

Companies without borders

Collaborating to compete



An Economist Intelligence Unit report
sponsored by BT



Preface

Companies without borders: collaborating to compete investigates the nature and extent of collaboration being undertaken between companies. The report was commissioned by BT.

The Economist Intelligence Unit bears sole responsibility for the content of this report. The Economist Intelligence Unit's editorial team executed the online survey, conducted the interviews and wrote the report. The findings and views expressed in this report do not necessarily reflect the views of the sponsor.

The research drew on two main initiatives:

- The Economist Intelligence Unit carried out a wide-ranging online survey of senior executives in the UK during August and September 2006. In total, 187 executives took part.
- To supplement the survey results, the Economist Intelligence Unit also conducted in-depth interviews with ten senior executives in the UK involved in collaborative ventures from a range of industries.

Kim Thomas was the author of the report, and James Watson was the editor. The following researchers conducted interviews with executives around the world: Daniel Ilett and Aviva Freudmann.

We would like to thank all the executives who participated in the survey and interviews for their time and insights.

November 2006



Executive summary

Collaboration between firms is not a new concept. But the breadth and depth of collaboration has changed in recent years, with companies now co-operating on everything from sales and marketing to basic product research and development. This has been spurred on in part by the pressures of globalisation and increased competition, and aided by recent advances in information and communication technologies. But why do firms seek to partner with others, sometimes even rivals? And what do they hope to get out of it?

To find out, the Economist Intelligence Unit conducted a wide-ranging survey of 187 senior UK-based executives from a mix of British and multinational businesses, representing a range of industries. The key findings from the research are highlighted below.

Five tips for successful collaboration

- 1. Aim for neutrality.** Collaborations can work only if there is trust on all sides. One way of achieving this is to engage a neutral third party to chair meetings or arbitrate on areas of disagreement.
- 2. Do your research.** Due diligence is essential, particularly when choosing an overseas collaborator. Regulatory requirements about the privacy of personal data vary widely, for example, and in some countries there is no guarantee that intellectual property will be respected.
- 3. Choose people carefully.** According to our respondents, even in this modern, technologically driven world, it is human relationships that make a collaboration work. The key personnel involved in managing the relationship need to have the personal skills to make collaboration successful.
- 4. Make sure the whole organisation is aligned behind the collaboration.** Two research and development teams may work well together, but the collaboration will run into trouble if the marketing teams are at war.
- 5. Be sensitive to cultural differences if collaborating overseas.** In India, for example, agreements based on good faith are preferred to detailed contracts. Be prepared to compromise.

Collaborating with other firms is now the norm for nearly all businesses... The vast majority of executives surveyed for this report say that their firm is engaged in some kind of collaboration with another organisation, from sharing supply chain data to establishing collaborative sales agreements. Only 5% of firms have not developed any kind of relationship at all. The majority (64%) engage with up to ten partners, although some have established agreements with more than 100. And nearly all firms expect the average number of partnerships they hold to rise over the next three years.

... and is an increasingly important part of their competitive advantage. Companies are increasingly viewing collaboration as a fundamental part of their long-term survival and a defining feature of the firm's future shape. More than one-half of all executives polled say collaboration will either form an important part of their firm's competitive advantage or will actually be central to its survival over the next three years. In fact, strong relationships with external partners look to be an increasingly defining feature of companies in the future.

Most collaboration centres on sales and marketing. Firms collaborate for a number of reasons: to provide products they are unable to deliver alone, to keep up with competitors or to expand their global reach, among others. These partnerships are typically being driven by the sales and marketing departments. And this effort is generally delivering the goods: 28% of respondents agree that their biggest collaborative ventures have delivered either more or much more value than expected.



The biggest challenge involves finding suitable partners. About one-third of executives polled for this report say the biggest impediment to collaboration is simply being able to find an appropriate partner. And when they do, overcoming any cultural clashes between the two organisations is a major concern, along with more practical issues, such as getting system integration right or dealing with data security concerns.

Successful collaboration hinges primarily on people skills. Making partnerships work relies more on people than anything else. Survey respondents identified the skills of the personnel assigned to a relationship as the single most critical factor for the successful management of the partnership. Many of the executives interviewed for this report highlighted

the importance of strong people skills as a crucial means of ensuring that the collaboration as a whole is successful.

Companies engage in partnerships with others all the time, whether it is within their supply chain or even with their customers. Sometimes the goal is to increase the overall size of the business or to attract new kinds of customers—Apple’s recent collaboration with Nike to target running enthusiasts is just one example. Whatever the reason, both the frequency with which firms collaborate and the number of firms they collaborate with seem likely to increase. However, as firms begin to rely increasingly on these partnerships for their competitive success, more attention and investment will be required to ensure that these collaborations are successful.



Companies without borders
Collaborating to compete

Introduction

Firms have always collaborated. It is impossible to do business without, at some level, a degree of collaboration with either suppliers or customers. Complex forms of collaboration have also been around for a long time. The International Group of P&I Clubs, for example, is an organisation representing 13 protection and indemnity clubs for shipowners. The members of each club mutually reinsure each other’s liability risks, up to a limit of US\$6m per accident, above which limit the liabilities are pooled between the member clubs of the group. Founded in 1855, the Group defines and refines the scope of cover for pool claims, and the rules and guidelines under which the claims are shared at the Group level.

The P&I clubs represent the essence of collaboration: an agreement to put aside differences with competitors for the benefit of all. “The member P&I clubs compete among themselves for business, but they co-operate in terms of sharing the cost

of liabilities,” explains Andrew Bardot, secretary and executive officer for the International Group of P&I Clubs. This kind of collaboration, in which businesses work with external parties towards a specific business goal, whether by sharing information or creating strategic alliances, is increasingly common.

So if collaboration is a long-established practice –at least in place since the free-market economy – what is new about it today? One difference is the extent of collaboration. The

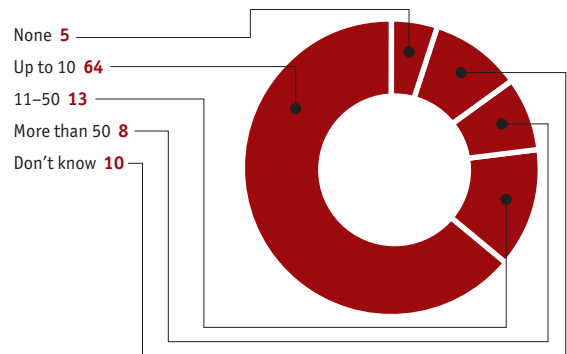
majority (64%) of firms surveyed for this report have collaborative relationships with between one and ten third parties; others have anywhere between 11 and more than 100. Only 5% have none. Moreover, nearly eight out of ten of these firms expect the number of these partnerships to increase over the next three years. In many industries, collaboration between firms is now the norm.

In part, this surge in the number of collaborations is being driven by technology. As Jeffrey Mann, a

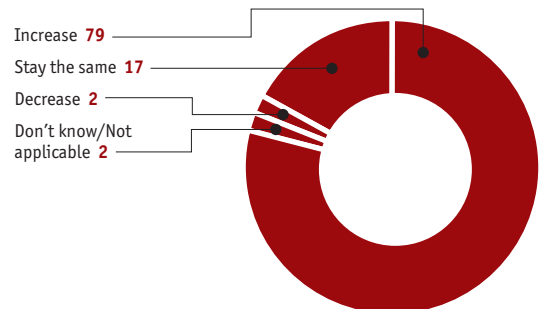
Defining collaboration

For the purposes of this report, collaboration describes co-operation with external parties towards a specific business goal or goals that goes beyond the simple exchange of goods, services and money. It does not include order fulfilment at one end of the scale, or a merger at the other, but does encompass various forms of co-operation between distinct companies from information sharing to strategic alliances.

Approximately how many third parties has your company developed a collaborative relationship with?
(% respondents)



How do you expect the number of collaborative relationships your company holds with third parties will change over the next three year?
(% respondents)



Source: Economist Intelligence Unit survey, October 2006.



research vice president at Gartner, an analyst firm, puts it: “What is new is the supply side, the technology side, because it is making things easier. Email is just about universal, broadband is everywhere and a lot of consumer grade collaborative tools are bleeding over quite quickly into the enterprise market.”

