

CONNECTING COMPANIES:

# STRATEGIC PARTNERSHIPS FOR THE DIGITAL AGE

A Telstra report written by The Economist Intelligence Unit

Written by

The  
Economist

Intelligence  
Unit

TELSTRA 

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# ABOUT THE REPORT

*Connecting Companies: Strategic partnerships for the digital age* is a report from The Economist Intelligence Unit, sponsored by Telstra. It is designed to guide senior executives through the global trend for digital partnerships between organisations, which are connecting regions, crossing industries and linking generations. Specific industry analysis can be found in the separate briefings that accompany this report.

This report draws on two main sources for its research and findings:

In June 2015 The Economist Intelligence Unit surveyed 1,044 senior business leaders, one-half (51%) of whom are C-level executives or board members.

- **Geography:** Survey respondents come from across the world, with 48% based in the Asia-Pacific region; 33% in Europe, the Middle East and Africa; and 17% in North America. There is a minimum of 75 respondents from each of the following countries: China, France, Germany, India, Indonesia, Japan, the UK and the US.
- **Industry:** A total of 20 industries are represented in the survey with at least 80 respondents coming from each of the following six industries; entertainment, media and publishing, financial services, healthcare, IT & technology, manufacturing, and professional services.
- **Company size:** The sample is evenly split between firms with annual revenue over US\$500m and below US\$500m.

Alongside the survey, The Economist Intelligence Unit conducted a series of in-depth interviews with the following senior executives and experts (listed alphabetically by organisation):

- Raj Thampuran, managing director, A\*STAR (Agency for Science and Technology Research).
- Paul Daugherty, chief technology officer, Accenture.
- Maaïke Osieck, communications manager, Amsterdam Smart City.

- Chad Ballard, director, mobility and new digital technologies, BBVA Compass.
- Will Butler-Adams, managing director, Brompton Bicycles.
- Ger Baron, chief technology officer, City of Amsterdam.
- Kenji Kobayashi, senior vice president, DeNA.
- Ben Milne, chief executive officer and founder, Dwolla.
- Alicia Agius, GoDrive project lead, Ford Europe.
- Henrich Greve, professor, INSEAD.
- Rod Strother, director, Digital and Social Centre of Excellence, Lenovo.
- Anish Shah, president of strategy, Mahindra Group.
- Jason Crusan, director, Center of Excellence for Collaborative Innovation, NASA.
- Phil McAlister, director, commercial spaceflight, NASA.
- Ismail Chaib, chief operating officer, Open Bank Project.
- John Riccio, partner and digital services leader, PwC Australia.
- Aaron Dignan, management consultant and formerly president, Quirky.
- Jeremy Moss, senior vice-president, Roche Professional Diagnostics.
- Gerard Grech, chief executive officer, Tech City UK.
- Roy Green, dean, UTS Business School, University of Technology Sydney.
- Klas Bendrik, chief information officer, Volvo Cars.

The report was written by Denis McCauley and edited by James Chambers. Additional interviews were conducted by Naka Kondo and Christopher Dula. We would like to thank all interviewees and survey respondents for their time and insight.

Please note that not all answers add up to 100%, either because of rounding or because respondents were able to provide multiple answers to some questions. All monetary amounts are in US dollars.

The Economist Intelligence Unit bears sole responsibility for this report. The findings do not necessarily reflect the views of the sponsor.

# EXECUTIVE SUMMARY

Digital technology is blurring the distinctions between companies and industries as we know them. “Offline” companies in older industries - those that came to the Internet later in life - are looking to develop digital capabilities by partnering with those that have perfected them. Native online companies, for their part, are learning to value the product and service expertise of offline firms as they attempt to turn rapid growth into mature, profitable and sustainable business models - or simply to survive. The result is the rise of digital partnerships.

The form of these digital partnerships ranges from contract-based alliances between two or three players to cross-industry networks and large, loosely organised, ecosystems based on a dominant technology platform. The early adopters already have multiple digital partners and some belong to more than one form of partnership. Many others, meanwhile, are intent on catching up. Private-sector organisations tend to dominate these partnerships, although the prominence of state-owned enterprises in Asia points to closer government involvement over time.

This report finds that the growing trend for digital partnerships is already having a measurable impact for the organisations involved in them. One-half of the 1,044 executives surveyed by The Economist Intelligence Unit for this study believe that their digital partnerships have proven their value “beyond doubt”. Expectations for the future are even grander. Key findings from the research include the following:

## **Accessing the connected customer is core to the digital-partnership strategy**

The primary motivation of all these partnerships is to develop new digital capabilities that serve the “always-on” customer; from savvy and discerning smartphone users to mobile-first customers in emerging markets. Almost every business is finding that it needs to offer digitally sophisticated, yet affordable products and services as standard; engaging customers across physical and digital channels is a must. With growing customer expectations increasing the need for differentiation, digital partnerships are viewed positively, say executives.

## **Executives embrace “strength in numbers” to manage change**

Digital disruption is squeezing profit margins across industries. Still, executives at organisations with digital partnerships show little fear for the future: over one-third (38%) of the firms surveyed have “embraced” digital disruption, while one-quarter describe themselves as “disruptors” in their own right. Digital partnerships are allowing companies to make smaller bets on big things, gaining exposure to new technologies while sharing the risk. A flurry of new partnerships should emerge over the next 12 months, as almost one-half of organisations plan to partner with a major technology-platform company.

## **Companies have high expectations of digital partnerships, but patience is required**

Almost six out of ten respondents—rising to 64% in Asia-Pacific—expect their partnerships to generate at least one-tenth of their revenue over the next 12 months. This figure is lower, however, among those with partnerships of longer duration, suggesting that greater experience leads to tempered expectations. Experts believe that patience is in order when projecting returns from their partnerships. Like traditional mergers and acquisitions, not all partnerships will succeed. The difference is that transaction costs should be lower and unsuccessful ventures will be easier to exit.

## **Speed and specialisation are set to promote growth of cross-industry ecosystems**

A need to differentiate products and services in the market is forcing greater specialisation. Specialist organisations that do one or two things well will

naturally rely more on partnerships. At the same time, other companies have little time both to develop similar expertise internally and keep pace with technology-driven changes in their own industry or neighbouring industries they might be moving into. The confluence of these trends, accessing specialism at speed, necessitates more networks that straddle multiple industries.

## **Traditional companies are learning how to share information, but some walls remain**

Data sharing is a feature common to many digital partnerships—even extending to disclosing details from existing patents. Close interaction with digitally native small businesses and start-ups is helping offline organisations to adopt a digital mindset, including adopting a more open attitude to sharing data. Yet concerns about risk, security and compliance remain prevalent. A solution for many organisations is to separate carefully the data that they wish to share and the data they need to ring-fence.

## **Digital natives are joining partnerships for profit, not philanthropy**

As every firm becomes an Internet company, online-only businesses are searching for new ways of connecting with customers and other stakeholders. Hubris is giving way to greater appreciation of the value locked up in older, offline businesses - from strong brands and customer goodwill to established relationships with regulators and governments. Multigenerational partnerships should flourish as more executives view start-ups as potential business partners or sources of innovation, rather than as competitors or potential acquisitions.

# EXECUTIVE SUMMARY

## People and geography matter, as long-distance relationships prove difficult

Proximity is relevant to the success of digital partnerships. This may explain the survey group's preference for building partnerships within their region rather than across the globe. The trust needed to build a successful alliance is easier to foster when partners are within the same time zone, or within relatively easy physical reach. Being close to partners also means being able to share ideas and communicate in real time. It also speaks to the enduring human element to these partnerships, from inception to ongoing management.

## The popularity of APIs foretells the rise of collaborative innovation

Co-creation, crowd-sourcing and open-data initiatives are showing signs of maturity in developed economies. Collaborative innovation will not become the norm quickly, but over the next three years survey respondents believe that networks will play a bigger role than traditional research and development in the best innovations in their industries. An early example of this is application-programming interfaces (APIs). Originally designed for developers to experiment with each others' software, APIs are now used to share information between partners of different types and sizes for the purposes of innovation.

## Today's digital partnerships point to bigger changes to come

The majority of executives feel that their partnership experiences have profound implications for their own business and business overall: about one-half predict a change to their business model, while a similar number (53%) believe that companies will have to be part of a network to be able to leverage technology trends in the future. Companies can still go it alone, say executives. Yet the future looks more certain for connected firms; less so for the vertically integrated organisation.

## FIVE RULES OF ENGAGEMENT FOR THE CURIOUS EXECUTIVE

Digital partnerships are disrupting the traditional world of mergers and acquisitions and joint ventures. Consider the following checklist before picking a new partner or joining a network:

### 1. TAKE CHANCE OUT OF THE CONNECTION

Some digital partnerships begin with serendipitous meetings between senior executives. Getting serious about this strategy should increase the odds of finding the right match.

### 2. KNOW WHAT YOUR ROLE IS IN THE RELATIONSHIP

Each digital partnership will have a different dynamic, depending on the types of organisations and industries involved. Decide the role you want to adopt: leader, follower, network member or centre of your own ecosystem.

### 3. ADMIT YOUR FAULTS AND BE OPEN TO CHANGE

Successful digital partners complement each other's strengths and weaknesses. Smart companies seek to learn and apply lessons from partners to improve their own business.

### 4. BE PROMISCUOUS BUT TAKE PRECAUTIONS

Embrace experimentation with multiple partners and make small bets on big technologies. Identifying the assets you want to share beforehand will make it easier to play the field and exit should a relationship sour.

### 5. SET REASONABLE EXPECTATIONS AND BE PATIENT

It takes time to build any type of business relationship and to see it bear fruit. Digital partnerships are no different, so prepare to wait for these connections to pay off.

