Business leaders are adopting a partnership approach to unlock the value of shared ambition and target sustainable growth.

With confidence increasing, businesses across the UK are focused on growth. This presents a real opportunity to turn ambition into action – but it also demands that companies are primed and prepared for the financial and operational challenges that investment and expansion bring.

Many business leaders are adopting a partnership approach to unlock the value of shared ambition and target sustainable growth. Across this issue of Long View you’ll find examples of this in action, with businesses working closely with suppliers, distributors, colleagues, mentors and financial and strategic advisers to strengthen relationships, glean new insights, and encourage innovation.

It’s clear that time invested in enhancing relationships is well spent. As a bank, it’s something we take very seriously. We’re committed to playing a pivotal role in the business community, and to understanding our clients’ business and sector, and their particular challenges and objectives. This understanding underpins our mission to provide support that goes beyond financial solutions and extends to market knowledge and valuable insight into mitigating risk and seizing opportunity – both at home and overseas.

I hope this issue inspires you to seek out the true potential of all your partnerships.
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THE LAST WORD
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Why businesses need to break conventions to optimise relationships
The value of contracts won by UK companies for the Brazil 2014 World Cup and the Rio 2016 Olympic and Paralympic Games.

Source: gov.uk (February 2014) / UKTI

More than 60 UK companies – most of them mid-sized enterprises – won contracts for the Sochi 2014 Winter Olympics.

Consumer adoption of mobile payments will deliver wide-ranging benefits for the UK economy, according to a report by the Centre for Economics and Business Research (Cebr), which argues that key benefits to consumers, businesses and the Exchequer include the potential to reduce fraud, lower transaction costs and reduce cash flow issues.

- 20m adults will use a mobile to pay for goods and services by the end of the decade.
- The value of purchases will triple from current levels to £14.2bn in 2018.
- Mobile payments will represent 1.4% of total consumer spending by 2020.

Source: The Future of Payment in the UK, Cebr
The Business in Britain report highlights increased confidence across all UK regions, and in all sectors.

BUSINESS CONFIDENCE ON THE UP

Business confidence has hit a 20-year high, fuelling optimism for continued growth in the first half of 2014, according to the latest Business in Britain report from Lloyds Bank.

The twice yearly report, now in its 22nd year, canvasses the views of 1,500 UK businesses. January’s report showed business confidence reaching its strongest level since January 1994, reflecting rising expectations for orders, sales and profits in the next six months.

AMONGST THE KEY FINDINGS OF THE BUSINESS IN BRITAIN REPORT, DURING THE FIRST HALF OF 2014:

- 55% expect their orders to increase
- 54% expect exports to increase
- 27% expect to increase their capital expenditure
- 27% expect to increase staff numbers

Almost two thirds of British SMEs believe there is a ‘skills gap’ in their workforce which they fear could stunt growth, limit competitiveness, and dent their future profits, according to a report from Lloyds Bank.

Furthermore, while most businesses are keen to address the issue, lack of time and budget are seen as the main barriers.

Tim Hinton, Managing Director, SME and Mid Markets Banking, Lloyds Bank said: “If businesses are to seize opportunities for future growth and profitability, investment in skills needs to be at the top of their to-do list. The same principle applies for us within the Bank.”
Successful partnerships result from shared values and a mission that both parties entirely buy into.

For those who seek to truly excel, there can be strength in numbers. Long View talks to CLODAGH O'REILLY, Chair of the Association for Business Psychology, about the dynamics of powerful partnerships.
Some of the most celebrated business ideas, sporting achievements and examples of creativity have come through collaborations or partnerships – think Steve Jobs and Jonathan Ive at Apple, Ivan Lendi coaching Andy Murray to Wimbledon victory, and John Lennon and Paul McCartney producing some of the most iconic sounds of the 20th century.

So what is it about partnerships that can drive that level of achievement? “Put simply, a partnership is likely to be creative if the parties value creativity and innovation,” says Clodagh O’Reilly. “Partners who value innovation are more likely to challenge each other constructively, seek new and improved ways of doing things and strive for the continual improvement that could trigger the next big breakthrough.”

Larry Page and Sergey Brin are perhaps one good example of this kind of progressive thinking. The Google co-founders met at Stanford University, where their joint research formed the basis for the iconic enterprise that now employs more than 30,000 people worldwide. Sharing a passion for technology, they created a company with a relaxed atmosphere which, despite its growth, aims to maintain an open culture that encourages atmosphere which, despite its growth, aims to maintain an open culture that encourages people to bounce ideas around and try out strategies, without risk from potential competitors or ridicule.

“That can be a leader’s saving grace.”

Asking for support in the form of honest feedback shows a willingness to continue to learn from others. That can be a leader’s saving grace.