Another key difference is the competitive advantage that collaboration can deliver. One-third of executives polled for this report say their company gains an important part of its competitive advantage from its collaborative relationships, while one in ten believes their company’s survival actually depends on the success of its collaborations. The general sentiment is that collaboration is likely to become more important in the future. This correlates with other research: Foresight 2020, an Economist Intelligence Unit report¹, identified increased collaboration with suppliers, customers and other partners as a defining feature of the company of 2020. In the report, executives rated high-quality relationships with their customers, suppliers and other outside partners as their second most important source of competitive advantage—and more than one-half believed it was likely to increase in importance over the next 15 years.

While collaboration may be necessary in an increasingly competitive business environment,

the growth in corporate social responsibility (CSR) departments has driven a quite different trend – an increase in ethical collaborations, such as that between Shell and the World Conservation Union (see box: A new CSR: collaborative social responsibility?). While these types of collaboration show an increased willingness by corporations to respond to public demand for ethically sourced products, they also provide a new challenge for businesses unused to dealing with culturally different organisations.

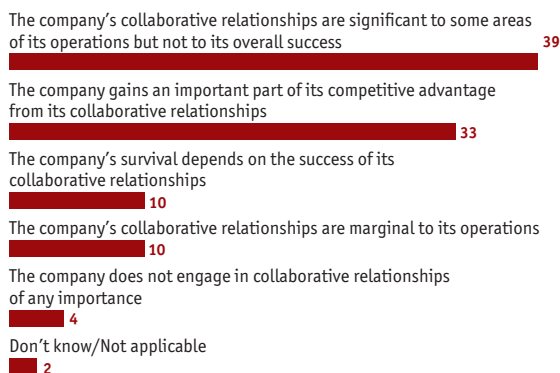
The final change is in the range of collaborations. The most common form between companies, named by more than one-half of our survey respondents, is information sharing (making sales and supply chain information available to partners, for example). A high proportion (43%) say they are involved in strategic alliances that encompass several types of collaboration, such as research and development (R&D), shared information, franchise agreements or product licensing, while 36% say they are collaborating on R&D.

Who took the survey?

A total of 187 executives from the UK responded to the survey, from a wide array of industries, including financial services, professional services, IT and technology and manufacturing, among others. The survey was very senior: 50% of all respondents are C-level executives, representing a range of functional roles. These executives hail from companies of all sizes, with about half reporting revenue in excess of US\$1bn. One in five firms has revenue of US\$10bn or more.

Which best describes your company now?

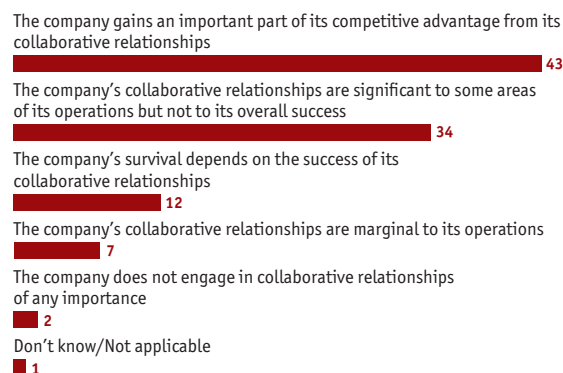
(% respondents)



Source: Economist Intelligence Unit survey, October 2006.

Which best describes your company as you think it will be in three years time?

(% respondents)



Source: Economist Intelligence Unit survey, October 2006.

¹ Foresight 2020, Economist Intelligence Unit, sponsored by Cisco Systems.



Companies without borders
Collaborating to compete

Why firms are collaborating

The ability to provide a wider range of products is the reason most commonly cited by respondents as a driver for collaboration, with 60% describing it as “very important”. But other drivers are also frequently cited: 53% say keeping up with competitors is “very important”, while 51% agree that expanding their global reach is “very important”.

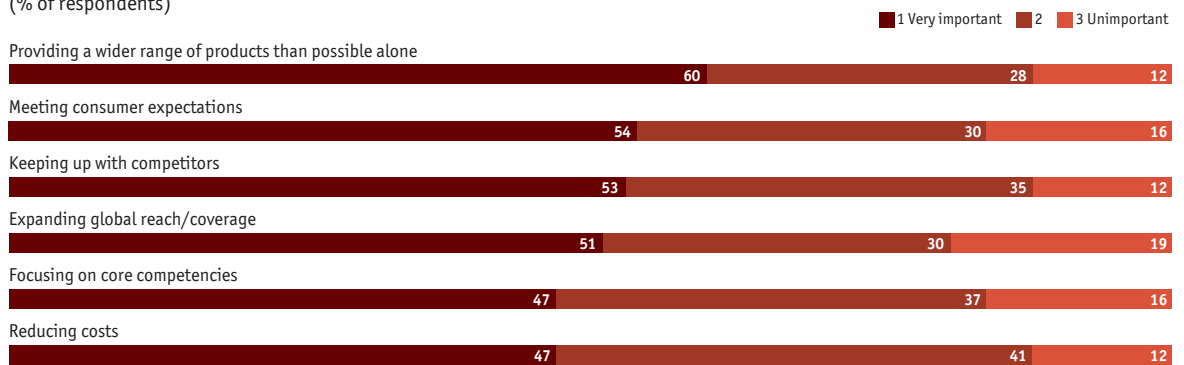
Mr Mann at Gartner argues that external collaboration is a natural intensification of the trend, at least in the last 10-15 years, for businesses to focus on core competencies and outsource non-core functions. He believes collaboration is being driven by a desire to find new ways of gaining competitive advantage. Early Internet-based technologies enabled businesses to automate key processes, such as putting suppliers’ catalogues online, bringing big returns to the first adopters, although these have now been so widely adopted that competitive advantage from this is now limited. Instead, collaboration with organisations that can provide a different skillset is one way of regaining that competitive advantage. At the same time, adds Mr Mann, a range of technologies,

from e-mail and instant messaging to Internet-based telephony and video conferencing, have made such collaboration easier.

“The pressure of the market is driving companies like ours to form alliances,” says Grant Rosewarne, managing director of Douwe Egberts UK, a coffee supplier. “You want to be first, you want to have something ground-breaking, but you don’t have every expertise and every resource within your own company so you’re forced to form partnerships or be left behind.” In 2001 Douwe Egberts entered into a collaboration with consumer electronics giant Philips to produce and market the Senseo coffee-maker and coffee brand. By 2005, worldwide sales had reached 10 million units, a figure that Mr Rosewarne believes would not have been reached without Philips’s expertise in product design and its network of distributors.

Other firms are spotting the opportunities in emerging markets: a knowledge economy such as India’s, for example, provides openings for many Western firms to work with organisations that

How important are each of the following drivers in moving your company toward increased collaboration, if your company is doing so?
(% of respondents)



Source: Economist Intelligence Unit survey, October 2006.

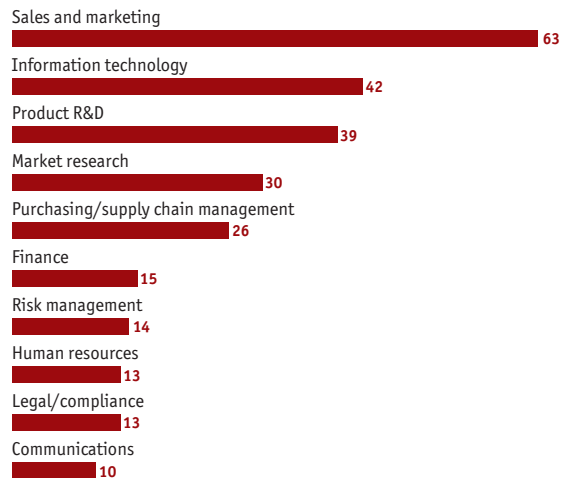


combine a high level of expertise with low costs. In some emerging economies, such as Indonesia, a joint venture with a local company is still the best way to break into the market. Fully 85% of survey respondents either agree or strongly agree with the statement, “Collaborative relationships with companies in other countries are essential in a globalised world”.

While it is clear that firms have been engaging in collaboration across every aspect of their business, it has been far more prevalent in certain functions than others. The majority of executives polled (63%) say sales and marketing are the departments that have been most active in building collaborative relationships over the past three years, while IT was cited by 42% and product R&D by 39%. When asked which departments were least likely to collaborate, 36% named finance and 31% named the legal and compliance functions.

One example of marketing-based collaboration is university-technology.com, a web-based portal where all the Scottish universities have collaborated to market R&D projects and products to entrepreneurs who want to invest in them. Similarly, the Connection

Which departments in your company have been most active in building collaborative relationships in the past three years?
(% respondents)



Source: Economist Intelligence Unit survey, October 2006.

consortium, an organisation made up of marketing services companies, was created by Graham Ede, the CEO of Moon River Group, as a way of breaking into new areas. “Our strategy didn’t allow for that with the skills we had in-house,” he explains. “This allows us to broaden our brush and paint a different landscape very quickly.”