# INTRODUCTION

Strength in numbers is a fitting maxim to describe competition in the digital era. Disruption is virulent as virtually everything is proliferating: from the amount of data and analytical insights to the number of processors on microchips, connected users and connected things. Innovative products and services are multiplying, alongside the start-ups and other small companies that generate them.

To gain advantage in this hyper-competitive environment, companies are finding that it is increasingly tough to go it alone. Many are entering into partnerships of one form or another to develop digital capabilities (see box: Meet the co-corporation). These range from formal alliances with two or three players to loose networks of dozens or more organisations. In their variety they defy easy labelling, but for ease of reference we will refer to these types of association as **“digital partnerships”**.

Amsterdam Smart City, for instance, is a public-private partnership formed in 2009 by the municipal government, the Amsterdam Economic Board, a telecommunications operator (KPN) and a power-grid operator (Liander). It is an open innovation platform acting, according to communications manager Maaïke Osieck, as a ‘matchmaker’ between potential partners, and has attracted over 100 organisations. These include large companies, such as Philips, Daikin, Cisco and Arcadis; municipal agencies; research institutes; and start-ups. Even individual citizens and inventors actively contribute ideas to the platform and participate in implementation.

Other practical examples featured in this report include “smart-home” alliances and “connected-car” networks. Large organisations —some commercial, some in the public sector —are forming “innovation labs” and “accelerators” where they support dozens of start-ups developing new technology-based products and services. Most digital partnerships involve some combination of “native” online businesses—those conceived and born to exploit the Internet—and “offline” companies that have come to the Internet later in life.

To understand the nature of digital partnerships and how they may evolve in the future, The Economist Intelligence Unit surveyed over 1,000 senior executives around the world and interviewed over 20 business leaders and experts. More than one-half (53%) of executives surveyed believe that companies will have to be part of a network to be able to leverage technology trends in the future. Meanwhile, a significant minority (44%) of respondents take the view that “companies going it alone will soon be a thing of the past”.

These views might seem overly dramatic, but many experts agree. One is John Riccio, partner and digital services leader at PwC Australia, a consultancy: “If the aim is bringing together the best of what’s available and assembling that into a product that delivers an extraordinary experience for the customer, then this is something that cannot be achieved unless you aggregate or collaborate across different organisations within your environment.”

Competition in the digital era is now a team sport. Organisations will have to be open to new ways of operating if they want to form successful digital partnerships. The picture that emerges over the following chapters is one of a mixture of opportunity and complexity.

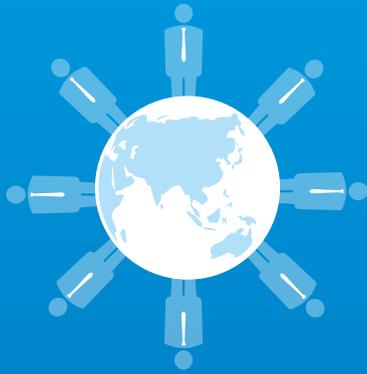
## The organisations in The Economist Intelligence Unit survey are active participants in digital partnerships of one form or another.

- The vast majority have multiple partners
- Financial services firms have the largest number of digital partners
- North American companies have the greatest number of digital partners
- Traditional partnership forms are prevalent, but many organisations are involved in looser types of associations (networks, clusters, ecosystems)



# INTRODUCTION

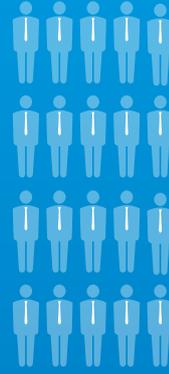
## MEET THE CO-CORPORATION



1,000

Senior executives  
around the world

+



20

Business leaders  
and experts



44%

Believe companies  
going it alone will soon  
be a thing of the past

&



53%

Believe companies  
will have to be part  
of a network to be able  
to leverage technology  
trends in the future



SECTION A

# WHY COMPANIES ARE GETTING CONNECTED

# 1. THE CUSTOMER IS ALWAYS ON

Brompton's fold-up bicycle is a familiar sight up and down the UK—seen tucked away inside train carriages and office cubicles as much as being pedalled along the streets. The London-based bicycle manufacturer also sells in China through three wholly owned shops in Shanghai, Beijing and Chengdu, although winning over the Chinese consumer “is a very slow burn”, according to Brompton's managing director, Will Butler-Adams.

To put the brand and the product in front of many more Chinese consumers, Mr Butler-Adams decided to team up with another iconic British brand, Royal Mail. The British postal service recently launched a virtual storefront on Tmall, the e-commerce site of Alibaba, one of China's online giants. Partnering with Royal Mail gives Brompton much greater exposure in China than it could have achieved with its own resources, says Mr Butler-Adams, and at a lower risk. It also gains credibility among consumers by appearing alongside more well-known British brands.

Brompton's motivation for entering into its digital partnership with Royal Mail echoes that of the greatest number of organisations in our survey: expanding the company's reach into new markets. Developing new customer segments comes a close second. However, these findings are skewed by the Asia-Pacific region: a majority of respondents from India, China and Indonesia select one or both of these options—as much as double the figure for the US.

Quite understandably, businesses in Asia's three most important emerging economies are focused on using digital and mobile technology to reach new customers. The number of newly connected customers in these markets—home to around 40% of the global population—is still growing rapidly. But, for an indication of the direction that this trend is taking, it is worth noting that European and North American respondents cite the development of new capabilities—be they products and services or delivery and distribution mechanisms—as their number-one motivation for joining a partnership.

Here the focus is on trying to win over saturated markets, searching for differentiation among an increasingly discerning clientele. In the US and UK, supporting existing customers, accessing new technology and enhancing brand exposure all rank ahead of new customers and new markets.

“Together you get a very different outcome that neither organisation could achieve on its own.”

John Riccio, partner and digital services leader, PwC Australia

PwC sells to business, not retail, customers. It has digital capabilities of its own but has teamed up with US-based Google to develop new ones, as Mr Riccio explains: “Clients come to us with business problems they want help with. Google, on the other hand, is product-focused with very deep technical capability. The partnership with Google helps give us a platform on which we can collaborate and solve problems with our clients. This is a good example of very different organisations leveraging each other's strengths: one more focused on problem solving and the other on using technology to create products and services. Together you get a very different outcome that neither organisation could achieve on its own.”

56%  
OF SENIOR  
EXECUTIVES  
SAY HAVING DIGITAL  
PARTNERS IS VIEWED  
POSITIVELY BY KEY  
CUSTOMERS OR CLIENTS

# 1. THE CUSTOMER IS ALWAYS ON

What motivated your organisation to enter into your most significant digital partnership? (% of respondents)



**Figure 1:**  
**Network Effects**  
Source: Global survey conducted by The Economist Intelligence Unit, 2015



# 1. THE CUSTOMER IS ALWAYS ON

## Seamless service

Ultimately, the overarching motivation linking all these partnerships is the oldest business reason of all: customers are demanding it—and are not prepared to pay for anything less. When asked to select the positive and negative impacts of digital disruption on their business, only profit margins received a net negative score from survey respondents. The so-called always-on customers, shifting indiscriminately between physical and digital channels, insist that providers offer them digitally sophisticated, yet affordable, products and services.

Chad Ballard, director of mobility and new digital technologies at BBVA Compass (the US subsidiary of Spanish banking group BBVA), explains: “We’re not Amazon, but their customers expect comparable service from other digital

experiences, including from their financial institution. It’s important that we simplify our processes and create enhanced digital experiences so those customers don’t become frustrated with their financial institution.”

Although customers may be demanding it, the prompt is often major technology companies, such as Amazon, Alibaba and Apple (US), venturing into other industries—directly or indirectly—forcing executives to act and innovate in their own industries. The nascent fintech industry—a conflation of finance and technology—is a good example of this. Apple’s move into the mobile-payments sector with Apple Pay has corralled many of the big US and UK banks into signing up; one of the biggest, JP Morgan, is closing retail branches and pushing into mobile-banking apps as a result of a tie-up with Apple.<sup>1</sup>

For their part, these new entrants and technology disruptors are willing digital partners—exploring tie-ups with traditional businesses for commercial gain rather than as a charitable endeavour. Dwolla, an online payments firm, opted to partner with an established bank (see case study: Friends in high places) in order to win approval for its digital platform from the US banking regulator, thus avoiding some of the regulatory battles and hostile reactions to other disruptive platforms from the likes of US-based Uber<sup>2</sup> and Airbnb<sup>3</sup>.

Clearly, technology companies can go it alone. But there is a growing acknowledgement of the value in digital partnerships with traditional or offline organisations in other industries—be that in products and brands or relationships and goodwill.

## TOP 3 MOTIVATIONS FOR ENTERING IN A DIGITAL PARTNERSHIP BY SELECT COUNTRIES

	China	India	US	UK
1	Developing new customer segments	Expanding reach into new markets	Developing new capabilities or augmenting existing capabilities	Developing new capabilities or augmenting existing capabilities
2	Developing new products/services	Developing new customer segments	Supporting our existing customers	Supporting our existing customers
3	Expanding reach into new markets	Accessing new technology	Enhancing our brand exposure	Accessing new technology

**Figure 2:**  
The digital partnership maturity curve  
Source: Global survey conducted by The Economist Intelligence Unit, 2015

<sup>1</sup> JPMorgan plans branch closures amid switch to mobile apps, *Financial Times*, February 25th 2015

<sup>2</sup> Uber ‘success story’ removed from Hong Kong government investment agency website after police raid car-hailing app, *South China Morning Post*, August 12th 2015

<sup>3</sup> New regulations to wipe out 80% of Airbnb rentals in California’s Santa Monica, *Forbes*, June 16th 2015

# 1. THE CUSTOMER IS ALWAYS ON

## CASE STUDY

### Friends in high places

*Fintech start-up finds older banks are good for more than money*

For banks and their customers, the US can often be a frustrating place to deliver, and obtain, banking services of the type available in other developed markets. One example: payment clearing between banks normally takes three or four business days. This means that, unlike in much of Europe, retail and business customers need to wait days rather than minutes or hours before they can access funds from payments made into their accounts. BBVA Compass, the US branch of a Spanish banking group, and Dwolla, an online payments firm—a fintech company, in today’s parlance—have set out to change that with a partnership to expand real-time

payment settlement between US banks. The secure payments platform has been developed by Dwolla, and BBVA Compass is the first major bank to partner with it.

