



# collaborating with competitors to advance sustainability

A Guide for Managers



Network for  
Business Sustainability

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Prepared by Dr. Lori DiVito  
& Dr. Garima Sharma

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Collaborating With Competitors to Advance Sustainability: A Guide for Managers

The sustainability challenges our world faces today are too big for any individual company to tackle. Pooling resources, intelligence, leadership, and common sustainability goals with other companies, even with competitors, can elevate the level of results and make a significant difference.

**CARLES NAVARRO, MANAGING DIRECTOR, BASF GROUP SPAIN AND PORTUGAL,  
AND FORMER PRESIDENT, BASF CANADA**

Dear Reader,

I am delighted to introduce this report on collaborating with competitors to advance sustainability. It signals a new paradigm for business — one in which businesses do not only compete, but also collaborate to address big sustainability issues.

Sustainability issues, such as those relating to water, land, and greenhouse gas emissions, often represent tragedies of the commons. In 1968, ecologist Garret Hardin argued that such common resources are overused because individuals and companies act as free riders. Now, companies and society are feeling the costs of resource overuse. Companies must collaborate to secure resources and protect their collective reputation.

Most companies are uncomfortable collaborating with competitors. It can be challenging to coordinate actions, build trust, and share intellectual property.

This report offers insights into effective collaborations with competitors, based on interviews and data collected from existing collaborations. The report is accompanied by a hands-on tool to help you develop strong collaborations.

Both documents take NBS another step forward in bridging the gap between research and practice. Over the years, we realized real impact comes from learning by doing. You will find both documents support you in learning and doing to create impact.

This topic was recommended by NBS's Leadership Council. The managers on this council wanted to learn more about collaborating with competitors, as an important frontier of knowledge and action. We would like to thank the following people, who guided us at every step of this venture: Richard Chartrand, 3M Canada; Tom Ewart, The Co-operators; Heather Mak, Deloitte Canada; Carles Navarro, BASF; and Amanda Pitre-Hayes, Vancouver Public Library. Many other managers and researchers provided invaluable inputs at various steps. We acknowledge them at the end of this report. The research was led by Dr. Lori DiVito, Associate Professor, Amsterdam University of Applied Sciences.

We hope you find the report and the tool helpful in your activities as we work together to advance sustainability.



Dr. Tima Bansal Executive Director, Network for Business Sustainability

Professor, Ivey Business School

# introduction

**Sustainability challenges are among the most complex and difficult problems facing businesses today.** These challenges involve many actors and interests and overlapping concerns, and addressing them requires significant investments and out-of-the-box thinking. Issues such as safety, supplier compliance, and product stewardship have something else in common—they matter to the entire industry, not just one firm. As a result, businesses working on these issues increasingly find themselves doing something they never thought they would: working with competitors.

**This report provides research-based advice for creating successful competitor collaborations for sustainability.**

Competitors come together to:

- reduce reputational risks that threaten an entire industry
- support new technology development by sharing uncertain returns and pooling knowledge
- develop shared standards for businesses within an industry
- communicate effectively with regulators on public policy

The competitor collaborations we discuss in this guide have two key characteristics:

- They include direct competitors that sell similar products and services.
- They address a sustainability issue, such as climate change adaptation for coffee farmers, worker and community health and safety, hazardous chemical discharge, or the market for sustainable products.

Often competitor collaborations include other stakeholders such as nongovernmental organizations (NGOs) and government (see [NBS guide on multi-sector partnerships](#) for more information on cross-sector collaborations). This report specifically looks at collaborations involving direct competitors.

Despite their increasing popularity and success, **competitor collaborations are not easy** to form or to sustain. Businesses in competitor collaborations face two main tensions:

- They need to balance their interests with those of their competitors. They must place themselves on a continuum from **cooperation to competition**.
- They need to balance accountability and flexibility. Companies want to maintain some independent decision-making while holding collaborators accountable for delivering on their commitments. They must decide how to structure the collaboration on the continuum of **informal to formal structure**.

How businesses view these tensions shapes the kind of competitor collaborations they will seek.

## Who Should Read This Guide

Business managers can use this guide to make the case for competitor collaborations to colleagues or leaders, determine the level of satisfaction with current competitor collaborations, and make desired changes.

Industry association representatives can use this guide to support members with resources and training for effective industry collaborations.

NGO staff can use this guide to initiate industry-wide changes and position their organizations to support multi-firm collaborations.

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## Advice Grounded in Research

This report draws on a study by Dr. Lori DiVito, Associate Professor, Amsterdam University of Applied Science. She reviewed the existing research on competitor collaboration, studied eight competitor collaborations in Canada and Europe, interviewing those involved and reviewing reports produced by these collaborations. She used the data to develop an assessment tool and identify best practices for collaboration with competitors. See [page 17](#) for additional information on the research. In this report, insights from Dr. DiVito's research are complemented by the findings from an NBS project on industry association best practices and programs.

We encourage researchers to write to Dr. DiVito ([l.e.d.divito@hva.nl](mailto:l.e.d.divito@hva.nl)) to request her working papers.

# 1. why partner with competitors and what to expect

## Why Partner?

Collaborating with competitors can be valuable if your business faces:

- **Shared issues and reputational risks.** Here, the actions of one business in an industry affect the reputations of the others (a “collective” issue), and businesses feel similar urgency around the issue.

**Example:** The fashion industry faces backlash over poor labour practices and working conditions in developing countries. In 2013, the Rana Plaza garment factory in Bangladesh collapsed, killing 1,100 workers and injuring more than 2,500. Rana Plaza supplied products to many well-known fashion brands, including Zara and H&M. The collapse highlighted worker safety issues and poor building standards in Bangladesh. In response, fashion brands came together in two similar collaborations called the [Alliance](#) and the [Accord](#). Both are based on legally binding agreements among garment factories, worker unions, and fashion brands. The agreements support a safe working environment for factory workers and better manage the risk faced by the industry.

- **Significant technology investments with uncertain returns.** Companies may need to develop costly new technologies in order to address sustainability issues. By coming together, competitors can pool their knowledge, increase the investment funds available, and distribute the risks of uncertain returns.

**Examples** of competitors working together for innovation and technology development abound. Canada’s Oil Sands Innovation Alliance ([COSIA](#)) is a collaboration of 13 energy companies. They work together to create solutions for their priority areas: land, water, tailings (waste), and greenhouse gases. Their members have exchanged 560 technologies and innovations costing \$900 million.

- **The need for a sustainability standard or index.** Competitors come together to create a standard or sustainability index that will apply across the industry. Standards and indices are intended to create accountability by providing uniform metrics to measure businesses’ environmental and social impacts.

**Example:** The [Roundtable on Sustainable Palm Oil](#) was founded to create global standards for sustainable palm oil, in order to reduce the impact of palm oil cultivation on the environment and local communities. It brings together competitors such as Unilever and Nestlé to support the growth and use of sustainable palm oil. By 2016, the roundtable had certified 3.66 million hectares and 21 per cent of globally produced palm oil.

- **The need to communicate effectively with regulators on public policy.** Competitors also collaborate to mobilize the support of regulators. Public policies can impact an industry’s ability to implement sustainability initiatives; governmental support is therefore crucial.

**Example:** The Forest Products Association of Canada ([FPAC](#)) is a collaboration among Canada’s wood, pulp, and paper producers. To address stakeholder concerns regarding the forest industry’s impact on the environment, forest product firms created Vision 2020, a roadmap for improving environmental and social performance. FPAC has lobbied the government to provide tax incentives, transportation infrastructure, and an investment climate that encourages companies to meet the goals set through FPAC.

