considered to be voluntary. Residents are far less likely to recycle if they see that large users, such as restaurants and grocery stores are recycling since they assume that there will be a greater impact from larger users.

There are a number of possible solutions that have been proposed to address collective-action issues ranging from regulation to privatization of public resources. Collaborative partnerships where roles are clearly defined and accountability measures are installed to protect against nonperformance are also especially effective. For example, communities with public safety mutual aid agreements may define maximum response times where the community that fails to respond within a given window incurs a penalty for its inaction.

### **3.1.8 HOW OUR UNDERSTANDING OF PROFITS MAY HINDER COLLABORATION**

Economists generally do not differentiate between the behaviors of individuals. We know that a number of socio-economic and demographic factors affect how we behave as economic actors, but economics suggests that our utility-maximizing motivation remains fairly constant. When the focus shifts to a consideration of organizations, two important differences emerge between the public and private sector.

Most of the concepts that we have defined above apply equally to both sectors due to the influence of individuals. However, the way that decisions are made within the business community and government agencies differ quite starkly as more individual initiative is observed in the private sector. The importance of consensus building in a



*“The only way to maximize group creativity—to make the whole more than the sum of its parts—is to encourage a candid discussion of mistakes. In part, this is because the acceptance of error reduces cost. When you believe your flaws will be quickly corrected by the group, you’re less worried about perfecting your contribution, which leads to a more candid conversation. We can only get it right when we talk about what we got wrong.”*

– Jonah Lehrer



number of government processes naturally emphasizes the role of group dynamics. As a consequence, private sector entities are viewed as both being more nimble or responsive and more open to collaboration. Public sector organizations are conversely viewed as more deliberate and therefore more skeptical of partnerships. These definitions do not necessarily hold in practice, as we shall see.

The second and more important distinction that must be drawn between public and private sector organizations relates to the concept of profit or utility maximization. This principle is initially difficult to apply to most public and non-profit sector entities primarily because these organizations are barred from generating profits by definition. They may generate cost savings through process improvement or revenue from their activities, but any revenue that exceeds the cost of operation is rarely retained by the organization. As such, economists assume that public sector organizations possess no “profit motive.”

If we assume that the ability to generate profits does not drive the actions of most public sector organizations, how can we measure the benefits of collaboration in this sector? There are two economic principles that are especially helpful in this instance and are commonly used to determine what constitutes “good” public policy.

## 3.2 MEASURING THE SUCCESS OF COLLABORATIVE RELATIONSHIPS

### 3.2.1 EFFICIENCY AND EQUITY IN POLICY AND PARTNERSHIP-BUILDING

The main objective of most public sector organizations, as well as their private sector counterparts is the maximization of efficiency. Simply stated, efficiency represents the degree to which resources are used to generate the most productive outcome. In other words, efficiency represents the “bang for one’s buck.” In order to understand the importance of efficiency in collaboration, we first have to accept that the world is defined by the concept of scarcity. The value of a good or service is determined by its finiteness – there is not enough of anything worth having for everyone to have as much of it as he or she desires.

Perhaps the best way to illustrate the impact of efficiency is to refer to a few examples of inefficient outcomes. Two hypothetical stores that specialize in selling only left or right-footed shoes would be considered highly inefficient. A savvy entrepreneur would quickly open a store selling pairs of shoes for both feet nearby. Similarly, many real estate economists view the practice of building homes on large lots on a waterfront as inefficient as it would make more economic sense to build hotels that would afford more individuals access to these vistas.



*“Efficiency is doing things right; effectiveness is doing the right things.”*

– Peter Drucker

### **Efficiency and Innovation Drive Collaboration among Millenials**

*Younger workers counted among the so-called “Millenial” generation are among the strongest advocates for collaboration in most organizations. A survey conducted by PGI, a collaboration software developer found that 88 percent of young professionals prefer collaboration over competition.*



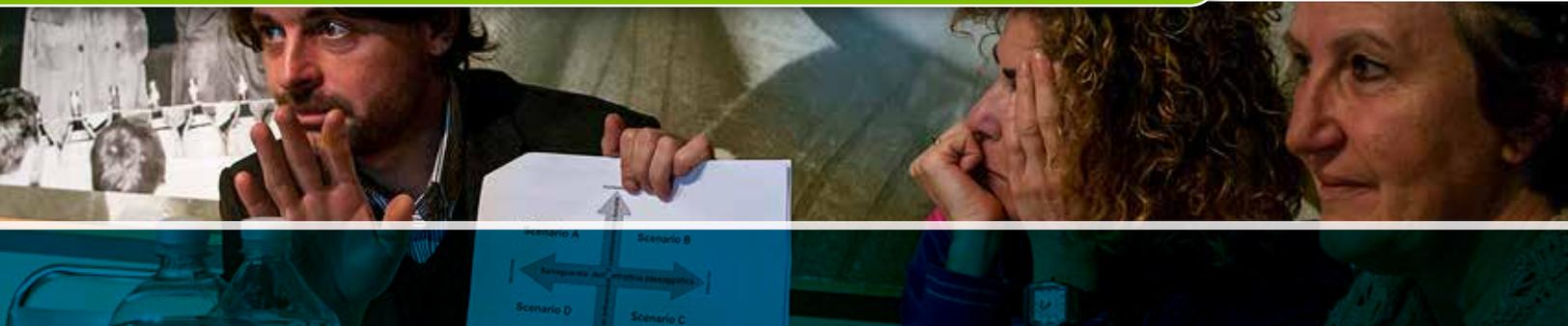
Efficiency is often the metric that drives discussions of policy excellence. It is typically measured by comparing the number of people affected or served by a program with the cost associated with that program. For instance, teachers are often applauded more loudly if they produce highly-performing students in large classes than if they did so in small classes where individual attention is both easier and more generally expected. Success at a Department of Motor Vehicles office is measured in the wait time that a customer experiences before being served.

A second aspect of efficiency that we must consider is the fact that improvements in it, just as in productivity in general are viewed as marginally-declining. In other words, there is a limit on the amount of resources that one can commit to improving efficiency before either the marginal benefits exceed the marginal cost, or the program runs out of potential clients to serve. As a consequence, efficiency is commonly viewed as a byproduct of a process or service rather than the objective of it.

The second measure of government organization effectiveness that is both typically used and can benefit from greater collaboration is the concept of equity. Equity refers to degree to which resources and responsibilities are divided as a consequence of an action. This is closely related to the discussion of externalities that occurred earlier. The intent of most public policies is to ensure that all citizens affected by an action are treated fairly. However, fairness as a principle is subjective. To ease this conversation, it may help to consider three common types of equity – horizontal, vertical, and intergenerational.

Horizontal equity measures the degree to which similar situations are treated equally. This is commonly referred to in the context of income tax policy – those earning the same should pay the same. The concept of horizontal equity is also of great significance in regional collaboration where we assume that communities of a similar size or influence will contribute in the same way. This stands in contrast to vertical equity, which assumes that those who are relatively better off are expected to contribute a greater share of their wealth to the greater good. This again is typically discussed in the context of tax policy and serves as the basis of redistributive policy. Issues involving vertical equity considerations are also highly subject to collective action problems.