Companies without borders
Collaborating to compete

A new CSR: collaborative social responsibility?

The rise in public concern about ethical issues, such as the sourcing of products and damage to the environment, has seen a new trend emerge, in which businesses collaborate with public-sector agencies and non-governmental organisations (NGOs) for social and ethical reasons.

Shared ethical values is not

typically a critical factor for choosing a firm to collaborate with (although 16% of respondents to our survey say it is). In general, firms look for partners that have a similar amount to gain from a relationship (46%) and that have a good cultural fit (42%). But corporate social responsibility (CSR) enters into most

companies' choice of a collaborator to some extent. Only 13% of survey respondents say that CSR has no impact on their choice of collaborator, while 35% say their collaborator's reputation in CSR has to be at least as strong as their own. About one in four firms agree that the collaborator should have a shared attitude towards

In a globalised world, corporate social responsibility (CSR), ethical and reputational risk issues are increasingly intertwined and know no geographic boundaries. In deciding on which companies to collaborate with, especially those based in other countries, which of the following are most important for your firm?

(% respondents)



Source: Economist Intelligence Unit survey, October 2006.



employees worldwide.

What drives organisations to seek out ethical collaborations? Shell has been collaborating with the World Conservation Union (IUCN) for six years. According to Sachin Kapila, group biodiversity adviser at Shell, it was prompted by a recognition of the concerns of governments, financial organisations, NGOs and the public about environmental issues: "Given our global presence, and our environmental footprint, ignoring biodiversity is clearly a risk to our operations, including our licence to operate."

Under the terms of the collaboration an employee from each company was seconded to work with the other. Within this arrangement, the IUCN has provided Shell with biodiversity guidance on projects, such as Sakhalin in Russia and Val D'Agri in Italy, while Shell has advised IUCN staff in Asia on business issues such as human resources management and financial development.

"It's given us an inroad into some of the public policy debates, some of the things that are going on in terms of decision-making at the Convention on Biological Diversity, and it's given us direct access to on the ground assistance on some projects," states Mr Kapila. "It's also given a level of

independence to our work. IUCN comes with strong credibility and a strong brand."

For private-sector organisations, working with a non-profit, humanitarian organisation provides a new set of challenges. Douwe Egberts, a global coffee supplier, worked with Utz Kapeh, the worldwide certification programme that sets a standard for responsible coffee production and sourcing, to launch its *Good Origin* range of coffee. Although the collaboration has worked well, notes Douwe Egberts's UK managing director, Grant Rosewarne, the two organisations have different approach, for example to branding. In one instance, Douwe Egberts wanted Utz Kapeh to develop a logo that communicated the 'sustainable positioning' of the Utz Kapeh organisation to the consumer in a simple, shorthand manner. However, Utz Kapeh wanted to put their effort and resources into farm management and making their traceable supply chain very robust. A new, easily understood logo was not a priority. "There were not enough resources to do both so we had to make choices and move on," says Mr Rosewarne.

There is also a movement towards multi-member collaborations, in which private- and public-sector

organisations group together for a common ethical goal. In 2005 members of the World Economic Forum (WEF) launched the Logistics and Transportation Industry Humanitarian Workstream (LTHW) – a means by which major logistics companies such as TNT, DHL and Exel can co-ordinate their efforts more effectively in the event of a humanitarian disaster. While such companies already have bilateral partnerships with NGOs, the LTHW ensures that teams from different companies are ready on the ground in the disaster-prone areas of the world.

"There were stories about CEOs calling senior UN representatives the day after the tsunami and not being able to figure out the right thing to do," recalls Shruti Mehrotra, the WEF's programme manager for LTHW. "So what we found was that the best way for the private sector to leverage its resources and competencies was to get into partnerships in advance of events, rather than be reactive." The LTHW is now part of a wider Humanitarian Relief Initiative (HRI), in which WEF members in other sectors are setting up an infrastructure to respond to humanitarian disasters.



The benefits of collaboration

A successful collaboration can provide a competitive advantage by combining the best skills of two or more organisations. Firms engaged in collaborative exercises find that that experience is living up to expectations, and often exceeding it. More than one-quarter (28%) of survey respondents confirm that their company’s collaboration with others has provided more value than initially expected, compared with 52% who agree that it met expectations. Just one in ten firms say that their overall experience in collaboration has failed to deliver the expected value.

Collaboration between Channel Dynamics, a technology distribution company, and Ranieri PR, a public relations firm, resulted in benefits for both companies and their clients. Ranieri PR’s problem was that, although it was often able to get good coverage for its clients’ products in the press, consumers were frequently unable to buy the product because distribution was poor. For its part, Channel Dynamics was experiencing difficulty placing a product with a

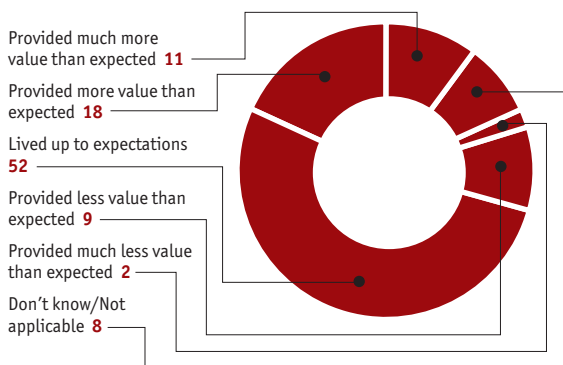
retailer if it had not received good press coverage. The two organisations informally recommend each other to clients, with the result that when they work together on a project, they are able to get better coverage and improved distribution.

For example, in the case of iHome, a third-party iPod accessory, Ranieri PR generated the coverage that helped Channel Dynamics to convince retailers like Dixon’s to adopt the product. Tim Noyes, business development manager at Channel Dynamics, says the two firms now collaborate on about seven or eight products. Partly as a result of the collaboration, Ranieri PR has seen business double in the last two years, while Channel Dynamics’s business has grown by 50% in 18 months.

Overall, sales and marketing are the areas of the business that the majority of executives (63%) expect to benefit from most over the next three years. Product R&D, the next most common area that firms expect to benefit from, comes as firms seek to reduce the risks associated with R&D, as well as trying to lower costs. In fact, one of the features of globalisation – the much lower labour costs available in emerging markets, facilitated by advances in information and communication technology – is helping smaller Western firms compete on a level playing field with larger ones.

According to Scott Maguire, chief executive of Lipoxen, a biopharmaceutical company, this is particularly the case in the pharmaceutical industry, where smaller companies are starting to punch above their weight. Lipoxen, with only 22 employees, has entered into an agreement with the Serum Institute in India to manufacture its vaccines and drugs. “It would have cost us tens of millions of pounds to put that infrastructure in place on our own,” says

Which of the following best describes your company’ overall experience with its biggest collaborative relationships?
(% respondents)



Source: Economist Intelligence Unit survey, October 2006.



Mr Maguire. The agreement means that the Serum Institute will have the right to market the products in the developing world, while Lipoxen will market them in the developed world. For the Serum Institute, adds Mr Maguire, it is an opportunity to become a global player in the biotech arena.

Even ethical collaboration can ultimately bring concrete business benefits by improving profitability. Abel & Cole, which supplies organic food to consumers, was founded in 1988 and has seen explosive growth since 2000. It now has 240 employees and 30,000 customers. "We pride [ourselves on running] the business ethically from top to bottom," says Keith Abel, the firm's founder. Its policy of fairness to suppliers has included giving them interest-free loans

to extend their range of products.

As an example of how the three-way collaboration benefits Abel & Cole, its suppliers and its customers, Mr Abel cites a dairy farmer who was ready to slaughter his herd of Guernsey cows because he was facing bankruptcy as a result of being forced to produce milk below the cost of production for two years. "We took him on as a supplier and we paid him way above the market price for milk. But we then told our customers, 'We've got this guy coming out of bankruptcy, will everyone support him – and the milk's not homogenised'." As a result, Abel & Cole's milk sales doubled overnight, the farmer's livelihood was saved, and customers benefited from having better-quality milk.



The barriers to collaboration

While the benefits of collaboration are clear, the path to a successful collaboration is not always smooth. The drivers for collaboration (greater competition and globalisation) may be new, but the barriers tend to be old-fashioned, with issues of trust, intellectual property and different cultures frequently cited. Kevin Cullen, commercialisation director of university-technology.com, puts it succinctly when he describes a typical public-sector partnership as “the suppression of mutual loathing in pursuit of government funding”.

