

# Business Collaboration

The economic benefits of working together  
2017 American Express Business Collaboration Index



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# EXECUTIVE SUMMARY

## GIVING TODAY'S BUSINESSES AN EDGE

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Collaboration may be the new disruption, as more businesses across the globe have begun to realise there are potentially greater benefits from working together rather than going it alone.

The American Express Business Collaboration Index examines the financial value of business collaboration in Australia – defining both the amount invested in collaborative partnerships, as well as the returns that organisations have realised. Not only do businesses want to work more closely together but, increasingly, those that do profit from it.

More than 700 executives from mid-sized and small businesses took part in this initiative, drawn from more than 15 different industries and locations across the country.

The research found that small and mid-sized Australian organisations stand to gain billions of dollars through effective collaborations, and that a significant number of businesses now view collaboration as a core part of their business strategy. Significantly, mid-sized companies that invest in collaboration initiatives achieved a profit 1.4 times their investment. This equates to average savings of more than \$319,000 or an average increase in sales of close to \$430,000.

So just how widespread is collaboration within the Australian business community? Our research shows that almost 9-in-10 mid-sized Australian businesses claim to take advantage of the opportunities afforded by partnering with others. While still high, this number slightly reduces for smaller businesses to 7-in-10, indicating an untapped opportunity for many.

The Business Collaboration Index finds highly collaborative organisations take a long-term view of collaboration, align activity to their strategic priorities,

have leadership deeply committed to collaboration and financially and emotionally invest in partnerships.

Importantly, highly collaborative organisations are also more likely to report revenue growth over the past 12 months and predict greater growth in the year ahead. In this report we ask where is effective collaboration taking place? Which sectors or businesses are leading the charge, where are they succeeding and equally where are they challenged? Crucially, what are the characteristics of businesses that collaborate well – big and small?

On the following pages we aim to help CFOs to better understand their own approach to collaboration and provide practical advice on how they can plot a more collaborative path moving forward.

As Australia looks to increase its competitive edge on the world stage, harnessing the skills and capabilities of those businesses around them may be one of our business community's greatest assets.



*Big business shouldn't be afraid to say they don't have all the answers, and must recognise small companies can play a big part in helping to develop new ways to make business better<sup>1</sup>.*

**Sir Richard Branson**



To find out more about the opportunities and benefits of business collaboration visit American Express' website Chief Future Officer at: [www.chieffutureofficer.com](http://www.chieffutureofficer.com)

# FOREWORD

## MARTIN SEWARD

General Manager & Vice President, American Express Global Commercial Payments

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No business can go it alone, at least not for long. This is the principle that led to our exploration of collaboration within the Australian business community. We wanted to examine those businesses doing it well and what others could learn from them to hopefully inspire more organisations to collaborate successfully.

What is clear is that collaboration provides an incredible advantage to those that invest in it. Still, many businesses have only dipped their toes in, playing it safe in their partnership strategies.

Today's increasingly competitive marketplace means businesses must think more innovatively and form alliances to improve their offerings.

At American Express, partnerships are critical to our performance as a business. We understand that to be truly innovative and to deepen our connections with our

customers, we need to use not only our strengths, but the strengths of other companies that align with our values.

Our partnership with Apple to be the first to bring Apple Pay to Australia is testament to the fact that sometimes the strongest of partnerships isn't necessarily the most likely or even from within the same industry. What's important is the idea and each partner working to a shared vision.

The small and mid-sized business sector in Australia is where ideas are born and where problems can be solved. I encourage you to be a visionary leader within your organisation; to see the enormous opportunity that collaboration provides and to join the dots to create unexpected opportunities that may lead your business into a brighter future.