Finally, intergenerational equity refers to the extent to which the costs and benefits of a program are distributed into the future if one or more of these are concentrated in the present. Social Security and Medicare are common examples of policies with intergenerational concerns. Economic developers commonly recognize similar issues in environmental remediation as a former owner of a property may be responsible for its pollution yet a current interest bears the cost of cleanup.



*“The lightning spark of thought generated in the solitary mind awakens its likeness in another mind.”*

– Thomas Carlyle

### **Collaboration for Competition Spurs Regional Economic Development**

**Regional Development**  
Organizations such as those described in the case studies in this report, as well as those such as the East Bay Economic Development Authority in Northern California have realized that collaboration among historical competitors can lead to a stronger global market position. This process is not easy, however, as communities often times need to build trust and break down longstanding barriers. In the East Bay, more than twenty communities have adopted a strong ethics platform which includes a “no raid” policy to reduce competition. Information sharing and transparency are also vitally important to this partnership.

### 3.2.2 USING COLLABORATION TO IMPROVE OUTCOMES

When organizations within a region or market choose to collaborate, they are motivated by a variety of factors. In some instances, an external incentive, such as a government mandate or a change in market conditions may force former competitors to attempt to work together. Other times a group of clients or customers may urge a number of common organizations to work together to service them more effectively. Finally, a group of innovative leaders may recognize the benefits of cooperation and will build upon the professional relationships they may have fostered to form effective partnerships.

Regardless of whether collaborations form due to external or internal impetus, the mere practice of working together can yield immediate benefits.

Organizations that serve common customers, such as state and local economic development agencies may realize that their shared market is subject to oversaturation or duplication of services. A collaborative arrangement will allow those organizations to identify who is best suited to provide a given service, thereby freeing up resources to do other things. Producers collaborating in the private sector frequently experience similar gains when, for example, they decide to source key components from a shared supplier rather than contracting individually.

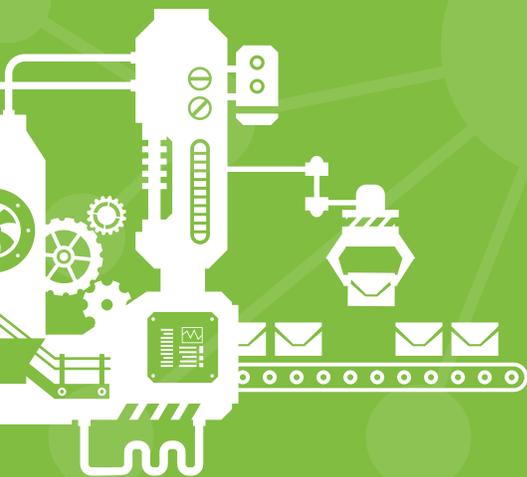
When assigning responsibility for shared services, organizations commonly use the concept of comparative advantage to divide duties. Under this principle one assumes that some organizations are more effective or efficient in providing a given service than others. If the capacities of multiple organizations are compared, the most efficient is typically assigned the responsibility to provide that service to the clients of all partner organizations through specialization. For example, a group of regional chambers of commerce might give responsibility over all young professionals' activities to the chamber whose community includes a local college or university. Similarly, training providers such as technical and community colleges often specialize in program offerings based on regional needs and the capacity of neighboring institutions.

At the same time, these organizations may find through constructive dialogue that the full array of services rendered leaves gaps either in the types of services available or in the markets served. Shared resources can then be more efficiently and effectively directed to meet those needs. This practice is commonly referred to as capacity building.



*“What we need to do is learn to work in the system, by which I mean that everybody, every team, every platform, every division, every component is there not for individual competitive profit or recognition, but for contribution to the system as a whole on a win-win basis.”*

*– W. Edwards Deming*



### 3.2.3 ECONOMIES OF SCALE AND SCOPE

From an economics perspective, these concepts are collectively referred to as agglomeration effects as they represent the most efficient distribution of resources across multiple firms or organizations. The effect of doing so generates significant economic benefit to all participating organizations and may create spillover benefits within the larger region. Agglomeration effects are generally divided into two different categories – economies of scale and economies of scope. Each represents a different model of efficient resource allocation and can be observed in a number of regional contexts.

Economies of scale effects are most commonly associated with a related economic concept of vertical integration that is familiar to anyone who learned about the industrial trusts of the late Nineteenth Century. In a vertically-integrated process, one or a group of firms or organizations control all aspects of the production of a good or service within a defined market or supply chain. In doing so, the controlling firms eliminate duplication of production and can therefore produce more of an end product than could be produced if each firm acted on its own. Large firms such as Standard Oil and U.S. Steel took this concept to its natural conclusion in practices that are now deemed illegal.

*While organizations that collaborate regionally may not see the types of absolute gains from scale economies as may have been generated in the private sector, capacity building activities can still yield significant benefits.*

Take for example a group of small- to mid-sized communities that lie in a region with a number of natural advantages, but no single major market. If taken individually, none of these communities would be viewed as an attractive target for firm location or investment. However, if the communities choose to cooperate to craft and market a regional brand identity, their collected attributes are more likely to gain greater attention. This is one of the principal arguments in favor of rural regional development, for example.



*“Creativity comes from spontaneous meetings, from random discussions. You run into someone, you ask what they’re doing, you say ‘Wow, and soon you’re cooking up all sorts of ideas.’”*

– Steve Jobs



Economies of scale are both complemented and contrasted by a second agglomeration effect, economies of scope. This is most commonly associated with horizontal integration and can also be connected to monopolistic behavior. In order to generate scope economies, a number of organizations or firms that offer different, but related products or services decide to collaborate to serve a common customer base. By specializing, these partner firms can concentrate on what they do best while ensuring their customers receive a comprehensive suite of services.

An example of scope economies can be observed by walking into an automobile dealership. A typical dealership sells and leases new and used vehicles, arranges financing for these vehicles, and also offers maintenance and repair services. This “one-stop shop” philosophy also extends to regional partnerships in workforce development, where service providers from a number of agencies may co-locate in a single office. Similarly, a number of regional organizations may choose to implement a comprehensive strategy to provide a portfolio of services, including business plan development, capital investment, and mentoring to prospective entrepreneurs. This can also be applied to regional efforts to develop supply chains around major producers. In many instances, suppliers are identified who provide services to multiple local customers, as well as firms that provide a variety of services. In this regard, economies of scope can be applied to increase economies of scale for the end user.

In both instances the most effective means for generating value through collaboration is in the sharing of information. Information is generally perceived as a form of currency within the context of agglomeration effects as those who possess the greatest knowledge of a market or process are at a comparative advantage over their competitors. As organizations begin to discuss the possibility of collaboration, this knowledge is shared thereby enhancing its value as it is first disseminated and then advanced.

