Collaboration Transforming the way business works

A report from the Economist Intelligence Unit
sponsored by Cisco Systems

Preface

Three themes for the interactions economy

This white paper is one of three published in 2007 as part of a research programme that arose from the Economist Intelligence Unit's March 2006 report for Cisco, entitled "Foresight 2020." This report highlighted a number of important changes to the world economy over the next 15 years. The principal trends identified in the report—globalisation, demographics, atomisation, personalisation and knowledge management—will have a profound effect on the landscape of major industries and the working of the company.

In order to build on "Foresight 2020," we identified three themes that were then developed into separate research projects investigating personalisation, collaboration and innovation. Each is intended to stand on its own and to fit with the other two, describing from different vantage points the development of the interactions economy, in which customers, suppliers, workers, owners and others go beyond mere transactions to exchange information for mutual benefit.

As companies adapt to the new forces moulding the interactions economy, they will find that personalisation, collaboration and innovation will present great challenges and opportunities. Personalisation goes beyond customisation, allowing the consumer to stamp a product or service with his or her own applications, preferences and configurations. Technology is particularly adept at enabling a high degree of personalisation, as in the case of the downloadable applications available on mobile phones or personal digital assistants. By offering a large variety of possible products, features and services, personalisation has the power to increase sales and margins enough to transform business models.

Collaboration will have a similarly profound effect on business. Broadly speaking, collaboration means to work together, and our research focuses specifically on formal collaborative arrangements at work that bridge traditional geographic, institutional, and functional boundaries. The emphasis on core competencies, the need for corporate agility and the rise of emerging markets have caused firms to focus on collaboration both within and among organisations. Collaboration among functional groups and organisations will help companies become more productive and innovative.

Innovation—defined here as the application of knowledge in a novel way, primarily for economic benefit—is becoming increasingly important for companies and governments. Business executives regard it as a vital weapon in fending off their corporate competitors. Government policy makers see the need for an innovative environment if their economies are to grow.

The three themes are linked in many different ways. Firms collaborate with customers in order to create innovative products that can be personalised. Process innovations can enhance collaboration in which carefully selected workers from around the world are brought together in teams to improve productivity. The development of the interactions economy is likely to strengthen the links among personalisation, collaboration and innovation and heighten their importance, with far-reaching implications for global business.

Executive summary

The future belongs to those who collaborate. In the "Foresight 2020" study conducted in 2006, executives predicted that over the next 15 years their markets will become even more global, functions within their organisations will atomise across geographies and partners, and competition will intensify from new corners of the world. To succeed in this environment, organisations will need to collaborate with thousands of specialised players, from customers and partners to competitors, regional distributors and university researchers. Firms have traditionally collaborated vertically—with suppliers and distributors, for instance. But the need for agility in a fast-changing environment will drive companies to increase collaboration of all types in order to move quickly, work efficiently and continue to grow.

The imperative to collaborate across functions, geographies and corporate boundaries is the subject of this Economist Intelligence Unit study sponsored by Cisco. There are four major findings:

● Companies are facing a new imperative to form collaborative relationships.

● Successful collaboration requires a cultural shift which is already well under way.

● Companies face challenges in measuring and monitoring the benefits of collaboration.

About our survey

In the survey of 394 business leaders and over 35 in-depth interviews with senior corporate executives and collaboration experts, the Economist Intelligence Unit sought to gauge the extent to which collaboration is being encouraged, managed and measured in both the private and public sectors. Sponsored by Cisco Systems, the study draws on interviews and case studies with organisations such as Procter & Gamble, General Motors, GlaxoSmithKline, Air Products and the Los Angeles County government, all of which have actively pursued collaborative arrangements with other organisations. It considers the benefits and obstacles to pursuing a collaborative strategy, examines the use of technology and collaborative metrics, and discusses what companies will do to collaborate in the future.

Around three-quarters of the organisations represented in the survey came from North America, Europe or the Asia-Pacific region. Just over one-half had revenue of more than US$500m and about 40% had revenue of over US$1bn.

Survey respondents were senior. About 25% were CEOs, and exactly one-half came from the C-suite. More than two-thirds were senior vice-presidents or above. There were no respondents below the level of manager. The most common functional roles were general management, strategy and business development, finance, and sales and marketing. Most survey respondents came from financial and professional services, IT, manufacturing and health-care, pharmaceuticals and biotechnology. About one in five respondents came from telecoms, energy, education or consumer goods.

Interviewees included high-level executives from large, publicly traded companies in North America, Europe and the Asia-Pacific region. They included CEOs and senior executives from advertising, software, hospitality, consumer goods, automotive, pharmaceutical and manufacturing corporations as well as public-sector organisations. The Economist Intelligence Unit also spoke to managers from smaller companies, organisations that provide technology and other services to facilitate collaboration, and noted experts on the topic.
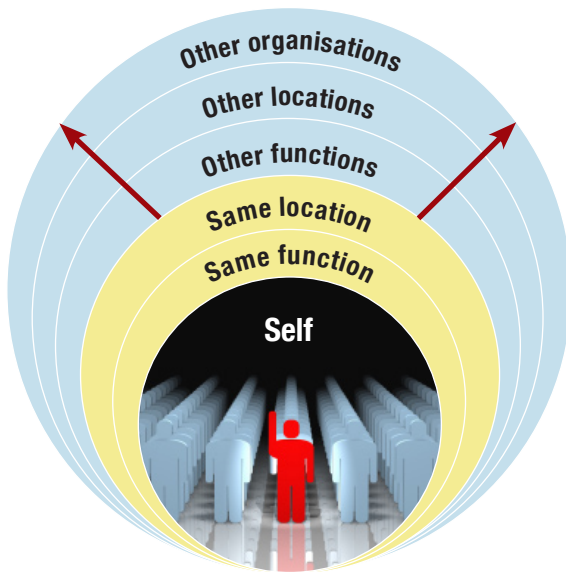
Executive expect to spend more time collaborating with more distant partners

● Despite the promise of technology, there is still dissatisfaction with online collaboration tools.

The need to collaborate is clear. The elements required to ensure that collaborations work are emerging. What remains to be done—and the focus of leading companies—is to develop formal collaboration frameworks. And despite massive growth in the reach and power of networks, there is little consensus on how technology will facilitate the growth of collaboration.
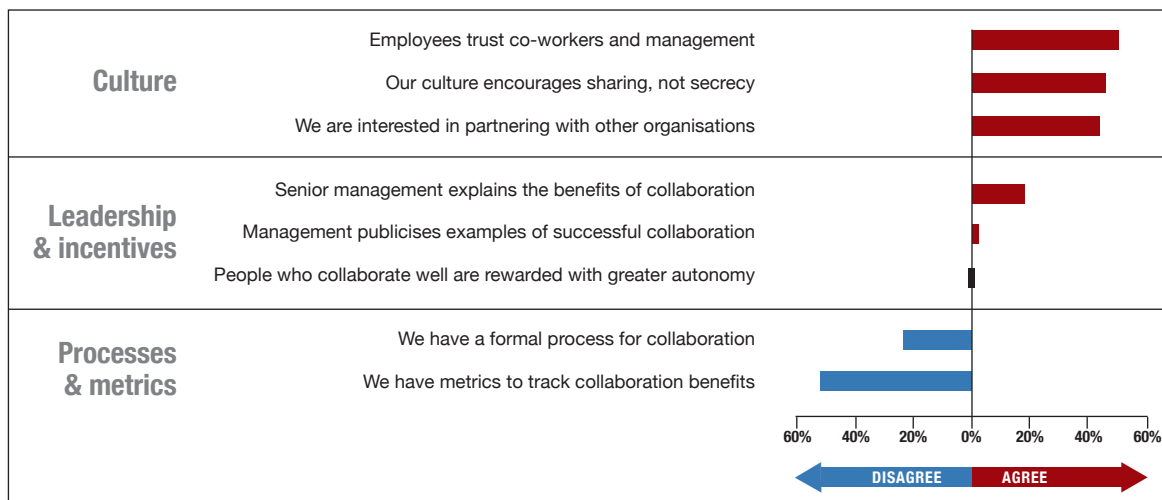
1. Senior executives understand that future success depends on collaborating across greater distances—physical, cultural and organisational.
There was near-universal agreement among the study participants that collaborative relationships are growing increasingly crucial to business success. According to a worldwide survey of 394 executives in November 2006, executives spend at least two-thirds of their time currently working alone, with people in their own functional silos or with people at the same location. But in the next three years, over one-half of executives say that they will spend more time working across functions, locations and organisations.

Survey respondents said they expect to work increasingly outside their groups, locations and organisations. Sixty-three percent said they would spend more time working with teams in different locations. Just over one-half expect to work more with people outside their function or organisation.

These attitudes were also reflected in the interviews with senior executives. Most of the companies interviewed pointed to steady increases in the number and size of collaborative arrangements with outside firms. General Motors, GlaxoSmithKline, Procter & Gam-

Culture, yes; leadership and incentives, maybe; processes and metrics, no

Culture	
	Employees trust co-workers and management
	Our culture encourages sharing, not secrecy
	We are interested in partnering with other organisations

Leadership & incentives	
	Senior management explains the benefits of collaboration
	Management publicises examples of successful collaboration
	People who collaborate well are rewarded with greater autonomy

Processes & metrics	
	We have a formal process for collaboration
	We have metrics to track collaboration benefits

60% 40% 20% 0% 20% 40% 60%

← DISAGREE   AGREE →

Do you collaborate with peers in other functions of your organisation?

Regularly and across a broad range of issues **77%**

Irregularly, but across a broad range of issues **10%**

Only on selected projects or issue **12%**

Rarely or never **1%**

Three years from now, which of the following do you expect to spend more of your working time doing compared to today?

Working independently
17%

Working with teams in the same function
34%

Working with teams in the same location
28%

Working with teams in different functions
55%

Working with teams in different locations
62%

Working with teams at other organisations
50%

ble, Intel and Warsteiner (a German beer company) all described major initiatives and highlighted the importance of these collaborations to achieving their business objectives.

2. Successful collaboration requires a cultural shift which is already well under way. A strong culture of collaboration exists at many of the companies we surveyed and interviewed. Employees trust each other. Sharing is more prevalent than secrecy. Communication is frequent and open. Employees actively seek specialised knowledge from other organisations, and over 80% want to partner with other organisations. The idea that good ideas can only come from within is considered passé.