If we look at dynamic partnerships across the spectrum of business, we can gather clues about how companies can harness that collaborative culture to create their own success. “Successful partnerships result from shared values and a mission that both parties are being greater than their individual egos or contributions,” says Clodagh. “A strong partnership enables each party to be truly honest and open with each other, more likely to challenge to protect their vision and more likely to accept one another’s critique or counsel.”

This notion of shared values can be seen, for example, in the partnership of Ben Cohen and Jerry Greenfield. As co-founders of Ben & Jerry’s – and co-authors of Ben & Jerry’s Double Dip: How to Run a Values-Led Business and Make Money Too – the childhood friends promoted a socially responsible business philosophy, having themselves turned their shared passion for “spreading peace, love and ice cream” into a great commercial success.

An aligned partner, or group of partners, can offer support,” agrees Clodagh. “It can be lonely at the top, because many leaders experience increased pressure of responsibility without having a trusted partner to reassure them. For leaders to admit they want or need support can be seen as a sign of weakness, rather than strength. In fact, asking for support in the form of honest feedback shows a willingness to continue to learn from others. That can be a leader’s saving grace.”

Asking for support in the form of honest feedback shows a willingness to continue to learn from others. That can be a leader’s saving grace.

Top Tips for Successful Partnerships

- Look at yourself and the sort of partner you’re likely to be. Make sure you know what you will offer and ask of a partner.
- Look for a partner with a vision aligned to your own. Go beyond the headline of that vision (for example, creating a new product) to the specifics of what success looks like in the short and long term.
- Seek out complementary strengths – having each partner make a unique and distinct contribution encourages greater accountability, mutual respect and healthy dependence.
- Challenge yourself to communicate honestly and openly. Be respectful of each other, receptive to healthy debate and willing to compromise.
- Create an exit strategy. Be realistic when establishing contracts. Recognising risk and planning ahead in this way encourages both parties to consider how best to mitigate against a negative outcome.

A BALANCED RELATIONSHIP

It’s essential to understand what each party wants from the partnership up front and ensure that values and ambitions are closely aligned, Clodagh asserts. “Balance is critical in partnerships – unbalanced partnerships seldom deliver great successes. Imbalance can come from differing beliefs, levels of responsibility or commitment. When considering a formal partnership, each party has a responsibility to consider what their objectives are, what they are giving to the partnership and, most importantly, what they are taking from it. If that is not even-handed, the long-term success of the partnership is immediately jeopardised.

“Respect, communication and aligned ambitions are the foundations of strong partnerships,” she continues. “For me, the fictional partnership between Holmes and Watson embodies this as an example of complementary strengths, shared passion and mission, mutual respect – and a lot of patience, and even forgiveness, along the way.”

A SAFE ENVIRONMENT

Partnerships do place intrinsic value on collaboration and drive a willingness to learn from others, within and beyond the partnership. They offer a ‘safe’ environment for people to bounce ideas around and try out strategies, without risk from potential competitors or ridicule.

“An aligned partner, or group of partners, can offer support,” agrees Clodagh. “It can be lonely at the top, because many leaders experience increased pressure of responsibility without having a trusted partner to reassure them. For leaders to admit they want or need support can be seen as a sign of weakness, rather than strength. In fact, asking for support in the form of honest feedback shows a willingness to continue to learn from others. That can be a leader’s saving grace.”

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Clockwise, from top: Google founders Sergey Brin and Larry Page; Ben & Jerry’s entrepreneurs Ben Cohen and Jerry Greenfield; Andy Murray and Ivan Lendl; Apple’s Steve Jobs and Jonathan Ive.

Pictured on page 7: John Lennon and Paul McCartney.

CLODAGH O’REILLY
Chair of the Association for Business Psychology
Business coaching and mentoring is definitely becoming more popular – with good reason. In a challenging economy, it’s a cost-effective and productive way to focus on talent development and succession planning. It’s a real value exercise for all concerned, with clear benefits to the organisation, as well as to the individuals involved.

Success hinges on the quality of relationships and a willingness to learn and be exposed to new ideas. It promotes a more collaborative, innovative culture and guards against stagnation.

To create a successful mentoring programme, trust is essential – as is clearly setting out expectations from the outset. At the Chartered Institute of Personnel & Development we have a number of practical resources to help businesses deliver programmes, from identifying goals to honing mentoring skills.*

Mentoring cannot just be an add-on – it has to be well thought out if businesses and individuals are to get the most out of it. Offering guidance or training for internal mentors is useful, as is ensuring that the partnerships are effective. There is no harm in admitting a mentoring relationship isn’t working. By being open and honest, you can find a better match – external mentors can, for example, bring a new dynamic.

Creating an equal partnership can be a tough dynamic to establish as more junior mentees can often feel constrained. Organisations need to ensure mentors are approachable – and make it clear that this is a learning opportunity for them too, to become a better manager, for example.

We encourage employers to measure the impact of such programmes on their organisations and our experience is that the impact will be quite profound. ■

* Some CIPD resources are available to members only. Membership fees may apply. Visit www.cipd.co.uk for details.