The sharing of information is commonly cited as one of the critical factors in spurring innovation within any industry or practice. Building information-based collaborations will therefore lead to more innovative solutions to meet shared needs.



*“Choose to collaborate and watch your competitors become your allies.”*

*– Jennifer Ritchie Payette*

### **The Real Benefits of Collaboration are Found in Many Industry Sectors**

- *Manufacturers in common markets creating purchasing pools to lower costs and obtain more reliable supplies of materials.*
- *Health care providers sharing patient data and billing information to minimize the duplication of diagnostic services and related costs.*
- *Professional services firms collaborating to secure larger contracts from major customers.*
- *Collaboration among teachers in a team environment leads to greater student outcomes due to more differentiation and attention for students with different ability levels.*

### 3.2.4 USING COLLABORATION TO MOVE THE MARKET

From the pure perspective of economic theory, the efficiency and agglomeration benefits that can be derived from collaboration affect market conditions in a number of ways. If we recall the simple market model of supply and demand, we know that markets are affected either by changes in the demand for a good or service or changes in the cost of providing that same good or service. In capacity building activities, the suppliers of a good or service will be able to provide a greater quantity of that good or service at the same or a reduced price. This is likely to either meet the excess demand for that good or service or increase demand. This represents the full benefit of economies of scale.

Conversely, we know that both demand and supply curves are modeled along a given slope. That slope can be affected by changes in either the price or quantity of a good. In scope economies, the quantity of a good or service provided may not change, but the marginal price of providing that good or service will decrease. Therefore, customers and clients will likely pay less for a higher quality product.

*In policy terms, the returns observed from greater collaboration among public organizations may result in savings to taxpayers, or a higher quality of service in underserved communities.*

Private sector firms can typically lower operating costs and generate marginally higher profits. In each instance, there is a clear advantage to collaborating with both friends and competitors and between the public and private sector.

Now that the principles that help us to both explain and measure the process and value of collaboration have identified, we will next discuss the ways that two organizational development tools –social network mapping and scenario planning might be used to facilitate greater collaboration between organizations and regions.



## Section Summary

*This section explores some of the practical methodology that Future iQ Partners uses in regional and industry planning work, and examines the perceived importance and value of collaboration, as determined by the stakeholders involved in future planning work.*

*“To operate in an uncertain world, people needed to be able to re-perceive, to question their assumptions about the way the world works, so that they could see the world more clearly. The purpose of scenario planning is to help you change your view of reality - to match it up more closely with reality as it is and reality as it is going to be.”*

*- Peter Schwarz,  
The Art of the Long View*

## 4.0 PERCEIVED VALUE OF COLLABORATION: PRACTICAL INSIGHTS

*Collaboration is currently a widely promoted practice and behavior in many public sector initiatives. Increasingly, policy settings and funding streams targeted at regional, community and industry planning, encourage or even mandate collaborative behavior including instances where grant applications require consortiums or partnerships. However, there can be a significant gap between understanding and supporting the concept of collaborating, and the ‘real world’ behavior of collaborating. It can be observed that ‘lip service’ is sometimes given to notions and ideals of collaboration, but individualistic behavior emerges when competitive opportunities are presented.*

### 4.1 USING SCENARIO PLANNING TO EXPLORE THE FUTURE

In applying regional and industry planning work, Future iQ Partners has developed significant capacity and experience in the application of scenario planning methodology. Over a ten-year period, the company has conducted numerous major scenario-planning initiatives, spanning regional, industry and community sectors, and across different geographic locations and scale.

The decision to apply scenario-planning methodology to the company's future planning work has been based on the observed value and rigor of the process. It appears to be a particularly useful methodology, which allows participants to thoughtfully and objectively explore future options, whilst taking into account complex and interrelated factors. The Future iQ Partners approach builds on conventional scenario planning methodology, and includes preliminary surveys; discussion of macro, regional and local forces of change; identification of critical drivers; and ultimately clustering together drivers to form two major scenario shaping axes. These axes then define the conditions under which four different plausible scenarios could develop. The future is examined under each scenario, looking out ten to twenty years in the future, and considering dimensions such as likely impacts on the economy, society and environment.



## Key Facts

- *This study draws data from over 25 major scenario planning case studies across a range of industries*
- *The geographic spread is substantial, including 8 countries across 3 continents*
- *The core 'think-tank sessions have involved more than 2,000 key leaders and stakeholders*



Typically, in a Future iQ Partners scenario planning initiative, there will be at least one occasion where approximately 50 to 200 key regional leaders and stakeholders gather for a two-day think-tank workshop session. This process draws together an enormous amount of collective knowledge and experience, and allows significant dialogue and discussion about the future.

The practical experience is that scenario planning methodology, applied in this manner, provides insightful learning and new understanding about future choices and potential impacts.

This open and transparent dialogue and examination of options, appears to accelerate alignment around a shared vision of the future, or a preferred future scenario. As in the Prisoner's Dilemma game, participants can use the scenarios to consider different iterations of the future and collectively understand where and when benefits and costs of different future choices might accrue. However, the question often asked is 'how?'

This approach of developing alternate futures has proven to be particularly potent in subsequent stakeholder engagement sessions. The fact that people are presented with an array of future 'choices', articulated as four future scenarios, allows a participant to consider the future from a point of view of options and consequences, rather than entrenched opinion or reaction to a single proposed vision. In this way, it appears to offer an interesting manner in which people are enticed or 'invited' into a multi-dimensional dialogue, rather than be forced into arguing a 'for' or 'against' position. This very simple, but important contextual shift is observed to significantly accelerate and support the process of building alignment and collaborative thinking. This has resulted in rapid and high levels of agreement around a single shared vision, and then the collaborative identification of key priority action steps.



## Key Findings

- Scenario planning appears to lay out a compelling case and logic for an increase in local collaborative effort.
- Over 85% of people, from over five thousand survey respondents, indicate that having a shared vision for the future is considered important or very important.



## 4.2 COLLABORATION AS A DRIVER FOR FUTURE SUCCESS

Given the scope of Future iQ Partners scenario planning engagements, the collective outcomes provide an useful and interesting insight into the broad perceptions of the stakeholders. In total, over 2,000 key senior leaders from regions and sectors have been participants in such workshops, and many thousands more stakeholders have been involved in subsequent engagement sessions.

The following table examines the key scenario shaping themes, as identified by workshop participants. In total, 23 scenario-planning sessions have been included in this analysis, from across an eight year period and covering eight countries. In over 60% of the cases (14 out of 23 workshops), future collaborative behavior between organizations was explicitly identified as a key determinate of future outcome. Without exception in these cases, the advent of future collaborative behavior was seen as a key force to drive the region or industry towards the ultimate preferred future. In addition, collaborative behavior was seen as an implicitly important underpinning factor in being able to realize positive movement on other major axes such as 'Ability to innovate and respond to economic change' and 'Ability to capitalise on local resources'. This simple analysis would suggest that key leaders and stakeholder hold a strong view that building better collaborative behaviour will increase the likelihood of long term regional or industry success.