Banking partnerships face tough regulatory hurdles unknown to most other sectors. This is complicated in the US because the Federal Reserve (Fed, the central bank) has not yet set down guidelines for a fast payments system, and it is not expected to do so before 2017. To smooth the way for the new partnership, BBVA Compass used its established relationship with the regulators to explain the details and the rationale. “We proactively worked with the Fed to ensure that they not only understood the strategy, but also how the integration of this model works within the guidelines of the regulations,”

says Chad Ballard, the bank’s director of mobility and new digital technologies.

According to Mr Ballard, the bank plans to use the capabilities afforded by the platform to develop new services for its customers. As for Dwolla, it hopes eventually to become the standard platform for real-time bank-to-bank connections, says its chief executive officer and founder, Ben Milne. “There is no de facto global standard for real-time connections across banks,” he says. “With more banks on board and more usage, I believe Dwolla will be a leader, but there are going to be a few other companies that are going to do this really well.”



## 2. EXECUTIVES HAVE GREAT EXPECTATIONS

An implicit motivation for seeking out a digital partner is to manage technology-driven changes. Accessing digital capabilities belonging to other organisations via partnerships is a way for executives and businesses to embrace rather than fear disruption. Over one-third (38%) of survey respondents say that their firms have “embraced” digital disruption—the most popular answer.

Asked how they would react upon learning of an imminent entry into their market by a large technology player, by far the largest number of respondents (41%) would take an opportunistic stance, competing with, but also seeking to learn from, any new entrant.

Evidently, this group of companies betrays little fear of the online giants: almost one-quarter (24%) consider themselves to be disruptors in their own right, albeit IT & technology companies account for the largest group.

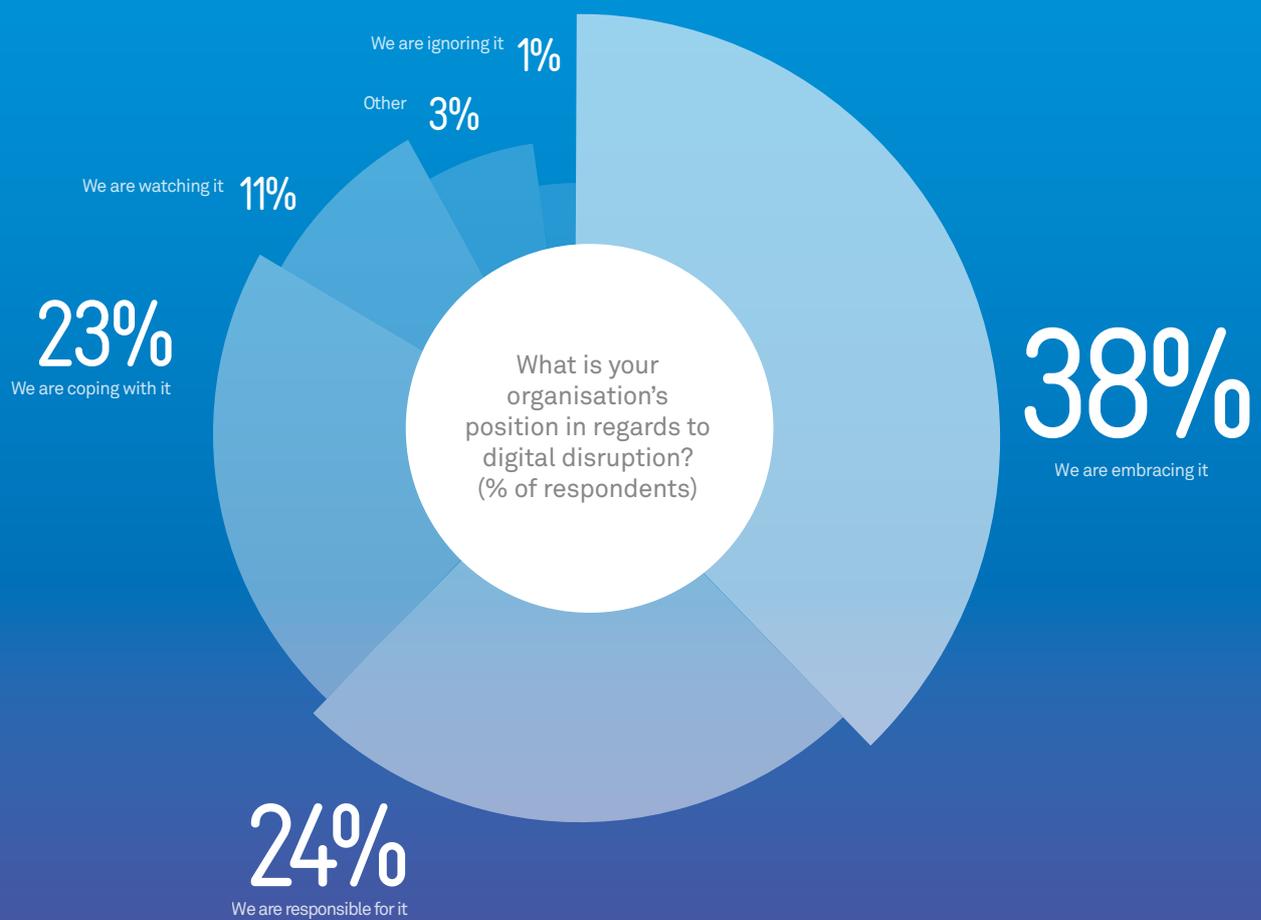
These global figures do, however, hide some significant regional divergences: almost one-half (48%) of North American executives say that their firms “embrace” disruption, compared with only one-third (33%) in Asia-Pacific. Moreover, a similar number (27%) of executives in Asia-Pacific say that they are merely coping with digital disruption—the top choice for respondents from China (38%) and Hong Kong (43%).

But whatever the motivation, these partnerships have already proved their value “beyond doubt” for the majority (51%) of organisations surveyed. Indeed, just 3% of respondents believe that it is too early to tell—even among those who entered their first partnership only in the past 12 months.

The specific returns on investment to date have been varied, but are consistent with the stated business objectives for entering into these partnerships. Some firms have entered new markets, won new customers, increased profitability or developed new products and services. Others report enhanced capabilities or improved levels of customer satisfaction as a result of their digital partnerships. These top six options were selected by at least 20% of respondents, with little to separate each of them.

NASA, the US space agency, hosts an innovation community designed to tap expertise from outside the aerospace industry. According to Jason Crusan, director of NASA’s Center of Excellence for Collaborative Innovation, the chief benefit of leveraging external communities’ expertise is a significant acceleration in its development of deep-space technology compared with its traditional contract-based approach.

## 2. EXECUTIVES HAVE GREAT EXPECTATIONS



**Figure 3:**

**A friendly embrace**

Global survey conducted by  
The Economist Intelligence Unit, 2015

## 2. EXECUTIVES HAVE GREAT EXPECTATIONS

### Profiting from disruption

Maintaining this early promise may prove difficult in the immediate future, as companies begin to rely on digital partnerships to deliver significant financial returns. A large number of surveyed companies expect their partnerships to have a significant impact on revenue, and fairly soon.

Almost six in ten of those surveyed say that they expect that their partnerships will generate at least one-tenth of their revenue over the next 12 months. Respondents based in the Asia-Pacific region are particularly bullish about the expected impact on revenue: 64% see their partnerships contributing one-tenth or more of their revenue within this time frame, and one-in-four expect a contribution equivalent to at least 25% of their revenue.

Are such expectations overoptimistic?

One indication that they are is evidenced by the fact that the higher revenue expectations are more likely to be harboured by those whose organisations have entered into digital partnerships within the past 12 months. The expectations are lower among those with partnerships of longer duration. The inference is that the more experience firms have with digital partnerships, the more realistic they are about the timing of such direct returns.