*You can't remain alone in your discipline. You've got to understand how things interrelate. What are the connections? At the end of the day, if you want to be a market leader and innovate, you actually have to come to conclusions that most people don't. And most people don't because they take a conventional view of what they're working on. So, that ability to connect is critical.*

**Ken Chenault, Chairman and  
Chief Executive Officer, American Express**



# FOREWORD

## MARTIN SEWARD

General Manager & Vice President, American Express Global Commercial Payments

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### UNCOVERING COLLABORATION

Interview with Martin Seward, American Express

Effective collaboration is built on trust, open communication and shared vision and values between organisations says Martin Seward, Vice President,

Global Commercial Payments, American Express. Mr Seward shares five key insights from the Business Collaboration Index in this video interview.



In 2017, American Express explored collaboration among Australian businesses

# KEY FINDINGS SUMMARY















LOW /  
UN-COLLABORATIVE



MODERATELY  
COLLABORATIVE



HIGHLY  
COLLABORATIVE

Percentage of businesses	48%	32%	20%
Average number of collaboration partnerships	 1.7	 2.3	 5.5
Annual investment in collaboration	\$13,514	\$25,533	\$45,598
ROI (increase in sales / reduction in costs)	 0.9	 1.9	 1.2
Average number of years collaborating	 1.5	 5	 4
Proportion collaborating with businesses overseas	10%	18%	30%
Experienced revenue growth in past 12 months	26%	54%	64%
Average revenue growth projected for coming 12 months	5%	7%	17%
New collaborations in past 12 months	 0.2	 1.2	 3.0

# KEY FINDINGS

## INTERNATIONAL PARTNERING



**46%**

of mid-sized  
businesses and

**19%**

of small businesses  
collaborate with those  
outside of Australia.



# RESEARCH METHODOLOGY

## ABOUT THE BUSINESS COLLABORATION INDEX

The Business Collaboration Index was designed and commissioned by American Express and undertaken by RFi Group. More than 700 businesses took part in the survey, 400 of which were small businesses (up to \$2m in revenue) and owners of small-to-medium organisations (up to \$2m in revenue), and 300 of which were mid-sized organisations (\$2m-\$300m in revenue).

400

SMALL BUSINESSES

300

MID-SIZED BUSINESSES

Respondents included organisations from more than 15 key industries, including construction, manufacturing, wholesale and retail trade, and professional services.

### DEFINING COLLABORATION

Business collaboration is defined as an agreement between two or more businesses working together to achieve a better outcome, working towards a common goal or project or organisational objective shared by the collaborating businesses.

The Business Collaboration Index considers the impact of a wide-range of common collective commercial endeavours as part of this study.

### SHARING RESOURCES

- Sharing premises, plant and other infrastructure/services
- Sharing staff including supporting staff secondments
- Pooling of financial resources/buying power
- Making joint investments in infrastructure

### JOINT SALES AND MARKETING INITIATIVES

- Joint tenders/proposals for new business
- Joint marketing initiatives
- Contra deals
- Offering discounts on another business' products/services
- Referral agreements
- Distribution agreements
- Exclusive product development
- Sharing sales and performance data



# THE FACES OF COLLABORATION

According to the ABS<sup>3</sup>, businesses that collaborate are most likely to do so with clients/buyers (36.5%) or their suppliers (36%). This suggests it is much easier for businesses to partner with those they already know.

The American Express Business Collaboration Index research showed the average small business is partnering with 3.4 other businesses, yet highly collaborative organisations partner with an average of 5.5 organisations. It also revealed marked differences between those that collaborate and those that don't in terms of projected revenue growth and the likelihood of bringing new products and services to market.

Indeed, the research identified three distinct groups of organisations on the collaboration continuum. It reveals some stark differences in the characteristics of each group and highlights that those that collaborate win.