## Key Findings

- Collaborative practices and behaviour is woven through almost every identified strategy aimed at future success
- In over 60% of the cases, future collaborative behavior between organizations was explicitly identified as a key determinate of future outcome.
- Perceived benefits cover issues such as better use of local resources; ability to capitalise on larger opportunities; enhanced regional competitiveness; greater capacity to resist undesirable external forces and trends; and the enhancement of critical local skills and leadership capacity.

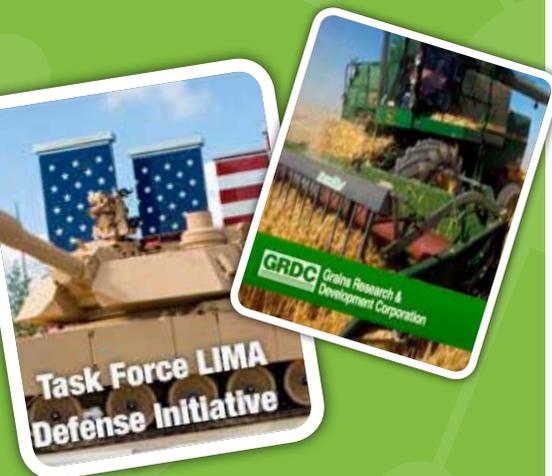


TABLE: ANALYSIS OF KEY FUTURE SHAPING THEMES – SCENARIO PLANNING WORKSHOPS

Summary of key axes themes – as defined by participants to shape plausible future scenarios						
Location of Scenario Planning Workshop	Year	Ability to collaborate and compete regionally	Ability to innovate and respond to economic change	Community culture and engagement	Workforce skills and aptitude	Ability to capitalise on local resources
Central Wisconsin, USA	2007		✓	✓		
Australian Grain Industry	2008		✓			
Central Iowa, USA	2008	✓		✓		
Northern Idaho, USA	2008			✓	✓	✓
Northern California, USA	2008	✓	✓	✓		
Arkansas, USA	2010	✓			✓	
Columbia Basin, BC, Canada	2010	✓	✓			
Australian Horticulture Industry	2010	✓	✓			
Southeast Alberta, Canada	2010		✓			✓
Mid Iowa, USA	2010		✓		✓	✓
West Cork, Ireland	2010	✓		✓		✓
Winnemucca, NV, USA	2010		✓	✓		
Prince Edward Island, Canada	2011	✓	✓			
Rotterdam, Netherlands	2011	✓	✓			✓
North East Nevada, USA	2012	✓	✓			
Kewaunee County, WI, USA	2013	✓	✓			
Fox Valley Region, WI, USA	2014	✓	✓			
North West Spain	2014	✓	✓	✓		
Tuscany, Italy	2014	✓	✓			✓
Minneapolis, MN, USA	2014			✓		✓
Corsica, France	2015		✓	✓		
Sardinia, Italy	2015		✓			✓
Northwest Italy	2015	✓			✓	
<b>TOTAL</b>	<b>23</b>	<b>14</b>	<b>17</b>	<b>8</b>	<b>4</b>	<b>8</b>
		61%	74%	35%	17%	35%



## Scenario Planning

*Scenario planning allows for the consideration of complex and interrelated forces.*

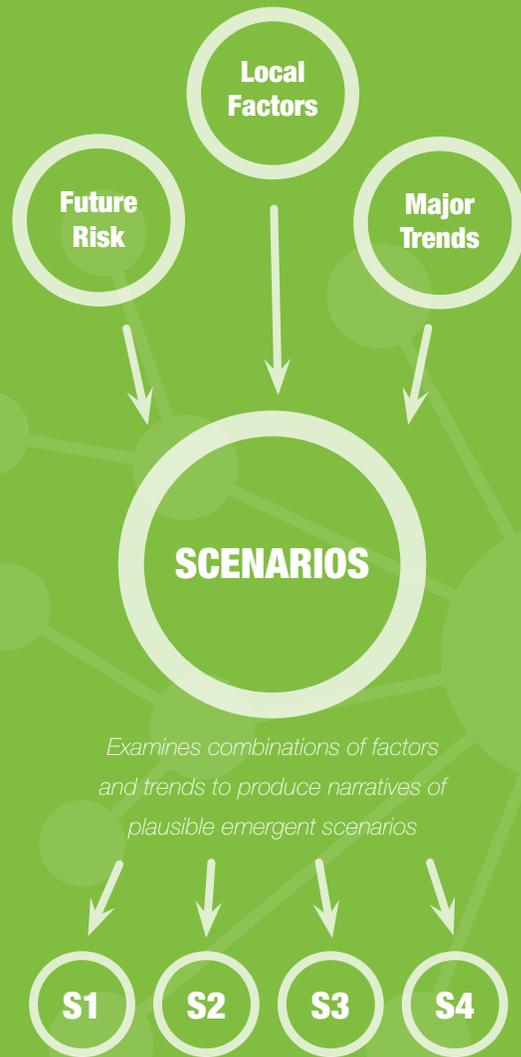
More detailed examination of the narratives associated with the preferred future scenarios, and also the subsequent action planning, shows that collaborative practices and behaviour is woven through almost every identified strategy aimed at future success. The benefits associated with this future success, and underpinned by collaboration, are wide-ranging and comprehensive. Benefits cover issues such as better use of local resources; ability to capitalise on larger opportunities; enhanced regional competitiveness; greater capacity to resist undesirable external forces and trends; and the enhancement of critical local skills and leadership capacity.

In addition, survey work associated with the scenario planning projects, shows very high level of support and recognition of the value of having a shared vision, which in itself is a collaborative behaviour. Over 85% of people, from over five thousand survey respondents, indicate that having a shared vision for the future is considered important or very important. Of these, the vast majority believe that the vision should be used as a reference framework when making important decisions.

*This indicates that key leaders and stakeholders are under no doubt about the importance and value of collaboration as a key driver of future success. However, the question often asked is 'how?'*

Overcoming traditional barriers and turf lines remains the most consistent concern and frustration. Finding ways to highlight the individual benefit of collective and collaborative action remains a key challenge.

Certainly, in most cases, scenario planning appears to lay out a compelling case and logic for an increase in local collaborative efforts. Turning the recognition of the value and the desire for greater collaboration, into actual new models and modes of collaboration remains a persistent challenge. However, the action planning steps immediately following scenario planning routinely see significant commitment to collaborative-based projects. This is addressed to some extent in the following sections of this report, in the case studies of collaborative regional development.





**Network Mapping Outcomes:**

- *Uncover the key relationships and informal leadership*
- *Improve the strategic network alignment to the goals of the organization or region*
- *Map and improve information flow and optimize leadership networks*
- *Increase the ability to act upon emerging opportunities*
- *Increase collaboration and alignment between critical partnerships*

**“Making the Invisible Visible”**



**4.3 BUILDING FUNCTIONAL COLLABORATIVE NETWORKS**

As has been discussed in previous sections, building functional capacity for collaboration is essential. Future iQ Partners has been utilizing the relatively new science of network mapping to provide a unique insight into the functional behavior and capacity of local networks.