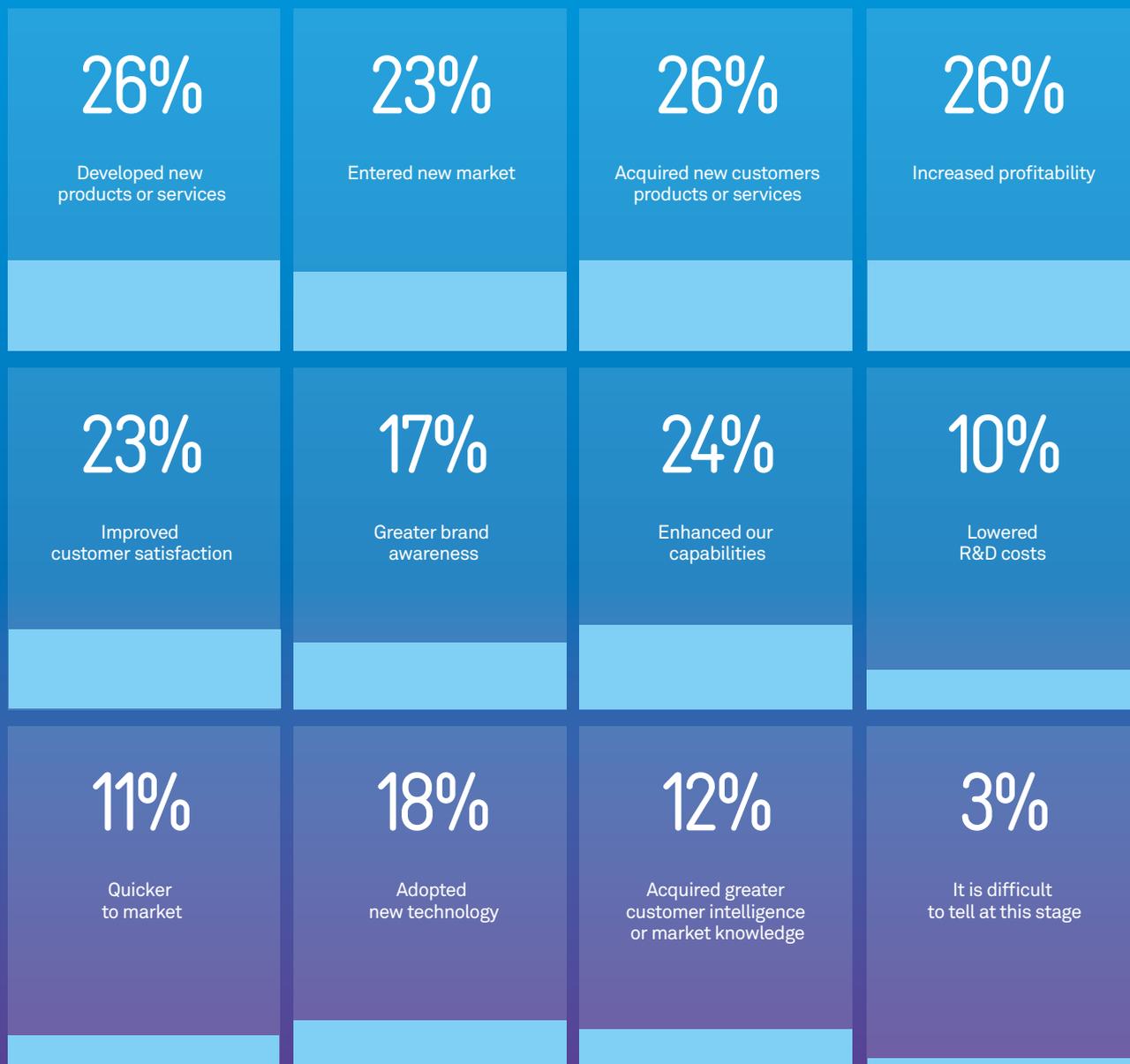
Several executives and experts interviewed for this study believe that patience is in order when projecting returns from their partnerships. One is Mr Butler-Adams, who points out that Brompton is not seeking a quick windfall in sales from the tie-up in China with Royal Mail: “We’re not overly concerned about selling yet through the partnership. We want to make sure we get it right. We are shipping bikes, but we are being very careful. We’re not in a rush; we’re just obsessed with giving fantastic service and making sure people enjoy their bikes.”

While some executives focus on financial metrics, other businesses are counting the returns on their investment in other—albeit trickier—ways. “We have partnerships with start-up companies that have only been in business for a few years, so we do a lot of due diligence to ensure we are working with partners that meet our regulatory standards,” says Mr Ballard of BBVA Compass. “We have learned a lot from working with these companies. We created a cross-industry development centre that was built off learnings from our work with the start-ups, and we have also enhanced our development processes and methodologies in how we work within the bank.”

**64%**  
OF EXECUTIVES IN ASIA-PACIFIC EXPECT DIGITAL PARTNERSHIPS TO CONTRIBUTE AT LEAST 10% TO THIS YEAR’S ANNUAL REVENUE

# 2. EXECUTIVES HAVE GREAT EXPECTATIONS

What returns on investment or areas of improvement has your organisation seen from its most significant digital partnership so far? (% of respondents)



**Figure 4:**  
**Meeting expectations**  
Source: Global survey conducted by The Economist Intelligence Unit, 2015

## 2. EXECUTIVES HAVE GREAT EXPECTATIONS

Approximately what percentage of your organisation's overall revenue in the next 12 months will be generated by the partnership? (% of respondents)

% of respondents	Overall	Entered first digital partnership in last 12 months	Entered first digital partnership more than 12 months
Minor (less than 5%)	10%	8%	11%
5 to 10%	26%	22%	29%
10 to 25%	33%	36%	31%
25 to 50%	18%	23%	14%
50% to 75%	4%	7%	2%
Major (more than 75%)	2%	2%	3%
Impossible to say	7%	3%	10%

**Figure 5:**

**Friends with benefits**

Source: Global survey conducted by The Economist Intelligence Unit, 2015

# 2. EXECUTIVES HAVE GREAT EXPECTATIONS

## CASE STUDY

### DIY digital platforms

*A quirky model for cross-industry connectivity*

Most technology platform leaders today are household names: think of Google, Apple, Amazon, Facebook or Microsoft, all US-based firms. Quirky, a small New York City based company formed around an open invention platform, aims to change that with the help of some very big partners, including GE. Quirky's community of inventors, as well as engineers employed by the company, have improved or developed numerous "connected-home" products for GE. (They have also developed several which Quirky markets itself under its own brand.)

More ambitiously, with help from GE in the form of financing and idea sharing, Quirky has developed the Wink platform for connected-home products. Home Depot, a retailer, has joined the partnership to market and sell Wink-based products—of which there are currently over 200, under different brands—in its home-goods stores. A mobile app connects to the Wink home hub, which controls a range of different products (belonging to different manufacturers) including door sensors, power-usage monitors, remote heating controls, voice-activated light bulbs and connected airconditioners. The Wink light bulb, according to Aaron Dignan, a management consultant and formerly president of Quirky, is a bestseller in Home Depot; it made it from

idea conception to the store shelf in the record time of 120 days, he says.

While working with GE and Home Depot to establish firmly the Wink platform, Quirky is working on creating other types of platforms, in other areas of manufacturing as well as services. These efforts may extend it into areas such as home help, fast food, healthcare and insurance. Intriguingly, it is currently talking to one national government about using an open innovation platform to help it, as well as regional and city governments, to tap citizens' ideas for improving public services.



SECTION B

# WHY PARTNERSHIPS ARE DIFFERENT IN THE DIGITAL AGE

# 3. THE MORE THINGS CHANGE...

Alliances and partnerships are nothing new to the business world, having been around since the European guilds of the Middle Ages. In more recent decades strategic alliances have been common among airlines, for example, to share routes and facilities. What makes digital partnerships different?

According to Henrich Greve, a professor at INSEAD, it is knowledge: “The traditional alliances are always about the complementarity of assets: shipping firms pooling container ships to make a new route. Digital partnerships, however, are all about knowledge. This is because firms are so specialised, and knowledge is really difficult to get.”

Specialisation makes digital partnerships both possible and necessary. The digital revolution itself, by sharply reducing the costs of doing business, is enabling small, specialist businesses to punch above their weight, believes Roy Green, dean of the Business School at the University of Technology Sydney (UTS).

“We’re seeing the decline of large vertically integrated organisations and the emergence now of smaller, more interdependent units of production, which give rise to smart specialisation by micro-multinationals in global markets and value chains.”

Mr Riccio agrees: “Being able to do one thing brilliantly and having the depth of capability required to do that better than anyone else starts differentiating you in the market. But it also means that you have more specialised organisations, which will require a lot more collaboration.”

**43%**  
OF EXECUTIVES BELIEVE  
THAT THE CURRENT  
INDUSTRY CLASSIFICATION  
OF THEIR COMPANY IS  
NO LONGER ACCURATE

# 3. THE MORE THINGS CHANGE...

Which technology categories or developments are likely to be a major focus of your organisation's digital partnership(s) in the future?

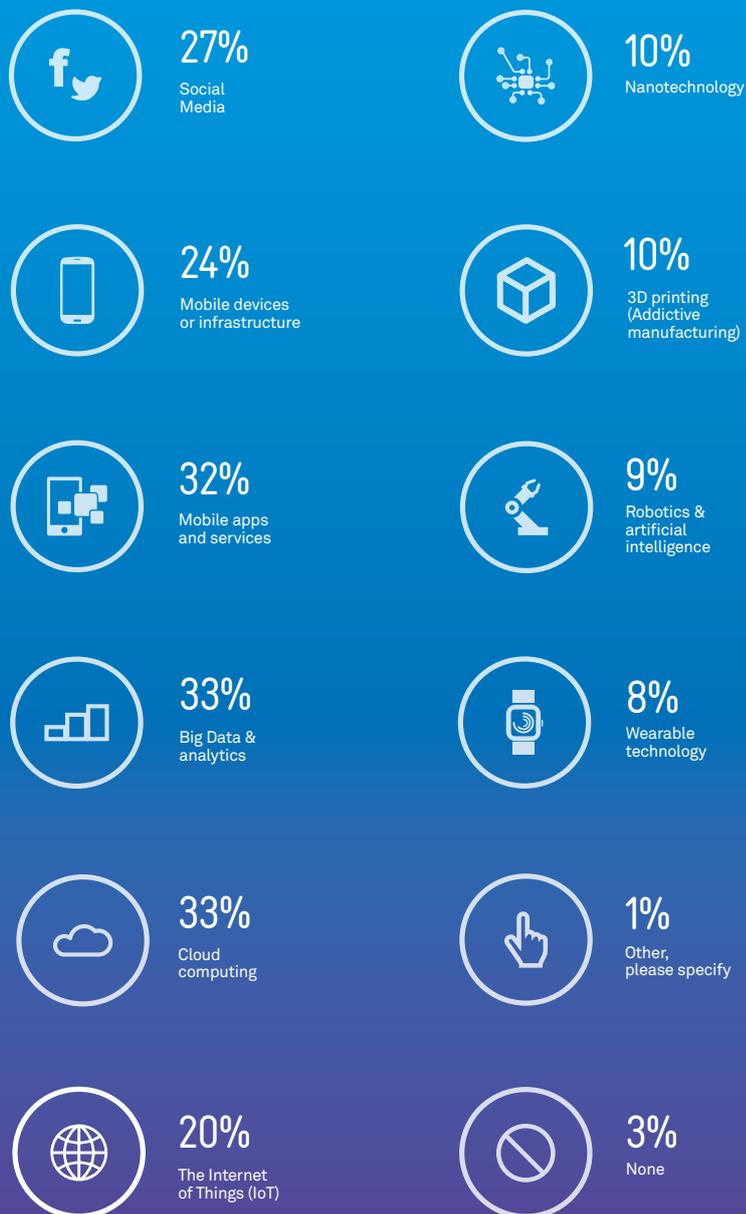


Figure 6:

## What's data mined is yours

Source: Global survey conducted by The Economist Intelligence Unit, 2015



# 3. THE MORE THINGS CHANGE...

## Sharing secrets with strangers

Knowledge in the digital era often means data. Data and data sharing are central to digital partnerships. For over one-third (35%) of respondents to the survey, big data and analytics will be the major focus of their organisation's digital partnerships in the future. For one-fifth (20%) it will be the Internet of Things, where multitudes of devices equipped with microsensors can communicate with one another.

"With more and more data being generated, companies are seeking the best way to make sense of the analytics, which then allows them to interact more effectively with customers to drive better business outcomes," says Raj Thampuran, managing director of A\*STAR—the Singapore government's Agency for Science and Technology Research.

Extensive data and information sharing is necessary if partners are going to get others to help them to achieve this. Although not a feature of every partnership, such openness is unknown to most older forms of alliances and partnerships. In some cases, sharing extends to forms of intellectual property (IP), including patents. US-based GE, for example, makes many of its lighting and home-appliance patents available to inventors on Quirky's open innovation platform (see case study: DIY digital platforms).

Digital partnerships are also likely to be more fluid than the strategic alliances of the past. For instance, small and large companies tap into Amsterdam Smart City's innovation platform to obtain and develop ideas for connected products and services. Commercial companies make certain information available about their products in the hope of getting help to improve their own designs.

## "Digital partnerships are all about knowledge"

Henrich Greve, professor, INSEAD

Although traditional contracts spelling out each partner's commitments in detail will certainly not go away in all cases, the ease of entry and exit is one of the attractions of joining digital partnerships. In Mr Greve's opinion, "some may last for four or five years, others may last for a year or 18 months before they start to drift apart. The knowledge part can be disconnected and shifted around so much easier than the asset part."

For Klas Bendrik, chief information officer at Volvo Cars, a Swedish automotive manufacturer (which partners with Ericsson, a communications technology firm, in a connected car tie-up), this fluidity is partly dictated by the immense speed of change in the digital world, which traditional "offline" members of partnerships find particularly challenging: "In the digital world it's possible to become relevant much quicker than in traditional industries. But it's also possible to become non-relevant much faster. Partnerships, and the companies within them, are finding it difficult to be relevant at the right time with the solutions they develop."

The additional challenge for executives at traditional, offline or non-technology organisations is how to manage technology-driven change in their own industry while dipping a toe into neighbouring and "hybrid" industries. Hybrid industries between technology and other players have been taking shape for several years—mobile banking, digital health, the connected car, Internet television, online gaming and digital publishing are just a few examples. This trend is certain to accelerate and touch more industries. "You not only need to remain quick and relevant in your traditional industry, you also need to be quick and relevant in industries that you never dreamed you'd be part of," says Mr Bendrik.

# 3. THE MORE THINGS CHANGE...

## CASE STUDY

### First at the scene

*Roche turns to technology partner for better patient care*

Digital health is a classic example of a hybrid industry formed by players establishing cross-industry partnerships to tap capabilities they do not possess themselves. A good example is an alliance formed in early 2015 by Roche, a Swiss life-sciences firm, and Qualcomm, a US-based mobile-technology provider. What both firms call their “strategic collaboration” will focus on improving remote monitoring and management of patients suffering from chronic diseases.

The initial focus of the partnership is the transmission of data from Roche “point-of-care” diagnostic devices—in this case anti-coagulation meters—used by patients to monitor prescribed

therapy. Data is transmitted over secure wireless connections enabled by Qualcomm to a Roche cloud-based server and on—in real time—to the patient’s physician for analysis. The latter may adapt the treatment or simply continue to monitor as necessary.

Jeremy Moss, senior vice-president of Roche Professional Diagnostics, explains the rationale for the partnership from his firm’s perspective: “It comes down to the simple fact that data transmission is not a core competence of ours. Healthcare providers have to look for innovative ways of managing patients with chronic disease in real time. It would take us a long, long time to build the needed expertise in that area, so it’s far better for us to partner with somebody who has that core competence. It allows us to get into this space much quicker.”

Qualcomm’s experience comes in handy in another area, adds Mr Moss—ensuring compliance with data-privacy rules. Different countries have different rules on security, storage and crossborder transmission of patient data. The telecommunications firm sees to it that the patient data it and Roche handle from the joint service is encrypted and stored in accordance with local rules. (The US is the initial market of focus.) This type of division of labour, says Mr Moss, allows Roche to focus on improving its diagnostic tools.



# 4. ...THE MORE THINGS STAY THE SAME

For all the fundamental differences between digital partnerships and more traditional alliances, the challenges of making the digital versions work have a familiar, human ring to them. When asked to name the most difficult issues to deal with in digital partnerships, finding the right balance between co-operation and competition figures at the top of respondents' list. Developing sufficient trust with partners is identified as another difficult issue.

Quirky's alliance with GE incorporates the data-sharing and open-innovation features that are hallmarks of digital partnerships. Yet this trust took time to develop. "There's still a lot of learning to do to accept the reality that all these ideas are suddenly going to be out in public, where competitors and others will see them," says Aaron Dignan. The advantage in the future is not secrecy, it is speed, it is connectedness, it is how many people in the community are participating and helping. The network is your competitive advantage now, not secrecy."

Large organisations may figure prominently in digital networks and partnerships, but cultural resistance can nevertheless remain strong to any type of alliance—and takes time to adjust. Anish Shah, president of strategy at India's Mahindra Group, is tasked with building digital capabilities across the conglomerate's subsidiaries, many of which are not "inherently digital"—Mahindra is the world's largest producer of tractors. His biggest challenge, however, is the human element of digitalisation. The group employs approximately 200,000 people across the globe. "There needs to be a shared digital culture in the Mahindra DNA. People need to be on board with change. It can be difficult," says Mr Shah.

Phil McAlister, director of commercial spaceflight for NASA, thinks cultural resistance is particularly true of large public-sector organisations: "You have to be more collaborative, you have to compromise on certain things and maybe not get 100% of the solution that you were looking for, when historically the organisation that you're working in is used to getting exactly what it wants."

Paul Daugherty, chief technology officer of Accenture, a global consultancy, believes that one way to facilitate digital partnerships is to allow for differentiated data channels, akin to "swim lanes", where network members choose the channels their data flow through.

According to Ger Baron, the City of Amsterdam's chief technology officer, Amsterdam Smart City allows intermediate levels of sharing to encourage hesitant companies to participate. The same principle can be applied whatever the assets being shared. Some tie-ups require the navigation of regulatory issues, sharing skills, experience or contacts more so than data.

This is especially true of partnerships involving banks and other financial services firms. BBVA Compass's partnership with Dwolla raised a number of potential regulatory concerns, such as the handling of customer data. The partners used their existing channels to guide US regulators through how the partnership would work.

In any event, companies will need to think carefully about what they wish to share and what they need to ring-fence. Being overly cautious may very well undermine the value of digital partnerships.

# 4. ...THE MORE THINGS STAY THE SAME

In which of the following geographical markets is your organisation most likely to enter into its next digital partnership? (% of respondents)				
	Overall	Top 3 destinations by region		
		Asia Pacific	EMEA	North America
Greater China (China, Hong Kong, Taiwan)	22%	1st	3rd	3rd
North Asia (Japan, South Korea)	15%	2nd		
South Asia (India, Pakistan)	11%	3rd		
Southeast Asia (Singapore, Indonesia)	15%			
Australasia (Australia, New Zealand)	9%			
North America (US, Canada)	25%		2nd	1st
Central or Latin America (Brazil, Mexico)	5%			
Europe (UK, Germany)	23%		1st	2nd
CIS (Russia, Kazakhstan)	2%			
Middle East or Africa (Saudi Arabia, Egypt)	4%			
Globally (three or more of the markets listed above)	4%			
Other	1%			

**Figure 7:**  
**Travel partners**

Source: Global survey conducted by The Economist Intelligence Unit, 2015

# 4. ...THE MORE THINGS STAY THE SAME

## Geography matters

Proximity is relevant to the success of digital partnerships (see case study: Home advantage). The type of trust that survey respondents identify as key to building a successful alliance is easier to foster when partners are within the same time zone, or within relatively easy physical reach. Being relatively close to partners means being able to share ideas and communicate in real time, notwithstanding the options and capabilities for remote collaboration afforded by modern technology.

This may explain the preference for building partnerships within the region rather than across the globe. For example, Asia-based survey respondents say that their next digital partnerships are most likely to be situated in Greater China (30%), North Asia (23%) or Southeast Asia (23%).