When asked to name the major impediments to forming collaborative relationships, around one-third of respondents cite a lack of appropriate partners, while one-quarter mention a cultural clash with the most likely partners. About one in five firms note concerns about excessive reputational risk in associating with certain partners. Other concerns were at a more practical level: 29% highlight data security issues, while 23% raise the cost or difficulty

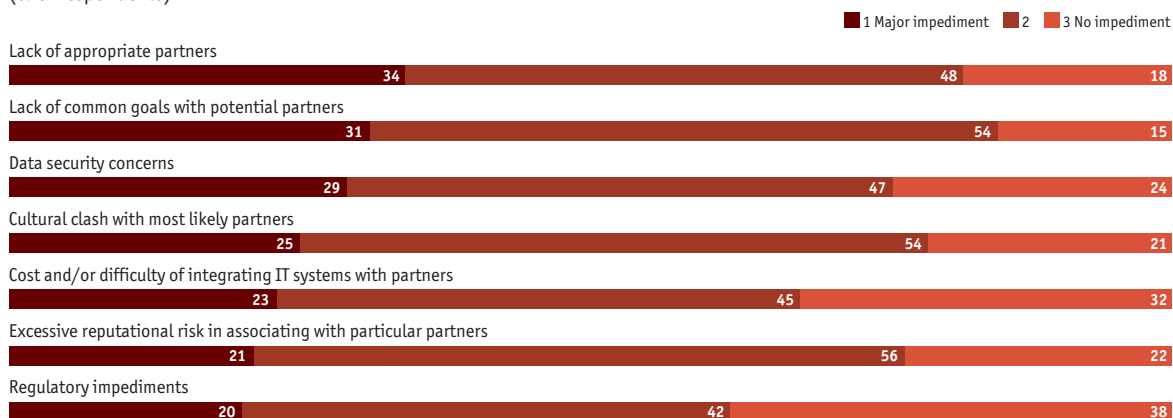
of integrating IT systems with partners.

Intellectual property is one of the biggest concerns for collaborators. In answer to the question about what posed the greatest risks to a collaborative relationship, nearly one-half of all executives highlight the loss of intellectual property as a major risk.

Inevitably, intellectual property is a particularly strong concern when it comes to collaborating with partners in other countries, especially those in the emerging markets. The World Trade Organisation (WTO) has attempted to address this problem with its agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs). Mr Maguire believes that India’s decision to sign up to TRIPs in 2005 has made it a more attractive country for Western firms seeking collaborators, particularly in the pharmaceutical sector.

The issue of intellectual property is not confined to collaborations in other countries, however. It was a major bone of contention for Douwe Egberts

How much of an impediment are each of the following for your company in forming collaborative relationships?
(% of respondents)



Source: Economist Intelligence Unit survey, October 2006.



in its collaboration with Philips, which was finally settled with an agreement that Philips would hold the intellectual property for the coffee machine, while Douwe Egberts would retain it for the coffee.

This particular collaboration also illustrates another common problem, that of two partners with very different sets of business goals: Philips is used to making short-term investments in a product, while Douwe Egberts makes long-term ones. “We do have arguments in which we say, ‘How come we’ve invested two, three or four times in this particular country what you’ve invested?’” says Mr Rosewarne of Douwe Egberts UK. “Then they say, ‘We sell a machine, if we’re lucky, once to a consumer in their lifetime – and you’re selling a pack of coffee every week’.” Keen for Philips to see the Senseo as a longer-term proposition, Douwe Egberts addressed this by allowing Philips a share of royalties in the Senseo coffee brand.

Mr Rosewarne also says that getting internal alignment when working with third parties can also be

a problem – while R&D might be working well with a collaborator, the commercial side might be less ready.

Regulatory barriers, such as the differences in data protection laws, can also be an impediment to collaborative relationships: the EU member countries, on the whole, have much stronger data protection and privacy laws than countries outside the EU, such as the United States. For example, as part of an ongoing drive to improve the quality of merchant shipping operations, the International Group of P&I Clubs, together with other stakeholders, is exploring new ways to share ship survey data between member clubs. However, some restrictions on the free flow of information remain, because of confidentiality and privacy regulations in some countries, says the Group’s Mr Bardot.

While these barriers are not to be underestimated, there are enough successful examples of collaborations between firms to demonstrate that they can be overcome.



Making collaboration work

“Companies enter a partnership”, says Mr Mann of Gartner, “asking questions such as, ‘If we collaborate together, who owns that shared content, and what the other party do with it? Can they take what we’ve done collaboratively and use it with one of my competitors also? Or do I own all of it, and if so how do I protect it?’ That can get murky, and undermines trust and the ability to be able to expand on those kinds of things.”

Issues such as this can be partly resolved by having formal procedures and agreements in place. When Apacs, a trade association that facilitates collaboration between all of the UK’s high street banks on payments services issues, started working with retailers in 2001 to introduce a chip-and-PIN system for credit and debit cards, it had to make sure that no favouritism was given to banks. The steering

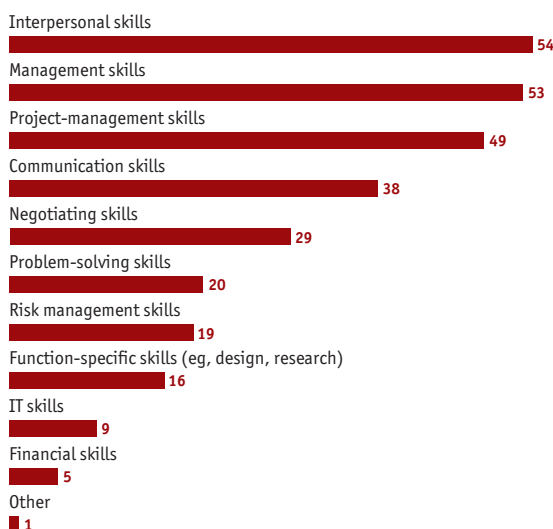
committee that oversaw the implementation was composed of eight representatives from banks and eight representatives from the retail sector, with a completely independent chairman. “It would have been impossible even to get to square one if we hadn’t built in something that made it absolutely clear that this was an organisation that was independent of both sides,” explains Gary Hocking, deputy chief executive of Apacs and director of the chip-and-PIN implementation.

The key to a successful relationship, however, seems to come down to straightforward people skills: when asked which skills were most important in making collaborative relationships successful, the majority of respondents (54%) chose interpersonal skills. Management and project management skills are the next two most important skills, selected by 53% and 49% of respondents respectively.

For those firms that see a shortfall in these skills, providing training for relevant staff (57%) and altering recruitment preferences to bring in appropriate people (40%) are the two most popular ways of addressing the issue. However, a significant minority (23%) say their companies have no plans to improve these skills.

According to Mr Rosewarne, Douwe Egberts’s collaboration with Philips improved enormously when Philips appointed a new managing director in the UK. “Our processes of managing partnerships also needed strong interpersonal relationships to make them work. When the new Philips team came in, with a combination of good processes and excellent relationships we saw a complete shift and things worked that hadn’t always worked before. Having good personal relationships, having people who see the broader picture, who seek to understand your

Which personnel skills do you think are most important for your company in making collaborative relationships successful? (% respondents)

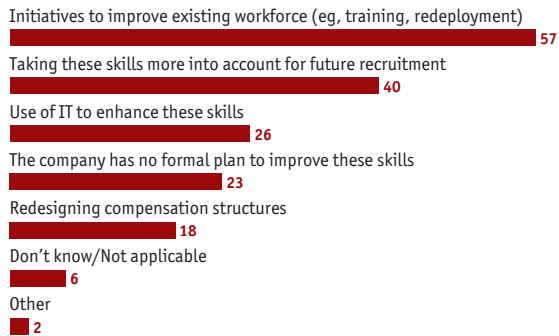


Source: Economist Intelligence Unit survey, October 2006.



How does your company intend to improve the most important skills required for collaborative relationships?

(% respondents)



Source: Economist Intelligence Unit survey, October 2006.

business and have some empathy for you really helps to make alliances strong.”

Mr Rosewarne suggests that an “open book” accounting policy with a partner, where both parties see how much money is being made by the other and agree an appropriate split out of the joint return, would help to reduce suspicion or lack of

understanding in the relationship.