Network, and network behavior is an important building block to build truly collaborative systems. The work Future iQ Partners has been undertaking in this realm aims to help develop and stimulate effective local ‘eco-systems’ amongst key stakeholders, such as economic and workforce development professionals. By taking a network systems approach to exploring collaboration building, it allows us to explore the organic nature of such human dynamic and interactions.

Any functional network is always evolving and adapting to circumstances and the behavior of various key actors within the network. The virtual interactive network mapping approach, applied by Future iQ Partners, allows us to literally ‘peer inside’ this network and measure and study the flux and flow of interaction and collaborative behaviors. Participants in the network surveys are asked to nominate who they regularly interact with, and in what manner based on the continuum of strategies (networking, coordinating, cooperating and collaborating). In addition, they are asked to assign some measure of benefit associated with that interaction. This process builds up virtual layers of interactions, which can be studied to understand network patterns, density and frequency of interaction. The inherent value in this approach is that it makes visible, what has been previously invisible. It maps out in a dynamic and interactive platform a ‘point in time’ picture of network behavior. This system also allows people to explore their own individual place in the network, and the perceived value they deliver or provide to the overall network.

In addition, similar questions can be explored that seek to understand the flow of information and technical expertise across such a network or ecosystem of stakeholders. This process has now been applied by Future iQ Partners to multiple network analysis projects across North America, Europe and Australia. These projects have ranged from examining information flows across major industries to exploring local and regional networks within economic and workforce development sectors.

Whilst the technology and science of network mapping is in its relatively early phases, the application appears very promising, especially in settings where people desire to build more integrated and fluid collaborative networks and information flow.



*“Application of a Network Lens exposes the interactions between people, allowing the exchange of information and knowledge to surface, and exposes dependencies and gaps within the system”*

The initial experience suggests that the approach is ideal at identifying where there are currently key densities in networks and where gaps might exist. In addition, the role of key individuals and organizations can be examined. In most of the projects to date, some core group of key stakeholders has been identified, who maintain or provide the majority of the bridging and connecting linkages within a defined network. Knowing who these people are is critical. In addition, useful additional linkages can be identified, and help answer the questions of which specific new collaborations may produce the greatest overall benefit to the network.

An interesting anecdotal observation is that the application of such a transparent network mapping process brings with it certain perceived benefits and attendant tensions. It is not unusual for people who are relatively new to a network to embrace the approach enthusiastically, as they quickly identify that such a methodology can save them literally years of slowly building connections and relationships. In effect, they are provided with an instant network map and easy identification of the key ‘go-to’ person for important resources and information. However, the flip side is that people may also be suspicious and wary of the approach, especially people who have some significant equity or professional reputation invested in knowing the ‘who’s who’ of an opaque network.

In today’s world of increasing data transparency and rapid information flow, being able to map and leverage informal and formal networks will potentially provide some significant competitive advantages.

One of the significant benefits to be explored in having a better understanding of a network is the ability to be able to rapidly respond and reconfigure to address an identified opportunity or challenge. In nearly three quarters of the scenario planning projects previously mentioned, a key theme shaping the future scenarios was the ‘Ability to innovate and respond to economic change’.

The need to be adaptable and responsive has been well recognised by the cross section of leaders involved in the scenario planning workshops. To do so at a regional or industry sector level, will require the ability to be able to rapidly access and align the necessary network actors around key response strategies. The network mapping methodology being developed and applied by Future iQ Partners appears to offer some very interesting network insight and diagnostics. Used well, this information could have a transformative effect on future network agility and responsiveness.





**Section summary:**

*The principles and concepts discussed in previous sections only gain value once they are applied to real circumstances. Many writers have attempted to use the principles of collaboration to explain why a project may or may not succeed. Future iQ Partners have used these same techniques to foster true collaboration as an objective. The case studies presented below highlight some of the areas where we have worked, what has worked, and what key lessons readers can take from these experiences.*

***“I never did anything alone. Whatever was accomplished in this country was accomplished collectively.”***

*– Golda Meir*

## 5.0 FUTURE IQ CASE STUDIES: HOW COLLABORATION REALLY WORKS

*Future iQ Partners has developed a proven track record of fostering more effective regional collaborations in more than 25 regions and communities throughout Australia, Europe, and North America.*

There are significant differences in the character of each of these regions, yet they all share one commonality. Each region was the home of a group of champions who possessed both the insight and the desire to pursue greater future gains through partnerships. We have selected three such regions in order to demonstrate many of the concepts that have been discussed. Each of these regions – Northeast Nevada, Southeast Alberta, and Northwest Ohio faces considerable economic challenges. However, the formation of collaborative partnerships has led to the identification of considerable new opportunities.

A visitor to any of these three regions would first be struck by the stark disparity that exists in their landscapes with Northeast Nevada in an intermountain area, Southeast Alberta lying on a semi-arid steppe, and Northwest Ohio filled with rolling green hills and a strong industrial heritage. Southeast Alberta lies on the southern fringe of one of the most productive petroleum areas in the world, a distinction that Northeast Nevada shares with another precious resource – gold. Northwest Ohio also has a significant history in the oil industry as petroleum was discovered there in 1885. Once we move past these physical differences we may notice a number of similarities.

Each region is largely rural yet is proximal to larger, more urban markets. The cities that exist here are more modest in scale and are the hub of most economic and population growth. This dichotomy creates an underlying tension as the cities seek to capitalize on growth while their rural neighbors worry about declining population and influence.

The impetus that resulted in Future iQ Partners work in these regions varies from opportunity to crisis. Yet in each, Future iQ Partners were able to work with a number of passionate champions who both embraced a culture of future change, but also demonstrated it in their own work. In the brief discussion of the key facts and outcomes in each of these areas, we will see that a number of the economic concepts discussed earlier will be readily evident. These cases also helpfully demonstrate the critical characteristics required to promote a beneficial collaboration.



## 5.1 STEERING IT FORWARD IN NORTHEAST NEVADA: SHARING INFORMATION AND BUILDING TRUST

The issues faced by the communities of Northeast Nevada are not unlike those experienced in the other two regions insofar as stakeholders have had to collaborate around common interests in response to external challenges. The region is home to some of the world's most productive gold mines. The industry has provided a sound employment base for many of the region's communities. However, investment in the region has tended to focus on the mines and the infrastructure supporting their operation. This has created a climate where investment in other aspects of the region's economy is constrained, leaving communities scrambling to meet housing and workforce needs. Changing federal regulations on mining and public land use along with tightening federal resources also complicates the region's collaborative climate.

The Nevada state government recognized the value in promoting regional collaboration as well as the need to deliver certain essential services in a regional capacity. A Regional Development Authority and other closely related agencies have been created in a number of states to provide statutory credence to regional collaboration by offering economic development, land use planning, and other services to local communities. The Northeast Nevada Regional Development Authority has emerged as a champion of regional collaboration in this area. The organization itself has benefitted from stable and experienced leadership, yet it has also faced a significant challenge in expanding its membership from four counties to seven. This has brought a number of new voices into the conversation, creating opportunities and challenges.