## Inevitable Challenges

Collaboration with competitors can seem full of conflict. Our research suggests the risks relate to two core tensions:

### **COOPERATION/COMPETITION**

All competitor collaborations aim for shared goals. Yet, individual firm interests may not fully align with collective goals. For example, to sustain their advantages over their competitors, businesses need to protect certain information. But to generate solutions to common sustainability issues, businesses also need to share certain information. Businesses are conflicted in terms of what information — and how much — to share.

### **INFORMAL/FORMAL STRUCTURES**

Competitor collaborations use different structures to coordinate decision-making, ensure individual firms' accountability, and sustain their engagement. Some take an informal approach, relying primarily on relationships. Others build formal structures with boards, committees, and decision-making guidelines.

### **COMPETITOR COLLABORATIONS CAN SUCCEED**

Responsible Care, a worldwide collaboration of chemical companies, has sought to increase worker safety and environmentally sound management of chemicals since 1984. Responsible Care Canada provides a list of principles that the most senior executives of member companies agree to follow. Every three years, multi-stakeholder teams verify that member companies are following the principles. Since 1992, member companies have substantially reduced toxic substance and greenhouse gas emissions; improved air and water quality; reduced hazardous waste; and improved workplace, process, and community safety.

ZDHC, a collaboration of fashion industry competitors, has consistently worked toward reducing the use of hazardous chemicals. In June 2014, ZDHC brands reached their first milestone by publishing the Manufacturing Restricted Substances List (MRSL) for the apparel and footwear industry; the MRSL is a list of chemical substances that are hazardous to the environment. Fashion brands work with their suppliers to remove these chemical substances from the manufacturing process.

## 2. how to make any competitor collaboration more effective

Most competitor collaborations face similar challenges. Below, we describe these challenges at each stage of the collaboration — formation, evolution, and closure — and recommend actions that the collaboration and individual firms can take to address the challenges. Figure 1 shows these stages.

**FIGURE 1: COMPETITOR COLLABORATION STAGES**



### Stage I: Formation

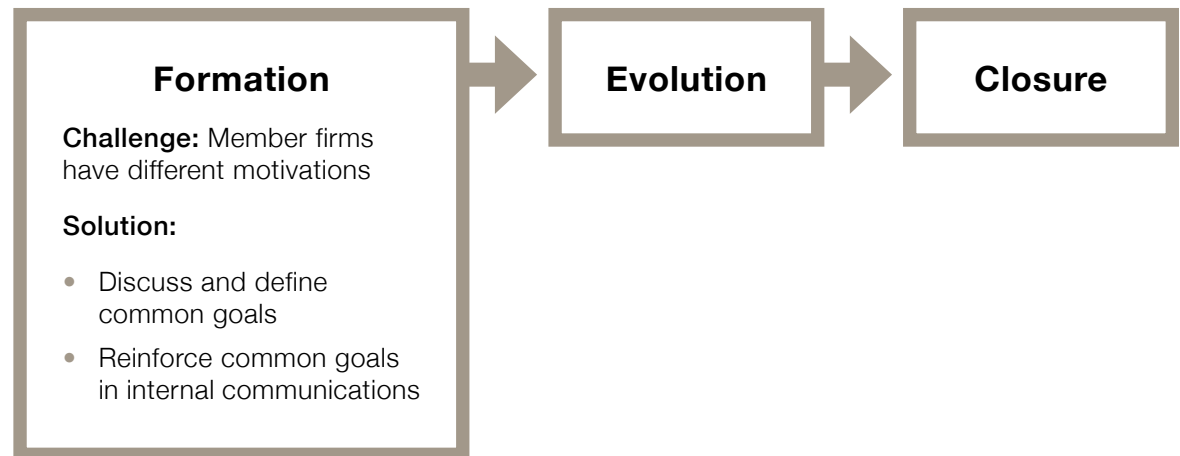
Competing firms often join the collaboration with **different motivations**. Firms in the competitor collaboration must define a common goal and align their motivations.

#### Challenge

Some firms join a collaboration because of external pressure from stakeholders: the government, media, customers, NGOs, and activists. Others have more internal motivations, such as a firm's sustainability values or the prospect of financial gains. This diversity of motivations can make it challenging to define a common goal. Lack of a common goal can prevent joint action. For example, a firm that is externally motivated may favour actions that have higher visibility; a firm that is internally motivated may choose more substantive actions even if they are less visible.

#### Solution

- **Discuss each other's motivations** at the start and **collectively define a common goal**. Facilitated dialogue is a useful technique.
- To reinforce the common goal, **make the goal visible in internal communications**. Ensure that the collaboration's leaders explicitly refer to the common goal when making collective decisions. Member firms can return to this common goal during difficult decisions.

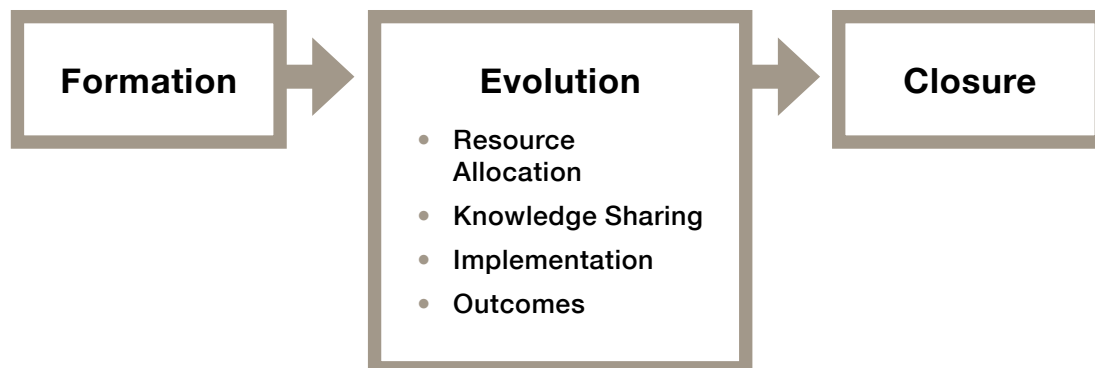


## Stage 2: Evolution

Once the collaboration takes off, issues will surface related to its evolution. We describe four challenges at this stage, which are related to:

- resource allocation;
- knowledge sharing;
- implementation; and
- outcomes.

Each challenge influences the other.



## RESOURCE ALLOCATION

### Challenge

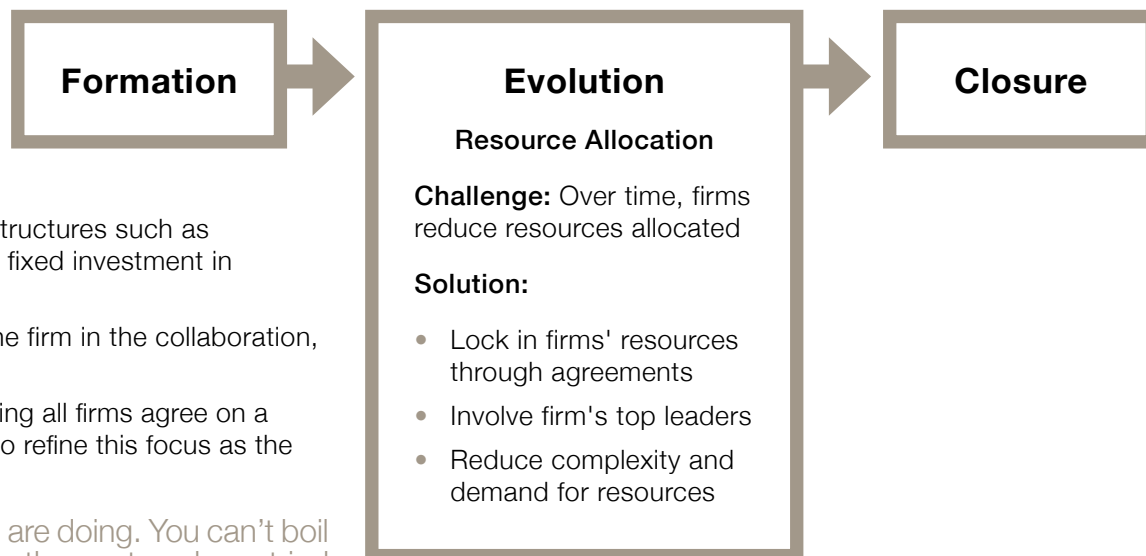
Firms may commit to the collaboration initially but, over time, may be inclined to reduce the time, effort, and financial resources committed.