In some industries, the ground rules for collaboration are still being established. In others, the prevalence of collaboration is beginning to change the nature of the market. In the pharmaceutical industry, for example, the type of collaboration between Lipoxen and the Serum Institute is already common. “Pharmaceutical companies are mining the small biotech companies for valuable product candidates,” says Mr Maguire of Lipoxen. “Their pipelines are getting thinner and thinner and they’re really relying on the small biotech world to supply them with products.”

Mr Maguire believes the model will eventually be widely adopted throughout the pharmaceutical industry: “It will change the speed with which products get to the market. It will change completely the cost dynamics, and since the cost of production, the clinical cost, the development cost will be much less, companies will be able to run more product candidates in parallel.”



Companies without borders

Collaborating to compete

Conclusion

Companies are collaborating more and more. While most businesses engaged in collaboration have benefited from it, there are problems too, ranging from a lack of trust, concerns about the sharing of intellectual property and difficulty in managing the personal relationships between competitors.

The drivers of collaboration are so compelling, however, that firms are prepared to work hard to make the collaboration successful. One striking feature is that, regardless of how bumpy the road, a collaboration can make a real difference to the bottom line.

Globalisation has fundamentally altered the world economy, making it more competitive and

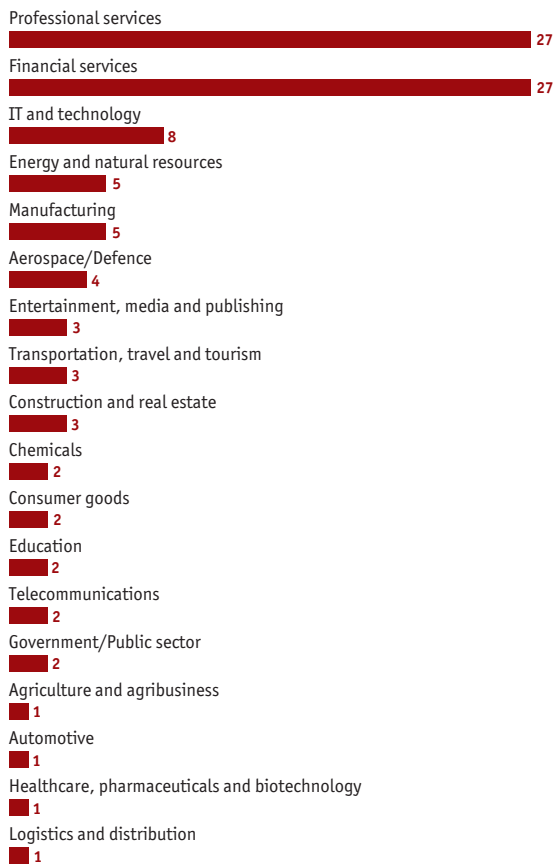
fast-moving than ever before. Much of this has been facilitated by the widespread adoption of enabling technologies, such as broadband internet and collaborative tools, which are allowing companies of all sizes to collaborate easily with other partners anywhere in the world, at low cost. The emergence of global players from emerging markets can be an opportunity as well as a threat, as companies like Lipoxen have found.

An imaginative approach to collaboration, and a willingness to bury differences, can bring in substantial benefits to all parties. As Mr Hocking of Apacs puts it, "With trust and co-operation, almost anything is possible."

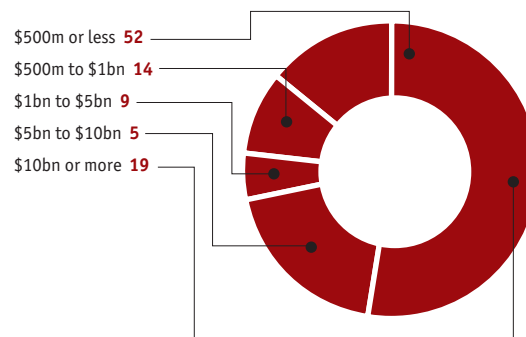
Appendix

The Economist Intelligence Unit surveyed 187 executives from the UK, from a wide array of industries, including financial services, professional services, IT and technology and manufacturing, among others. Please note that not all answers add up to 100%, because of rounding or because respondents were able to provide multiple answers to some questions.

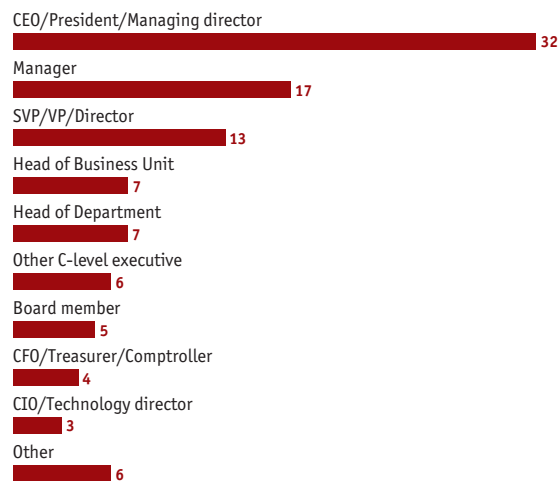
What is your primary industry? (% respondents)



What is your company's global annual revenues in US dollars? (% respondents)



Which of the following best describes your title? (% respondents)

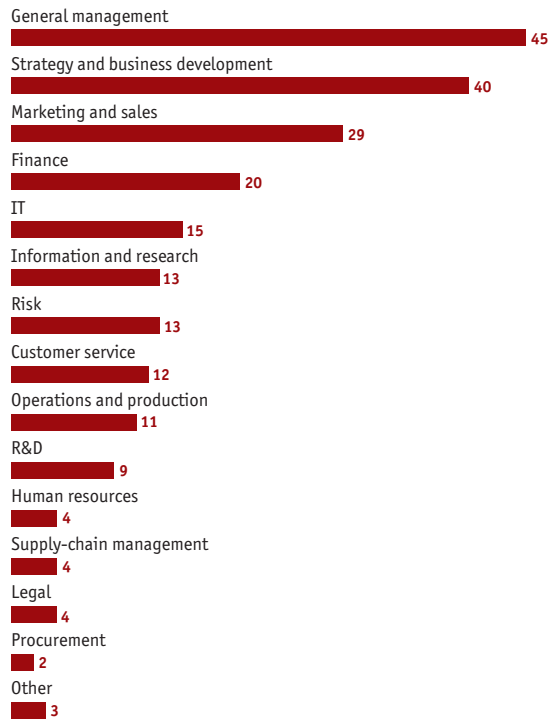


Appendix

Companies without borders Collaborating to compete

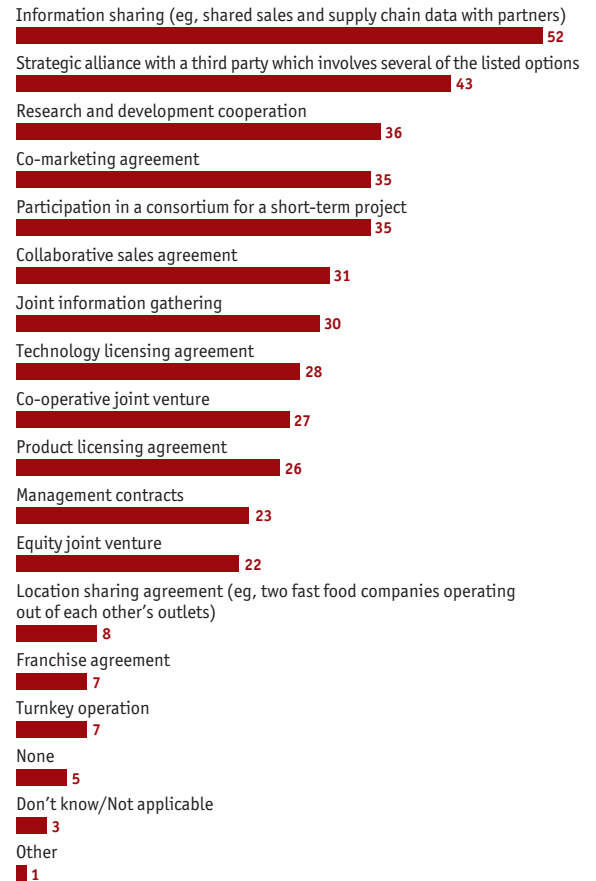
What are your main functional roles?