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clients/buyers

**36.5%**

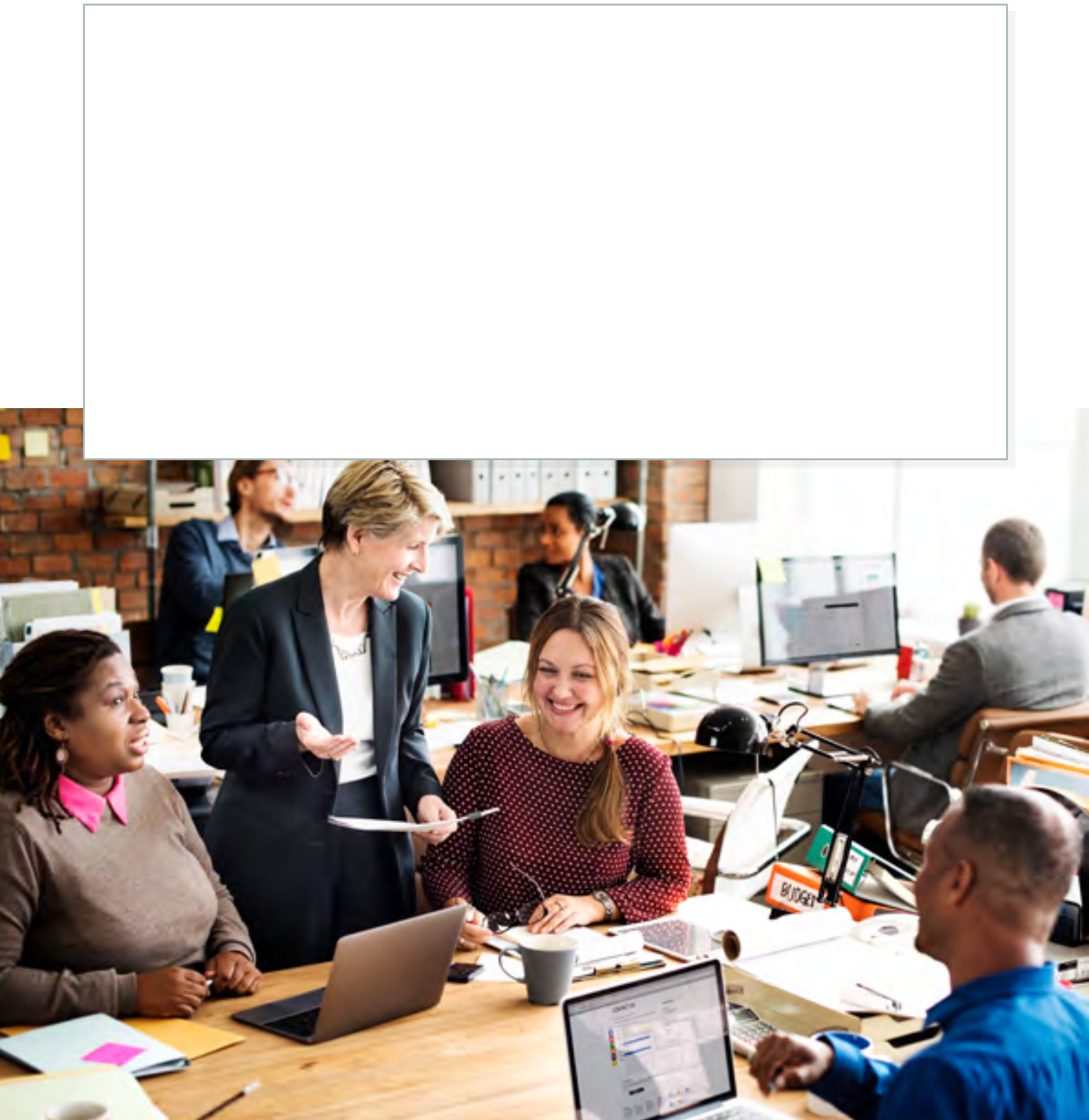


suppliers

**36%**



# THE FACES OF COLLABORATION



# THE FACES OF COLLABORATION

## HIGHLY COLLABORATIVE

One fifth of all organisations in the American Express Business Collaboration Index were defined as 'highly collaborative'. These businesses foster a culture where collaboration is a strategic priority.