The focus of collaboration building in Northeast Nevada starts with the identification of key issues and industries. Future iQ Partners was brought into the region in 2012 to assist in this conversation by narrowing the scope and shaping priorities. The region had experienced some early success in organizing the region's mining supply chain. However, changes in the global economic and regulatory climate had slowed this and other conversations. The conclusions that emerged through the course of the year-long dialogue that followed revealed that the region needed to resolve a number of internal conflicts before it could direct its attention to advocating for external changes.

A number of common themes wind through industry conversations that occurred during this period. Workforce and housing needs were identified as critical to future business and community growth, while government regulation and intervention was a common deterrent. Each of these requires the development of a collective action strategy. However, each issue

### Regional Profile

- *Seven county region located in the far northeast of Nevada*
- *Largest city is Elko*
- *Region is home to one of the largest gold and silver reserves in North America*
- *Over 67,000 jobs exist; prominent industries are mining and manufacturing*

Case study information prepared in collaboration with Pam Borda, Executive Director, Northeastern Nevada Regional Development Authority



## Outcomes of Collaboration

- *Elected officials are working together across boundaries for the first time in history.*
- *The regional leaders have come together to solve their housing issues and fast-track approvals*
- *Major businesses are sharing information and building a stronger local supply chain*
- *Health care industry is building a new model of service delivery.*

area also demands individual contributions and local context. As such, responses in each of these areas have been subject to the type of parochialism that hinders collaboration in a number of communities. When collective actions have a greater tendency to yield localized benefits, communities will quickly abandon collaborations in order to compete for the greatest share as the tenets of game theory.

*The renewed focus on collaborative partnerships fostered by the Northeast Nevada Regional Development Authority and its leadership has worked to change the existing development culture.*

The dialogue that developed as part of the Steering it Forward initiative challenged stakeholders to consider common needs. The partnerships that have formed since have focused on developing shared solutions. The mining supply chain consortium has been gaining slow but steady momentum as market conditions have improved. In this instance, collaboration has been spurred by greater opportunity, which is a common precondition.

The smaller communities in the region have recognized the need for greater capacity in promoting housing and commercial redevelopment. They have turned to the RDA to develop best practices in these areas. In doing so, regional leaders have had to create a culture of trust in order to build the needed capacity. The tipping point in this process came when city and county leaders across the region started a discussion around shared issues. This had not occurred in the past due to geographic and political isolation. This again is a classic example of capacity building, yet it demonstrates the role that trust plays in cooperative games. Unless all players or actors in collaboration have confidence in each other's ability, there is no possibility of generating the most optimal outcome.

There are a number of potential opportunities for future collaboration in the region. A new community health partnership developed once participation from local hospitals was secured. The region is also working to cultivate a new generation of leaders who can build on these existing successes. The region recognizes the need to work together to meet whatever future challenges arise both in and out of their collective control.





### Regional Profile

- *Region of southeast Alberta that extends from the United States border to the largest petroleum reserves in North America.*
- *Largest city is Medicine Hat.*
- *Dominant industries are agriculture and chemical processing.*
- *Region has established goals of resident and business attraction and the development of a seamless trade route extending to the Gulf of Mexico.*

Case study information prepared in collaboration with Elvira Smid, Executive Director, Eastern Alberta Trade Corridor.

## 5.2 THE PALLISER ECONOMIC PARTNERSHIP IN SOUTHEAST ALBERTA: CAPACITY BUILDING AT WORK

Southeast Alberta, Canada is a region that constitutes a study of contrasts. It constitutes a large share of the province's land area yet a smaller percentage of its population. It also lays far to the south of Athabasca Cold Lake, and Peace River oil sand deposits in the center of the province. The region has a smaller share of coal and petroleum deposits that have provided a great deal of wealth and employment, particularly in its largest city Medicine Hat. The region also has a strong agricultural heritage and some bio-diversity. The region is also home to Canadian Forces Base (CFB) Suffeld and Defence R&D Canada Suffeld, the largest military installations in the country.

An Alberta provincial initiative was launched in 2000 to promote the formation of regional economic partnerships. The initiative emerged through the recognition that economic development resources and progress were distributed unevenly throughout the province and that the provincial government could use financial incentives to increase collaboration and capacity in underserved areas. One such partnership was developed in the Palliser Region of the far southeastern corner of the province. This area of three counties and three special areas encompass twenty-eight municipalities of varying sizes. As with each of the regions included in these case studies, the diversity of government jurisdictions and interests presented a potential obstacle to collaboration.

The concept of collaboration in this instance progressed over the next decade on both the provincial and sub-regional level, with a number of other regional partnerships joining the Palliser Economic Partnership (PEP) in taking advantage of provincial resources and a number of provincial ministries discussing ways to better respond to the needs of its rural and small business communities. Despite working in parallel, a pattern of collaboration emerged between the provincial and sub-regional actors as greater collaboration at the provincial level generated additional regional resources. The regional economic partnerships have, in turn applied these resources to meet the needs of their local contexts with varying levels of success.

The Palliser Economic Partnership recognized the importance of building sustainable dialogue as a precursor to collaboration and launched the Growing in Rural Alberta Symposium series in 2006 as a way of sharing information and best practices. It was at one of these symposia in 2009 where the PEP and Future iQ Partners launched the Palliser Futures Project. Through an eighteen month engagement, stakeholders in the region both considered plausible future outcomes and created a model of economic development that strategically aligns resources around targeted opportunities and builds upon the region's existing strengths. Through



## Outcomes from Collaboration

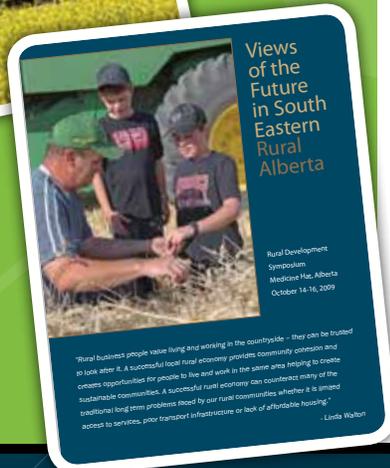
- *New marketing initiatives and data sharing has helped build the regional and community profiles.*
- *The region has attracted dedicated resources for the Eastern Alberta Trade Corridor that helps connect the north-south transportation routes on the east side of the Province.*

this dialogue, regional leaders considered the impact of both local resources and external economic pressures on their growth capacity.

A number of key developments have occurred since the completion of the regional visioning exercise. The PEP has focused much of its resources around building more effective ways to market the region to new residents and investment. In this it has been recognized that one of the critical resources that many of the region's communities was lacking is data. We have discussed the importance of information sharing in collaborative relationships. The leaders of the Palliser region determined that better information about each community's profile would be of value both to the communities themselves as well as to a broader marketing campaign. One of the results of this initiative has been the creation of the South East Alberta Easy-Move Toolkit (<http://www.palliseralberta.com/toolkit/>). The creation of a regional identity around a common brand is a classic example of the principle of economies of scale. The hope is that, by creating a somewhat larger "dot on the map," that the communities of the region can promote their uniqueness while also embracing shared values.