### Solution

- Lock in firms' resource commitment through formal structures such as mandated attendance, annual membership fees, and fixed investment in creating solutions.
- Involve each firm's top leaders. If leaders represent the firm in the collaboration, continued resource allocation is more likely.
- Reduce complexity and demand for resources by having all firms agree on a narrow, focused purpose and/or objective. Continue to refine this focus as the collaboration progresses.

"It's very important to be very focused in what you are doing. You can't boil the ocean, you can't do everything, and I think in the past we have tried to do more than what our resources allowed . . . Laser focus is the key."

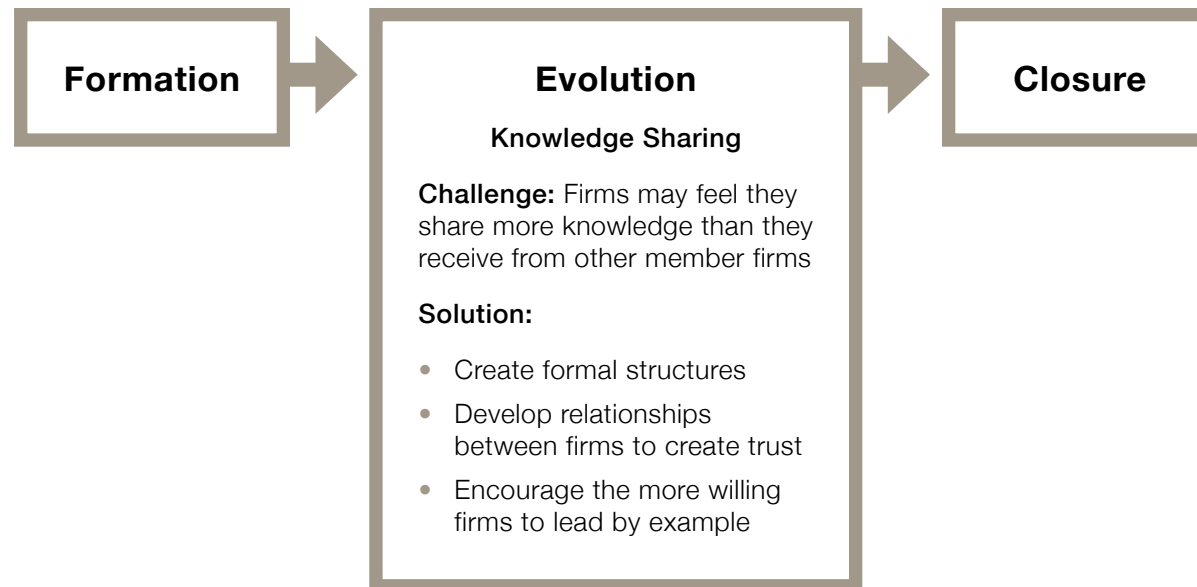
**WESLEY JOHNSTON, CANADIAN SOLAR INDUSTRIES ASSOCIATION**



## KNOWLEDGE SHARING

### Challenge

Firms join with competitors partly in order to find a safe space in which to learn from each other. But learning is difficult when firms do not share their knowledge. Firms may feel they share more knowledge than they receive.



### Solution

- **Create formal structures**, such as confidentiality agreements, to assure member firms that the information they share will not be used against them.
- **Develop relationships that are based on trust** between the firms.
- **Encourage firms to lead by example.** When a few firms show that they are willing to share knowledge and have benefited from doing so, then other firms will be more inclined to do the same.

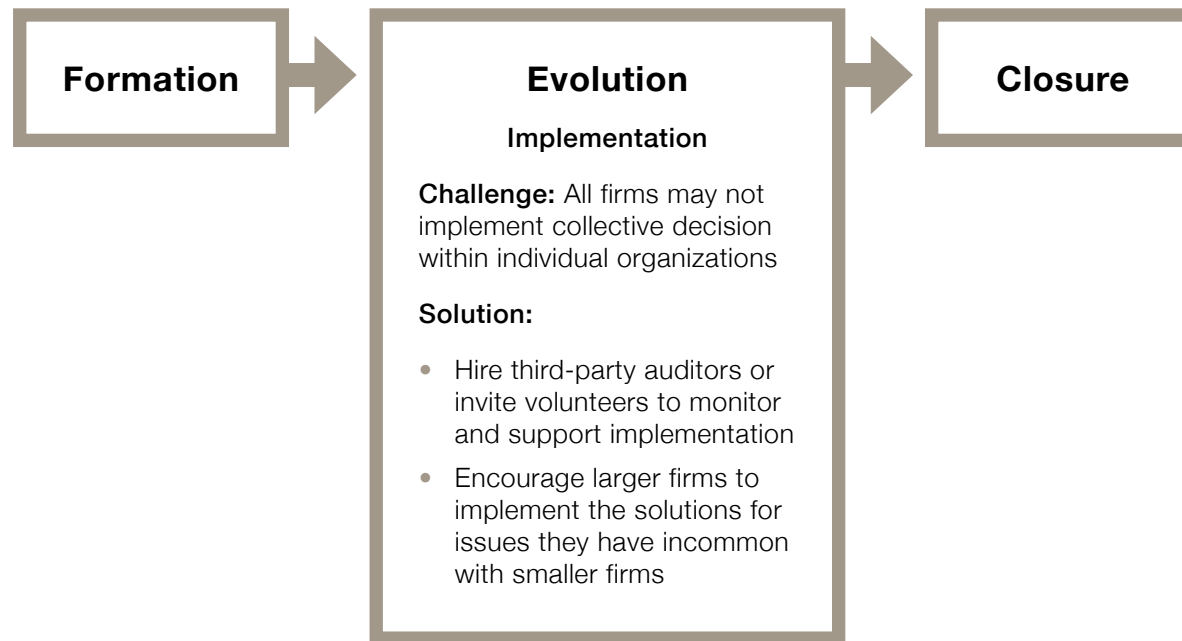
“To improve trust among our member firms, we’ve been working with a formula that attempts to unpack the concept of trust. It involves humility, authenticity, presence, looking each other in the eye, and understanding just how committed we are to making this better.”

JIM DONIHEE, CANADIAN ENERGY PIPELINE ASSOCIATION

## IMPLEMENTATION

### Challenge

Once the collaboration makes collective decisions, e.g. regarding changes to a manufacturing process, individual firms must implement those actions. Some firms may have inadequate resources or lack the organizational support needed for implementation. Collaborations may not know whether member firms are actually taking the desired action.