The main reason for collaboration among this group was to expand their business' client base. Whilst moderate and low collaborators were focused on increasing sales.

Interestingly, mid-sized highly collaborative organisations invested 3x the amount in collaboration as low collaborators - an average of \$299,000 compared to \$94,000. Similarly, they were also much more likely to need access to capital than less collaborative organisations.



Among high collaborators,

# 3-in-10

were partnering with organisations overseas and had engaged in an average of 3 new relationships in the past 12 months.

### CASE STUDY

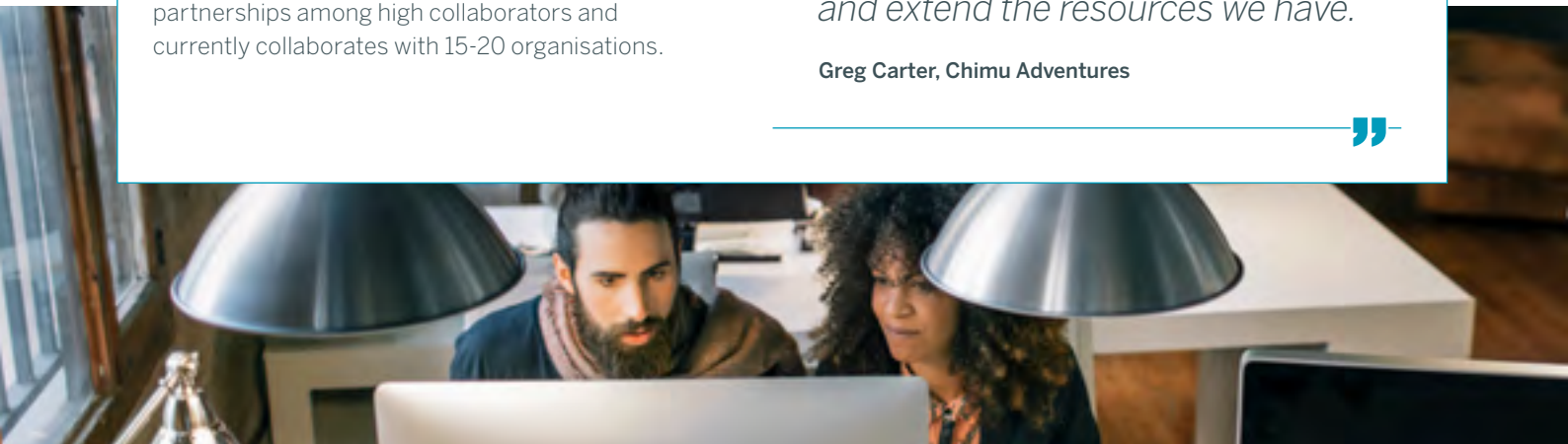
Chimu Adventures, a specialist travel organisation employing 70 people in 10 countries around the world, is an example of a highly collaborative Australian organisation. Founded in 2002, Chimu Adventures cites collaboration as one of the reasons behind its growth and success. As founder Greg Carter explains: "Collaboration for us is the way to go. We partner both within and outside of our industry and look for likeminded businesses that share our vision and values."

Chimu Adventures exceeds the average of 5.6 partnerships among high collaborators and currently collaborates with 15-20 organisations.



*We know within 5 to 10 minutes of striking up a conversation with someone whether we want to work with them. As a mid-sized organisation we don't have all the skills and resources in-house, so we partner with organisations which complement and extend the resources we have.*

**Greg Carter, Chimu Adventures**



# THE FACES OF COLLABORATION

## MODERATELY COLLABORATIVE

The research found 32% of all organisations surveyed were moderately collaborative. This included companies which had multiple partnerships in place and had a senior management team that prioritised and championed collaboration. However, these organisations were not committing the same level of resources and budgets to such initiatives and were partnering with fewer organisations than highly collaborative businesses.