A MEETING OF MINDS

The CIPD’s Dr JILL MILLER explains why mentoring should be part of the toolkit for smart businesses looking to add value across their organisation.

BENEFITS TO MENTEE

■ Improved interpersonal skills
■ Development of managerial skills
■ Discussion of career development
■ Opportunity to learn by example.

BENEFITS TO MENTOR

■ Insight into life at the ‘coalface’
■ Opportunity to share skills with the next generation
■ Learn new skills from a tech-savvy generation
■ Improved interpersonal skills.

BENEFITS TO THE BUSINESS

■ Encourages cross-collaboration
■ Skills retention
■ Supports succession planning
■ Encourages knowledge and experience sharing.
I’ve learned the value of grasping real detail about the business you’re involved in rather than sitting remotely in some ivory tower.

In 2007, as founder of fast-growing communications specialist Daisy Group, MATTHEW RILEY secured a memorable two days shadowing top retailer Sir Philip Green as part of an entrepreneur’s challenge prize. It was the start of a unique mentoring partnership.

Over the course of the last six years, Sir Philip Green’s mentoring has been invaluable, from both a personal, but also wider business perspective. There’s no doubt the guidance I’ve received has played a significant part in my transformation of Daisy Group – from a turnover of some £60m with 200 employees in 2007 to now, with almost 1,600 staff and on track to turnover more than £400m.

Sir Philip is a formidable ally and adviser. What began with two days shadowing him at work has continued as a priceless mentoring relationship to this day. We talk every few months and meet a couple of times a year. If I need advice, I can pick up the phone and get a sound, sensible response. And of course, being mentored by the legendary CEO of retail giant Arcadia opens doors – a mentoring relationship is always an opportunity to expand your network of connections.

It’s also an opportunity to learn by example. I’ve seen first-hand the impressive speed with which Philip’s flat management structure gets products to market, for example. His work-rate is phenomenal. As is his tenacity: for all his success, he’s still very hungry to do more business and that’s incredibly inspiring.

There were surprises. I hadn’t expected the level of detail he goes into with his buying team – examining fabrics, scrutinising next year’s products, interrogating the purchasing agenda, defining the winners. I’ve learned the value of grasping real detail about the business you’re involved in rather than sitting remotely in some ivory tower. What has stuck with me too is his advice about monitoring and reporting your figures and your cash position daily, weekly, monthly – really knowing the numbers. It’s reinforced that same discipline in me and is something that I now instil within my team at Daisy.

To get the real value from a mentoring relationship you have to be open to all learning opportunities – be observant, listen and be receptive to change.
THE SPIRIT OF PARTNERSHIP

The John Lewis Partnership reported increases in profit, sales and market share in 2013. In a tough market, has collaboration been the key to success?
With its strategy objectives based on three pillars – Partners, Customers and Profit – the John Lewis Partnership has met the challenges of a tough retail environment head on, recording a 9.3% increase in gross sales and a 15% rise in profits in 2012-13. For Jane Burgess, Partners’ Counsellor, the collaborative ethos of the UK’s best-known employee co-owned business (where all 85,500 permanent staff are Partners) has been a significant factor.

“We attribute much of our success to the business’ twin guiding principles of employee ownership and Partner democracy,” she asserts. “And that’s recognised increasingly by our peers and external audience. There seems to be a greater conviction now that the reason we are successful has everything to do with the character of our business.

“We are unique in many ways,” she notes. “One of which is that we have directors who are elected by our Partners. That might seem an unusual way to run a modern company. However, our Partners enjoy a level of well-being far above the national average and the business is performing well.”

That could be considered an understatement for a brand that boasts 40 department stores and more than 300 Waitrose shops, and has become synonymous with quality, trust and value.

PARTNERSHIP AND PERFORMANCE

Having first joined the John Lewis Partnership as a trainee in the 1970s, Jane became Partners’ Counsellor in 2012. Her remit is to challenge and encourage each employee (or Partner) to play their role as co-owners, so that the entire Partnership benefits from their accountability and participation.

“Our Constitution states that the Partnership’s ultimate purpose is ‘the happiness of all its members through their worthwhile and satisfying employment in a successful business’. I’m not sure there are many FTSE 100 companies with the word ‘happiness’ in their mission statement,” says Jane.

But does she think there should be? After all it isn’t just the Partnership’s commercial success that has attracted attention – it has also been acknowledged for its strong reputation, accountability and attitude towards treating its Partners fairly.

“Evidence certainly suggests that employee-owned businesses outperform other companies in productivity and job creation,” states Jane. “They are also more resilient with a lower risk of failure – as well as being happier and more satisfying places to work.*

“Crucially, employee-owned firms are more long-termist. Aligning the long-term interests of employees and management means that executive decision-making is less prone to chasing rapid growth and short-term profitability that you see in the plc model. It means that the decisions we take to grow the business are responsible and do not expose the business to unacceptable levels of risk in order to satisfy the need for immediate shareholder gain.”