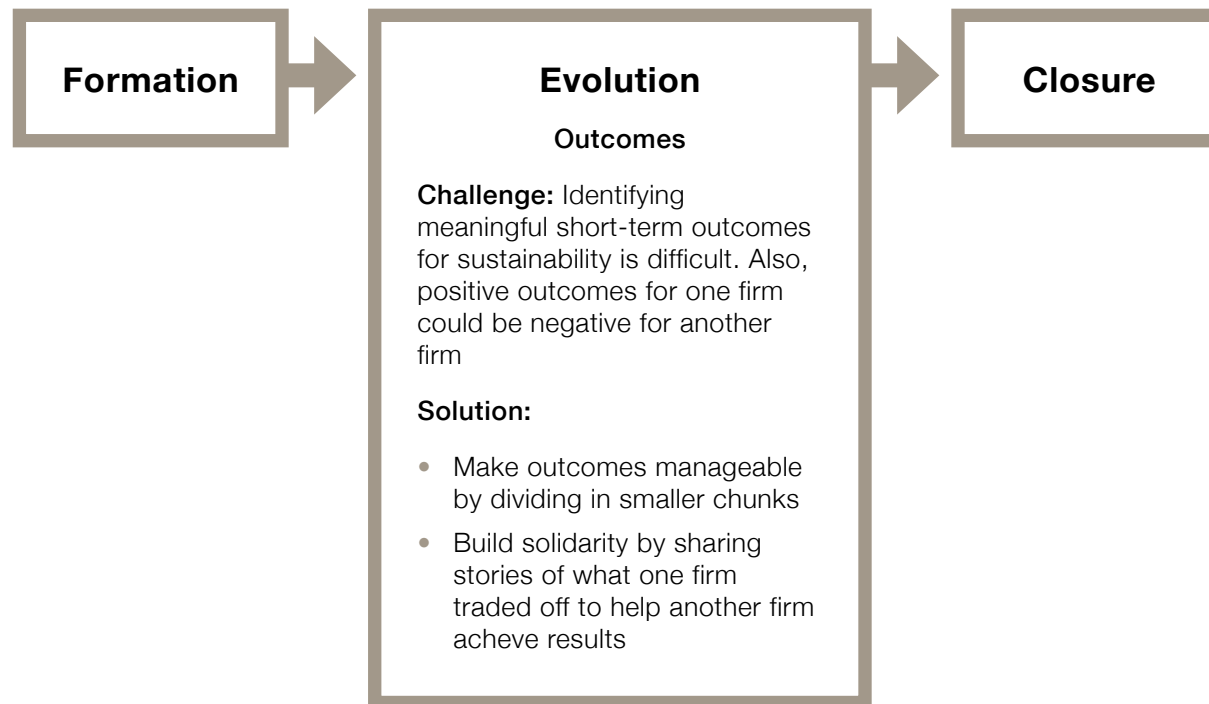
### Solution

- **Hire a third-party auditing group**, or develop a volunteer auditing group composed of a subset of member firms. If you choose third-party auditing, the collaboration should be involved in auditor selection, guidance, and training in order to ensure quality and consistency.
- **Encourage larger firms** with more resources for implementation **to carry out some of the solutions** (e.g. those related to common suppliers) to assist smaller firms.

## OUTCOMES

### Challenge

Defining competitor collaboration outcomes is challenging. Identifying meaningful short-term outcomes is often difficult because the collaboration's purpose is broad and complex: for example, reducing an industry's consumption of non-renewable resources. In other cases, positive outcomes for one firm may be neutral or even negative for another firm.



### Solution

- **Make outcomes manageable:** Involve member firms to divide the collaboration's big, uncertain, long-term outcomes into smaller, more concrete, short-term outcomes.
- **Build solidarity:** Share with member firms what one firm traded off to help another firm achieve positive results. Sharing the information builds solidarity and the expectation that gains will be spread across group members.

Remember that competitor collaborations evolve through feedback loops. Outcomes influence issues of resource allocation, knowledge sharing, and implementation. Firms within competitor collaborations must think of ways to use short-term outcomes to address other challenges in the evolution stage.

## Stage 3: Closure

Many competitor collaborations are created for a fixed term, but sustainability issues are long term.

### Challenge

It can take years to remove hazardous chemicals from manufacturing processes, improve worker safety, or promote the growth and use of sustainable palm oil products, for example. But firms commit to a collaboration for a defined period of time. Firm representatives must justify the firm's continued involvement. Collaborations also face changes in the regulatory environment that require them to rethink their reason for existence. Members must decide whether to disband; transform the collaboration into an independent non-profit, such as an industry association; or continue with existing or new members. These questions are most relevant when the collaboration's term expires.

### Solution

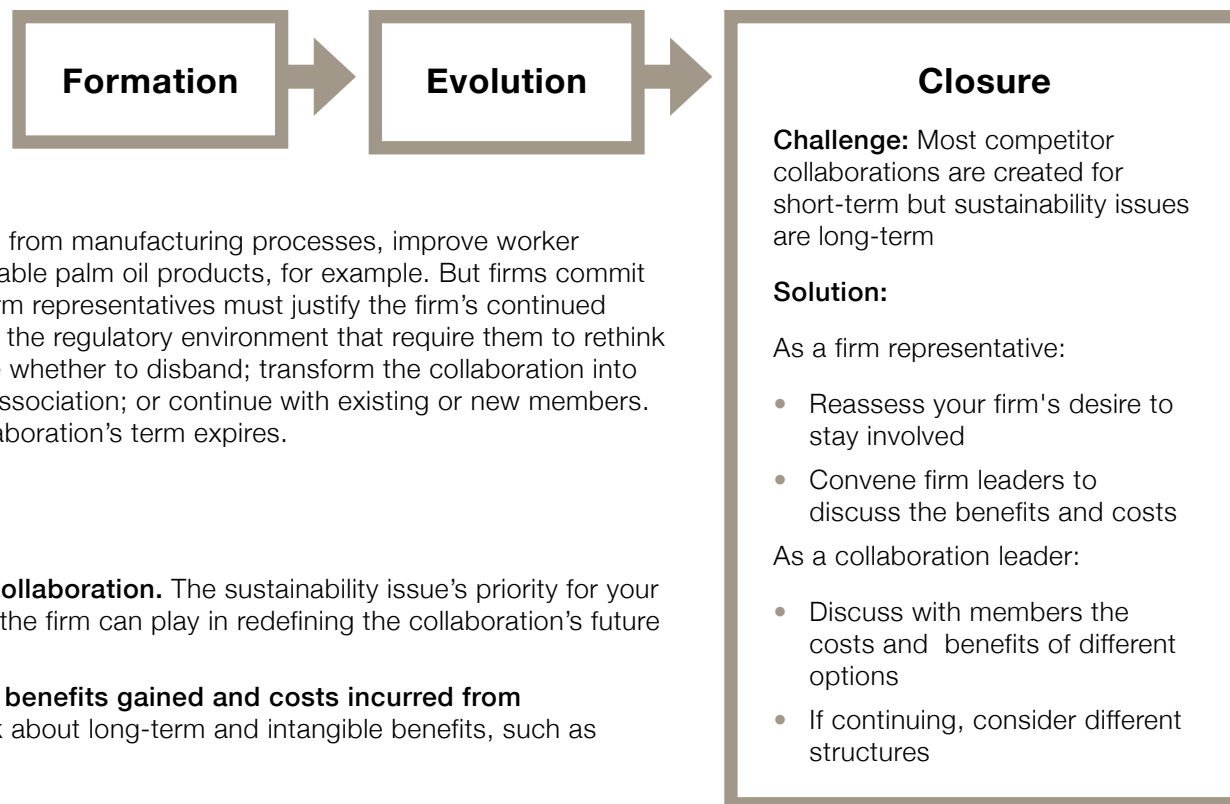
As a firm representative:

- **Reassess your firm's desire to stay in the collaboration.** The sustainability issue's priority for your firm may have changed. Discuss the role that the firm can play in redefining the collaboration's future goals in line with the firm's priorities.
- **Convene your firm's leaders to discuss the benefits gained and costs incurred from participation.** Encourage firm leaders to think about long-term and intangible benefits, such as learning from peers in other companies.