Please choose no more than three functions.
(% respondents)

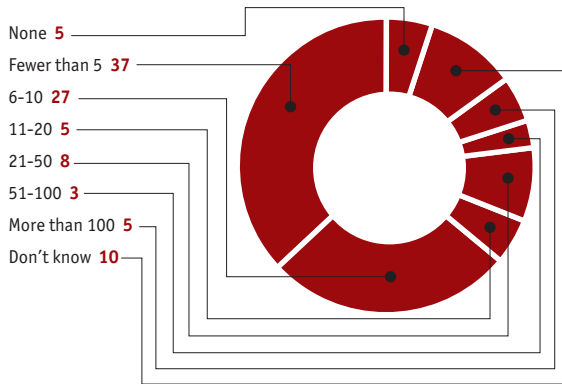


Which types of collaborative relationships does your company have with other firms?

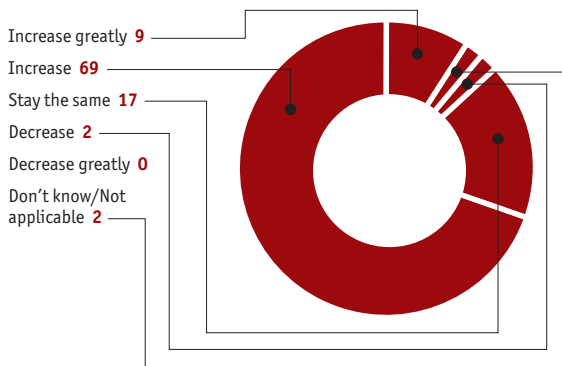
(% respondents)



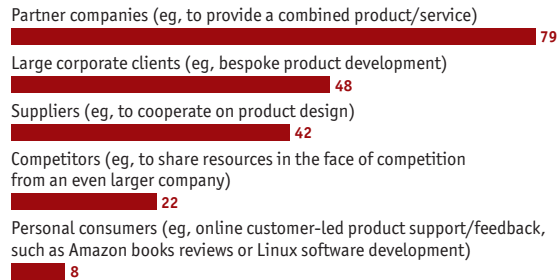
Approximately how many third parties has your company developed a collaborative relationship with?
(% respondents)



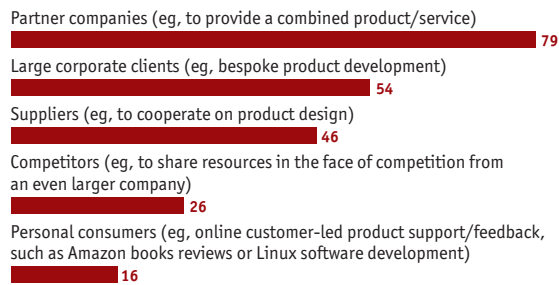
How do you expect the number of collaborative relationships your company holds with third parties will change over the next three year?
(% respondents)



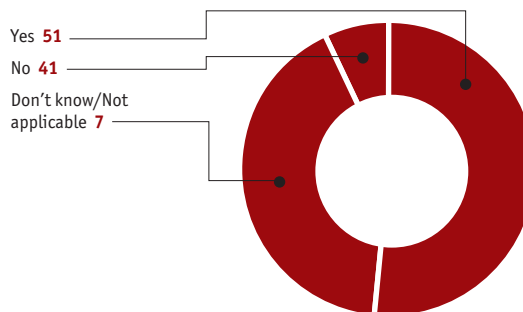
With which of the following has your company entered into collaborative relationships over the last three years?
(% respondents)



With which of the following does your company expect to enter into collaborative relationships over the next three years?
(% respondents)



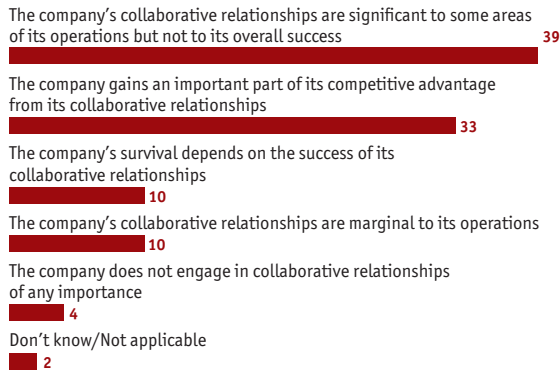
Has your company changed its business model in the last three years to take greater advantage, or increase the number, of collaborative relationships in its value chain?
(% respondents)



Appendix
Companies without borders
Collaborating to compete

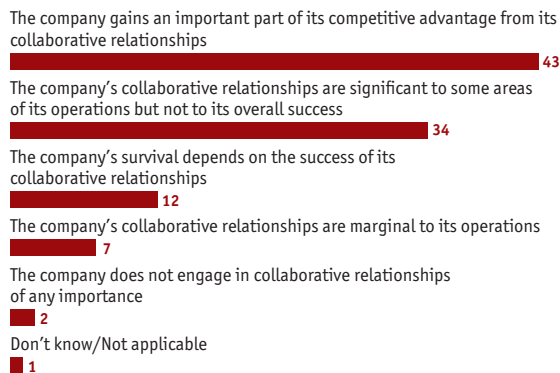
Which best describes your company now?

(% respondents)



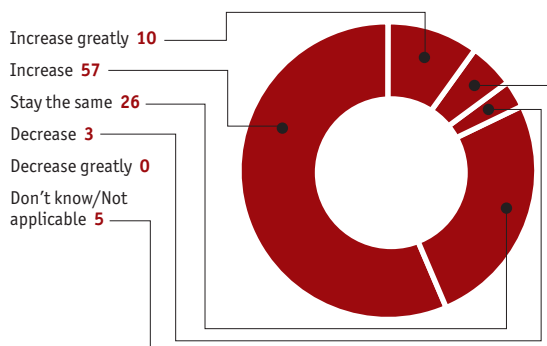
Which best describes your company as you think it will be in three years time?

(% respondents)



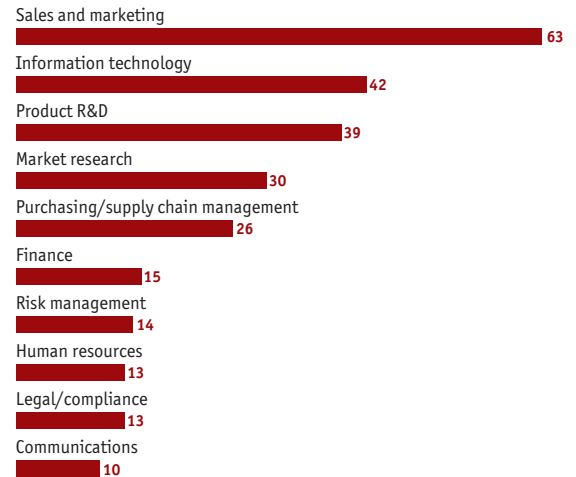
How do you think that the percentage of your company's employees whose work regularly involves some role in your company's external collaborative relationships will change over the next three years?

(% respondents)



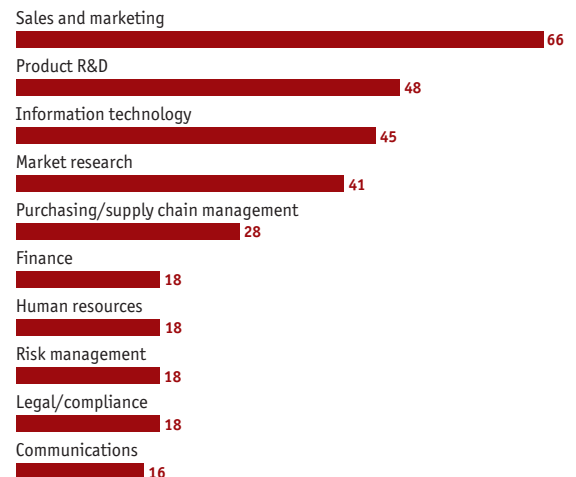
Which departments in your company have been most active in building collaborative relationships in the past three years?

(% respondents)

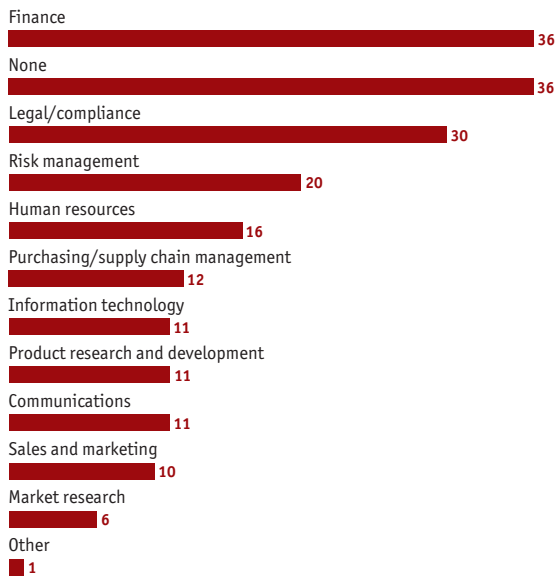


Which departments in your company are likely to be most active in building collaborative relationships in the next three years?