The results speak for themselves. The John Lewis Partnership has recorded year on year profit increases since the onset of the financial crisis in 2009, despite the double-dip recession.

“Whilst times have been tough for many businesses, by investing in our Partners and working to be a truly sustainable business, we have been better able to weather the harsh economic climate,” Jane explains.

A DEMOCRATIC OUTLOOK

In addition to its team of Partners and elected directors, the company has a Partners’ Council, which allows the Partners to have a real voice and includes the authority to remove the Chairman from office, should the need arise (it never has!).

“The democratic aspects of our business contribute largely to our long-term advantage,” says Jane. “But we are not a perfect democracy. Decisions are not taken by committee – that would lead to paralysis. Instead, commercial decisions are taken by the Partnership Board and the Executive, who are held fully accountable.

“Having an open, fair and transparent Partner democracy, where our Partners have a voice, means we get great ‘inside’ information about customer experience from those who serve and see customers every day. That’s the big competitive advantage – it links through Partners, through customers and through profit.”

So what message would Jane pass to other companies interested in creating a partnership spirit to boost their business?

“To be effective, an organisation needs to understand the value of the employee voice at all levels in the business.

* The John Lewis Partnership sponsored Cass Business School to conduct research into the benefits of employee-owned businesses. Read more on p14.
EMPLOYEES ON BOARD

Is the traditional plc the best model for sustainable long-term growth? Professors JOSEPH LAMPEL and AJAY BHALLA of Cass Business School would argue not.

With a mission to quantify the value of employee ownership in the UK, Cass Business School professors Joseph Lampel and Ajay Bhalla, in conjunction with Dr. Pushkar Jha from Northumbria University, have led groundbreaking comparative research that has encouraged business leaders and policy-makers to look beyond the dominant shareholder model.

The research – originally sponsored by the UK’s best-known employee-owned business (EOB), John Lewis – compared the performance of EOBs before and during the recession with that of conventional firms by analysing the financial data of 49 EOBs and 204 non-EOBs in the UK. They also conducted a detailed survey of senior executives in 41 EOBs and 22 non-EOBs. “What makes our study rare, if not unique, is that we did a like-for-like comparison between EOBs and non-EOBs on a number of measures – increase in turnover, size, profitability and so forth,” explains Joseph. “That gave us a broad picture.”

First published in 2010, expanded in 2012 and further updated earlier this year, the research (which is on-going) focuses on businesses that don’t just operate share ownership schemes, but where employees are partners in decision-making. “In our research, EOBs all have at least 32% employee ownership, but more crucially, the staff have a voice at board level, with governance mechanisms built around that,” explains Ajay.

“We examined the impact of this model on commercial performance under recessionary conditions. In theory, EOBs should do better in tough times due to greater employee satisfaction, motivation and flexibility. What our research showed was a surprisingly strong link between employee ownership and company performance.”

Joseph expands: “During the boom time, EOBs showed slightly slower turnover growth...
EOBs show greater stability and consistency of long-term performance – they’re less prone to boom and bust patterns.

“They are also more likely to invest in training,” adds Ajay. “EOBs really go out of their way to involve employees not just in operational but also strategic decisions, allowing them to acquire business skills out of reach for workers in a conventional company.”

What can other businesses learn from the study? “Good management matters. Listening to employees and obtaining their trust, commitment and dedication pays off,” says Joseph.

While he emphasises that the EOB model is “not for everybody”, Ajay believes that many businesses can incorporate elements of it. “Your business will improve significantly if you cultivate initiative and motivation, and involve your staff in decision-making with the belief that they are true partners in your success.”

“Where staff are not only owners but also have a real voice, they are more likely to accept sacrifices, be flexible and put in more effort in tough times. In conventional businesses adversity often breeds conflict, but in EOBs it is more likely to breed cooperation.”

“On profitability and sales per employee, both productivity measures, non-EOBs tend to do somewhat better during the boom period, but when times are bad, EOBs forge ahead,” Ajay adds. “Crucially, EOBs show greater stability and consistency of long-term performance – they’re less prone to boom and bust patterns.”

But why is this? “There are several factors,” explains Joseph. “EOBs are less prone to rapid, credit-fuelled expansion and are careful when recruiting. Interestingly, our research showed that during the downturn EOBs picked up talented staff shed by the conventional businesses, putting them in a strong position to take advantage of the improvement in the economy.

“Generally, they use recessionary periods to put their house in order and make changes. They emerge from crisis reinvigorated and much more resilient – not just surviving but actually improving.”
Retailers and suppliers who collaborate fully earn more money, are happier people and have more sustainable businesses. So why, asks supply chain expert Professor ANDREW FEARNE, don’t more of them do it?
For 20 years, I’ve been preaching the virtues of collaboration, the advantages of sharing the risks, resources and rewards across the supply chain. But, in reality – particularly in today’s challenging trading climate – businesses are more often focused on short-term survival rather than long-term sustainability.