Geography matters deeply to many of today's alliances and networks, believes Mr Green of UTS. "It mattered in Silicon Valley, just as it did in Cambridge around biosciences, and similarly in MIT and Austin, Texas. These are clusters and networks that operate on the basis of proximity. The organisations may be very different culturally and have different product mixes, but they have in common the deep connections of the local industries and universities. It is where culture meets geography."

Tech City UK, a publicly funded organisation which supports digital businesses across the UK, works with the technology cluster in east London near London's historic financial centre. This is a fertile ground for numerous types of digital partnerships, according to Tech City UK's chief executive officer, Gerard Grech. Banks, for example, want to be close to the fintech start-ups they

are looking to finance or partner with. Elsewhere in London, media-focused hubs in Clerkenwell and Soho harbour start-ups in areas such as programmatic advertising -- potential partners for the city's large advertising and media firms.

As some of the most interesting innovations and partnerships will probably emerge in these new hybrid industries, the significance of clusters to businesses and city governments is likely to increase. But the relevance of physical proximity should not be confused with personal connections. Existing relationships and chance encounters between senior executives often feature in the inception of digital partnerships; whereas only a minority of companies—a low of 39% in North America—have a specific person or team dedicated to identifying digital partners. Organisations looking seriously at this strategy should develop a more systematic approach.

## What are the most difficult issues to manage when partnering with one or more organisations in a digital partnership? (% of respondents)



**Figure 8:**  
**Problems with sharing**  
 Source: Global survey conducted by The Economist Intelligence Unit, 2015

# 4. ...THE MORE THINGS STAY THE SAME

## CASE STUDY

### Home advantage

*Being close to a partner scores points with executives—even in the digital world*

DeNA is a Japanese Internet company founded in 1999. Despite its youth, the tech teenager has already formed unlikely partnerships in sectors ranging from healthcare (genome research with the University of Tokyo) to finance (e-payments with Mitsubishi UFJ) and transport (robot taxis with ZPM).

Its most recent partnership is in entertainment: an alliance with Nintendo, a video-game maker founded over 100 years ago, to bring Super Mario and other famous Nintendo games to mobile devices.

The coming together of a young Internet firm from Tokyo with a centenarian gaming firm based in Kyoto makes this one of the most exciting partnerships to date, says Kenji Kobayashi, senior vice-president of DeNA. Nintendo's strength in intellectual property and games is complemented by DeNA's data and distribution skills.

For digital partnerships that bring different sectors—and generations together—the importance of mutual respect is paramount, says Mr Kobayashi. Digital partnerships often take the form of young ventures assisting established firms to adopt an Internet mindset.

“Internet companies tend to have a single signature product or technology that has made them their name, and become overconfident about their expertise,” says Mr Kobayashi. “DeNA learned early on that we had to respect and understand our business partners.” Nintendo and DeNA's alliance works well, he says, because they are both venturing into new territory. “Nintendo respected us—and we respected them even more for that”.

Younger firms like DeNA are also recognising the “core value” that traditional companies possess, whether that is locked up in the brand, proprietary technology, institutional skills or knowledge. Gaining access to this value can be a distinguishing feature when Internet companies are seeing

their own uniqueness eroding. Today, almost no sector remains untouched by the Internet, to the extent that the term “Internet sector” will soon cease to exist, says Mr Kobayashi.

Culturally, Mr Kobayashi believes that Japan Inc. is well suited to digital partnerships. Japanese employees maintain a strong allegiance to the companies they work for, making them more amenable to looser partnerships, where “each firm maintains its culture and identity and gives each other sufficient space”. The relatively lower risk and costs involved in digital partnerships, compared with traditional mergers and acquisitions, make them highly compatible with a “Japanese way of testing out new grounds”.

Evidence of this trend taking off can already be seen—even among highly conservative Japanese businesses. Earlier this year Japan Post, a postal service, entered into a digital partnership with Apple and IBM to use the US companies' technology hardware and software in order to serve the country's ageing population better.



SECTION C

# WHY INDUSTRIES ARE ABOUT TO CHANGE

# 5. COLLABORATIVE INNOVATION IS GROWING UP

Digital partnerships can be found just about everywhere. It would be an exaggeration, however, to say that they are going to transform the business world overnight.

Organisations in some sectors remain resistant to the collaborative nature of innovation that is characteristic of digital partnerships. In financial services, BBVA Compass and its parent company are considered pioneers in their experimentation with partnerships, venture financing and other means of accelerating innovation; competitive and regulatory concerns hold most banks back from such activity.

The same holds true in much of the energy sector, especially in capital-intensive oil and gas extraction. In life sciences, cross-industry partnerships such as that between a Swiss healthcare firm, Roche, and a US telecoms company, Qualcomm, focus on remote diagnostics and other digital health solutions. But such examples are rare when it comes to the development of drugs themselves, where enormous investments are sunk into research and development (R&D) and IP protection.

Even in the technology industry it has taken years for the software giants to wean themselves off their proprietary models and embrace more open forms of information sharing. That process is far from complete. Nonetheless, a noticeable shift has occurred. Ismail Chaib is chief operating officer of the Open Bank Project, an open-source application development platform. A few years ago it was mainly people from the banks' IT departments coming to talk to him. Now it is also the digital strategy people.

"When we started with our API [application-programming interface] we were faced with blank staring eyes and quite a bit of misunderstanding. It's rapidly changing now," says Mr Chaib. "There is much more understanding in the industry of what an API is and the value it can bring. Fairly large banks are actually coming to us and talking about our API."

The growing enthusiasm for APIs points to the area where digital partnerships will arguably have their greatest impact—on how organisations innovate. Originally designed for developers to experiment with other companies' software, APIs now bring together partners of different types and sizes. Accenture's Mr Daugherty believes that partner APIs will become the "secret sauce" of innovation in digital

partnerships. They are common among several of the partnerships highlighted in this report, including Quirky's tie-up with GE and its entire invention platform; the BBVA Compass-Dwolla alliance; and Amsterdam Smart City.

The API is a symbol of collaborative innovation. For reasons we have documented above, the latter will not become the norm quickly. Traditional R&D will remain a major source of innovation across many industries. But collaborative initiatives will generate a large and growing share, say our survey respondents: partnering with another organisation in the same industry already forms part of corporate innovation strategies at more than one-in-three (35%) companies in the sample.

# 5. COLLABORATIVE INNOVATION IS GROWING UP

How likely is your organisation to join a digital partnership with the following types of organisations in the next 12 months? (% of respondents)

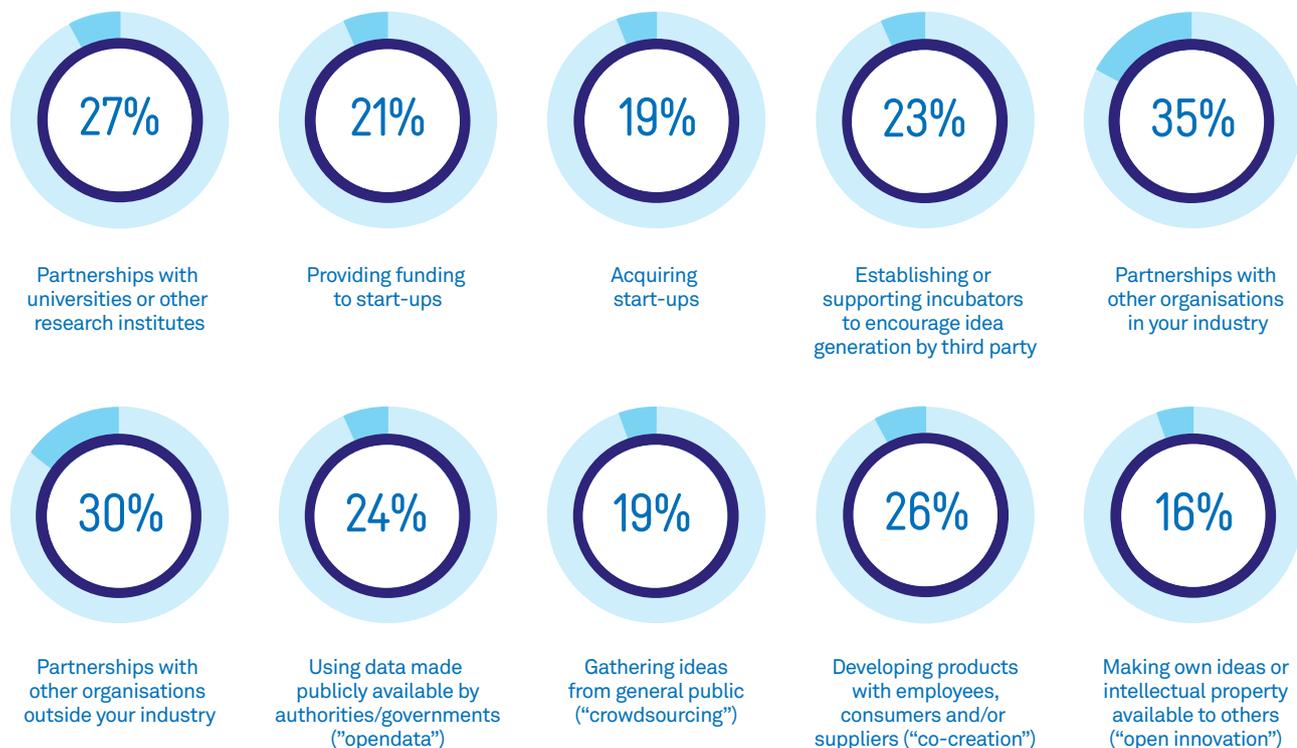
	Highly likely				Highly unlikely
	1	2	3	4	5
A company from outside your industry	14%	28%	36%	15%	7%
A competitor from within your industry	17%	23%	29%	18%	14%
A major technology platform company (Google, Amazon, Facebook, etc.)	16%	31%	30%	15%	8%
A technology hardware provider	15%	30%	34%	13%	7%
A customer	16%	27%	31%	18%	8%
A supplier	16%	34%	30%	12%	7%
A government entity	12%	24%	30%	19%	15%
A venture capital or other financial firm	11%	27%	31%	17%	15%

**Figure 9:**  
**Google it**

Source: Global survey conducted by The Economist Intelligence Unit, 2015

# 5. COLLABORATIVE INNOVATION IS GROWING UP

Which of the following form part of your organisation's approach to innovation, or developing new product ideas? (% of respondents)



**Figure 10:**  
**Group think**

Source: Global survey conducted by The Economist Intelligence Unit, 2015

## Industry crossover

More generally, digital partnerships will weaken the borders separating industries from one another and continue the development of hybrid industries between technology and other players. Up to 70% of organisations in our survey already partner with at least one other company from another industry. More than four-in-ten survey respondents (42%) say that their firm will form a partnership with a company from outside their industry within the next three years.