As a collaboration leader:

- **Discuss with members the costs and benefits** of different options.
- **If you choose to continue, consider different structures.** For example, collaborations such as ZDHC have opted to transform the collaboration into a non-profit entity. Such entities reduce individual firm obligations yet continue the work toward a common goal.

These stages and challenges are common across different types of competitor collaboration. Yet different competitor collaborations also face unique challenges. Read on to understand the dynamics most typical of different types of competitor collaborations. This information will enable you to better prepare for or resolve challenges.



# 3. choosing between types of competitor collaborations

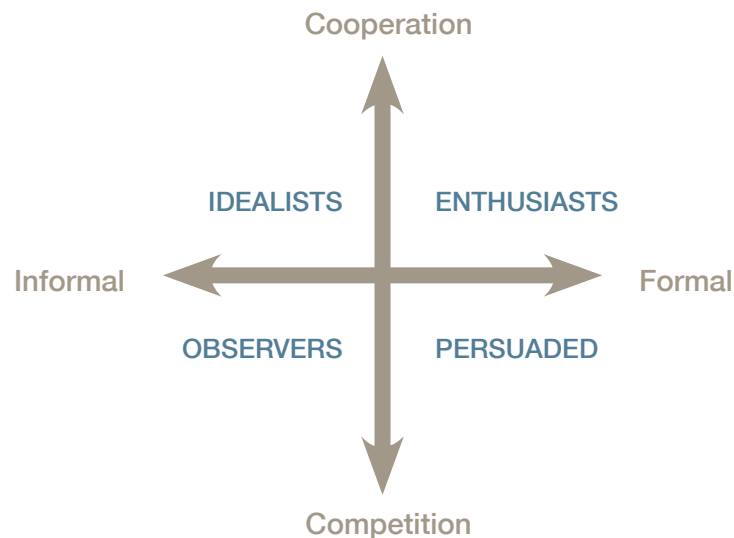
Our research identified four specific types of competitor collaborations, which vary around the tensions identified earlier: cooperation-competition and informal-formal structures. For example, a specific collaboration may emphasize cooperation and informal structure, competition and informal structure, or another combination. These different types of collaborations have distinct advantages and disadvantages.

**Understanding these tensions and collaboration types will help you understand and improve a current collaboration or decide whether to start a new collaboration.**

In this section, we present the four collaboration types, and explain the ways in which they vary. We also provide case studies to illustrate them.

Figure 2 presents the Competitor Collaboration Grid. It shows the tensions as two axes on a grid, and the four types of resulting collaborations.

**FIGURE 2: COMPETITOR COLLABORATION GRID**



Collaborations gain their characteristics from their position on the two axes. Before focusing on the individual types, we'll describe each axis. By understanding the characteristics of each axis, you can identify where your collaboration stands and consider the advantages and disadvantages of different positions.

## Cooperation-Competition Axis

### COOPERATION

In a competitor collaboration marked by cooperation, individual firms have similar goals. Firms believe they can freely share information with competitors. They are also willing to implement in their individual companies decisions made by the competitor collaboration— even if those decisions lead to significant changes.

#### Advantages of Cooperation in a Competitor Collaboration:

- Because firms are similarly motivated to address an issue, achieving collective goals is more likely.
- Because firms seek progress toward common goals, they are likely to remain engaged for the long term, even after the agreements expire.

### COMPETITION

In a competitor collaboration that emphasizes competition, firms emphasize their own interests at the expense of collective goals. Firms are hesitant to share information. They are unwilling to make significant changes within their organization to implement collective decisions.

#### Advantages of Competition in a Competitor Collaboration:

- A competitive orientation protects individual firms' interests. Firms are motivated to stay in the collaboration.
- Firms are mindful of the resources spent (e.g. time and money), so collaborations use limited resources efficiently.

## Informal-Formal Axis

### INFORMAL STRUCTURES

In a competitor collaboration with an informal structure, trust between members is based on relationships. Decision-making is often ad hoc. Barriers to entry, participation, and exit in the collaboration are low.

Many competitor collaborations start with an informal structure and become more formal over time. Informal structures work best when firms have a similar level of urgency around the sustainability issue.

#### Advantages of Informal Structures:

- Low barriers to entry and exit make collaborations attractive for firms and increase the membership base.
- Trust based on relationships encourages rich information sharing between firms; such exchange is often not possible when the amount and kind of information shared are mandated.
- Free riding is possible due to lack of formal structures, though it becomes less likely as the relationships between firms grows stronger. Firms hold each other accountable.

### FORMAL STRUCTURES

These collaborations have well-defined structures, such as project management and audit teams, and clear decision-making processes. The collaborations outline clear criteria for entry, participation, and exit.

#### Advantages of Formal Structures:

- Formal structures make individual firms more accountable. Scorecards, dashboards, and other visible measures can track participation.
- Financial penalties decrease free riding. Penalties discourage firms from being passive participants and spur them to implement collective decisions.
- Clear milestones and interim steps support progress toward collective goals.
- Required information exchange leads to all firms sharing similar kinds of information.

## Types of Competitor Collaborations

Based on these tensions, we identified four kinds of competitor collaborations. Collaborations are likely to move between different types over time.

After you have gained insights on different kinds of competitor collaborations, use the [Assessment Tool](#) (details and link in [Section 4](#)) to identify and better understand your collaboration's type.

Table 1 summarizes how each collaboration type varies on the key issues we identified above.

Below, we provide a brief summary of the different types and case studies.

**TABLE 1: HOW COLLABORATION TYPES COMPARE ON KEY ISSUES**

	<b>Idealists</b> Cooperation- Informal Structure	<b>Enthusiasts</b> Cooperation- Formal Structure	<b>Observers</b> Competition- Informal Structure	<b>Persuaded</b> Competition- Formal Structure
<b>Barriers to entry and exit</b>	Low	High	Low	High
<b>Collective focus on urgent issues</b>	High	High	Low	Low
<b>Trust</b>	Established through relationships between member firms	Established through mechanisms such as scorecards and monitoring attendance	Established through relationships between member firms	Established through mechanisms such as scorecards and monitoring attendance
<b>Decision-making speed</b>	Slow	Fast	Slow	Fast
<b>Resources (time, money, and people) allocated by individual firms</b>	High	High	Low	High (if large number of agreements in place)
<b>Probability of free riding by individual firms</b>	High	Low	High	Low

## IDEALISTS

Idealist competitor collaborations have informal structures and a cooperative orientation. Why call them “Idealists”? They seek high cooperation, which may be an idealistic goal given their informal structure. Firms in these collaborations come together because of shared urgency around a collective sustainability goal. This collaboration type is more common in the early stages of a collaborative effort.

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See earlier in Section 3 for the advantages of [informal structures](#) and [high cooperation](#).