The scale efficiencies demonstrated in the formation of the Palliser Economic Partnership and Palliser Futures Model has grown by an order of magnitude in the last seven years as the PEP collaborated with two other economic regions (Battle River Alliance for Economic Development and Alberta HUB) and seventy-eight municipalities to form the Eastern Alberta Trade Corridor (<http://www.albertatradecorridor.com/>). The partnership is a member of the broader Ports – To – Plains Alliance (<http://www.portstoplains.com/>) and represents a natural extension of the collaboration building that has previously occurred in the region. The partnership connects the regions to a broader investment and opportunity base through a shared identity.

Ongoing dialogue regarding collaboration at the provincial level has also resulted in the formalization of relationships between several ministries in the formation of an Alberta Small Business Strategy (<http://www.shiftalberta.com/index.php>). This strategy was formed through a period of intensive engagement along with a social network mapping exercise. The collaboration that has followed here represents economies of scope through diverse functions. However, there are a number of obvious and ongoing linkages to the provincial-level relationships formed through this experience and the regional initiatives occurring throughout the province. This also demonstrates that collaboration can occur at different levels for mutual benefit and that both scale and scope efficiencies can be observed within similar contexts.





### Regional Profile

- **Centrally located region in West Central Ohio that is equidistant from Detroit (MI), Fort Wayne (IN), and Toledo.**
- **Region served as a key railroad hub from the 1860's to 1950's.**
- **Region has extensive ties to the railroad, oil, and defense industries.**
- **The Joint Systems Manufacturing Center opened in 1942 and is the only producer of combat tanks in North America.**

Case study information prepared in collaboration with Denis Glenn, Project Manager, Allen County, Ohio

## 5.3 TASK FORCE LIMA, ALLEN COUNTY OHIO: PROACTIVE COLLABORATION ANTICIPATES CHALLENGES

The regional economy of northwest Ohio is dotted on its landscape. If one drives north from Cincinnati to Toledo along Interstate 75, the driver passes by farmsteads and large manufacturing plants. City skylines are punctuated with office buildings and industrial smokestacks. The region also has an extensive history in the petroleum industry, as reflected by large storage tanks and refineries. The diversity of heavy industries has brought a level of prosperity to many of the communities in the region, many of which have histories that extend to the early 1800's.

Another prominent industry pattern that defines this region is an extensive concentration of defense and defense-related manufacturing firms. The city of Lima, Ohio can trace the history of its connection to the military to the late 1800's. However, its most prominent involvement extends to the height of World War II. The city is home to the Joint Systems Manufacturing Center (JSMC), a unique partnership between the United States military and General Dynamics Land System – the latest in a line of private contractors that have operated the facility. The plant has a proud history of building tanks and a number of other armored vehicles for the Army, Marines, and a number of foreign military customers. Its most prominent current product lines include the Abrams battle tank and Striker armored vehicle.

Changes in military alignment and spending over the last twenty-five years has resulted in calls from both the Department of Defense and Congress to consider the consolidation or closure of what are viewed as surplus military assets. Community leaders were alarmed when it was announced in 2003 that the JSMC would be included in a round of Base Realignment and Closure (BRAC) analysis that would conclude with a series of recommendations in 2005. The challenge presented was how the community could present the JSMC as a unique and vital asset while also building a supportive community infrastructure. Task Force LIMA was formed with this in mind.

Task Force LIMA represents a comprehensive community partnership organized to advocate for the JSMC and its capabilities to state and federal officials. It is a coalition of local, state and federal elected officials, economic development and business associations, labor organizations, media, and other community leadership. The inclusion of such a comprehensive array of partners is essential given both the scope of the facility as well as the nature of the challenge.

The leadership of the task force mirrors the unique nature of the JSMC as it has always been co-chaired by the mayor of Lima and the General Dynamics plant manager. This public-private



*The Joint Systems Manufacturing Center, or JSMC is unique in that it operates under the structure of a Government-Owned, Contractor-Operated facility, or GOCO. It is the only facility of its kind in the U.S. Department of Defense. This unique partnership provides a clear advantage in the efficient production of world-class vehicles.*



**Outcomes of Collaboration:**

- *Successfully kept JSMC open through three successive BRAC rounds (1998, 2001, 2005)*
- *Generated Congressional support for facility through public outreach and advocacy*
- *Created awareness of the importance of military spending in Ohio, leading the formation of the Governor's Military Jobs Commission in 2014.*

partnership has been especially effective as it opens a constructive dialogue as to the needs of the JSMC and what community assets could be leveraged to support it. By engaging in an extensive public outreach and advocacy campaign, the task force was able to successfully reverse a 2005 recommendation to reduce the productive and physical footprint of the JSMC.

The Task Force only met occasionally between 2006 and 2010, but resumed its current regular meeting schedule in 2010 and 2011 when two key contracts – the Future Combat Systems and Expeditionary Fighting Vehicle programs were cancelled by the Department of Defense. The Task Force has met continuously since and has shifted its approach from being reactive to assuming a more proactive role. Members now actively engage in a number of key advocacy activities, such as hosting Congressional delegations and meeting with Pentagon staff. They have also been instrumental in bringing the importance of the defense sector to the State of Ohio to Governor John Kasich's attention by drafting a white paper in 2013 tracking the flow of federal funds into and out of the state.

By assuming this more forward-thinking perspective, Task Force LIMA is in the process of evolving from an issue coalition to an advocacy or interest organization. The distinction is important as it has allowed the members to shift their orientation from defending the JSMC against possible closure to advocate for more capital investment and additional contracts. This shift has made the Task Force a more viable organization in the long-term. In fact the organizational structure has become so successful and embedded that membership has recently met with other communities in Ohio to share best practices.

Issue or advocacy organizations frequently struggle to expand their scope or maintain inertia after the initial threat or crisis has been resolved. The Department of Defense's Office of Economic Adjustment has recognized this challenge and has provided a planning grant to the Allen County Board of Commissioners to consider how the JSMC fits within the broader economy and its impact at a regional level. Future iQ Partners has been contracted to help facilitate this conversation.

Our experience has demonstrated that effective regions coordinate resources under a shared vision. Oftentimes what is perceived as unique to one area or one industry is common among many. This is also the case in Allen County, as Task Force LIMA is mirrored by an automotive industry task force and a number of other industry efforts. Task Force LIMA has presented one possible leadership model to steward a broader regional vision. What remains is the identification of shared challenges and priorities. If this can be done effectively, it is likely that the information benefits shared can be converted to scale economies benefitting existing firms and leading to future economic growth.