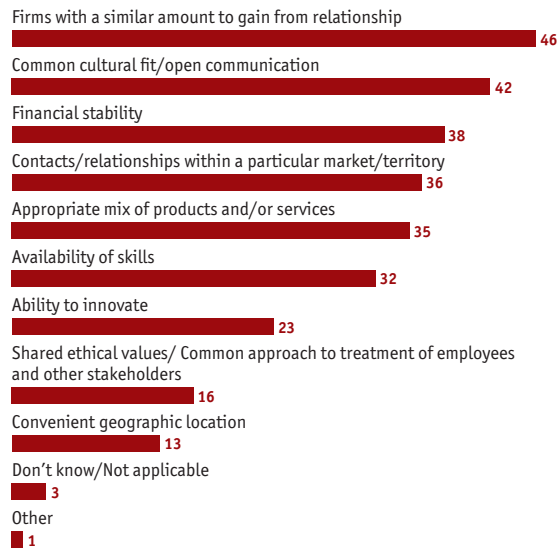
(% respondents)



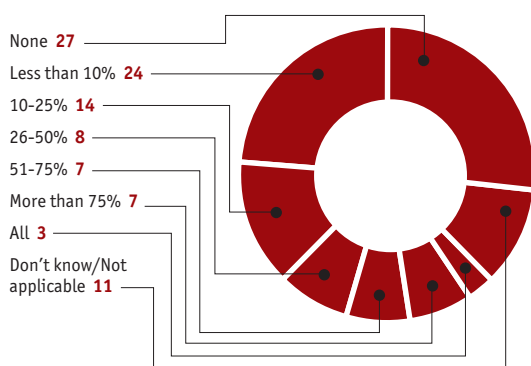
In your opinion, which of the following areas is your company likely to refuse to consider entering into a collaborative relationship with another firm?
(% respondents)



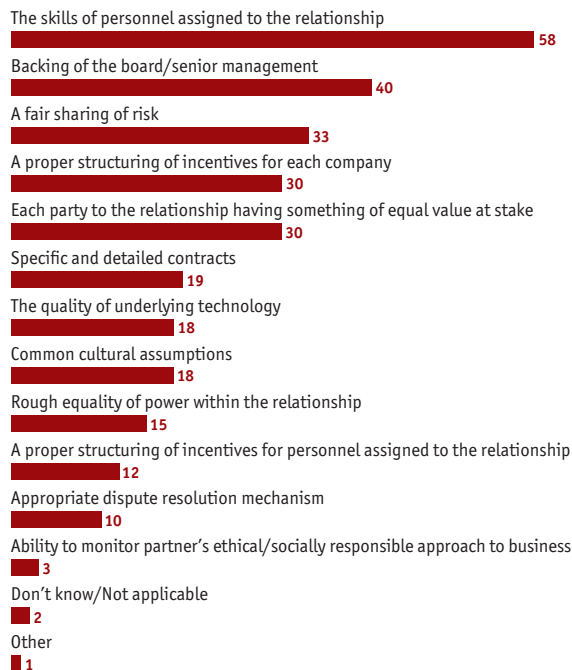
Which factors are most critical for selecting a firm to collaborate with?
(% respondents)



Approximately what proportion of your collaborative relationships are with partners operating in countries in which your company does not operate?
(% respondents)

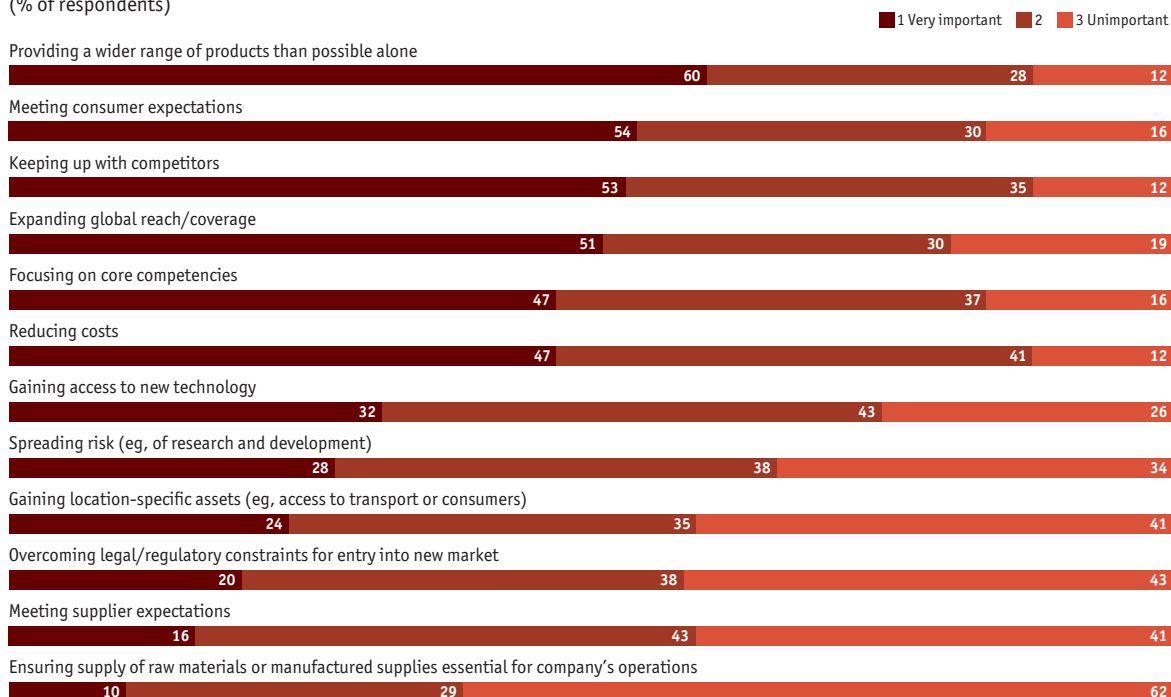


Which factors are the most critical for managing a successful collaborative relationship?
(% respondents)

