Performance Frontiers

The Ties that Bind Us: External Social Capital and Innovation

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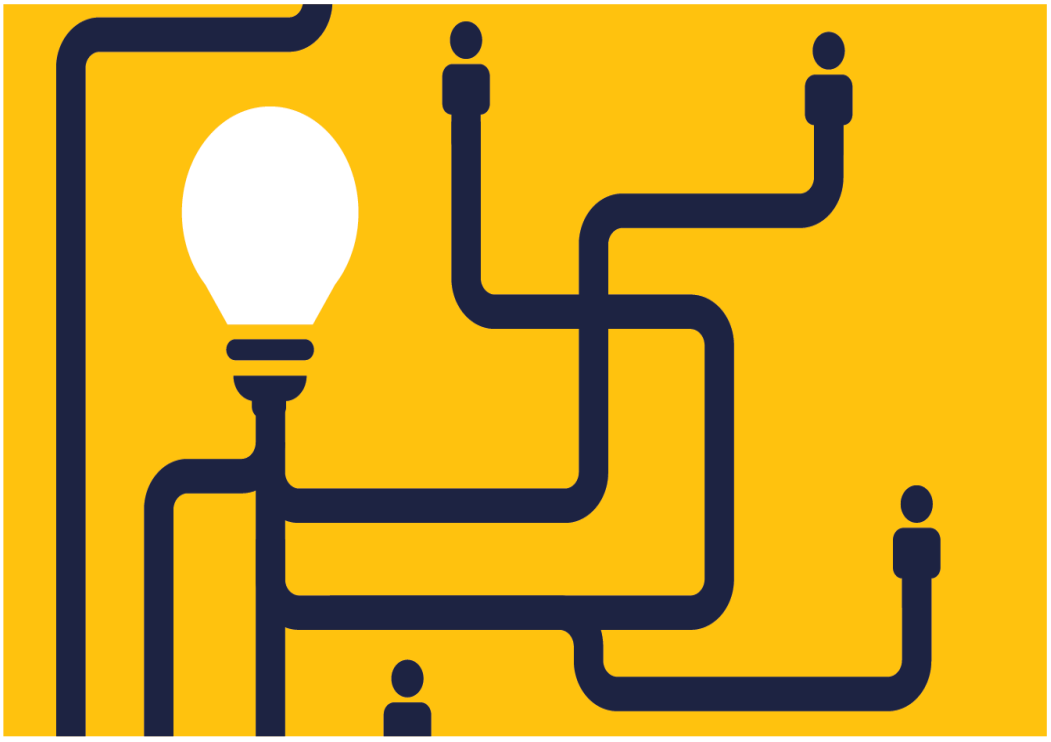

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Few partnerships could be considered more profitable than that of “Wintel”. Microsoft and Intel dominated the PC-era and led the market in a range of metrics, managing to achieve a continuing level of innovation which delivered better PC performance for greater value. However, these types of sustained partnerships of organisations with deeply shared goals, despite their positive benefits, are few and far between. And, because of this, innovation suffers.

In a whole systems’ view of organisations, partnering is foundational to facilitating the growth and harnessing the mutual wealth of our communities. By partnering well, we build strong inner and outer networks that are interdependent – connected but distinct.

Another way we can think about partnering externally is as **building external social capital**. This type of social capital, which is less about creating closely knit collectives and more about wider networks, is often called bridging capital. Bridging capital might include relationships your organisation has with industry associations, suppliers, government bodies, academic institutions and other leaders. It provides a bridge which connects more distanced nodes in a network, over which we reach out and share energy, resources and purpose.

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Networks for Innovation

Given the opportunity for exchange, there is much to be gained from broad and embedded bridging capital. It perhaps makes sense that there is a substantial and growing body of research which has found high levels of inter-organisational social capital lead to better knowledge sharing, and in turn, innovation outcomes.

One study found that bridging capital "facilitates experimentation and combination of ideas from distant sources." Another identified that:

"Overall, firms investing more in the development of their inter-firm and other external knowledge networks enjoy higher levels of innovation."