As one CFO from our research study explained:



*Collaboration is important for the success of the business. You tend to get people who think competitors just have an ulterior motive, that they are just going to suck ideas out of you. But you have to be open to look at all opportunities. If we had just shut down and said we were going to go alone all the time, there would have been a chunk of revenue we would have missed out on.*



The top three reasons cited by this group for collaborating were to share knowledge, work on joint tender/pitches or to share marketing opportunities. This was cited by around half of moderately collaborative businesses.

Organisations also identified that collaboration was often successful when it involved bringing new expertise into the business.

As another CFO from our research explained:



*We don't want to be running in different directions where we have ramp-up time to gain expertise in certain areas. If we can partner with an organisation who already has the capabilities and knowledge to support us, I'm happy to pay more.*



# 37%

of moderate collaborators had been working with partners for less than a year, suggesting for many, collaboration was a new addition to their business.

While moderate collaborators were more likely to partner with larger rather than smaller businesses, several organisations involved in the study acknowledged the benefits of connecting with small business.

# THE FACES OF COLLABORATION

## LOW OR NO COLLABORATION

Close to half of all businesses surveyed were defined as having low or no levels of collaboration. This covered organisations where typically 1 or 2 collaborative partnerships were in place but there had been limited success or ROI from the relationship.



**51%**

of uncollaborative businesses had experienced no growth in revenue over the past 12 months, compared with just 34% of moderately and 21% of highly collaborative businesses.

Equally, 44% were predicting no growth or a decline in revenue in the year ahead and almost half (48%) had not brought any products or services to market over the past 3 years. This suggests that there was a lack of appetite for, or interest in, product innovation or diversification.

Interestingly, businesses which had low levels of collaboration actually had stronger confidence in their future stability. Just 6% said they were at significant risk of becoming insolvent in the next 3-5 years. This compared with 8% of moderately collaborative and 10% of highly collaborative businesses.

These findings suggest that these organisations may be safer, more stable companies which were less committed to, or vested in, expansion and growth.

One question of interest was whether the C-suite still took responsibility for identifying collaboration opportunities in less collaborative businesses. We found, they were the key facilitator of collaboration, with 67% of CFOs or business owners within this group having a major role to play in identifying collaborative opportunities vs 89% of CFOs or business owners among highly collaborative organisations.

The biggest barrier to collaboration among low collaborators was finding suitable businesses to partner with (22%) followed by identifying the opportunities to collaborate with other businesses (14%).

The research also indicated that low collaborators were not sought out for partnerships by other businesses. 63% of low/uncollaborative businesses had not been approached to partner in the past 3 years.

Similarly, 67% of less collaborative businesses had not approached another organisation, compared with just 14% of high collaborators. This suggests collaboration can be part of an organisation's / business owner's culture and/or persona. Those who are already in effective collaborative partnerships are more likely to engage in discussion about partnering and project a collaborative mindset, which in turn can solicit approaches from other potential partners.



**67%**

of less collaborative businesses had not approached another organisation, compared with just 14% of high collaborators.

# THE FINANCIAL BENEFITS

## A BILLION-DOLLAR AUSTRALIAN ECONOMY



A key question explored in the research was, 'does the investment made in collaboration generate a worthy return?'

Unequivocally the answer is **YES.**

The Business Collaboration Index revealed mid-sized businesses on average invested \$176,876 in collaboration initiatives in the past 12 months. In comparison, small businesses invested on average \$14,390, reflecting a level of investment five times greater than mid-sized organisations as a proportion of turnover.

The research also revealed that 42% of mid-sized and 21% of small businesses had achieved an ROI on their investment faster than they expected. ROI took the form of increased sales (53%), reduction in costs (20%) or both (26%).

When asked about the ROI from an organisation's most recent collaboration, small businesses averaged a \$28,000 increase in sales or a reduction in costs of \$44,000. In comparison mid-sized companies averaged a \$430,000 increase in sales or a reduction in costs of \$319,000.