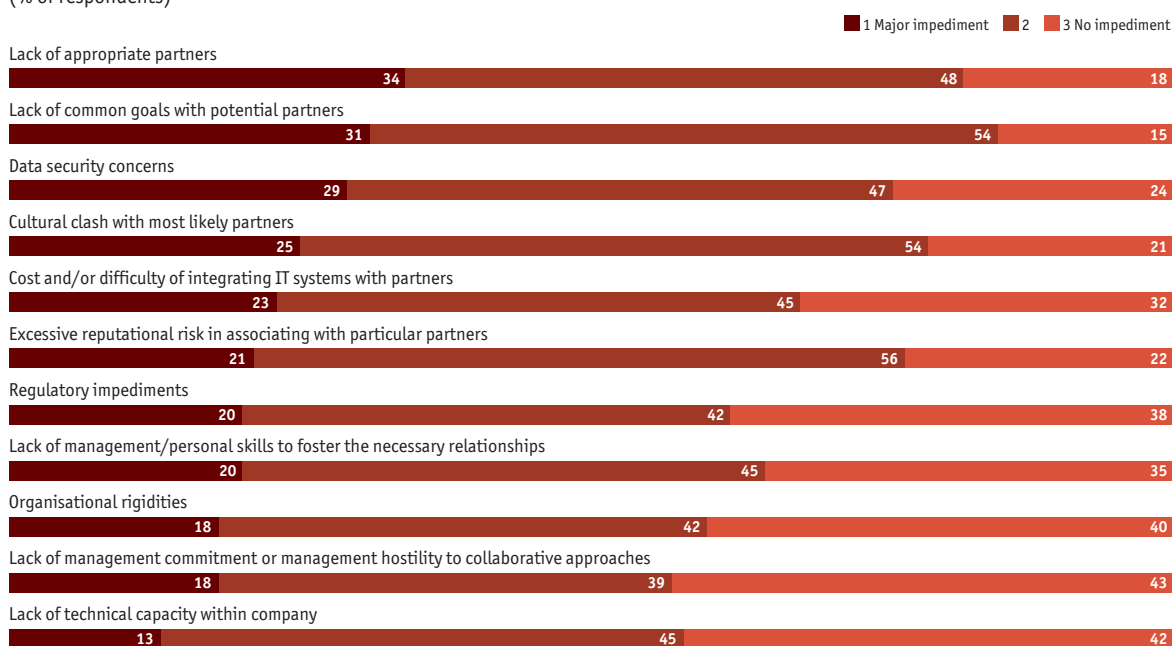


Appendix
Companies without borders
Collaborating to compete

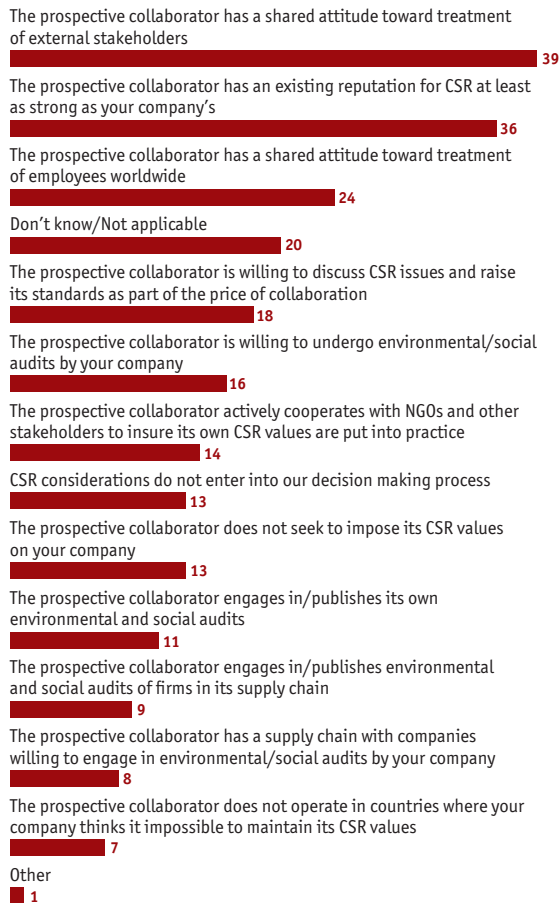
How important are each of the following drivers in moving your company toward increased collaboration, if your company is doing so?
(% of respondents)



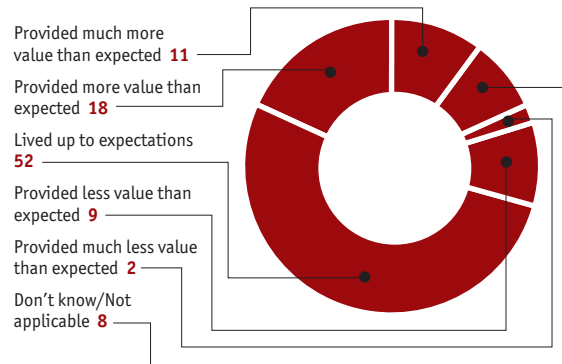
How much of an impediment are each of the following for your company in forming collaborative relationships?
(% of respondents)



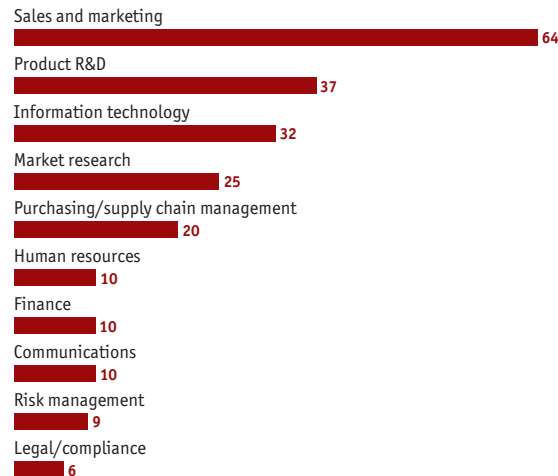
In a globalised world, corporate social responsibility (CSR), ethical and reputational risk issues are increasingly intertwined and know no geographic boundaries. In deciding on which companies to collaborate with, especially those based in other countries, which of the following are most important for your firm?
(% respondents)



Which of the following best describes your company' overall experience with its biggest collaborative relationships?
(% respondents)



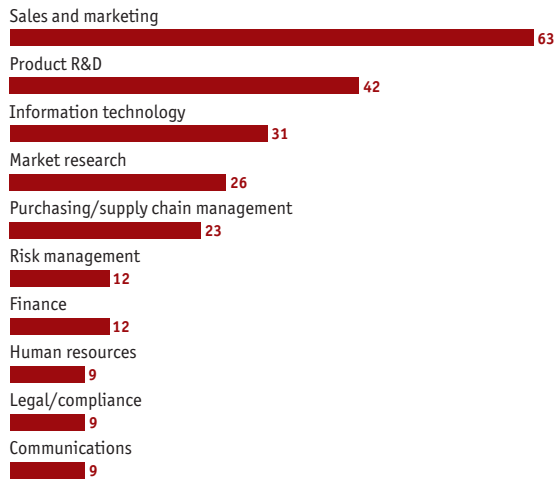
In which area has your company benefited most from collaborative relationships in the last three years?
(% respondents)



Appendix

Companies without borders Collaborating to compete

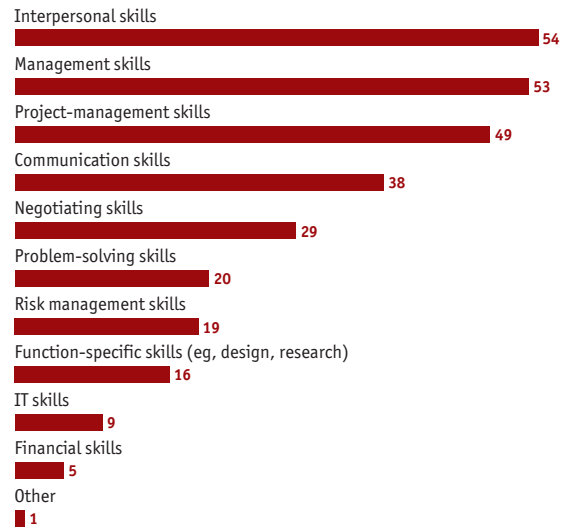
In which area do you expect your company to benefit most from collaborative relationships in the next three years? (% respondents)



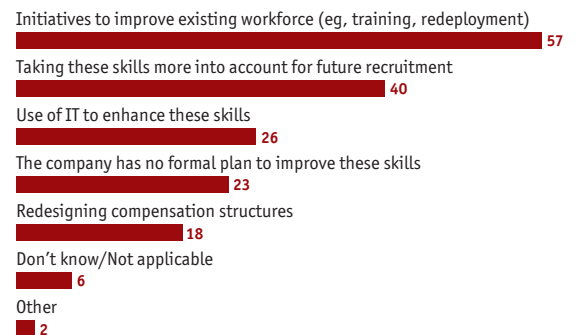
In your company's experience of collaborative relationships, which of the following pose the greatest risks? (% respondents)



Which personnel skills do you think are most important for your company in making collaborative relationships successful? (% respondents)



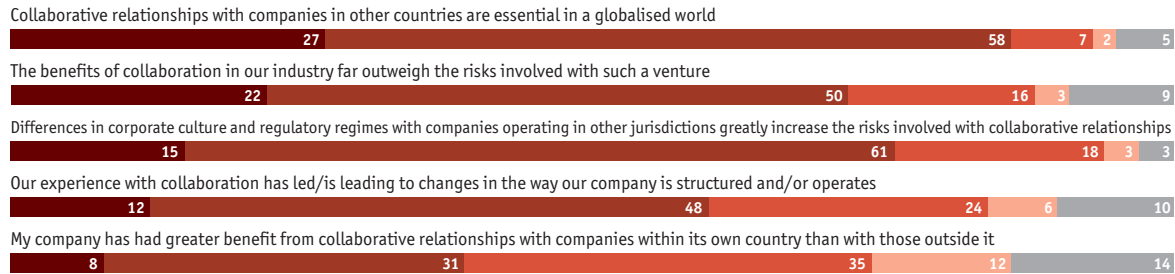
How does your company intend to improve the most important skills required for collaborative relationships? (% respondents)



To what extent do you agree or disagree with the following statements?

(% of respondents)

Strongly agree Agree Disagree Strongly disagree Don't know/Not applicable



How would you rate the abilities of the following groups within your company with respect to the skills selected in the previous question?

(% of respondents)

1 Very high degree of skills 2 3 4 5 Very low degree of skills Don't know



Whilst every effort has been taken to verify the accuracy of this information, neither The Economist Intelligence Unit Ltd. nor the sponsor of this report can accept any responsibility or liability for reliance by any person on this white paper or any of the information, opinions or conclusions set out in the white paper.

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