But these attitudes are not always backed up by

high-level reinforcement and incentives. The chart on page 5 lists statements about collaborative practices. Respondents were asked to agree or disagree with each statement. Respondents strongly agreed that their organisations fostered trust and sharing. But they were split on whether these positive attitudes were reinforced by management. In many cases, senior management fails to explain the benefits of collaboration, publicise successful collaborations or reward successful collaborators.

3. Companies face challenges in measuring and monitoring the benefits of collaboration. Despite the scale of investment in many collaborative arrangements, measuring and monitoring the benefits of collaboration still proves elusive for many companies. In the survey, only a minority have adopted a formal process for collaboration. Almost 80% said their companies have not attempted to measure how collaboration can help to achieve any business objectives. And among the 20% that have attempted to measure the benefits, several alluded to difficulties in coming up with appropriate methodologies.

However, when companies do try to measure the benefits of collaboration, the results are usually positive. And some companies have developed extensive metrics. GlaxoSmithKline, which is described later in the paper, has developed a comprehensive set of time-based metrics for evaluating collaboration at its New Jersey-based R&D hub. The tools of social network analysis popularised by Valdis Krebs and Duncan Watts are also being used to map collaborative networks, identify valuable interactions and find ways to make them happen more often.

4. Despite the promise of technology, there is still dissatisfaction with online collaboration tools. Despite the rise of powerful networks with universal connectivity, there is little consensus on the most effective ways to use technology to facilitate collaboration.

The executives we surveyed were no strangers to online collaboration. Virtually all use e-mail, two-thirds use instant messaging, one-half share calendars and intranets, and just over 40% use web conferencing. But despite their fluency in existing collaboration software, respondents did not feel that current tools added much to the collaborative process. In our survey, everyone used e-mail, but the number citing it as an aid to collaboration was significantly lower (only 61%). About one-third of respondents thought intran-

ets facilitated collaboration, and other technologies were cited by even fewer participants. Although technology can always be improved, a more fundamental issue may be difficulties in driving the cultural shifts necessary to work together in virtual teams.
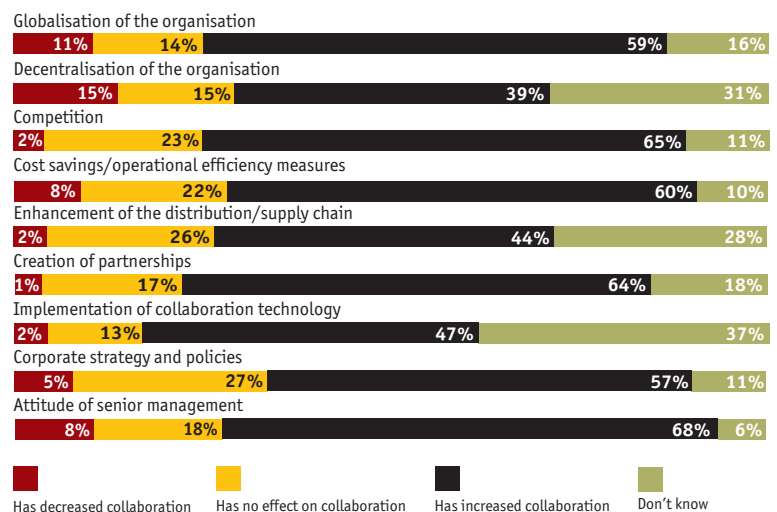
Technology holds the promise of dissolving barriers to collaboration. But so far, the promise hasn't been realised. If e-mail is viewed by users as the best technology for collaboration, there is a great deal of room for innovation.

The collaboration imperative

The emphasis on core competencies, the need for corporate agility and the rise of emerging markets have all driven a new focus on collaboration, both within and among organisations. Broadly speaking, collaboration is to work together—to "co-labour". It occurs every time individuals or groups co-operate. But in its ideal sense, collaboration implies more than simply labouring side by side: bringing together workers with different backgrounds creates the "collision of thought that creates creative genius", according to Ken James at GlaxoSmithKline. This paper focuses specifically on formal collaborative arrangements that bridge traditional geographic, institutional and functional boundaries. The main focus is on collaborations among organisations, both public and private. To a lesser extent, the paper covers collaborative efforts across silos within organisations.

A survey and paper published by the Economist Intelligence Unit last year, "Foresight 2020," identified globalisation and "atomisation" as two of the most significant business trends over the next 15 years. In a global economy, companies will both source from and sell into markets across the globe; in an atomised economy, chains of special-

Overall, how have the following factors influenced the amount of collaboration internally at your company, or externally between your company and outside entities (customers, partners and other organisations)?

Globalisation of the organisation
| 11% | 14% | 59% | 16% |

Decentralisation of the organisation
| 15% | 15% | 39% | 31% |

Competition
| 2% | 23% | 65% | 11% |

Cost savings/operational efficiency measures
| 8% | 22% | 60% | 10% |

Enhancement of the distribution/supply chain
| 2% | 26% | 44% | 28% |

Creation of partnerships
| 1% | 17% | 64% | 18% |

Implementation of collaboration technology
| 2% | 13% | 47% | 37% |

Corporate strategy and policies
| 5% | 27% | 57% | 11% |

Attitude of senior management
| 8% | 18% | 68% | 6% |

■ Has decreased collaboration   ■ Has no effect on collaboration   ■ Has increased collaboration   ■ Don't know

ised companies will join together to create value. Both processes require intense collaboration across organisational lines. Both also have the potential to increase revenue and margins.

Other trends driving collaboration include the speed of change, the rise of new business models, competitive pressures and the costs of research and

development (R&D). These factors impel companies to act quickly, access new expertise and do more with less. Each is an argument for partnering with other organisations.

Atomisation also implies a corporate focus on core competencies. Instead of trying to cover all areas in-house, corporations will try to reduce costs, maintain or increase quality and increase strategic flexibility by drawing on the capabilities of other organisations. R&D units at consumer products, life sciences, manufacturing, aerospace and automotive companies have

How often do you or your team collaborate with the following constituencies?

Other functions within my organisation
| 55% | 28% | 13% | 3% | 1% |

Other locations within my organisation
| 35% | 32% | 21% | 6% | 6% |

External suppliers
| 14% | 28% | 29% | 14% | 3% | 12% |

External customers
| 28% | 27% | 21% | 10% | 4% | 10% |

External business partners
| 15% | 33% | 25% | 12% | 3% | 12% |

1 Daily 2 Weekly 3 Monthly 4 Quarterly 5 Yearly 6 Rarely or never

increased their reliance on outside organisations to conceive and develop new products, solve technical problems and improve business processes. Teams from the sales and marketing, business development and technology areas are also joining forces more frequently. Benefits include greater efficiency and productivity, improved competitive differentiation and the ability to solve problems quickly.

In short, learning to collaborate can help companies address three imperatives: move fast, move efficiently and grow the firm. Companies can move fast when they do not have to build capabilities from scratch. Companies can move efficiently when they can tap easily into required knowledge and expertise (whether inside their own firm or within other firms). And when there is an early-mover advantage, quick and efficient action is often the key to rapid growth.
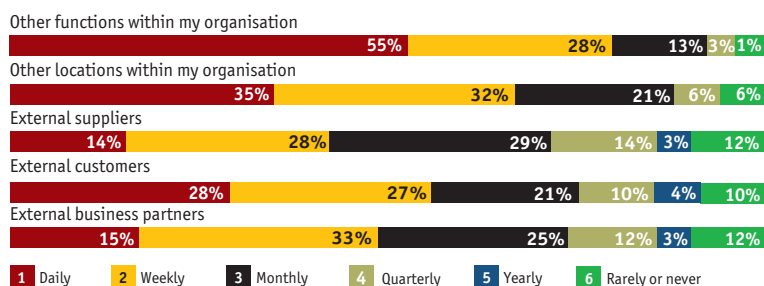
Collaboration is particularly important when moving into the unknown. Even the most international industries—pharmaceuticals, banking, consumer packaged goods—have become even more global as the barriers to investing in emerging markets have fallen. These markets, and China and India in particular, are taking a bigger slice of the world economy. The emerging markets—those outside the Organisation for Economic Development and Cooperation (OECD)—will account for more corporate revenue growth between now and 2020 than the OECD economies, according to the "Foresight 2020" study.

To share in this growth, corporations will build collaborative networks to use the world as a supply base for talent and materials. Companies, customers, processes and supply chains will continue to fragment as companies expand overseas. But collaborative networks (facilitated by information digitisation and broadband growth) will knit together disparate groups, with work flowing to where it can be done best. Collaboration will become a source of competitive advantage. Companies that excel in collaborative problem-solving will be better able to grow by entering markets early, taking advantage of local knowledge and ramping up quickly.

Conventional wisdom holds that shared goals and a willingness to work together are enough to make collaboration work. In most cases, they aren't. Collaboration experts interviewed for this research cited the importance of a systematic approach with strong leadership, shared objectives, adequate resources, processes, oversight and metrics.

One finding of the research is that collaborations often fail. In fact, more collaborations probably fail than succeed. Respondents to the survey (who were granted anonymity) offered a number of "war stories" on unsuccessful collaborations. The common themes of these stories make a strong case for focusing on the basics upfront.

How companies collaborate

Taken together, the survey and interviews painted a comprehensive picture of how companies are collaborating today and how they expect to collaborate in the future.

Companies are collaborating widely. Most companies are collaborating and expect to collaborate more in the future. Three in four respondents said they collaborate "regularly and across a broad range of issues". Other respondents collaborate at least part of the time. More than one-half collaborate daily with other organisations. About three in four said they collaborate on at least a quarterly basis, separately with suppliers and customers.

Senior executives expect to collaborate even more—especially across traditional boundaries such as geography and organisation. The survey

---

Case Study: Roche's approach: want, find, get, manage

Roche Pharmaceuticals, a Swiss-based pharmaceuticals company, created a four-stage framework for achieving successful collaborations: "want, find, get and manage".

WANT In the want stage, companies determine what they want to accomplish and how alliances can help them to achieve their objectives. Here the company asks the question: what are the internal resources the firm needs?

FIND In the find stage, firms determine what resources they will use to find a partner and broadly define the type of partner they are seeking. The most experienced firms are highly organised and systematic. They may have a point person or team overseeing these activities. In 1991, John Tao played the leading role in developing a now 16-year collaboration with a Russian research organisation. Some firms use inside and outside help. Two years ago, Heitman hired a consultant to identify potential collaborative partners in the Pacific Rim but also had an internal group working on this task.

GET The get stage requires teams from a cross section of different departments within each potential collaborator to weigh in. This is because each department may need to resolve different issues with a potential partnership; otherwise success is less likely.