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### AN IDEALIST COLLABORATION: ZDHC

In 2011, Greenpeace identified textile manufacturers in China as major polluters of hazardous chemicals. Greenpeace wrote open letters to large multinational fashion brands — including Nike, H&M, and Zara — that were outsourcing production to these polluting plants. Greenpeace challenged the brands to “detox” their manufacturing process.

Key players in the apparel, outdoor and footwear industries joined forces to establish [Zero Discharge of Hazardous Chemicals \(ZDHC\)](#). The initial group included Adidas Group; C&A; G-Star RAW; H&M; Jack Wolfskin; Levis Strauss & Co.; Li-Ning; NIKE, Inc.; and Puma SE. ZDHC created a [Joint Roadmap](#) that focuses on eliminating and reducing chemicals found in 11 priority classes. It also aims to inventory and assess other hazardous chemicals while helping the member companies to transition to greener chemicals.

The collaboration faced several **challenges**:

- Initially, the fashion brands had a strong common interest but didn't know each other well. They also had different ways of communicating, and of making and approving decisions.
- As the group grew in membership, reaching consensus and agreement became complicated. An initial ad hoc approach needed to become more formalized.

**Solution:** ZDHC members addressed these challenges in several ways:

- They often reminded each other of their common interests, strengthening their cooperative orientation.
- They found a neutral third party to manage the ad hoc decision-making process. ZDHC became a non-profit entity in 2015, hiring an independent executive director and recently appointing a Board of Directors.

**Results:** Today ZDHC has 20 apparel brand members and dozens of associate members, including suppliers. In June 2014, ZDHC brands reached their first milestone by publishing the Manufacturing Restricted Substances List (MRSL) for the apparel and footwear industries. The list provides the brands and their suppliers with a standardized approach for processing raw materials, identifying the priority chemicals and the maximum concentration limit for each.

## ENTHUSIASTS

Enthusiast competitor collaborations have formal structures and a cooperative orientation. We call them Enthusiasts because of their cooperative emphasis and because the formal structure is geared toward quick progress. Firms in these collaborations share the urgency of Idealists, but work through more formal structures.

### AN ENTHUSIAST COLLABORATION: RESPONSIBLE CARE

Responsible Care is a global initiative of chemical companies. It has been driving ethical and sustainable practices in the Canadian chemicals industry for the past 20 years. Responsible Care Canada's membership includes multinational chemical firms such as DuPont, BASF, and Dow Chemicals. The participating companies accept the Responsible Care commitment "to do the right thing and be seen doing the right thing." Members agree that they have a responsibility for the life cycle and value chain impact of their products.

Over the years, Responsible Care recognized two important **challenges**:

- Small member firms with fewer resources were less inclined to implement collective decisions that required them to modify their existing processes.
- Member firms often hesitated to share knowledge openly and to learn from each other's good and bad experiences.

**Solution:** To address these challenges, the collaboration decided to strengthen both formal structures and member firms' cooperative orientation:

- Firms made the collaboration more formal by insisting on the involvement of member firms' leaders. The Leadership Group meets three to four times a year. Leaders' participation is measured and assessed. The collaboration also formed different committees such as Health and Safety, and required that member firms ensure that each committee meets its goals. For example, a committee might find ways to support firms to implement collective decisions within their organizations.
- The collaboration strengthened member firms' cooperative orientation and hence knowledge sharing by creating positive peer pressure. A few leading firms volunteered to share information, setting an example for other firms to do the same.

**Results:** Since 1992, Responsible Care Canada's member firms have reduced toxin emissions by 89 per cent, reduced emission of air pollutant such as sulphur dioxide by 85 per cent, and reduced discharges to water by 98 per cent from. For a detailed list of outcomes achieved, see Table 2 in the Appendix. Further details are available at [http://www.canadianchemistry.ca/responsible\\_care/index.php/en/rc-report-2015-home](http://www.canadianchemistry.ca/responsible_care/index.php/en/rc-report-2015-home)

## OBSERVERS

Observer collaborations have an informal structure and a competitive orientation. Why “Observers”? The combination of the firms’ competitive orientation and the collaboration’s informal structures often makes member firms passive participants. Compared with Idealists and Enthusiasts, Observers feel less urgency around issues. Member firms often have diverse interests under a broad concern such as climate change adaptation.

### UNEP FI PRINCIPLES FOR SUSTAINABLE INSURANCE

The Principles for Sustainable Insurance (PSI) are part of the United Nations Environment Programme Finance Initiative (UNEP FI). The PSI began in 2012 and provides a global framework for the insurance industry to address environment, society, and governance risks and opportunities.

Climate change has been contributing to extreme weather patterns worldwide, increasing the risk of flooding<sup>1</sup> and other damage. Insurers are concerned about the level of risk in their portfolios and need to find better ways to manage potential property damage. The insurance industry came together to understand and manage this risk. The PSI lay out clear direction for insurance firms to embed environmental, social, and governance issues in their decision-making.

**Challenges:** The collaboration had an informal structure and hence faced challenges in making timely decisions and getting broad agreement. Member firms chose the projects they wanted to be involved in, and few mechanisms monitored their participation. Without a cooperative orientation, an informal structure was even more difficult to manage.

<sup>1</sup> Thistlethwaite, J., & Feltmate, B. 2013. Assessing the viability of overland flood insurance: The Canadian residential property market. Waterloo, ON: Faculty of Environment, University of Waterloo. Available at <http://www.preventionweb.net/go/34721>.

**Solutions:** Instead of instituting a system of formal committees or control mechanisms, the collaboration decided to form a governance board. The board members included UNEP officials and several member firms, and were elected to the board by the collaboration’s members.

The board defined different ways to sustain the informal structure and leverage the members’ competitive orientations. One strategy was to launch short-term projects, which the board invited member firms to lead. [The Global Resilience Project](#), for building disaster-resilient communities and economies, is an example of a successful project, led by the Insurance Australia Group. The board also offered support to member firms for implementing the PSI within their organizations.

The collaboration leveraged the member firms’ competitive orientation by encouraging them to learn from other firms’ successes and implement their approaches. The Co-operators Group did just that when they learned from the Insurance Australia Group’s success and launched a similar project — [Partners for Action](#) — in Canada.

**Results:** The collaboration attracted 83 organizations in 2015, representing USD14 trillion in assets. It has released several publications, and the principles are now a part of the insurance industry’s criteria for the Dow Jones Sustainability Indices and FTSE4Good Index Series.

## PERSUADED

Persuaded collaborations have a formal structure and a competitive orientation. We label them “Persuaded” since a third party often needs to persuade the firms in these collaborations to come together. The firms keep their competitive orientations; conveners and facilitators, such as NGOs and industry association leaders, must convince the firms to stay in the collaboration.

### THE ALLIANCE AND THE ACCORD

In 2013, the Rana Plaza garment factory in Bangladesh collapsed, killing 1,100 workers and injuring more than 2,500. Rana Plaza’s collapse resulted from some of the many instances of fire and safety violations at garment factories in Bangladesh. Two NGOs, Clean Clothes Campaign and the Maquila Solidarity Network, had been working for years to convince the fashion brands and their suppliers in Bangladesh to institute better safety measures. In 2011, the NGOs created a memorandum of understanding (MOU) between trade unions, suppliers, and fashion brands to improve conditions in supplier factories. Yet by the end of 2012, only a handful of companies had signed the MOU.