The benefit of collaboration is that it builds trust. In almost every case, there’s a more efficient allocation of resources, a reduction in the generation of waste and, in my experience, an increase in the rate of success of marketing plans and new product introductions. Without collaboration, everyone’s guessing. It’s like driving in fog.

INSIGHT AND IDEAS
For procurement professionals, collaboration means treating suppliers decently, making sure they make a return on their investment in your business and their own, bringing them into the room to discuss strategy, innovation and the terms of trade, hearing their problems – listening to their ideas. Clearly, suppliers treated this way will be much more committed to you. You’ll get their best ideas. They’ll put their best people to work on your account and help you beat the competition.

But it’s a two-way construct and suppliers have to play their part too. The best-placed suppliers are probably the large branded manufacturers. These are big, sophisticated, ‘grown-up’ players, with armies of smart graduates and extensive data, generating incredible market intelligence about the consumers of their brand. They can share consumer insight with the retailer to make sure their products are on the right shelves, at the right price and time — to mutual benefit. It’s a much taller order for the smaller suppliers who lack the full suite of resources for developing supply chain relationships. They need to be more innovative in the way they work, which can mean sacrificing some of their independence and collaborating horizontally, with other small suppliers, to build capacity and critical mass and gain a louder and more persuasive voice.

BUILDING TRUST
Collaboration is not the same as compliance and too many people simply don’t understand the difference. Moreover, the power dynamic is not always as we might expect. For example, because the supermarkets are the big players in the relationship it’s assumed that they are giants exploiting their power. It’s not always the case. Suppliers can be just as opportunistic and must also be encouraged to act with integrity.

Trust takes time to build and has to be earned. Remember the ‘Horsegate’ scandal? It vividly illustrated a food supply chain challenge that was entirely predictable. It didn’t compromise safety but it did expose the vulnerability of a sector in which opportunistic behaviours have become the norm. Collaboration and trust are, I would argue, in short supply and the information that is captured along the chain is rarely shared or fully exploited.

PRODUCTIVITY AND PROFIT
However, there’s no shortage of empirical evidence of the pay-off in productivity and profit from supply chain collaboration — and that’s something all sectors have in common. There’s less waste of unused stock, fewer inventories soaking up precious capital, fewer failures in new product introductions and far greater resilience. It’s crazy that more information isn’t being shared along the chain.

It’s really difficult to get inter-organisational supply chain relationships right, and many procurement professionals and account managers don’t. But those that work it out generally earn more money, have more sustainable businesses and are happier people.

Andrew Fearne is Professor of Value Chain Management at Kent Business School.
In a competitive market where demand can outstrip supply, Lansdowne Chemicals maintains robust supply channels to continue its impressive growth story.

“A dedicated funding line gives us a tool to demonstrate the depth of our commitment to our supplier.”

Oxfordshire-based Lansdowne Chemicals is a leading provider of speciality chemicals, supporting a diverse international clientele. Through focusing on the highest levels of service the company has grown steadily since inception in 1977, evolving to include divisions dedicated to nutrition, aroma and water treatment.

A strong supply chain has proved an important strategic asset as Lansdowne has pursued global growth. In 2005 it launched Lansdowne Chemicals Europe BV, establishing a base in Rotterdam to access opportunities in the wider European market, and in 2008 also established strategic stocking points in the US to support the development of its business in that high-potential market. This proactive approach has led to significant growth, supported by a £2.5m revolving credit facility from Lloyds Bank which provides a dedicated line to finance high value chemicals in a competitive market where demand can outstrip supply.

“The facility allows us to buy certain commodity chemicals by the full container, for which we have a ready resell, without having to impinge on our core banking facilities,” says Peter Taylor, Chief Finance Officer, Lansdowne Chemicals. It also helps to bolster pivotal supply chain relationships, he adds: “The subsidiary benefit is that a dedicated funding line gives us a tool to demonstrate the depth of our commitment to our supplier, which can be very important in this sector.”

“Lansdowne has a real commitment to generating organic growth through deepening customer relationships,” says David Squibb, Regional Trade Director, Lloyds Bank. “We understand the importance of maintaining robust supply channels for in-demand products and are delighted to support them with a dedicated trade finance line.”

Lansdowne Chemicals’ guiding principle of providing superior customer service and building strong relationships across the supply chain continues to serve it well. “We’re very optimistic about the future,” confirms Peter.
STRATEGIES FOR GROWTH
FUNDING GROWTH

A SHARED VISION

Founded in 2011 with £2.5bn investment from the five major UK banks, Business Growth Fund (BGF) offers more than just growth capital to UK businesses.