The get stage focuses on the selection of a partner and the terms of an agreement. Does a company have the skills to create and manage a collaborative relationship? What will the collaboration accomplish? What role will each side play? What is the appropriate organisational and decision-making structure? Will there be intermediate goals? Under what conditions can one side terminate an agreement?

MANAGE In the manage stage, firms determine what tools, statistical analysis and management techniques they will use to maintain and evaluate a successful collaboration. A firm may set benchmarks and establish processes for taking corrective actions. As the relationship proceeds, the companies may update staff and continue to seek the perspectives of people in the organisations.

Built into their partnership, senior executives from Heitman and Challenger regularly hold formal meetings to review the collaboration. Portfolio managers and less senior employees will speak more frequently about investments, strategy and execution. Heitman also expects to send teams to Australia every other month. "It's an alliance that is designed to go into perpetuity if both parties continue to deliver what they did at the beginning," says Maury Tognarelli, Heitman's chief executive officer, adding, "It is common to have terms that allow you to re-look at the relationship as it evolves. We have those provisions in our alliance." ∎

found that collaboration is likely to increase in the near future, especially outward-focused relationships such as departments in other locations and outside organisations. About two in three respondents said they expected to work more often with teams from different locations within their companies over the next three years.

Which objectives would benefit most from collaboration?

Objective	
Increasing operational efficiency (eg, process improvements, faster speed to market)	▇▇▇ ~45%
Improving problem solving	▇▇ ~34%
Improving competitive differentiation (eg, better product design, more customer loyalty	▇▇ ~33%
Increasing productivity	▇▇ ~30%
Improving knowledge sharing within the organisation	▇▇ ~28%

0% 10% 20% 30% 40% 50%
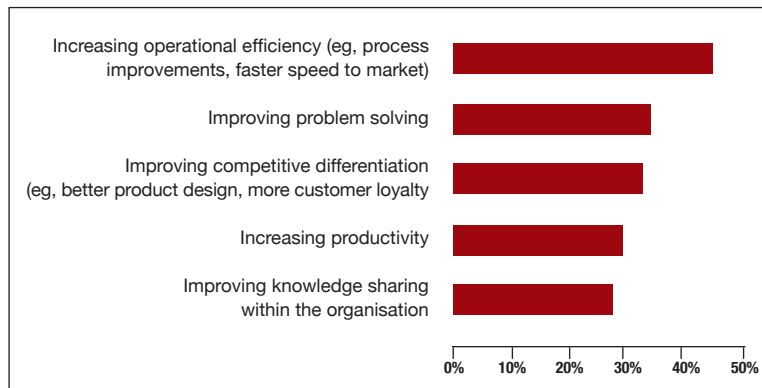
Collaboration is necessary to compete. Two out of three respondents said that competition had prompted them to collaborate more than they would have otherwise.

Collaborative arrangements allow a company to combine its own core competencies with those of (for instance) suppliers and customers, resulting in more powerful customer offerings. A direct example might be a manufacturer outsourcing components to China to avoid being undercut on prices or an online portal building up its content through a revenue-sharing agreement with a third party. A more subtle example might be a company working with a partner to differentiate itself competitively, as Frito-Lay did when it obtained the exclusive use of the synthetic fat Olestra in snack foods from Proctor & Gamble. Regardless of the form taken, the need to compete in a fast-changing competitive environment often requires reaching outside the company itself.

Collaboration touches every level and functional area. The survey also showed that collaboration touches all major business areas and levels of an organisation. Respondents identified 13 functional groups with whom they have collaborated regularly. Over one-half of the respondents collaborated regularly with employees from finance, information technology (IT), marketing and sales, operations and production and general management. Nearly the same proportion collaborated with strategy and business development teams and human resources.

Senior management is most collaborative. By its nature, senior management must work across functional, geographic and organisational boundaries. Senior management has the most strategic view of the organisation, and is probably in the best position to see how other organisations could complement their company's strengths. Finally, senior management also sets the tone for large initiatives.

As a result, it was not surprising that more than one-half the respondents said that senior management was most likely to work with other groups. Knowledge workers, whose raison d'etre is developing and sharing knowledge throughout the workplace, were identified as most collaborative by about two out of five respondents. (Coined by Peter Drucker in 1959, the term knowledge worker has come to refer to employees in research, IT, education or professional services.) Human resources was identified as the least collaborative function.

Collaboration can help in achieving four key objectives. Companies see collaboration as best suited to achieving four goals:
● improving profit margins by increasing operational efficiency and productivity;
● problem-solving;
● knowledge sharing; and
● competitive differentiation.

Survey respondents did not see collaboration as a big contributor to top-line revenue growth. However, one of the companies interviewed (Unit 7, an advertising agency) claimed to have boosted corporate revenue by 25–30% through a programme of interventions to increase internal collaboration (see the Unit 7 case study).

Collaboration can also be a useful way to promote innovation. The old "not invented here" attitude—the idea that the best ideas come from within—is anathema to the most innovative firms. Instead, they recognise that a collaborative approach—both inside and outside the firm—yields a greater amount of useful innovation. Or, as Procter & Gamble's "Connect and Develop" portal puts it:

"Connect + Develop is our initiative to foster an open innovation model—a way of leveraging internally and externally developed innovation assets. By developing mutually beneficial relationships with innovators from other organisations and industries, we can take advantage of cross-boundary innovations and knowledge to create greater opportunities for new and existing P&G brands."

Proctor & Gamble committed in 2001 to generate 50% of its innovations via external sourcing. An underlying theme of Procter & Gamble's hunt for partners—as well as those of other companies—is a less proprietary and more opportunistic attitude towards intellectual property.

Ingredients of a successful collaboration

Open-ended survey questions as well as interviews with consultants and corporate executives in charge of collaborative ventures suggest that successful collaborations share certain elements. To be consistently successful, collaborations require:

- a formal process to find the right partners;
- planning, goal-setting and follow-up;
- frequent and open communication;
- trust among partners; and
- a supportive environment with strong leadership, incentives, processes and metrics.

A formal process to find the right partners. Just as businesses seeking suppliers circulate requests for proposals and set up formal evaluation processes, a formal process for finding and evaluating potential collabora-

tive partners can make all of the difference between success and failure. Indeed, an entire class of consultants has grown up to help corporations locate partners that can help them to extend their product lines, tap new markets or achieve other business objectives.

For instance, General Motors turned to NineSigma, an Internet-based company that matches companies with outside scientists and engineers, when seeking partners to help it develop hydrogen fuel cell technology. General Motors personnel learned about NineSigma during an exchange of R&D managers with Procter & Gamble—itself an attempt to foster innovation by exposing staff to ideas and processes at other organisations.

"We were intrigued at the idea of this open broadcast of proposals [provided by NineSigma] because as well connected as we are, there are probably people even in our circle that we might not think to

approach," said Alan Taub, executive director of research for GM. "NineSigma was a way to go to a more open solicitation, particularly with communities that we are not well connected into."

In another example, a real estate investment firm, Heitman, used a consultant when it sought to expand into the Asia-Pacific region. The consultant connected Heitman to an Australian real estate firm, Challenger, which had extensive holdings in Asia and was looking for a partner in the US.

Planning, goal-setting and follow-up. Gene Slowinski, a professor at the Graduate School of Management at the Rutgers University School of Business, says that when collaboration initiatives between companies aren't carefully planned and given adequate follow-up, seven out of ten fail. But for firms that approach collaborations systematically, the percentages are exactly the opposite: 70% success and 30% failure.

Firms that succeed follow certain practices. They allocate sufficient money and resources to collaborations. They identify their goals upfront—both among their own workforce and with each other. They garner support from key managers and employees. They also include a written, in-depth understanding of the resources, including workers, each side will contribute and the work that will be performed.

Successful collaborators also set up a process to review progress, creating milestones and following up to make sure they are achieved. Collaborations can founder months after they have launched, sometimes simply because conditions with one or both of the partners change or because one of the parties doesn't meet the terms of the agreement—unknowingly or otherwise.

The process must include a framework for exposing

Case Study: Unit 7: collaborating to improve customer service

Advertising agency Unit 7, a division of Omnicom, offers a case study in how an organisation may fix a dysfunctional relationship. The ad agency's business was struggling before it adopted a more collaborative approach that addressed problems between account managers and creative staff. Now revenue is growing again.

Lack of collaboration between account and creative teams. A shoddy relationship between account managers and the creative team was making it difficult for Unit 7 to win new business and hold onto its old customers. Morale was poor. Account managers and creative staff met sporadically. Revenue was dropping. The company knew it had to transform itself—to get these two key groups and other parts of the business working together.

Account managers played the lead role in pitching new business and serving existing clients. They had had almost all direct contact with these organisations and then passed along mandates to the firm's artists and writers. They were reluctant to relinquish authority.

But this poor relationship created resentment, along with inefficiency. Coming up with clear, well-thought-out ideas took too long. On several occasions, account managers requested major changes to ad campaigns five times or more. The firm's chief creative officer, Joe Cupani, says the process would have worked more smoothly had his department attended client meetings. "The creative side was invisible here," he said.

What the company did. Unit 7 brought in a consultant, a business anthropologist named Marsha Shenk, to recommend changes. Based on Shenk's suggestions, Unit 7 encouraged groups to communicate more regularly: the company gave creative staff more say in account work and strategic decisions, and it abandoned a hierarchical method of making decisions that gave little input to lower-level employees.

The company decided a new name and office space were essential for its fresh start. It ditched its former name LLKFB for Unit 7. The new name comes from a Cannonball Adderley jazz tune that music aficionados say is a near perfect combina-

and resolving internal differences. Otherwise, negotiators face uncertainty, delay and a loss of credibility as they try to resolve disagreements at home without showing the other side that there is a problem. And if disagreements aren't resolved early, they are likely to surface during implementation. "The partner quickly realises that internal groups have different views of the external alliance," says Mr Slowinski.

Frequent and open communication. Effective communication is the single biggest enabler of effective collaboration among companies. Communication has several dimensions. One is the ability to share information—whether the collaborators have the means of communicating and how they do it. A second is the content and timing of the communication. A third is the tone of the communication, which helps to determine whether the parties come to trust each other.

The first dimension—how knowledge is shared—is illustrated by the case of Aramark, a staffing and facilities management firm. At Aramark, the difficulty of sharing information among recruiters and hiring managers hurt the firm's ability to hire workers quickly, increasing recruiting costs. For instance, hiring managers made offers to candidates who had already been offered other jobs in the organisation. Recruiters did not communicate effectively with each other about applicants. By implementing a shared, real-time recruitment database, the firm enabled recruiters and hiring managers to access candidate details, set up interviews or simply review where applicants were in the process.

