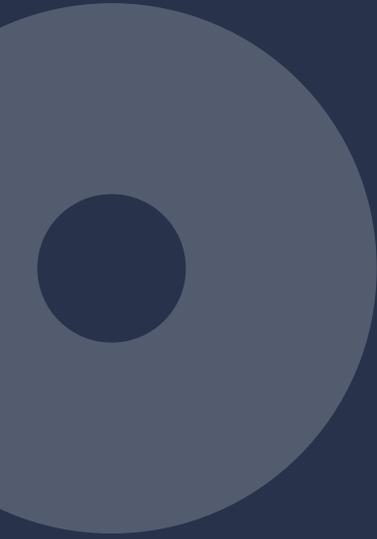


Fostering Collaboration

An Economist Intelligence
Unit research program
sponsored by BTS





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About the report

The Economist Intelligence Unit (EIU) conducted a survey of 249 business leaders to determine how and why companies collaborate internally, the barriers they face to doing so and how internal collaboration influences business results. For the purpose of this research, we define collaboration as the practice of working together across different functions and across different locations or business units.

The survey, sponsored by BTS, was conducted in March 2016. About half the respondents are C-suite executives, with the balance holding a variety of high-level management positions. North America, Europe and Asia-Pacific are all represented – nearly six in ten respondent organisations have annual revenues exceeding \$500m.

This research report explores whether firms are leveraging collaborative techniques to improve business success, the difficulties of collaboration and the value of collaborating across functions and levels to achieve strategic alignment.

1

Effective collaboration correlates with better business results

The survey respondents' companies were segmented by self-reported revenue growth, market share and annual revenue. One of the most striking findings comes from the small category of market leaders by revenue growth. Leaders in this category more often say collaboration is "very effective" (48%) or "mostly effective" (40%) at the highest levels of their organisation, while those with average and below-average revenue growth report "very" or "mostly" effective collaboration substantially less often (18% and 34% respectively).

In terms of market share leadership, the study found that leader organisations more often say collaboration exists in many pockets of the organisation (80%) or it is practised routinely, than non-leader organisations (73%). And, though leaders and non-leaders are fairly closely aligned in terms of the collaboration initiatives and actions they undertake, leaders consistently try to make it easier for people and departments to collaborate freely and openly— from robustly supportive accounting/resourcing systems (69% v 60% say such systems are "completely" or "mostly" implemented) to the sharing of best practice models between units (71% v 57%) or the sharing of resources without any hurdles (59% v 55%).

Please indicate to what extent each of the following statements is true for your organization
% of respondents



2 In top-performing companies, collaboration is more effective at every level

Market share leaders are better at collaboration at every level of their organisations. They are notably more likely to say that collaboration in their C-suite and among senior executives is "very" or "mostly" effective (73% v 62%); successful collaborations aren't isolated only to the top floor, however. Leaders also report a greater degree of success at more junior levels, particularly among middle managers (55% v 46%) and frontline managers (53% v 44%).

The fact that market share leaders achieve a fairly high degree of collaborative success among junior employees is particularly remarkable, because this is an area where nearly all companies struggle to some degree. Just under half of all respondents (48%) report that their middle managers collaborate effectively; the numbers are even lower for front line managers (46%) and line employees (43%).

The lesson for businesses is clear: While the most effective collaborations more often occur at the top of the organisation, success and collaboration are correlated at every level.

How effective is collaboration within your company?

% of respondents rating collaboration as 'mostly' or 'very' effective at that level



3 Top-performing companies use collaboration to fix organisational issues while others are putting out fires

Respondents cite many uses for internal collaboration, from fixing specific client and customer issues and planning future endeavours to creating new services across functions and business units. But the study reveals that the most successful companies in terms of self-reported market share don't use collaboration in quite the same ways as the rest. They tend to call on it most often to solve intra-organisational issues by a significant margin (57% v 42%). The highest share of non-leaders most often collaborate to solve specific client and customer issues (57%). Market share leaders are also more apt to turn to collaboration to fix organisational and structural issues—possibly because those underlie customer issues, the development of new services and the success of future plans.