With ROI being a key question for CFOs, the strong performance of collaboration investments makes a compelling case for all organisations to place even greater emphasis on further partnerships in 2018 and beyond.

Only 13% of organisations had not yet achieved an ROI from their most recent collaboration. But of this group, 39% were confident they would.

On average, 69% of small businesses and 61% of mid-sized businesses achieved an ROI within 6 months from their most recent collaboration.



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**61%**

of mid-sized businesses achieved an ROI within 6 months from their most recent collaboration.



# POTENTIAL BARRIERS

The American Express Business Collaboration Index has uncovered a great news story for Australian business, one which is driven by determination and vision to partner both in this country and abroad. It has yielded strong results and garnered an appetite for greater collaboration in the future with 60% of organisations indicating that they are interested in collaborating with more businesses.

But equally interesting is what was holding an important minority (26%) of organisations back and what were some of the hurdles experienced by more collaborative businesses?

The greatest barrier raised among small businesses was finding like-minded businesses to collaborate with, where cultures, values and interests were aligned.

Among small business, 31% said they found collaboration challenging, compared with just 20% of mid-sized organisations.

One reason given for this is that many collaborations are not quick wins. When asked about their most recent collaboration, 41% of mid-sized and 34% of small businesses said it took six months or more from the initial conversation to the start of the collaboration. This time lag could be a greater burden for small businesses which have less resources to dedicate to such initiatives.



## 31%

of small businesses found collaboration challenging, compared with just

## 20%

of mid-sized organisations.



*Timeliness is key for us. We have other commercial priorities so communication between those we collaborate with needs to happen quickly and efficiently.*

*Communication can be frustrating when we don't have clarity on responsibility and ownership. Equally if there are too many stakeholders it can be difficult to get answers and make decisions.*

**CFO from an experiential marketing agency**



# KEYS TO SUCCESSFUL COLLABORATION

Some of the most successful collaborative businesses shared their insights into how they successfully collaborate.



# CONCLUSION

The Business Collaboration Index has revealed that a high degree of successful collaboration is happening across industries and throughout Australia.

The research shows those businesses which are merely surviving are the ones going it alone; trying to innovate and problem solve in isolation. Those that are thriving are able to embrace uncertainty and disruption by looking to and working with others to learn, ideate, test, fail and re-build.

They are using collaboration as an investment in the future and those that partner early in their company lifecycle are already seeing the dividends.

Indeed, highly collaborative organisations were found to have had the highest proportion of revenue growth in the 2017 financial year and were most confident of achieving growth in the year ahead.

These businesses were also experiencing the highest levels of ROI, averaging a profit of \$52,500 (after costs) versus an investment of \$45,600 over a period of 12 months.

Although this report has revealed many Australian organisations are collaborating, importantly almost half (48%) were defined as having low or no collaboration initiatives in place. This suggests that in many organisations collaboration is still at the periphery and more can be done to make it a mainstream, strategic focus.

The Business Collaboration Index reveals this can be achieved most successfully when:

- There is a culture which supports collaboration and encourages staff to proactively seek out opportunities
- There is strategic buy-in and executive support to champion and facilitate collaboration opportunities
- Organisations instigate the collaboration initiative rather than respond to invitations to collaborate

There are actions each and every business in Australia can take to contribute to the success of its neighbours, engage in collaborative conversation and think laterally about the future partnerships it can create to further the growth and success of their own and other organisations.



# ABOUT AMERICAN EXPRESS GLOBAL COMMERCIAL PAYMENTS

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American Express is a global services company, providing customers with access to products, insights and experiences that enrich lives and build business success. Through its Global Commercial Payments division, American Express offers a suite of payment and lending products that help businesses and organisations of all sizes gain financial savings, control and efficiency.

Global Commercial Payments provides solutions for travel and everyday business spending, cross border payments, global currency solutions, and business financing. To learn more about Global Commercial Payments in Australia visit [business.americanexpress.com/au](https://business.americanexpress.com/au)