The second dimension is what gets communicated. In the survey, one in five respondents said their

---

tion of analytical and creative elements.

The firm also moved headquarters from a more traditional-looking space complete with long hallways and multiple single-occupant offices in a mid-town New York tower to a smaller but more open floor plan on the top two floors of a building near the city's hipper Greenwich Village area. Unit 7 tapped a veteran employee, Ross Quinn, to fill the newly created position of chief collaboration officer. Among his main responsibilities, Mr Quinn has brought teams from different areas together and monitors their progress.

The situation now. Now the creative staff attends meetings from the start and consequently has a better understanding of what clients want. They say that such

teamwork has not only helped Unit 7 to produce higher-quality work faster but has enhanced its reputation, leading to new business. In 2006 a credit card company that was looking to change ad agencies resigned with Unit 7 after attending a meeting with a team of account and creative personnel. The company was impressed by the teamwork and string of ideas that the Unit 7 group provided.

In another instance, a major healthcare provider selected Unit 7 because the firm was able to present a string of strong marketing ideas quickly. In previous years, Mr Cupani says it would have taken the firm longer to develop a campaign.

The firm also brought new people into the idea-generating process. The CFO,

Andy Acampora, offered suggestions that the firm used in an ad campaign. A junior-level account manager attended strategy meetings with senior executives.

To build a sense of camaraderie, the company started to spend several hundred dollars a week for company-wide breakfasts. Moreover, much of the workforce is operating from central areas divided only by a few low dividers. Most of the senior management team, including Unit 7's CFO, share the few small offices bordering these common areas. "I used to have to walk a mile to see someone," says Mr Cupani. "There was no buzz in the old space. There was no one in the hallways. Now I see everyone." ∎

organisations failed to provide a compelling reason for collaborating. This points up the importance of a communication programme that explains why the collaboration is taking place, what is expected, how it will be executed, the anticipated results and how

Do you agree or disagree with the following statements?

success will be measured. In particular, each collaborator must be very clear on the individual benefits to collaboration—whatever they may be. Unless an individual sees a clear personal benefit, other tasks may take precedence.

Once the project is under way, the need for frequent communication actually increases. According to a study of virtual teams published in the Harvard Business Review, some leaders of successful teams spend one-third of their time talking on the phone to other team members.[1]

A final dimension is the tone of the communication. Team-building exercises, site visits and sports events qualify as communication, but without the stress that may accompany business meetings. These encounters help to ease tension and build social ties, especially when the collaboration involves sensitive subjects

[1] *Harvard Business Review,* "Can Absence Make a Team Grow Stronger?", Harvard Business School Publishing, May 1st 2004.

like cutting costs. Emotional and personal connections become especially important when bad news is conveyed or when the terms of the agreement must change—as they often do, thanks to unforeseen events such as a shift in demand for the product or the need to accelerate release dates to beat a competitor.

Trust among partners. On the most basic level, partners must be willing to trust each other. This may require a less proprietary and more opportunistic attitude towards intellectual property.

● In a collaboration with a Russian organisation to improve the efficiency of distilling industrial gases, Air Products had to trust its Russian partner not to reveal details of the work.

● Procter & Gamble—which used to have a reputation for its secretive and inward-looking R&D culture—has learned to trust the outside organisations with which it now regularly collaborates. That includes a successful partnership with Clorox, a consumer-goods rival. P&G provides a more flexible plastics material for a garbage bag that is manufactured by Clorox.

● Germany's third-largest brewery, Warsteiner, joined a Dutch beermaker, Grolsch, to buy raw materials jointly and receive volume discounts. After agreeing to collaborate, Warsteiner and Grolsch teams visited each other's headquarters and combined business meetings with social events. The face-to-face encounters and lighter fare helped to build trust between the organisations.

A supportive environment with strong leadership, incentives, processes and metrics. In general, respondents to our survey suggest that their organi-

sations lack strong leadership, incentives, processes and metrics needed to encourage collaboration. As individuals, they trust their co-workers and are actively interested in partnering with other organisations. They also characterise their own corporate cultures as open. However, their organisations do not have formal mechanisms to encourage collaboration.

The chart above shows the "agree to disagree" ratio for a number of statements about the collaboration environment. Most respondents agreed that trust, sharing and a desire to partner characterise their companies. And by a slight margin, respondents agreed that senior management explains the benefits of collaboration.

After that, however, the collaboration environment breaks down. Respondents are split evenly on whether management provided collaboration technology or rewarded employees who collaborate well. And the biggest deficiencies are in two of the most important areas: processes and metrics. Many companies don't have a process for entering into and maintaining collaborations. Others aren't tracking the benefits of collaboration. Only about one in five survey respondents said they were monitoring the influence of collaboration on some area of the business.

Why collaborations fail. Interviewees tended to talk about successful collaborations, although a number of survey respondents were willing to describe collaborations that failed—wasting time and resources, creating resentment and reinforcing the "we'll go it alone" mentality. Among the reasons cited for the failure of their collaborations, respondents tended to focus on themes such as a lack of common goals, miscommunication, perceived inequities, distrust and insufficient resources. These themes are the opposite of the conditions described earlier as necessary for collaborations to succeed.

Collaborations failed because of "an inadequate definition of each parties' deliverables", wrote one survey participant. Others cited "a lack of clear definition of responsibilities among partners", "the expectations of one party were more than the other was willing to concede", and "a lack of preparation, targets, benefits and communication". In one case, a respondent cited "mutual hatred of the two senior execs leading the two organisations". Clearly, some of these issues might have been resolved in the planning phase.

According to one respondent, other collaborations fail because of "incentive and compensation schemes that do not reward collaboration results". These companies do not offer incentives—monetary or otherwise—for successful collaborations. They do not single out workers who are responsible for these successes or communicate the benefits of collaboration. According to Mr Slowinski, some firms mistakenly reward employees merely for collaborating instead of analysing the results of their actions. "It's easy to measure the deals done," he says, "but it's harder to measure the quality of the deals."

Finally, only one-half of the respondents—all of whom came from the executive ranks, from managers up to CEOs—said that top-level managers supported collaboration. Survey participants cited "a lack of a clear commitment of top management, who need to set an example", and a "lack of eventual, effective leadership mainly in terms of managing change and identifying in advance the typical dynamics of organisational evolution". Another respondent wrote: "Senior executives with over 20 years in the organisation were too mentally entrenched in their compartmentalised way of working and were not excited about having to change."

Collaborative technology

Using technology to improve collaboration is nothing new: Tim Berners-Lee used hypertext in 1990 when he needed a better way to collaborate with other researchers at CERN. But more than 15 years after the British physicist launched the web in Switzerland, there is still a lack of first-rate technology tools for collaboration.

Our survey takers told us as much. While many of them use a host of tools commonly considered "collaborative"—e-mail, instant messaging, shared calendars and the like—far fewer of them find these tools

Most existing technologies get low marks for collaboration

Tool	How much it is used	How helpful it is to collaboration
E-mail	96%	61%
Shared calendars (allowing people to post events, meetings or time-sensitive tasks)	51%	13%
Intranets with shared onliine data on employees, clients, vendors and projects	49%	23%
Instant messaging	42%	10%
Web conferencing, with live audio and video sent across a computer network	43%	25%
Document collaboration (allowing people to collaborate on documents in real time)	32%	16%
Wikia (allowing multiple authors to post and edit articles, building up a body of knowledge)	10%	11%
Collaborative tools for designing products	8%	9%

effective for collaboration. Whereas 42% of survey takers use instant messaging software, for example, only 10% think it is or would be helpful in facilitating collaboration.

Survey takers know intuitively that the tools commonly used to collaborate have serious drawbacks.

Single-user tools like e-mail or chat are fine for bilateral communication. But e-mail programs trap conversations in the computers of individual users, and actually hinder the sharing of information among a group. Despite their ubiquity, e-mail and chat programs wall off data rather than highlight for a larger audience the valuable information contained in conversations.

Ironically, tools with the most collaborative characteristics and functions are among the least used: only 10% of respondents use wikis—which are collaborative by definition. Tellingly, more people believe that such tools are good for collaboration than use them, suggesting a desire for better collaborative technology.

The table at right highlights differences among the technologies in the survey. Each of the six columns represents an attribute valuable (although not necessary) in collaboration and information sharing. For instance, *group access* refers to whether the tool facilitates the sharing of information among a large group rather than simply bilateral exchanges. All of the tools listed—with the exception of e-mail and chat programs—do this.

Document management features, in this context, refer to the tool's ability to track a single version of a document updated by several people. Most knowledge workers are familiar with problems that can arise when multiple versions of a document circulate among a group. Document management tools track who has updated what and makes this information available to the group. Wikis and other document collaboration tools, as well as collaborative product-design packages, have this capability. In addition, many project teams upload successive versions of documents onto project sites (sections of Internets, or password-protected websites, devoted to a single project). Each document is stamped with the author,

the time of upload and ideally a version number.

Group access to archives refers to the ability of a group to search through old conversations and documents. The reasons are many: to discover the rationale for decisions, uncover best practices, learn about the skills and roles of people in the organisation, and find out what others have done in similar situations. The lack of group access to archives is perhaps the single biggest drawback of e-mail. The opening of archives to the group is one of the most powerful features of collaborative ventures such as Wikipedia and its many specialised counterparts, both inside and outside corporate firewalls.

The category titled *Efficiently communicate among a large groups* is self-explanatory: can the tools be used to share information widely? Any Internet-enabled tool—including e-mail—can blast information from a single user to an unlimited number of addresses. But far fewer can be used to facilitate communication among the members of a group. An example might be project sites that contain forums to facilitate group discussions. Another example is public discussion in a wiki about what should be covered in the article—another form of communicating among a large group.

One advantage of efficient communication among a large group is that it allows users to cut across hierarchies—to flatten the organisation. Junior employees can make their ideas visible. Senior managers can find talent more easily. The easier it is to communicate, the more easily employees can gravitate towards the projects and initiatives where they can add the most value.

Searchable/taggable refers to how information is organised. Is it an undifferentiated mass of documents on myriad topics (as in most e-mail inboxes)? Or can the information be organised using tags—an ad hoc sort of indexing in which users can provide a label to categorise any video, text, photo, chart or spreadsheet they contribute to a collaborative workspace? Alternately, can the information be easily searched? Virtually all text-based communications can be searched, but e-mail and chat can only be searched by the individuals directly involved in the conversations—not much help when the goal is sharing knowledge across the group.