Rana Plaza’s collapse increased stakeholder scrutiny on fashion brands’ supply chain responsibilities and returned attention to the MOU. The NGOs found the right opportunity to persuade the fashion brands to sign the Accord, a binding agreement and an updated version of the initial MOU. Shortly after, a similar North American agreement, the Alliance, was formed. The Alliance and the Accord work closely together to avoid duplicating efforts when assessing and monitoring the Bangladeshi factories.

The Alliance and the Accord are agreements between the competing brands, governments, trade unions, and labour rights groups. They require brands to disclose their suppliers and ensure that the suppliers follow prescribed safety measures in the factories. The Accord has 25 clauses, covering topics such as independent factory inspections and workers’ right to refuse unsafe work. In May 2013, H&M, one of the largest apparel buyers, was one of the first brands to announce it would sign the Accord. Many more firms quickly joined either the Accord or the Alliance.

#### Challenges:

Bringing the fashion brands was not easy. There were several

challenges, including:

- Getting commitment from firms that they would continue factory relationships if inspections revealed expensive corrective measures;
- Determining how to distribute corrective actions fairly between small and large firms; and
- Reducing duplication of efforts when firms shared factories.

#### Solution:

- Brands that signed either the Alliance or the Accord addressed these challenges through formal structures. They used legal contracts that detailed clear requirements for firms: financial and human resource contributions, supplier and factory worker compensation if factories are closed, and penalties for non-participation or early termination. Such formal agreements helped to sustain the firms’ commitments.
- The collaboration also addressed these challenges by strengthening member firms’ competitive orientations. Collaboration leaders distributed responsibilities and corrective actions between firms that shared suppliers, relative to their size or share of supplier capacity. They argued that more equitable resource allocation would increase firms’ competitive position.

#### Results:

The Accord has gained [200+ signatories](#). The Accord has conducted thousands of inspections and generated corrective action plans for factories. Each quarter, the collaboration monitors and publishes the status of corrective action plan implementation. The Alliance consists of 28 North American apparel manufacturers and retailers. The Alliance cooperates with the Accord to conduct factory inspections and implement corrective action plans.

## 4. a toolkit for effective competitor collaborations

You have read about different competitor collaboration types, their challenges, and the solutions to create successful outcomes.

If your firm belongs to a competitor collaboration, we invite you to take a practical yet deeper dive into understanding your collaboration and where you would like to take it. At the end of the [assessment tool](#), we will guide you in creating an action plan to take the collaboration from its current position to its desired position.

## 5. conclusion

Sustainability issues are often common to an industry, and firms increasingly find themselves at the same table with their competitors. Despite the potential benefits, competitor collaborations are not easy. Firms are conflicted in how much information to share, and find that not all collaboration member firms reliably implement decisions taken by the collaboration. Collaboration leaders must sustain member firms' engagement and find the right balance between cooperation and competition.

In this guide, we described the various stages of a collaboration: formation, evolution, and closure. We guided you through the challenges at each stage and recommended best practices to overcome those challenges.

We also identified two kinds of tensions present in such collaborations:

- Cooperation-competition
- Informal-formal structures

We described four types of competitor collaborations based on these two tensions, and we introduced an assessment tool developed to help you understand your current collaboration type and move to a desired position.

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**This guide draws on the most rigorous research methods – but research doesn't have all the answers. Please share your insights and experiences with us ([info@nbs.net](mailto:info@nbs.net)); together, we can find the best approach to collaborating with competitors to advance sustainability.**

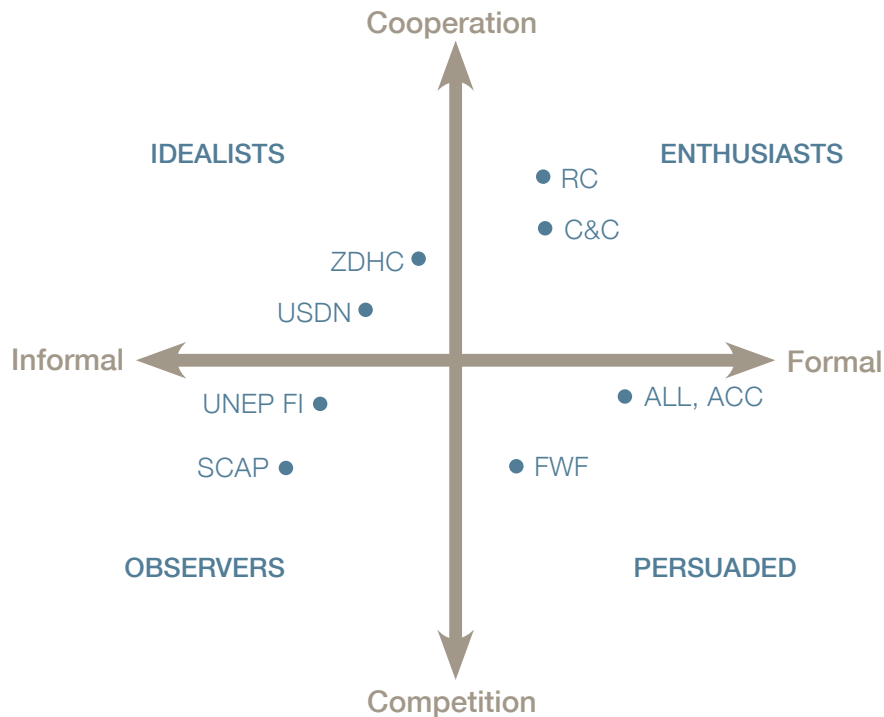
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# about this research

Dr. Lori DiVito studied eight competitor collaborations for sustainability across four industries: apparel, commodities (coffee), chemicals, and professional services (financial and public administration).

To select the collaborations, she prepared a list of more than 60 sustainability collaborations worldwide. She compiled the list from existing studies, Guidance Committee input, and keyword searches on the Internet. She narrowed down the list by using the definition of competitor collaborations for sustainability introduced earlier: (1) the collaboration must include direct competitors (those that sell similar products and services), although it could also include other stakeholders; and (2) the collaboration must focus on addressing a sustainability issue, such as climate change adaptation for coffee farmers. The Table 2 provides an overview of eight competitor collaborations in this study; these met the criteria and were willing to participate. The interviews were of both the members (competing firms) and the organizations that facilitated the collaborations (e.g. NGOs).<sup>2</sup> Figure 3 shows where these competitor collaborations appear on the competitor collaboration grid.

**FIGURE 3: PLOTTING OF COMPETITOR COLLABORATIONS IN THE STUDY ON THE COMPETITOR COLLABORATION GRID**



Dr. DiVito conducted 29 interviews, speaking with managers from several competing firms in each collaboration, and with project managers from NGOs and industry associations. She asked about outcomes achieved, processes and structures, changes in the collaboration over the years, and member firms' exit strategies. She also collected publicly available data on each collaboration (e.g. from the websites) to supplement information from the interviews.

Dr. DiVito analyzed interviews and publicly available data. She consulted the literature on competitor collaborations and organizational tensions to create the process model, competitor collaboration grid, and the assessment tool. Reference list is available on request from Dr. DiVito, l.e.d.divito@hva.nl.

In addition, Dr. Jason Good from NBS conducted interviews with 13 industry association managers from 12 different industry associations. Questions were oriented around best practices of different association programs such as third-party auditing. Dr. Good coded and analyzed the interviews to complement the insights in this report.

<sup>2</sup> The exceptions are Fair Wear Foundation, for which all interviews were with members that are competitors, and Sustainable Clothing Action Plan, for which only the facilitating organization was interviewed.