£200m+
Invested by BGF since 2011

GF offers a collaborative approach to financing growth, working together with the ambitious companies in which we invest. The partnership element is critical,” asserts Business Growth Fund Chief Executive Officer, Stephen Welton. “Money is obviously important. All businesses need working capital to grow, and access to finance is a key element of what BGF provides – but what has much greater, longer-lasting impact is the support and expertise a company can access.”

And BGF has expertise in spades. As well as non-executive directors (NXD) from its five major shareholder banks, it draws on the considerable experience of the team of independent NXD on its board – including Audrey Baxter, CEO of Baxters Food Group and Stephen Murphy, former CEO of Virgin Group – to further its mission to unlock the potential of fast-growing UK businesses.
Stephen explains that BGF is “a structural intervention” providing access to long-term capital and equity for businesses across the UK. With seven regional offices, the average investment is £5m and, since launch in October 2011, BGF has invested more than £200m. But its aims go beyond providing funding for growth.

“It’s a great opportunity to marry up extremely experienced business people, keen to share their unique insights, with ambitious companies keen to learn from them,” says Stephen.

Despite being completely autonomous from an operational perspective, Stephen says, “we work very much in tandem with banks. All the companies we invest in are banked by one of our shareholders and we reinforce that relationship by strengthening the company balance sheet and changing the nature of dialogue between bank and customer.”

**TAPPING INTO TALENT**
To enhance its offering, BGF has also established a talent network, which identifies suitable NXD and chairmen across sectors in different localities and presents them to its investee companies as potential support. The level of commitment required is extremely flexible, and ranges from joining the board of a BGF investee company to contributing a small amount of high value time to share industry insight.

“It’s a great opportunity to marry up extremely experienced business people, keen to share their unique insights, with ambitious companies keen to learn from them — it would be difficult to achieve without our involvement,” Stephen points out. “And we’re always looking for more people.”

Stephen emphasises the importance of the BGF’s interconnectedness with the local business scene: “We want to invest time and support in local professional communities and business networks. In the years ahead I’d like to see BGF as an integral part of business communities, really engaging with them and understanding their needs. We’re not interested in financial engineering; we’re interested in the business. If we’re going to be a partner, we need to have a shared view of the future.”

To find out more, or get involved in the BGF Talent Network, visit www.businessgrowthfund.co.uk

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**MERVYN WILLIAMSON**
**JOINT MANAGING DIRECTOR**
Statesman Travel Group

“One of the main positives of working with BGF was their long-term vision. “In 2011, we were focused on pursuing an acquisition strategy for growth, and were introduced to BGF by our long-term banking partner, Lloyds Bank. We then became one of its first investments, receiving a £4.25m injection in return for a minority shareholding and a seat on the board. The investment, alongside funding from Lloyds Bank, allowed us to acquire rival operator, Commodore International Travel.

“The deal has proved transformational, with both our turnover and workforce more than doubling, and our offering becoming increasingly diverse.”
Family enterprises form the backbone of the UK economy, according to the Institute for Family Business (IFB), with Britain’s three million family firms providing over nine million jobs and generating almost a quarter of UK GDP. MARK HASTINGS, Director General of the IFB, explains why doing business the family way is so enduring. »
hen you hear the words ‘family business’, you often think of a small, local company,” says Mark Hastings. “But the UK’s family enterprises range from the very small to the very large, and include some of the most successful companies – well-known, well-loved brands like Warburton’s, Clarks and Virgin.”

These family firms are as traditionally British as scones and cream – behind their hearty image is a business model that has endured for hundreds of years. “That’s a clear signal of its success as an ownership model,” notes Mark. “Underpinning this success is each generation’s commitment to passing on an improved business to the next.”

Analysing the particular strengths and characteristics behind the success of the family business model, Mark summarises: “Culture and values play an important part. And the stable ownership structure provides a level of certainty and continuity for management that is perhaps not always available in other ownership models.

What’s more, family businesses are typically very swift and agile in their decision-making, not having to take into account the views of a variety of shareholders.”

What are the unique strategies that allow them not only to survive, but to thrive? “Those who own and run a family firm have a far longer time horizon on performance and growth,” Mark suggests. “Unlike PLCs, they are usually not at the whim of the quarterly – or even annual – reporting season. Typically they minimise debt and borrow prudently. They invest by ploughing back profits, and take a long-term view as it’s very much linked to the fortunes of the family.”

Succession is often flagged as a key challenge for family enterprises – especially at the first critical exit of the founder handing over to the next generation. But, as Mark points out, issues around exit and succession are not unique to family enterprise. “They are equally live issues for partnerships and PLCs. But of course there is an additional layer of complexity here, with family relationships adding an emotional element to what should be strategic business decisions.”

Beyond the first two or three generations shareholding can become widely spread across an extended family, and there may be no family members actually directly working within the business. Their role remains important, however. “The family remain inherently connected, even if day-to-day management has been passed to a professional team,” asserts Mark. “After all, the family embodies the heritage, culture, values and ethos of the business, and these are crucial. They are what differentiate a family business from any other kind of enterprise, and are often the reason why employees are so loyal.”