Features of collaboration technologies

Technology	Group access	Document management features	Group access to archives	Efficiently communicate among large groups	Searchable/ taggable by group	Captures knowledge/ decisions from existing workflows
E-mail						
Instant messaging						
Shared calendars	✔					
Web conferencing	✔			✔		
Document collaboration	✔	✔	✔	✔	✔	✔
Intranets/project sites	✔	✔	✔	✔	✔	✔
Wikis	✔	✔	✔	✔	✔	✔
Collaborative product-design tools	✔	✔	✔	✔	✔	✔

Note. E-mail and instant messaging are searchable and capture knowledge and decisions from existing workflows. However, the information is not available to a broader group—only to the individuals who originally participated in the conversation.

Captures knowledge/decisions from existing work-flows refers to the idea that information created when working on a project can be preserved to help build the knowledge of the organisation over time. For instance, take a page on a project site—either on an intranet or on password-protected website—that lists the employees, roles and qualifications of those working on the project. A page like this would normally be created in the course of any project (often at the proposal stage). The difference is that in this case, the information is preserved and presented to let others know who has what skills and played what roles in the project—information that at many organisations is hidden away in silos and guarded by gatekeepers.

The idea of capturing knowledge from existing workflows is simple: create a platform where an entire company can benefit from the lessons and insights resulting from the project. Instead of being buried in e-mail, the information is available to all, ready to be searched, linked to and tagged.

The best collaboration applications will combine ease of use with open standards and the ability to interconnect with a range of knowledge repositories.

In addition:

● Applications that support the so-called semantic web—which relays what sort of data each piece of data is (a price, a date, a name and so on)—will help to make information more "findable".

● Improved search features will also be required to get companies out from under information overload, letting them search not only on subjects but also on objectives, such as "I need to accomplish X. How do I do it?" Applications that support tagging (as many do now) will help to achieve this.

● Built-in rating systems will help users to rank information by importance and make it more prominent.

● Applications that can express data in multiple ways—as tables of numbers, as words and as visualisations—will help users to understand today's overwhelming amounts of data.

Richness of communication Another dimension of collaboration technology is how closely it approximates a face-to-face meeting. The information

---

Case Study: Innocentive's approach: promote virtual innovation

The desire to collaborate in research and development has spawned a whole wave of Internet businesses designed to bring scientists and engineers from different organisations together to innovate. Innocentive was created by Eli Lilly when the pharmaceuticals giant recognised that it couldn't solve certain research problems fast enough solely through its internal R&D staff (Innocentive continues to receive some funding from Lilly but is now independently owned and managed).

The Boston-based firm enables companies from various industries, including pharmaceuticals, biotech, consumer products and agribusiness, confidentially to post product design problems on the Innocentive website. The site is accessible to scientists worldwide, who may submit solutions. They may receive cash rewards as high as US$1 million for winning entries. Some of the past winners, called solvers, have even worked for rival organisations in the same industry. A few recent challenges have involved better plastic packaging, control of vapours and the creation of new compounds containing thiadiazole.

Similar organisations include NineSigma, YourEncore and CSIROS.

■ NineSigma searches for businesses and research professionals who are likely to help its clients.

■ YourEncore—itself a collaboration between Proctor & Gamble and Eli Lilly—relies on a network of retired scientists and researchers to solve R&D problems.

■ CSIROS, an alliance of leading Australian universities and scientific research organisations, has created a programme that provides bonuses for researchers that collaborate effectively. ■

Information conveyed by different collaborative technologies

Tool	Text	Voice	Visual	Being there
E-mail / IM / intranets / wikis	✔			
Conference calls		✔		
Web/video conferencing	✔	✔	✔	
Telepresence	✔	✔	✔	✔

Richer communication →

conveyed by text is tiny compared to the information in a human voice; a visual interface adds still more information; and a face-to-face encounter conveys a rich stream of sensory, emotional and intuitive data that can lead to the commitment that is the basis for successful collaborations. This is why so many plans for collaborations build in get-togethers among the participants, even at great expense: there is no substitute for eye contact and other intangibles when building relationships.

The table above rates four types of collaboration technology in terms of the communication richness—the amount of information conveyed in terms of reading, hearing, seeing and other kinds of non-verbal information. Each provides more information than the previous one. The final category is telepresence, defined by Wikipedia as: "A set of technologies which allow a person to feel as if they were present, to give the appearance that they were present, or to have an effect, at a location other than their true location."

Telepresence requires engaging the senses of users such that they feel that they are dealing with people who are not physically present. It requires filling the user's entire field of vision with high-definition video, as well as sensing the movements of the user's head so that rotating the head also rotates the user's field of vision. Technologies that complete the illusion include surround sound and gloves that capture hand movements and provide tactile feedback. A sophisticated telepresence system can allow participants in different locations to make eye contact and interact in a convincing way.

Because of the high cost of telepresence, it currently makes sense only for high-stakes interactions. From a collaboration perspective, applications would probably involve making subject matter experts, senior decision-makers and other critical resources available regardless of where they are based.

Case Study: Aramark's approach: collaboration through knowledge sharing

Recruiters and hiring managers from a staffing firm, Aramark, faced certain problems. Ideally these HR professionals exchange information constantly about job vacancies, candidates and their status in the hiring pipeline. But Aramark lacked a company-wide hiring system or database of activity, so recruiters and hiring managers often didn't know what each other were doing. In one instance, two managers filling similar positions at different locations unknowingly bid against each other for the same candidate. The managers kept their own separate records.

Aramark purchased a recruiting software application to unify its processes. The system, called an applicant tracking system, allows HR professionals to view master lists of candidates and track their progress through a single hiring pipeline. Aramark's director of talent acquisition, Amanda Hahn, says that as a result of its new system Aramark is hiring better employees faster. This has led to cost savings. "I would make the argument to anybody internally that the across-divisional recruitment team here at Aramark is the best example of cross-line-of-business collaboration in the company," she says. ■

Measuring collaboration's effectiveness

Only one in five said that their companies had attempted to measure the effects of collaboration. The paucity of measurement is understandable. Companies can only measure so much. Devising, implementing and monitoring metrics requires resources. Many areas of the business compete for those resources. Time spent measuring

Has your organisation attempted to measure the influence of collaboration on any business objectives?

Yes **21%**

No **79%**
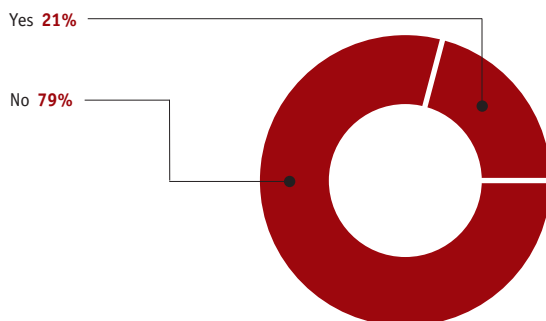
is time not spent manufacturing products and serving customers. Therefore, it is not surprising that when deciding what to measure, seemingly intangible activities such as collaboration often end up at the bottom of the list.

Nevertheless, companies need some way of evaluating significant collaboration investments, whether it is arranging a series of meetings between scientists and engineers or the purchase of a company-wide videoconferencing system. What is the ROI of starting a joint venture or implementing collaboration software? When companies build physical workspaces that encourage creativity—the "collision of thought that creates creative genius", according to Mr James—how do they justify the investment?

The answer is that companies often invest in

collaboration without projecting an ROI (return on investment). Sometimes partners simply assume that the collaboration will be effective when the partnership is initiated. The decision to go ahead is often made on purely financial grounds, with collaboration issues given short shrift. In cases where collaboration investments are evaluated, the evidence ranges from gut feeling to anecdotal evidence to baseline comparisons.

Time-based metrics Many evaluations of collaboration's value are based on time savings. In some cases, time can be measured directly. If the process and outputs are well defined, measuring the time required to complete the task and the quality of the finished product can be relatively straightforward. When the process and outputs are less clear—for instance, when companies are searching for conceptual breakthroughs—measurement becomes more difficult.

Time-based measurements include the reduction in time required to perform a task, the reduction in time spent on activities that don't add value, and the increase in quality of outputs given the same amount of time. All are measurements of productivity. These types of metrics are the mainstays of business process re-engineering, and are often used when processes and outputs can be precisely defined.

A famous example is the effort by the US Building Industry Association in 1997 to streamline the process of constructing a house. With a clear plan, a skilled team, clear incentives and a lengthy practice session, a team was able to construct a house that met quality standards in two hours and 45 minutes. Similar experiments in streamlined, process-oriented collaboration have been sponsored by the US military.

GlaxoSmithKline has adopted many time-based metrics at its New Jersey-based R&D hub. Since implementing its collaboration programme, the company's internal surveys have revealed the following achievements among employees who moved into the research group's more collaborative workspace:

- Ad hoc interaction among employees in a group working on dental care and cold sore products increased by 75%.
- Forty-one percent of workers said face-to-face interaction and better communication were the most significant improvements resulting from the change.
- The amount of time people had for ad hoc interaction increased from 59 to 64 minutes per day.
- The breadth of daily contacts—defined as the number of people with whom an employee interacted—face to face, by e-mail, phone, instant messaging or in schedule meetings—increased by 18%.
- Lost time—the time required to wait for a meeting or walk across the building to see a colleague—fell by 67% (40 minutes per day). The reason was closer physical proximity, so researchers could simply push their chair out and speak to a colleague a few desks away.
- The time required to make decisions fell by 45%.
- Group effectiveness increased by 42%.
- Access to decision-makers increased by 26%.
- Access to colleagues increased 36%.

In 2005 Air Products evaluated collaborations by estimating the time required to realise product development goals on its own, then comparing that to the time needed to meet the goals by working with other companies. The company estimates that it saved two years by investing in 42 research projects with outside organisations.

Social network metrics Another approach to measuring the value of collaboration draws from the theories of social networks popularised by Duncan Watts, a Columbia University physicist-turned-sociologist (Six Degrees: The Science of a Connected Age),

How has your organisation tried to measure collaboration?

Map who communicates with whom, and to what extent, inside and outside the company
17%

Measure the level of collaboration among different functions, locations, or organisations
17%

Measure the economic value of collaborative efforts
18%

Measure the quality of collaborative efforts
15%

None of the above
59%

Other measurement initiatives
4%

and Rob Cross, Professor of Business at the University of Virginia (The Hidden Power of Social Networks: How Work Really Gets Done in Organisations) as well as others. The first step involves discovering who talks to whom—using, for instance, e-mail headers or internal surveys—and diagramming the relationships. Next comes evaluating how much time is spent in various interactions and how much money they save or generate for the company. The payoff comes when a company can devise strategies to drive more of the most successful interactions—for instance, by helping employees to connect across functions, hierarchies and geography to get the expertise they need to perform at a higher level.