These divergent behaviours may suggest that leaders believe that an efficiently functioning and aligned company is better equipped to cope with the present and to plan for the future than one that must specifically seek out collaboration each time a crisis arises.

For what purposes do people in your company collaborate?

% of respondents



4

In top-performing companies, employees have a strong belief in, and commitment to, collaboration and its benefits

The emphasis on organisational issues among market share leaders is likely a direct result of what they perceive to be the chief strengths of collaboration, such as improving the quality of decisions and outcomes (37% state that “almost everyone throughout the organisation believes this”) and organisational efficiency (33%), increasing productivity (31%) and adding value to operations and output (31%).

By contrast, the survey suggests that companies that lag behind in terms of market share less often believe that collaboration can work for them. For example, only 17% state a near-universal belief within the organisation that collaboration can be useful in increasing employee productivity, while just over half the share of leaders say that it can. From this, we see that market leaders better understand that collaboration is important for success and have spent time building the belief within the organisation that collaboration is of great value.

What do people in your organization believe about collaboration?

% of respondents selecting 'almost everyone believes this'



5

The potential pitfalls of collaboration

The study discovered an array of concerns among executives about the possible downsides of collaboration. The most often cited is the potential complications of assigning project ownership (42%), followed by reservations about more complicated (and protracted) decision making (30%) and the looming spectre of group-think (26%).

But having successfully constructed collaborative cultures, market share leaders don't voice such concerns as often. They are less inclined to believe that collaboration has any of the significant drawbacks listed in the survey, with one key exception: They suspect it increases tension between departments (25% vs 18%).

Which of the following beliefs about the downside of collaboration can be found at your company?

% of respondents



6

Large companies more often find collaboration more challenging

Organisations with annual revenues exceeding \$10bn face an uphill struggle when it comes to collaboration, according to the study. They are more sensitive than their smaller counterparts to the potential risks and complications it may represent—from ownership uncertainties (53% v 39%) and slowed decision-making (40% v 27%) down to more granular concerns about employee frustration (21% v 15%).

Perhaps as a result of these misgivings, collaborative culture is less fully realised in many large organisations. Senior leaders are less apt to ask for volunteers on important developments (33% vs 49%), employees are less frequently rewarded for successful collaboration (39% vs 59%) and organisational structures that are not flat present an unappealing landscape for would-be team players (26% vs 60%).

Nevertheless, executives from the largest organisations remain convinced that collaboration will play an increased role in the years to come: Three-quarters say that it will increase in importance in the next three to five years, and more than one-third (37%) say that it will be “much” more important. If this increased collaboration is to succeed, the survey suggests that the largest organisations will need to focus more intently on employee training and promoting buy-in at all levels if they are to see the same collaborative benefits—including better decision-making, productivity and efficiency—that are enjoyed by their smaller competitors.

Which of the following beliefs about the downside of collaboration can be found at your company?

% of respondents



Conclusion

Collaboration is a hallmark of industry-leading companies. The survey finds that:

- Although collaboration levels decrease with every level down the corporate hierarchy, top-performing companies collaborate more effectively at every level of the organisation—from the C-suite to middle managers to line employees.
- Top-performing companies build belief among their employees that the benefits they gain from collaboration outweigh the potential pitfalls.
- Top-performing companies use collaboration to address organisational issues, to become more efficient and to gain alignment as an enterprise.
- Top-performing companies create an environment for all employees in which collaboration is both easy and rewarded.

Fostering an environment of collaboration is a continuous process that is not without its difficulties. However, collaboration plays a key role in making strategy personal—and the correlation between effective enterprise-wide collaboration and business success suggests that companies can be rewarded for making the effort.

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

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