Ultimately, their recipe for success is, he adds, “no different from the universal recipe for business success – ensuring you have the right people in the right roles doing the right jobs, and a focus on working together to deliver a quality product or service. But what you will often find in a family business is a laser-like focus on excellence, because it’s literally their name over the door.”

What you will often find in a family business is a laser-like focus on excellence, because it’s literally their name over the door.
With his business poised for national growth, GAVIN ROBERTS, Managing Director of Kernow Sausage Company, reflects on the advantages of family values.

Kernow Sausage Company is a true family affair. Founded in 2007 by butcher Gavin Roberts, as the business expanded his mother and sister joined the ranks, later followed by his brother-in-law, step-father, partner and step-daughter. Thanks to a secret family recipe, Kernow’s award-winning produce has become renowned amongst connoisseurs and the company is targeting national expansion, with funding support from Lloyds Bank.

Gavin attributes much of his success to the family business model. “As a small business, having the support of family is a huge advantage,” he confirms. “They will always chip in and do more when needed, without expecting increased remuneration – and when you’re just setting up that’s a massive plus.”

“There’s definitely extra commitment. The business’ success is a success for the family, and that creates an interesting dynamic. We have a shared goal and a real determination to achieve it.”

It’s not always plain sailing, he points out: “The security of the relationship means that your employees – your family – can argue back if there’s something they don’t want to do!

“Being the youngest in the family, but head of the business, has also been a challenge. In the early days, we perhaps struggled to separate business and family life, but we’re getting better at achieving that balance. I was lucky to be mentored by someone with experience of family businesses, who said that you have to constantly remind yourself why you went into business in the first place. And that’s true – for me, it’s an opportunity to make myself and set the family up for life.”

Being a family business, true to its traditional Cornish roots, is integral to the company’s brand. But with expansion planned, how does Gavin propose to retain those values?

“Without doubt, the biggest challenge will be integrating non-family members into the business,” he states. “But there are lots of businesses whose experience we can draw on. What will be important is maintaining a family-like vibe and underpinning the company with a culture that retains the values of quality, tradition and friendliness. It’s about treating people not as employees, but as partners in achieving a common ambition.”
While economic recovery presents many opportunities for companies, growth also brings significant risks, as MIKE GILLESPIE, Director, Complex Deal Team, Lloyds Bank, explains.

It’s a commonly held belief that recession is bad for business and that growth is de facto good for business. But growth presents risks for companies of all sizes, in particular when the upswing follows a slow exit from recession.

The challenge is that companies tend to ‘batten down the hatches’ during bad times – looking after their cost base, concentrating on core product ranges, and striving to be as efficient as possible with working capital. This can result in lean companies which are not only undercapitalised, but also under-resourced from a workforce and skillset perspective. These factors can severely limit capacity for growth and lead to overtrading.

RECOGNISING THE SIGNS
Broadly speaking, overtrading occurs when a company embarks on a growth phase or enters into contractual obligations to provide products and services that it simply cannot fulfil given its existing capital base.

The key manifestation of overtrading is working capital distortion – which typically results from trade debtor days moving out as customers take longer to pay, driven by looser credit terms to bolster sales. This kick-starts a cascade effect whereby the incidence of bad debts escalates, since growth frequently drives less discerning financial behaviour.

At the other end of the cascade, suppliers of raw materials still insist on prompt payment, since they are extremely sensitive to overtrading risks.

ADDRESSING OVERTRADING
For those concerned that they may be overtrading, it’s vital to take positive action rather than hoping to trade through. Companies could look to: optimise operational efficiency; manage their debtor book/offer less advantageous terms; and raise additional capital. Other potential corrective actions include reducing inventory or releasing cash from fixed assets, using sale and leaseback for example. The judicious use of invoice discounting can also work to alleviate working capital calls on cash – although this technique is not a panacea to overtrading.

In summary, the pursuit of revenue and profit in the absence of risk management can pose a threat to a business’ ability to thrive and survive. As the adage goes, ‘revenue is vanity, profit is sanity, cash is reality.’
A SOLID PLATFORM FOR GROWTH

Six acquisitions in six years make Kelway one of the UK’s fastest growing technology groups – and an expert in the successful integration of new businesses.

Kelway has managed a great deal of positive change. Founded in 1990, the business grew organically before taking a private equity partner in 2006. “That was the catalyst for the aggressive growth strategy that characterised the next six years,” says Henry Pepperall, Kelway’s finance director. “During that time we acquired six businesses and there have been many changes within our core business to accommodate that growth.”

Kelway’s strategy is aggressive but considered, with the impact of proposed acquisitions thoroughly explored. Its relationship with Lloyds Bank has proved beneficial, as the 2013 acquisition of Equanet, the non-trade and public sector IT solutions brand of Dixons Retail plc, illustrated.