Ad hoc metrics Many companies take a less formal approach to evaluating collaboration: they look at the outputs from a collaborative endeavour and attribute the value to collaboration. For instance, at Omnicom's Unit 7 advertising agency, revenue and profit increased by 25-30% after a formal programme to facilitate collaboration was implemented. (The company also administered surveys on employee satisfaction and found marked increases.) Similarly, a real estate investment company, Heitman, attributed its ability to secure US$75m in investment capital to a joint venture with Challenger, an Australian firm.

About one-fifth of survey respondents said their companies do measure the results of collaboration—and all but seven of these reported positive results. The few firms that did measure collaboration were most likely to consider how it affected revenue growth, competitive differentiation, operational efficiency, productivity and problem solving. Respondents commented that collaboration had led to "10–15% revenue growth," "improvement in internal service across the organisation," "process formalisation and improvement," and an "increase in profits and lowering of costs."

The special case of public-sector collaboration

The small number of public organisations that responded to the survey (about 10% of respondents) makes it difficult to draw hard and fast conclusions. From an anecdotal perspective, however, one of the most fertile grounds for collaboration is in the public sector. To make the most of scarce resources, public-sector agencies may work together. Or they may form collaborations with private companies.

Collaboration has been especially important during a time of terrorist activity and natural disasters, which demand co-ordinated activity across many jurisdictions. In the past, local, state and federal governments didn't work closely together on these

---

Case Study: Accor and disaster relief: just do it

Our research suggests that successful collaborations share certain elements, including a formal process to find the right partner, establish ground rules and design incentives. But when the world is thrown into chaos, there isn't time. People start to collaborate quickly, instinctively and without preparation, and the leadership and organisation follow.

Accor, a French hospitality company, faced such a situation when Hurricane Katrina devastated New Orleans and the Mississippi Gulf coast in 2005. Accor used a mix of teamwork within its organisation and partnerships with government agencies to keep over 250 properties running and provide shelter for over 18,000 people. Accor owns some of the best-known hotel brands in the US, including the budget Motel 6 and economy chain Red Roof Inn.

When the hurricane struck, many property managers immediately opened the doors to evacuees—not all of whom could pay. But the managers weren't sure how long they should do this or whether they would be reimbursed. And with phone lines down and cell-phone service limited, it wasn't easy to find out.

"The number of evacuees who moved into all our properties in that region was like nothing we had ever experienced before," says Janice Maragakis, vice-president for corporate communications for Accor North America.

The lines of communication with the American Red Cross were muddled. The Red Cross provides hotel vouchers for disaster victims, but in many cases the agency was speaking directly to property managers instead of with Accor North America headquarters. That created confusion about such issues as the length of time that the Red Cross would provide vouchers and accounting.

Ms Maragakis explains: "In some cases, in some areas, someone locally would say, 'Red Cross's financing of vouchers is going to end', and then corporate would go to the national Red Cross office and they would say 'no'. We would have to clarify the rumours." Later Accor faced similar challenges in maintaining clear lines of communication with the Federal Emergency Management Agency, which took over pay-

© The Economist Intelligence Unit 2007

issues. Communication was erratic. Database systems and other computer resources were difficult to share, preventing agencies from comparing notes or accessing the latest information.

Collaboration in the US public sector occurs among federal agencies—often co-ordinated by the General Accountability Office—but also between national, state, county and local authorities. These collaborations focus on improved communication and the sharing of information. They may involve trade, transport and regulatory agencies.
For instance, a 2003 partnership between the National Cancer Institute and the Food and Drug Administration in the US improved those groups' ability to evaluate new cancer drugs and diagnostics. The partnership created new data-collection standards for sending information from investigators to the regulators who have final approval on new products.

Both agencies are part of the Department of Health and Human Services.

Emergency response collaborations Federal-local collaboration has become the lynchpin of US government efforts to prevent domestic terrorism and respond quickly to disasters. Funded by the Department of Homeland Security, a series of Joint Regional Intelligence Centers (known as "fusion centers") have been set up and staffed by the FBI and local police in order to investigate potential terrorism threats at the local level. The idea is to facilitate collaboration by bringing experts face to face rather than forcing them to co-ordinate through telephone calls and e-mails. At these centers, the staff also has access to the Joint Regional Information Exchange System, a secure web portal for sharing counter-terrorism information.

As a result of the fusion centers, local govern-

---

ment for victims' housing.

Normally, collaborations occur only after thorough research and planning. But Accor had to move instantly. It first created a communication process so that property managers who were facing the brunt of problems could receive timely information. To facilitate this, the company assembled a five-person crisis management team (including co-chairperson Maragakis) to co-ordinate the company's response. This team and other employees involved in the initiative worked out of a war room with televisions, maps and multiple phone lines. The team began holding daily conference calls with property managers, area managers who supervise 14 to 18 properties, and regional vice-presidents based in the area.

The team also encouraged property managers to communicate directly with each other and with managers of properties outside the disaster area who could provide support. In a few instances, these outside managers came to work in the disaster area on a temporary basis.

"Managers from other parts of the country could stay at the affected properties and relieve the managers there or assist them," said Accor North America vice-president and general counsel Alan Rabinowitz, co-chair of the crisis management team. "We (even) had people from the corporate office who spent a week at a time helping properties."

Once phone service returned, the crisis management team set up a toll-free

number with 24-hour operators where displaced employees could check in. "We said, 'wherever you are, go to an Accor property'," Ms Maragakis said. "First and foremost we'll find you accomodation. Then we'll put you to work if you want to work." A number of those who lost their homes moved into Accor properties. Others simply returned to work. The company established a system for ensuring everyone got paid.

With employees on site, it became easier to get operations back up and running. The communication programme had the larger benefit of nurturing trust throughout the organisation. "Everyone was able to trust that everyone had their best interest in mind and everyone was working toward the same goals," said Mr Rabinowitz. "With each

ment employees have generated a number of leads of "investigative interest". In 2006 five terrorist plots—from such unlikely places as Torrance, California, and Toledo, Ohio—were uncovered and thwarted in the US and Canada. The year before, in Los Angeles County, a timely exchange of intelligence allowed the Los Angeles Police Department (LAPD) and other local departments to break up an al-Qaida-style terrorist group as it was planning violent attacks in Southern California. Investigators from the different police departments noticed a string of armed robberies that the group was using to finance its plans. Such co-operation was more difficult only a couple of years ago when departments didn't have easy access to each other's databases. Collaboration in Los Angeles County should improve further in a year when authorities launch a single database. "Local to local department, we're just getting to the point of getting into each other's databases," says Mark Leap, Los Angeles deputy chief of police.

Public-private collaboration is on the rise, too. The LAPD has assigned liaison officers to 17 industries in Southern California. They are in frequent contact with the heads of security from major companies, including entertainment and aerospace firms that present high-profile targets. Separately, the LAPD has created a secure website, where security officers from these companies can access intelligence. "We've created a virtual link between companies in a secure chat room environment," explains Mr Leap. "If something suspicious happens at Disney World or Universal, security officers from other companies with theme parks have a way to access information about it."

Accor and disaster relief: just do it *(continued from previous page)*

crisis we faced, that trust increased because employees became more comfortable that everyone was moving in the same direction."

Meanwhile, Accor assigned liaisons to process information from the Red Cross and then FEMA. It did the same thing with state and local authorities. The contacts with the Red Cross and FEMA (Federal Emergency Management Agency) allowed the company to provide more accurate, faster updates to managers and evacuees and resolve accounting issues. When FEMA became responsible for payment, headquarters notified the properties almost immediately that evacuees—some of whom were sleeping eight to a room—had to acquire a registration number from the agency to continue staying with Accor.

A member of Accor's legal staff stayed in touch with the attorney-generals in Louisiana, Mississippi and other states about rules to prevent price gouging. Area and property managers were in contact with other state and local agencies about possible evacuation when the subsequent storms such as Hurricane Rita approached. To track room occupancy and other data, the company created ad hoc spreadsheets and made them easily accessible to the crisis management team and a circle of employees beyond.

The collaboration between Accor and its disaster relief partners illustrates an important lesson: a sense of urgency, a common goal, leadership and organisation can help a collaboration succeed—and

succeed quickly—even when other elements are missing. In this case, "just do it" turned out to be the watchword that made the collaboration work.

But Accor isn't relying on a "just do it" philosophy next time around. In 2006 Accor institutionalised its response to future disasters when 35 field managers and an equal number of corporate executives created a thick book of emergency protocols—including steps for collaborating with relief agencies. The book is in review for use not only in the Gulf region but throughout Accor's worldwide network of motels and hotels. "What we came up with is a massive document that features all the protocols for everyone to reference and use in the future," says Ms Maragakis. ■

Conclusion

Most companies recognise the need to collaborate. They are collaborating more widely and deeply than ever before. Instead of trying to cover all areas in-house, corporations will try to reduce costs, maintain or increase quality and increase strategic flexibility by drawing on the capabilities of other organisations. Disparate groups will come together in collaborative networks, with work flowing to where it can be done best. Companies that excel in collaborative problem-solving will be able enter markets early, take advantage of local knowledge and ramp up quickly.

Companies see collaboration as best suited to improving profit margins and enhancing problem-solving, knowledge-sharing and competitive differentiation. They generally do not see collaboration as a big, direct contributor to top-line revenue growth. However, several companies interviewed for this paper—Unit 7, Procter & Gamble and Heitman—were able to create collaborative relationships that boosted revenue.

Companies can increase the odds that their collaborations will be successful by setting up a formal process to select partners and devoting substantial time upfront to planning and goal-setting. Partners can enhance trust by communicating openly and frequently and emphasising face-to-face interactions early in the project, when the tone of the relationship is set.

Most executives expect to expand their circle of collaboration over the next three years. Nevertheless, the idea of actively managing, monitoring and measuring the benefits of collaboration is still unusual. Only a minority of companies have adopted a formal process for collaboration. Still fewer have attempted to measure its benefits (although those that have generally report favourable results). This lack of a comprehensive approach may prove to be a problem since both consultant and corporate leaders interviewed for this research cited the importance of a formal process with shared objectives, strong leadership, adequate resources, and oversight and metrics.