Research on this topic continues to expand into different

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industries. It has been particularly focused on areas where high levels of innovation and specialised production are required, with promising results in entrepreneurship, biotechnology and viticulture. We also see that generally senior leadership teams with network ties can facilitate information transfer and technology adoption through their own bridging capital.

Bridging capital is increasingly seen as a key ingredient for supercharging our innovation capabilities.

Optimised Knowledge

While broadly speaking “information” is widely accessible in the modern era via the internet or other open-source modalities, the information derived from bridging capital is much more valuable as it is highly specialized, screened and operationable.

We may not be getting access to the “trade secrets” of our competitors every day but the more touchpoints across the breadth of an industry, the more data we gain of a particular kind. Of course, it is self-evident that relationships with

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academic or research institutions can produce rich insights. However, equally, the rest of the ecosystem has something to offer in the way it is evolving and adapting to new trends.

One important aspect of this process is being able to recognise what new knowledge is desirable for an organisation to acquire. Through strong networking, we are able to gain more of an understanding of “what we don’t know”, so we can make informed decisions about the information we need to acquire and where we can get it.

The Crossroads

So, if these benefits exist, why aren’t we pursuing these relationships as a matter of course?

The Australian Industry Group in their research with businesses identified a number of potential barriers to innovation collaborations. One of the big challenges faced by organisation when it comes to these partnerships is **short-termism**. We are less likely to be interested in pay-offs which come down the road. This can be particularly the case when team member’s incentives or performance metrics

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are tied to short term results. In our everyday work, it’s easy to focus solely on problem solving for our immediate needs.

Another major factor is the fear of being transparent and open with other organisations. We think that partnering might result in a loss of market position by leaking a **competitive advantage**. Because of this, we are partnership adverse, particularly when it requires any type of knowledge sharing. This thought pattern is intertwined with a desire or tendency towards self-reliance.

Building Bridges

If we want to build these bridges then, the questions for us become: How do we get comfortable with something that’s not bringing immediate value? How do we become open to the idea of mutual growth? And how do we incentivise partnering behaviours to create a culture of partnering?

On an organisational level, it comes down to making an investment in partnering and networking even when the gains are not immediately apparent. As a long-term goal, the research shows that building strong networks through industry

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means big pay offs for innovation. We suggest thinking about the following when it comes to cultivating our external partnerships:

- **Allocate Time to Work Across Different Horizons** – When planning your and your team's time, ensure that you are making space for both immediate operational needs and long-term success. Build-in the time to plan for and cultivate external social capital rather than expecting it to materialise in the day to day. This time is an equally important investment for the organisation to thrive into the future.
- **Abundance over Scarcity** – Rather than operating on a model of competition, think about how in building partnerships you can create mutual growth. It's all about the Win-Wins in the ways we show up together. For example, when assessing a new venture consider the potential for each part of the ecosystem to benefit from it, rather than just a single bottom line.
- **Create the Conditions for Partnering –** Tie team incentives and performance reviews to partnering outcomes. We need to explore how people's roles are encouraging them to think broadly and energetically about developing external social capital. How do we make this fundamentally 'part of the job' rather than an add-on initiative which suffers when we are busy?
- **Expand Your Vision** – Think about the organisation's network holistically, and identify how you might create

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your portfolio of partners to access diverse knowledge, information and perspectives. It is easy to fall into previous patterns of relationships or people you already know and like, rather than looking laterally across the ecosystem to get the most value. Diverse partnerships result in better innovation.

- **Partner with Purpose** – Look to build relationships with organisations who share your purpose for your work, your communities and the world at large. Social bonds built on a shared purpose are the strongest and most enduring. Being on the same page as your partners will improve the depth and quality of your relationship and only amplify your energy. Partnering to do *pro bono* or charitable work is a great example of this. However, this can also include selecting suppliers or service providers who have a shared mission and values

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Need More Help?

Keen to find out more about how your organisation can develop strong external social capital? Performance Frontiers are experts in helping guide leaders to partner well and stay on the pulse in a world where fast-paced innovation is increasingly vital. Speak to Chris about how we can support you to integrate the building of bridges and the move to become more connected every day into your strategic vision.?

Reach Out to Chris

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