In Asia-Pacific and other high-growth regions, government-controlled organisations are likely to feature more prominently in digital partnerships than elsewhere, given the significant economic role of state-owned businesses: as many as 42% of Asia-Pacific respondents—far more than from other regions—expect their organisations to enter a partnership with a government entity over the next year (see case study: Upskilling a nation).

Looking further ahead, innovation is set to continue to sit at the centre of these strategic alliances. Over the next three years most survey respondents believe that the best innovations in their respective industries will either originate from cross-industry partnerships of the types we have been describing in this report, or from innovation labs sponsored by established players in their industry.

# 5. COLLABORATIVE INNOVATION IS GROWING UP

Looking ahead to the next three years, where do you think the best innovations in your industry are likely to originate? (% of respondents)



**Figure 11:**

**Numbers game**

Source: Global survey conducted by The Economist Intelligence Unit, 2015

# 5. COLLABORATIVE INNOVATION IS GROWING UP

## CASE STUDY

### Upskilling a nation

#### *Lenovo gets social in Singapore*

Lenovo's chief executive officer, Yang Yuanqing, wants his company to be a social-media leader. The task of achieving this falls to the Digital and Social Centre of Excellence, which Lenovo set up in 2011 in collaboration with the Economic Development Board (EDB) of Singapore.

The initiative was borne out of a mutual interest: Lenovo spotted a widening gap between the availability of talent and an increasing demand for expertise in digital and social media. Meanwhile, Singapore's government had an economic interest in becoming a hub for such talent, particularly in terms of analytical capabilities.

In exchange for financial incentives from the EDB, Lenovo based its centre in Singapore, recruiting some of the world's best social-media analysts for its new team from a variety of backgrounds and

countries, including the US, UK, Sweden, India and the Philippines. The EDB, meanwhile, gets to place Singaporean graduates at the centre to work closely with top talent and receive hands-on mentoring for two years through their Strategic Attachment and Training Programme.

"Part of the rationale for doing this was to bring the skills and talent into the marketplace, and to improve the skills and talents already here," says Rod Strother, the centre's director.

Last year Mr Yang challenged the centre to establish a leadership position in social-engagement marketing. As corporate social-media strategies move beyond simply generating likes and followers, brands are looking to develop far richer engagement with customers. However, knowing what constitutes best-in-class engagement is one uncertainty; determining the value this generates for a business is another.

To set about doing this the centre approached Social Bakers, a social-data mining company that Lenovo purchases analytics from, to work together on developing a new set of benchmarks. Together they co-created the Social Health Index, which takes social-engagement metrics across different platforms as a measure of brand strength.

Ownership of the Social Health Index was given to Social Bakers, which allowed them to integrate the index into their product portfolio. In return, Lenovo gets insights on how they can better position themselves within the rankings. "The beauty is that we are not just measuring where we are versus brands within our category," says Mr Strother. "We're also looking at other brands that we regard as leaders in social, such as Ford, Coke, Nike and GoPro."



# 6. GLOBAL BUSINESSES ARE BUSY NETWORKING



A few dominant technology platforms, such as Google, Apple, Amazon and Facebook, are certain to continue to overshadow other members of their networks and ecosystems. Yet fears of being dominated by these technology giants are clearly fading—at least within our survey group. Nearly one-half (47%) say that they plan to enter a partnership with a major technology platform company, such as those listed above, over the next year.

Moreover, as smart specialisation gathers more momentum, digital partnerships are likely to become more egalitarian in affording opportunities to players of different sizes. According to Mr Green of UTS: “The future belongs to SMEs and entrepreneurial start-ups in the sense that anyone can get involved or insert themselves into these value chains and capture value from them.”

## “The future belongs to SMEs and entrepreneurial start-ups”

Roy Green, dean, UTS Business school, University of Technology Sydney

Mr Dignan gives expression to the same idea in a different way: “I expect that in the future, at the head of the tail will be the platforms that bring everyone together, such as the Amazons and Apples. And then there will be a long tail of specialists and innovators and experts and craftsmen that have only one particular area where they shine but are highly sought after in collaborations. It will be a world of very big platforms with lots of little craftsmen.”

What does this mean for global organisations operating in traditional industries? For now, the global businesses in our survey (and oldest businesses—they account for the largest percentage of companies with roots

stretching back at least half a century) are prioritising traditional innovation strategies, such as internal R&D, or at most acquiring promising start-ups. They are also far more likely to view themselves as disruptors—even though they admit to experiencing more negative impacts of digital disruption than regional or national organisations.

Yet there are signs that even the biggest ships are being turned around—and are intent on catching up. The Mahindra Group, an Indian-based conglomerate founded in 1945, has operations in over 100 countries and ten business sectors, spanning automotive and agribusiness to financial services and real estate. Its agribusiness arm is currently collaborating with Cisco, a US manufacturer of networking equipment, to develop its capabilities around the Internet of Things.

# 6. GLOBAL BUSINESSES ARE BUSY NETWORKING

“This is only the beginning,” says Mahindra’s Mr Shah, although enhancing digital capabilities across the entire organisation will take time and multiple partnerships. The group identifies itself as a “federation of companies”, so that each business operates with a high degree of autonomy. As a result, these businesses are at different stages of digital development and have their own collaborations with outside partners of varying maturity. Mr Shah doubts that any external collaboration could ever span the entire group, given its size and scope.

The majority of global companies in our survey entered into their first digital partnership in the past 12 months. Although this lags behind organisations with smaller footprints, executives at global companies are no less reliant on their digital partnerships for a significant source of future revenue. Indeed, global companies are expected to be the most active adopters of this trend: the majority expect to enter into a digital partnership with at least one other party in the next 12 months.

As global companies scramble to insert themselves at the centre of tech-style ecosystems, some hold-outs will inevitably remain. The professional services industry has generally been slow to act, as have oil and gas companies—no doubt feeling secure by the same barriers to entry that banking and automotive executives thought would keep them safe. Executives in these industries should consider acting before receiving a technology-shaped jolt. Google and Facebook are already generating their own energy for data centres and corporate headquarters. Even big oil should not be surprised by what happens next.

50%  
OF EXECUTIVES  
EXPECT THEIR DIGITAL  
PARTNERSHIPS TO  
LEAD TO A CHANGE  
IN BUSINESS MODEL  
AT THEIR ORGANISATION

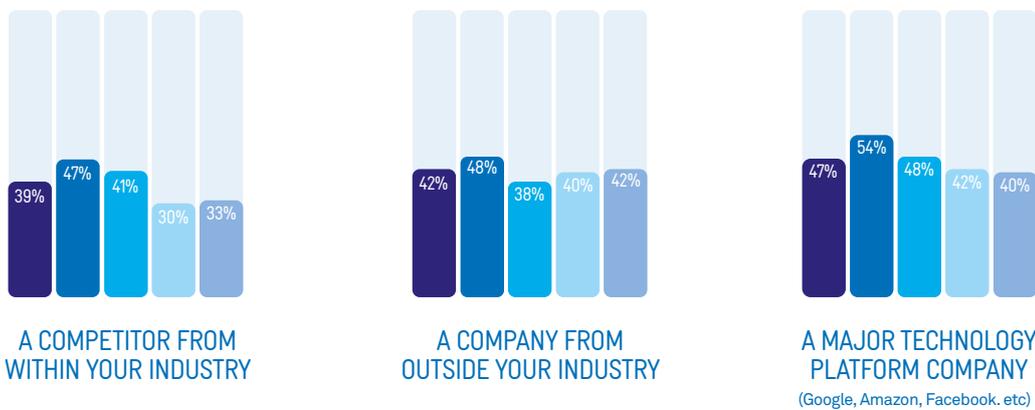
# 6. GLOBAL BUSINESSES ARE BUSY NETWORKING

When did your organisation enter into its first digital partnership with another organisation? (% of respondents)



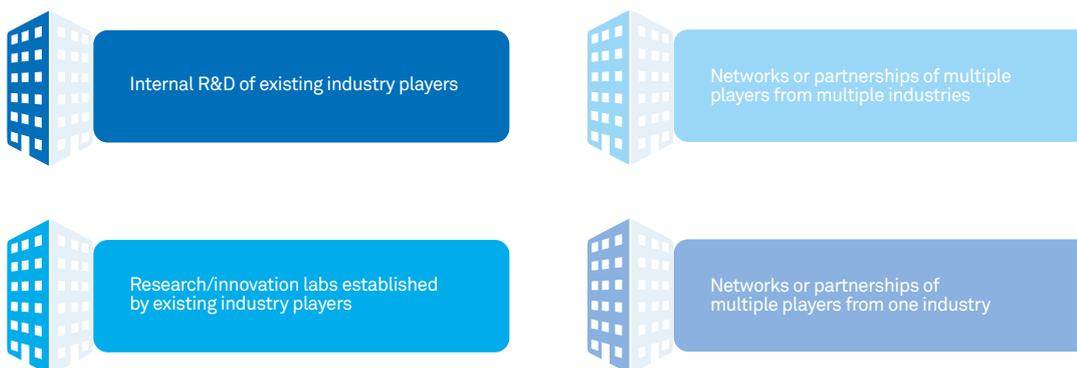
Figure 12: Socially active

How likely is your organisation to join a digital partnership with the following types of organisations in the next 12 months? (% of respondents selecting likely or highly likely)