In cases where collaboration investments are evaluated, the evidence ranges from anecdotes to baseline comparisons based on formal surveys and observations. Many evaluations of collaboration's value are based on time savings. A conversation is quicker than a series of e-mails. If the time savings can be estimated, an incremental value can be put on physical access between collaborators. This value is an increase in productivity: the amount of output per unit of time. Measures of collaboration are often productivity-based, focusing on the time and resources required to reach a goal when collaborating versus going it alone.

Most collaboration remains in familiar territory—not just within organisations, but within functions and locations. Despite the promise of networks, distance and unfamiliarity still represent barriers. Nevertheless, executives expect to collaborate more often and over greater distances—both literally and figuratively. In an increasingly global yet specialised economy, these far-flung collaborations may be a matter not just of prosperity, but of survival.

The biggest challenges to building effective collaborations are developing the processes, leadership, and metrics to support them. New technology can and undoubtedly will facilitate collaboration, but teams can collaborate successfully even using e-mail, conference calls and instant messaging. As long as companies devote the requisite time and effort to planning, managing and measuring collaborative efforts, they are likely to bear fruit.

Appendix: Survey results

In November-December 2006 the Economist Intelligence Unit conducted an online survey of 394 senior global executives on their companies' current practices and future plans for collaboration. Our sincere thanks go to all those who took part in the survey. 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?

Agriculture and agribusiness
2%

Automotive
2%

Chemicals
3%

Construction and real estate
4%

Consumer goods
5%

Defence and aerospace
2%

Education
4%

Energy and natural resources
6%

Entertainment, media and publishing
2%

Financial services
15%

Government/public sector
5%

Healthcare, pharmaceuticals and biotechnology
8%

IT and technology
10%

Logistics and distribution
2%

Manufacturing
10%

Professional services
12%

Retailing
1%

Telecoms
5%

Transportation, travel and tourism
4%

What are your main functional roles?

Customer service
9%

Finance
25%

General management
47%

Human resources
3%

Information and research
6%

IT
9%

Legal
5%

Marketing and sales
21%

Operations and production
10%

Procurement
4%

Risk
9%

R&D
7%

Supply-chain management
4%

Strategy and business development
38%
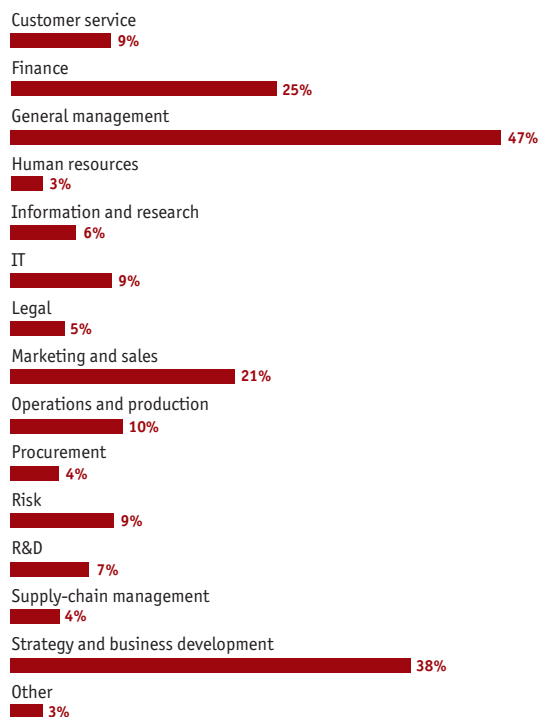
Other
3%

In which country/region are you personally located?

China **7%**
India **8%**
Other Asia/Pacific **13%**
Latin America **6%**
North America **27%**
Eastern Europe **8%**
Western Europe **26%**
Middle East or Africa **5%**

Do you collaborate with peers in other functions of your organisation?

Regularly and across a broad range of issues **77%**
Irregularly, but across a broad range of issues **10%**
Only on selected projects or issue **12%**
Rarely or never **1%**
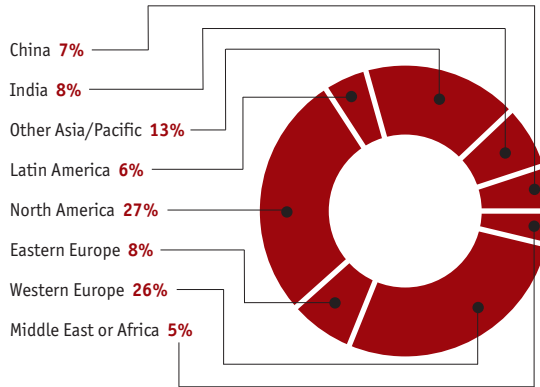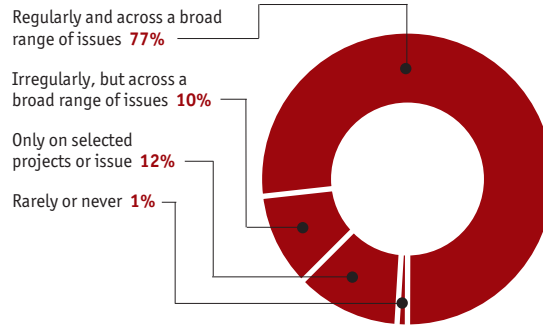
What are your organisation's global annual revenue in US dollars?
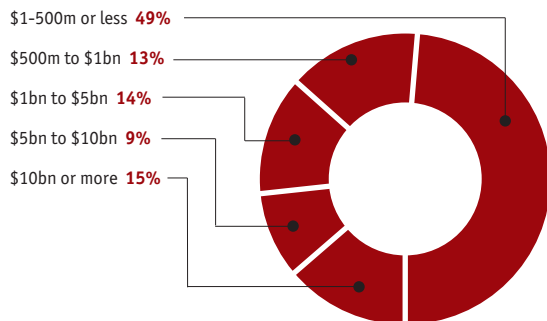
$1-500m or less **49%**
$500m to $1bn **13%**
$1bn to $5bn **14%**
$5bn to $10bn **9%**
$10bn or more **15%**

How often do you or your team collaborate with the following constituencies?

Other functions within my organisation
55% 28% 13% 3% 1%

Other locations within my organisation
35% 32% 21% 6% 6%

External suppliers
14% 28% 29% 14% 3% 12%

External customers
28% 27% 21% 10% 4% 10%

External business partners
15% 33% 25% 12% 3% 12%

1 Daily **2** Weekly **3** Monthly **4** Quarterly **5** Yearly **6** Rarely or never
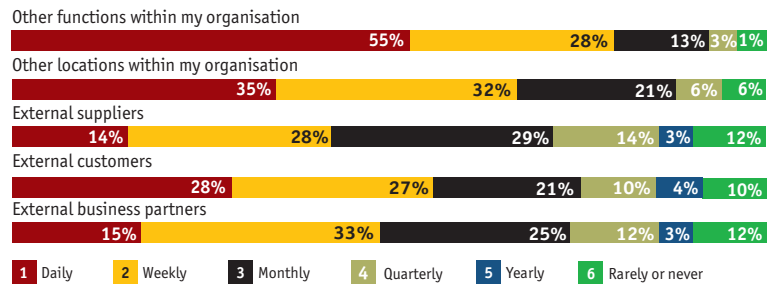
Which of the following best describes your title?

Board member **6%**
CEO/president/managing director **26%**
CFO/treasurer/comptroller **8%**
CIO/technology director **3%**
Other C-level executive **7%**
SVP/VP/director **17%**
Head of business unit **4%**
Head of department **9%**
Manager **14%**
Other **6%**
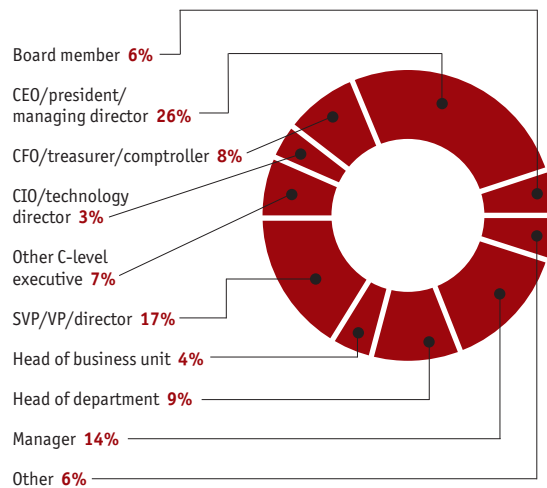
With which functions do employees in your function regularly collaborate?

General Management
60%

Marketing and sales
58%

Finance
57%

IT
54%

Customer or constituent service
53%

Operations and production
51%

Strategy and business development
46%

Human resources
46%

Legal
38%

Information and research
37%

Procurement
28%

R&D
28%

Risk management
25%

Other
3%

We do not regularly collaborate
1%

Three years from now, which of the following do you expect to spend more of your working time doing compared to today?

Working independently
17%

Working with teams in the same function
34%

Working with teams in the same location
28%

Working with teams in different functions
55%

Working with teams in different locations
62%

Working with teams at other organisations
50%

Which groups are most likely to be collaborative at your organisation?

Senior management/executives
54%

Programme or project workers
36%

Knowledge workers
41%

Process owners (people in charge of processes that cut across functions)
35%

Service delivery personnel
10%

Sales
19%

Marketing
23%

Business partners
18%

Finance
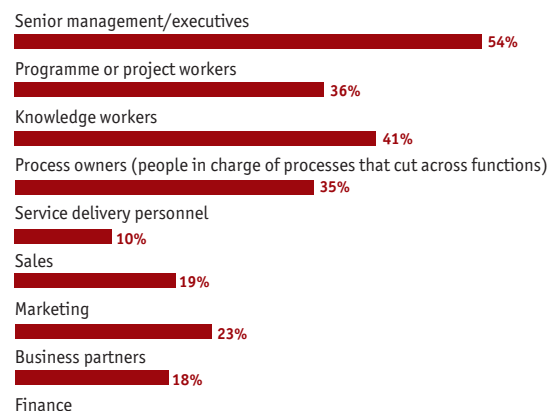
How much of your working time do you spend doing the following?