*“Collaboration, it turns out, is not a gift from the gods but a skill that requires effort and practice.”*

*-Douglas Reeves*

### **Practical Steps for Collaboration:**

- **Identify key champions in each region or industry sector that can speak to common interests.**
- **Agree on a leader or objective network facilitator to guide help discussions and resolve disputes.**
- **Create common ground through shared assets, concerns or future goals.**
- **Build trust through shared victories and instill accountability through shared ownership.**
- **Maintain momentum through communication and common activities. Technology can be very beneficial in this regard.**

## 6.0 CONCLUSION: PRACTICAL STEPS TO REALIZE TRUE RESULTS

*The concepts and case studies presented in this paper suggest that there are considerable costs and benefits associated with true collaboration. While there are a number of factors that affect the success of a partnership, it is no secret that building trust between individuals or organizations is hard work. Most of the heavy lifting occurs in trying to demonstrate the “why’s” of collaboration, which is an important precursor in order to get to the “how’s.” Many discussions between like-minded organizations often fail before reaching this important distinction.*

Economics suggests that individuals and organizations generally act in what is considered a rational manner, choosing the action which benefits them the most. However, what economics generally fails to account for is that, in a collaborative arrangement any benefit derived is only realized after all participants cede some sense of individual or organizational autonomy. This tradeoff is certainly important in an intangible sense.

In most cases, the tools that can best overcome a lack of trust or a sense of parochialism are patience and success. The case studies discussed earlier all demonstrate that effective collaboration takes time. This is especially true in the public sector, where things typically occur in a slower and more deliberate manner.

Collaboration also requires the partners involved to celebrate their successes. Reluctant players often hold out from collaborating if they cannot perceive a value in doing so. “Quick wins” or short-term, small-scale successes both demonstrate the commitment of the existing partners and the potential value in participating. This step is frequently overlooked by new partnerships as they focus on larger objectives.

Finally, it is important to note that the economic principles discussed here were developed through the observation of actual behavior. The intent is not to predict what may happen, but only to describe why these actions occurred. As such, after understanding the key principles of game theory, for example, it is easy to see examples of games in our own lives. Information is a quintessential tool in building collaborative relationships. It is merely a matter of how one chooses to use it.

## More reading

*Future iQ Partners has published a number of reports associated with the three case studies outlined in this document. These reports, and other project examples can be found on our website [www.future-iq.com](http://www.future-iq.com). In addition, there are several useful published papers on using scenario planning as a tool to build 'future intelligence' and group alignment.*

- *Development of a Process to Turn Plausible Scenarios into On-Ground Action (James Fisher, David Beurle and Michael O'Connor), International Journal of Environmental, Cultural, Social and Economic Sustainability 2009.*
- *The 'Futures Game'; A Scenario Game Workshop Package to Engage Futures Thinking. (David Beurle, Michael O'Connor and James Fisher), International Journal of Environmental, Cultural, Social and Economic Sustainability 2009.*

*In addition, Sara Trenti, in her 2014 Masters Thesis (University of Sienna, Italy) titled 'The Game - The 'Evolution Of Cooperation' And The New Frontier Of Knowledge Management' does an excellent job of laying out theory around collaboration, and the role of gaming, and The Future Game, in building group collaborative process.*

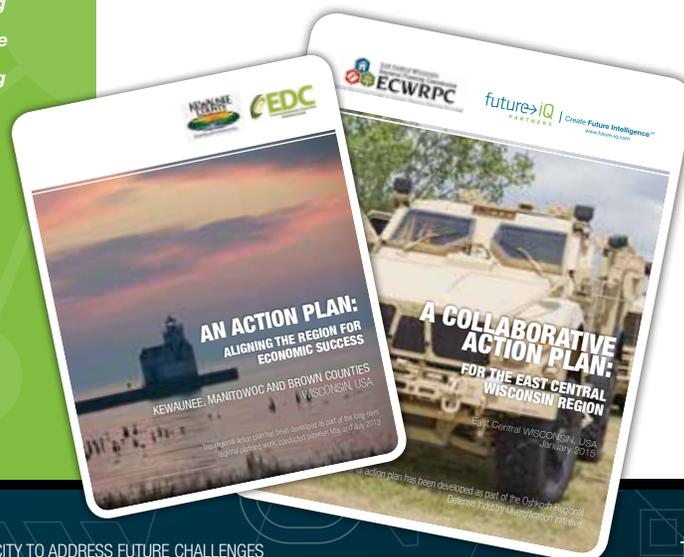
## 7.0 ADDITIONAL REFERENCES

There are a number of excellent analyses and working papers on the process and impact of collaboration that are highly recommended, including:

- Gretchen William Torres and Frances Margolin of the Health Research and Educational Trust have produced an excellent primer on collaboration, which includes many of the concepts introduced by Himmelman and referenced in this work. <http://bit.ly/1CKXoFL>
- Robert Agranoff and Michael McGuire conducted one of the most comprehensive analyses of economic development collaboration in the mid 1990's. Their work, captured in the paper Multinetwork Management: Collaboration and the Hollow State in Local Economic Policy (Journal of Public Administration Research and Theory, 1998) continue to inform our understanding of how regional partnerships develop. <http://bit.ly/1GHLbJG>
- The Tides Foundation partnered with Mount Auburn Associates in 2011 to assess the benefits of collaboration among co-located nonprofit organizations. <http://goo.gl/THIUVZ>

## 8.0 ACKNOWLEDGEMENTS

This work has benefitted from the insights of a number of key individuals. Pam Borda (Nevada), Denis Glenn (Ohio), and Elvira Smid (Alberta) were especially helpful in providing context on each of the three selected case studies. Celine Beurle also provided invaluable feedback and copy editing of a previous draft. This work is a true reflection of the power of collaboration.





**future→iQ**  
PARTNERS  
Create Future Intelligence™

*Future iQ Partners is a market leader in the development and application of scenario planning; network analysis; industry and regional analysis; and, community engagement and capacity building. The company specializes in applying innovative tools and approaches to assist organizations, regions and industries shape their economic and community futures. Future iQ Partners takes a practical, hands-on approach to working with groups and communities. With over a decade of business experience, the company has now grown to have a global clientele spanning three continents.*

## 9.0 ABOUT FUTURE IQ PARTNERS

### ABOUT THE AUTHOR



David Beurle is CEO of Future iQ Partners, Inc. He specializes in creating innovative future planning approaches for use in regional and organizational settings. He developed the groundbreaking Future Game, which has been successfully used across the world in community, regional, industry, corporate and governmental settings. He pioneered the application of Scenario Planning to regions and rural industries around the world. He has worked

in the remotest parts of Australia through to working at the highest levels of Government. He has held a position on the Board of the Western Australian Community Foundation, and has a Bachelor of Science in Agriculture degree from the University of Sydney. His work in community and economic development has earned his work international, national and state awards; including twice being awarded the International Community Development Society's 'Innovative Project Award'.

### TO LEARN MORE ABOUT FUTURE IQ PARTNERS, ITS EXPERTS, AND OUR RECENT PROJECTS VISIT:

[www.future-iq.com](http://www.future-iq.com) or by email at [info@future-iq.com](mailto:info@future-iq.com)