**TABLE 2: DETAILS OF THE COMPETITOR COLLABORATIONS INCLUDED IN THE STUDY**

Competitor Collaboration	Industry	Year Started	Outcomes Achieved
<p><b>Alliance for Bangladesh Worker Safety and Accord (ALL, ACC)</b></p> <p>Alliance among competing brands, governments, trade unions, and labour rights groups to improve building and fire (worker) safety and contribute to long-term viability of garment factories</p> <p><b>Number of Interviews: 3</b></p>	Apparel	2013	<p>As of July 2014</p> <ul style="list-style-type: none"> <li>• Inspections — developed standards, completed 100 per cent of factory inspections, published report on inspections, recommended factory closures</li> <li>• Finance – raised funds from members for supply chain financing, formalized direct loans to factories, lobbied for elimination of tariffs on safety equipment, negotiated and dispersed compensation wages for displaced workers</li> <li>• Training – developed training module, trained 1 million workers, hosted international expo for fire and building safety</li> <li>• Worker empowerment – conducted surveys, established and piloted Alliance Worker Helpline, appointed Bangladesh labour leaders to Board of Advisors, created board committee on labour issues, implemented shadowed assessments by worker representatives, amended Alliance Member Agreement to include the right to refuse unsafe work</li> </ul>
<p><b>Coffee &amp; Climate (C&amp;C)</b></p> <p>Joint venture founded by coffee companies to enable coffee farmers and their families to respond effectively to climate change</p> <p><b>Number of Interviews: 4</b></p>	Commodities	2012	<ul style="list-style-type: none"> <li>• Commissioned research on climate conditions, and published results</li> <li>• Developed a freely accessible toolbox</li> <li>• Developed train-the-trainer materials</li> <li>• Formed network of stakeholders</li> </ul>
<p><b>Fair Wear Foundation (FWF)</b></p> <p>Non-profit entity that brings retail brands together to improve working conditions of garment workers</p> <p><b>Number of Interviews: 9</b></p>	Apparel	1999	<p>Ongoing:</p> <ul style="list-style-type: none"> <li>• Shared audits on social compliance to reduce costs and workload</li> <li>• Collaborated on corrective action plan at same supplier</li> <li>• Collaborated to reduce peak ordering and overtime at factory</li> <li>• Started Living Wage project</li> <li>• Implemented policies on minimum wage and harassment</li> </ul>

Competitor Collaboration	Industry	Year Started	Outcomes Achieved
<p><b>Responsible Care (RC)</b></p> <p>Independent industry group for safer and greener products and processes, and improved worker health and safety</p> <p><b>Number of Interviews: 3</b></p>	Chemical	1985	<p>Since 1992:</p> <ul style="list-style-type: none"> <li>• Reduced toxic substances emissions by 89 per cent</li> <li>• Reduced air pollutants emission from 61-85 per cent</li> <li>• Reduced global warming potential of manufacturing by 65 per cent</li> <li>• Reduced discharge to water by 98 per cent</li> <li>• Reduced hazardous chemical waste by 70 per cent (over 1995 levels)</li> <li>• Reduced workplace injuries and illnesses by 60 per cent</li> <li>• Created emergency response plans</li> <li>• Collaborated with supply chains on life cycle of products</li> <li>• Conducted public outreach about risks and benefits of products</li> </ul>
<p><b>Sustainable Clothing Action Plan (SCAP)</b></p> <p>Alliance of major retailers (and other stakeholders such as recyclers and charities) to reduce environmental footprint of clothing</p> <p><b>Number of Interviews: 1</b></p>	Apparel	2012	<ul style="list-style-type: none"> <li>• As of 2014:</li> <li>• Signatories representing 45 per cent of UK retailers committed to: <ul style="list-style-type: none"> <li>· measure and report on the environmental footprint of clothing throughout its life and</li> <li>· reduce water, carbon, and waster impacts by 15 percent by 2020</li> </ul> </li> <li>• Developed a consumer campaign, Love Your Clothes</li> <li>• Developed a common assessment tool, SCAP Footprint Calvulator</li> <li>• Achieved a 3 per cent reduction in carbon and 5 per cent reduction in water</li> </ul>
<p><b>UNEP FI and Principles for Sustainable Insurance</b></p> <p>Partnership between banks, insurers, and fund managers to understand environmental and social considerations on financial performance</p> <p><b>Number of Interviews: 4</b></p>	Professional Services	1992	<ul style="list-style-type: none"> <li>• Facilitated Leadership in Energy and Environmental Design (LEED) certification of member institution facilities</li> <li>• Launched Principles for Responsible Investment</li> <li>• Developed Principles for Sustainable Insurance</li> <li>• Developed various working groups to share best practices</li> <li>• Released various publications</li> </ul>

Competitor Collaboration	Industry	Year Started	Outcomes Achieved
<p><b>Urban Sustainability Directors Network (USDN)</b></p> <p>Independent industry group that enables members to share best practices and accelerate the application of sustainability solutions</p> <p><b>Number of Interviews: 2</b></p>	Professional services	2008	<ul style="list-style-type: none"> <li>Created a “playbook” for cities on how to increase collaborative funding opportunities for members</li> <li>Grew network</li> <li>Contributed to members climate change adaptation efforts</li> <li>Launched Carbon Neutral Cities Alliance</li> </ul>
<p><b>Zero Discharge Hazardous Chemicals (ZDHC)</b></p> <p>Strategic alliance of large and small apparel and sportswear companies to reduce the discharge of hazardous chemicals across the product life cycle by 2020</p> <p><b>Number of Interviews: 3</b></p>	Apparel	2011	<p>As of 2014</p> <ul style="list-style-type: none"> <li>Prioritized chemical substances – published framework for prioritization, published ZDHC Manufacturing Restricted Substances List (MRSL) for priority chemical phase-out, published research list for substance alternatives search, provided MRSL training and chemical guidance sheets to assist suppliers with phase-out</li> <li>Established audit protocol – conducted pilot audits and reported findings, drafted new version of protocol</li> <li>Conducted chemicals management training – trained suppliers in four countries, developed Chemicals Management System Guidance Manual</li> <li>Engaged with key stakeholders – developed data schema to support MRSL compliance with other industry stakeholders, alignment with Sustainability Apparel Coalition and Outdoor Industry Association, started tool alignment discussions with other initiatives, shared insights at other industry forums, expanded stakeholder outreach in five countries, worked closely with government programs (European Union and United Nations)</li> </ul>

**TOTAL INTERVIEWS: 29**

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Dr. Lori DiVito is an Associate Professor and Research Director at the Amsterdam School of International Business, Amsterdam University of Applied Sciences. Her research focuses on international supply chain partnerships from the lens of sustainability and innovation strategy. She also studies how inventions are commercialized and how science-based start-ups access critical resources, such as financing and labour.

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# about NBS

## About NBS Canada

The Network for Business Sustainability Canada produces authoritative resources on important sustainability issues with the goal of changing management practice. We unite thousands of researchers and professionals worldwide who believe passionately in research-based practice and practice-based research. NBS Canada is funded by the Social Sciences and Humanities Research Council of Canada (SSHRC), the Ivey Business School (Western University), and the École des sciences de la gestion (Université du Québec à Montréal). We also receive funding from private sector partners in our Leadership, Industry Association, and SME (small and medium enterprise) Councils. NBS's Leadership Council is a group of Canadian sustainability leaders from diverse sectors. At an annual meeting, these leaders identify their top priorities in business sustainability — the issues on which their organizations need authoritative answers and reliable insights. Their sustainability priorities prompt NBS research projects.



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