Working independently

25%	29%	25%	16%	3%	1%

Working with teams in the same function

10%	29%	34%	16%	9%	3%

Working with teams in the same location

11%	22%	33%	22%	7%	4%

Working with teams in different functions

3%	19%	31%	30%	15%	2%

Working with teams in different locations

5%	12%	28%	26%	21%	8%

Working with teams at other organisations

3%	7%	21%	23%	36%	8%

1	>50%	2	25-50%	3	10-25%	4	5-10%	5	<5%	6	0%
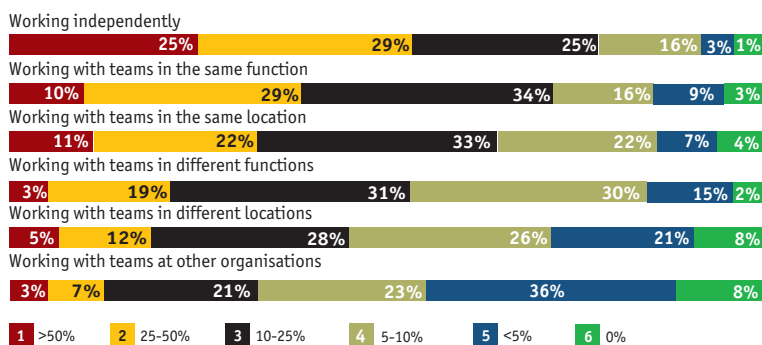
Do you work for the private or public sector?
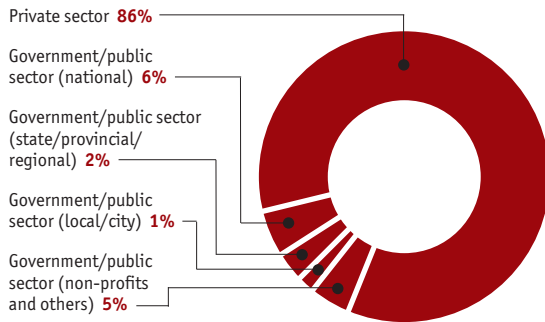
Private sector **86%**

Government/public sector (national) **6%**

Government/public sector (state/provincial/regional) **2%**

Government/public sector (local/city) **1%**

Government/public sector (non-profits and others) **5%**

Has your organisation attempted to measure the influence of collaboration on any business objectives?

Yes **21%**

No **79%**
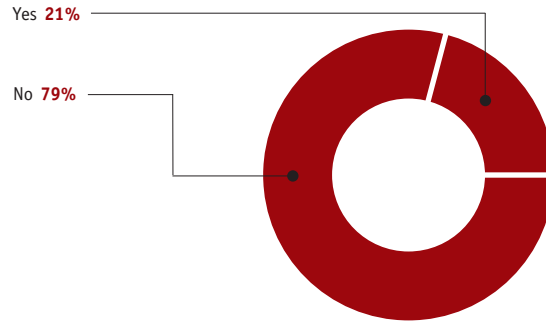
For respondents who chose public sector:

Which part of the government/public sector do you work for?

Economic development **22%**

Education **24%**

Emergency services **2%**

Environmental services **2%**

Health care **10%**

Legal system **4%**

Social services **6%**

Transportation **6%**

Other **24%**

For respondents whose companies have attempted to measure the influence of collaboration on business objectives:

How has your organisation tried to measure collaboration?

Map who communicates with whom, and to what extent, inside and outside the company **17%**

Measure the level of collaboration among different functions, locations, or organisations **17%**

Measure the economic value of collaborative efforts **18%**

Measure the quality of collaborative efforts **15%**

None of the above **59%**

Other measurement initiatives **4%**

For respondents who chose public sector:

With which sectors does your organisation collaborate?
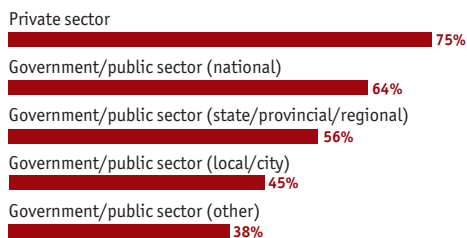
Private sector **75%**

Government/public sector (national) **64%**

Government/public sector (state/provincial/regional) **56%**

Government/public sector (local/city) **45%**

Government/public sector (other) **38%**

For respondents whose companies have attempted to measure the influence of collaboration on business objectives:

In which of the following areas has your organisation tried to measure the influence of collaboration?

Increasing revenue growth
47%

Improving competitive differentiation (eg, better product design, more customer loyalty)
41%

Increasing operational efficiency (eg, process improvements, faster speed to market)
32%

Increasing productivity
31%

Improving problem solving
23%

Extending our global reach to customers and/or partners
14%

Improving service for customers or constituents
19%

Lowering costs
17%

Communicating more efficiently across the organisation
16%

Improving knowledge sharing within the organisation
14%

Other
4%

What are the most important objectives for your organisation?

Increasing revenue growth
55%

Improving competitive differentiation (eg, better product design, more customer loyalty)
37%

Increasing operational efficiency (eg, process improvements, faster speed to market)
42%

Increasing productivity
17%

Improving problem solving
9%

Extending our global reach to customers and/or partners
17%

Improving service for customers or constituents
23%

Lowering costs
21%

Communicating more efficiently across the organisation
12%

Improving knowledge sharing within the organisation
14%

Improving profitability
31%

Other
4%

Which of these objectives would benefit most from collaboration?

Increasing revenue growth
25%

Improving competitive differentiation (eg, better product design, more customer loyalty)
32%

Increasing operational efficiency (eg, process improvements, faster speed to market)
42%

Increasing productivity
29%

Improving problem solving
33%

Extending our global reach to customers and/or partners
15%

Improving service for customers or constituents
20%

Lowering costs
16%

Communicating more efficiently across the organisation
21%

Improving knowledge sharing within the organisation
28%

Improving profitability
16%

Other
1%

Overall, how have the following factors influenced the amount of collaboration internally at your company, or externally between your company and outside entities (customers, partners and other organisations)?

Globalisation of the organisation

| 11% | 14% | 59% | 16% |

Decentralisation of the organisation

| 15% | 15% | 39% | 31% |

Competition

| 2% | 23% | 65% | 11% |

Cost savings/operational efficiency measures

| 8% | 22% | 60% | 10% |

Enhancement of the distribution/supply chain

| 2% | 26% | 44% | 28% |

Creation of partnerships

| 1% | 17% | 64% | 18% |

Implementation of collaboration technology

| 2% | 13% | 47% | 37% |

Corporate strategy and policies

| 5% | 27% | 57% | 11% |

Attitude of senior management

| 8% | 18% | 68% | 6% |

■ Has decreased collaboration ■ Has no effect on collaboration ■ Has increased collaboration ■ Don't know

Please indicate your level of agreement with the following statements?

Employees at my company generally trust co-workers and management

| 23% | 40% | 23% | 11% | 3% |

Our company culture encourages sharing rather than secrecy

| 25% | 37% | 21% | 11% | 6% |

We are interested in partnering with other organisations

| 22% | 37% | 25% | 9% | 5% | 2% |

Through partnerships, we are able to accomplish tasks that we couldn't do alone

| 30% | 42% | 15% | 8% | 2% | 3% |

Senior management explains the mutual benefits of collaboration among colleagues

| 15% | 30% | 26% | 17% | 10% | 2% |

Senior management makes sure that collaboration technology is available to employees

| 10% | 25% | 24% | 18% | 17% | 6% |

Management publicises examples of successful collaboration

| 12% | 23% | 26% | 19% | 17% | 6% |

People who collaborate well are rewarded with greater autonomy within the company

| 10% | 25% | 26% | 18% | 16% | 5% |

My organisation has a formal, transparent and credible process for collaboration

| 7% | 17% | 27% | 26% | 19% | 3% |

My organisation has metrics to track collaboration and its benefits

| 4% | 8% | 16% | 26% | 40% | 7% |

1 Agree strongly **2** **3** **4** **5** Disagree strongly ■ Don't know

What are the biggest barriers to collaboration within your organisation (internal) or between your organisation and others (external)?

Privacy rules and network security
| 27% | 73% |

Reluctance to share information with strangers
| 23% | 77% |

Lack of buy-in to benefits of collaboration
| 66% | 34% |

Inability to find potential collaborators
| 41% | 59% |

Information hoarding (viewing information as a source of power)
| 73% | 27% |

Unwillingness to accept solutions not developed with the group ("not invented here" attitude)
| 64% | 36% |

Unwillingness to relinquish responsibilities over oversight to co-workers or partners
| 70% | 30% |

Insufficient resources/excess workload
| 64% | 36% |

Lack of shared goals
| 54% | 46% |

Lack of top-level support
| 53% | 47% |

Legal issues
| 13% | 87% |

■ Barrier to internal collaboration   ■ Barriers to external collaboration

How broadly has your organisation addressed barriers to collaboration?

Communicated clear and compelling reasons to collaborate
| 25% | 51% | 21% | 3% |

Marshalled data and publicised success stories to convince sceptics
| 11% | 38% | 47% | 4% |

Engaged in team-building exercises
| 19% | 55% | 24% | 2% |

Publicised support for collaboration from senior management
| 18% | 48% | 28% | 6% |

Measured the amount or depth of collaboration
| 6% | 21% | 64% | 9% |

Measured the results from collaboration
| 8% | 26% | 58% | 8% |

Solicited collaboration champions
| 8% | 29% | 56% | 7% |

Set up training programmes to teach collaboration skills
| 7% | 34% | 54% | 5% |

Rewarded individuals and teams who have engaged in successful collaborations
| 11% | 39% | 42% | 8% |

1 Throughout organisation   **2** In some areas of the organisation   **3** Not at all   **4** Don't know

Which collaboration tools do you personally use?

E-mail
96%

Instant messaging
41%

Blogs (allowing people to publish an online chronological journal)
8%

Discussion forums/message boards (allowing people to post messages or questions on a specific topic)
30%

Online chat/instant messaging (allowing people to exchange simple text messages instantly)
25%

Web conferencing, with live audio and video sent across a computer network
43%

Shared calendars (allowing people to post events, meetings, or time-sensitive tasks)
51%

Online project management systems (allowing people to schedule and track activities required to complete a project)
25%

Intranets with shared online data on employees, clients, vendors, projects
49%

Workflow systems (allowing people to track progress of a work process)
22%

Document collaboration (allowing people to collaborate on documents in real time)
32%

Collaborative tools for designing products
8%

Document management tools (allowing people to collect, organise, and manage documents in a central location)
34%

Wikis (allowing multiple authors to post and edit articles, building up a body of knowledge)
10%

Other
4%

Which of these tools do you think would be or are most helpful in facilitating collaboration at your organisation?

E-mail
61%

Instant messaging
19%

Blogs
4%

Discussion forums/message boards
20%

Online chat/instant messaging
10%

Web conferencing
25%

Shared calendars
13%

Online project management systems
26%

Intranets
23%

Workflow systems
17%

Document collaboration
16%

Document management tools
22%

Collaborative design tools
9%

Wikis
11%

Other
3%