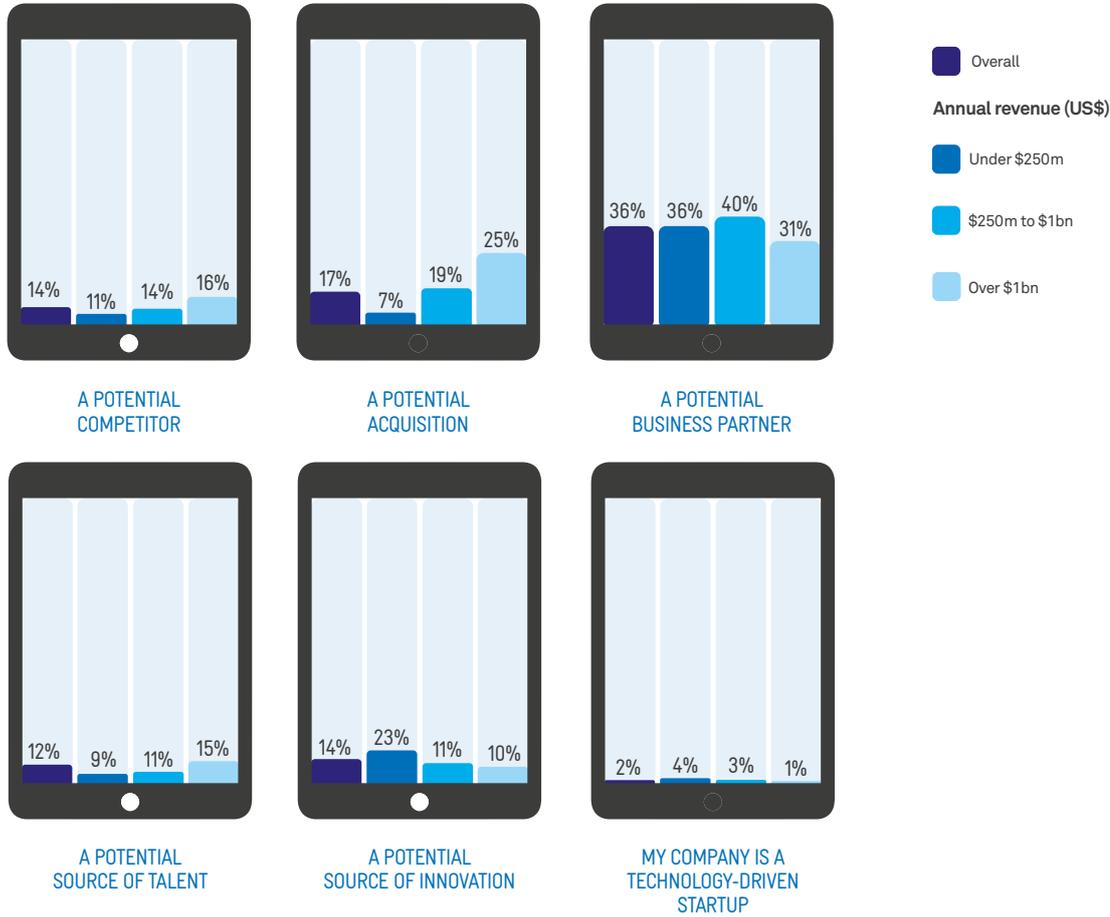
Looking ahead for the next three years, where do you think the best innovations in your industry are likely to originate?

MOST POPULAR ANSWER



# 6. GLOBAL BUSINESSES ARE BUSY NETWORKING

How does your organisation view technology-driven start-ups?  
(% of respondents)



If news emerges tomorrow of a large technology company preparing to enter your market, which of the following best describes the initial reaction you anticipate from your senior management? (% of respondents)

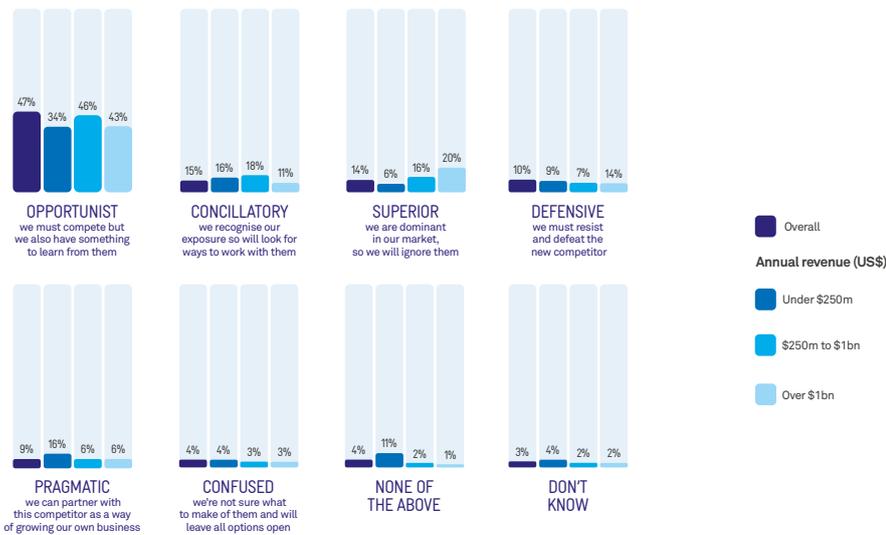


Figure 13:  
Open plans

# 6. GLOBAL BUSINESSES ARE BUSY NETWORKING

## CASE STUDY

### Auto pilot

#### *Why Ford is sharing the wheel*

When Ford embarked on its Smart Mobility innovation programme in 2014, relates Alicia Agius, the idea was originally to develop new digital products around the car. However, it quickly became clear, she says, that the company needed to widen the programme's horizon and explore digital services as well. Among the 25 pilots it is running around the world as part of the programme is a car-sharing service of which Ms Agius is project lead. (Car-sharing pilots are also being run in Germany, India and the US. Its rivals BMW, Daimler, Honda and others have launched similar businesses.)

What distinguishes GoDrive from other car-sharing schemes operating in London is, first, that no membership fee is required to join. Second, it makes its cars (naturally, Ford models) available at "hubs"—off-street car parks located near major train and Underground stations in central London. This makes it possible for users to make one-way trips, leaving the car at a hub of their choice near their destination, where Ford guarantees a parking space will be available. Pricing is pay-per-minute; this covers fuel, insurance and the London congestion charge.

The programme has thus required the involvement of multiple partners to develop specific technologies, such as the app and car-park barriers, and deliver component services, including insurance, payments, cleaning and fleet management. Ms Agius, who is GoDrive's project lead, adds that it also involves

the co-operation of several local councils and Transport for London, the agency that manages the city's train, bus and Underground services. (Most of the partners' identities have not yet been made public, given the pilot nature of the project.)

Managing an array of partnerships involving different industries, especially to deliver services, is complex for a manufacturing company, but Ms Agius believes that automakers and others have no choice but to use this model for future transport projects in cities. "It's predicted that two-thirds of the world's population will be living in cities within a few decades, and there are huge mobility issues facing them. It won't be possible for a car company or a train company, or a local government building more roads, to resolve these challenges on their own; cooperation will be essential."



# CONCLUSION

The experience of working in digital partnerships will almost certainly change the organisations that take part in them, particularly large multinationals. Some, as one of our financial industry interviewees related, will seek to learn directly from the smaller players in their partnerships—especially start-ups—about how to be more entrepreneurial. This includes modifying some of their own internal processes governing the innovation process.

Evidence of the rewards from digital partnerships—the development of new capabilities, access to new ideas, faster innovation, faster time to market—will eventually wear down still-strong pockets of resistance to genuine collaboration. This will partly be a natural result of generational change, as relatively young “digital natives” with positive personal experiences of information sharing populate more parts of the organisation. But exposure gained in digital partnerships to other ways of working—especially in idea generation and accelerating time to market—will hasten attitudinal change.

Large companies will become braver about who they collaborate with. If our survey group is any indication, traditional “offline” companies no longer tremble when news reaches them of imminent market entry by an online powerhouse. Many corporates, of course, find it easier for competitive reasons to partner outside their industry than within it. Partnering with competitors is not the norm, even for the active practitioners of partnership in our survey, and is unlikely to become so anytime soon. Still, the practice of digital partnering is forcing companies to apply more discipline in their data and information sharing: as they get better at ring-fencing what can be shared from what cannot, they will feel more secure about joining networks or alliances in which their rivals also take part.

Organisations of all sizes in digital partnerships will become more comfortable with relatively loose, often non-contractual types of association. The fluid nature of some types of

networks and ecosystems will require it. But this will not apply across the board. All organisations, large and small alike, want some level of protection, and legal agreements will remain a feature of many types of digital partnership, especially those that number fewer players and call for some levels of investment.

One thing that is unlikely to change with digital partnerships is the enduring need for accomplished management skills to build and sustain the relationships. Even where the collaboration is largely automated, mutual trust and confidence will determine how deeply and effectively it works. The ability to manage digital partnerships will almost certainly become a required skill for those desiring an office in the executive suite: digital partnerships are already diverse by industry and geography. The clamour to form best-in-class networks is gaining pace.