“We could see the possible synergies, and Kelway’s track record of creating added value from acquisitions,” says Diana Honey, Lloyds Bank Relationship Director for Kelway. “Working with Strategic Finance and our Commercial Finance team, the Technology, Media and Telecoms team provided a mixture of term debt and invoice finance to ensure sufficient working capital was available for both the initial purchase and to successfully restructure the business.”

“We seek the Bank’s opinion early in any deal process,” confirms Henry. “They have a good understanding of the business and the strategy we’re pursuing and a track record in providing us with advice that stands the test.”

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“The Bank worked closely with us to structure a deal to provide the headroom we needed and to ensure we received credit sanction,” says Henry. Kelway worked with the Bank’s Technology, Media and Telecoms experts and Strategic Finance team, whose early input helped to establish the viability of projected synergies.

“We undertook analysis on both the impact of the funding and how best to structure the deal to ensure that Kelway could continue business as usual,” notes Richard Mayall, London Regional Director of the Strategic Finance team.
t’s no secret that there are ample opportunities in the world’s trade hot spots, but accessing those opportunities can be a challenge. Many of the world’s largest or fastest-growing economies take a restrictive stance on foreign direct investment and, while recent years have seen steps taken to soften this stance in many markets, barriers still remain in some sectors and jurisdictions.

Whether through necessity or choice, a joint venture (JV) or strategic partnership can offer UK businesses an alternative route to overseas growth in many global markets, says Martin Morgan, Regional Trade Director, Lloyds Bank. “I’ve experienced companies having to set up JVs in the Middle East, for example, because they can only bid for a local contract on that basis,” he states. “Often there are restrictions against pitching for a contract from the UK, but the business may not want to commit to a full physical presence in the territory, especially if the opportunity is just one or a small number of contracts.”

Trade restrictions aren’t the only motivator. Some emerging markets are so culturally and legally different from the UK that a local partner is a logical choice, he adds. “Often the drive for a JV is lack of knowledge about the market. Collaboration taps into valuable local knowledge to create an effective entity.”

However, there can be challenges associated with this type of partnership that participants must be alert to. “Getting the right financial structure in place from the offset is critical,” Martin asserts. “Agreement must be reached on how much capital each party invests and how the business will be funded. Often local banks will view the JV as a start-up or a temporary business and can be reluctant to lend, so UK businesses might find they have to commit more capital than anticipated. Establishing which legal system governs the terms of the partnership or JV is also important – finding a neutral jurisdiction can be beneficial.

“Ensuring business motives and ethos are clear and aligned is also a must. In a sense, JVs are like marriages – you have to work on them all the time. If you’re at opposite ends of the world that’s not always easy. Clear, continual communication is essential. But you must also protect your interests with an appropriate legal and financial framework.”

Research and preparation is time well spent, Martin notes. “If you invest the time in going out and finding the right partner with strengths in the territory, a JV can be really effective. You share the opportunities as well as the risks, and gain access to new contacts that can unlock doors.”

JVs are not just an option for exporters. Importers can also benefit from creating strong partnerships with suppliers, he notes. “If you have a critical relationship with an overseas supplier you can protect your business from a competitor coming along and squeezing you out or monopolising capacity by entering into a JV with that supplier. It can offer security for both parties.”

As Martin concludes, regardless of whether it’s your first foray into new markets or you are an experienced overseas trader, the key is “ensuring that the proper groundwork and time is taken in creating the right partnership.”
INTERNATIONAL AMBITION
FINANCING GLOBAL GROWTH

PRODUCTIVE PARTNERSHIPS

With exporting high on the government agenda as a means to bolster economic recovery, UK Export Finance (UKEF) is working together with the banking sector to deliver crucial funding support.

As the UK’s export credit agency, UKEF plays a critical role in helping exporters and investors through the provision of credit insurance policies, political risk insurance on overseas investments and guarantees on bank loans. It also shares credit risks with banks, working in partnership to help exporters to raise tender and contract bonds, access pre- and post-shipment working capital finance, and secure confirmations of letters of credit.

This partnership approach has become increasingly prominent post-crisis, says UKEF Chief Executive David Godfrey. “There were significant disruptions in the financing market during 2008-9 and SMEs in particular struggled to access trade credit support for short-term exposures. As such, short-term products are now a major focus for UKEF,” he explains. And as UKEF had not been overly active in this space pre-crisis, “it made complete sense to leverage Lloyds Bank’s significant SME and mid-market expertise, and its network of regional relationship directors, to identify companies across the UK that could benefit from our combined support,” says David.

Interestingly, the partnership between UKEF and Lloyds Bank extends farther than working together to provide finance to UK exporters. “We have also had extremely positive dialogue with Lloyds Bank around developing standardised documentation for transactions, making the process of applying for trade support far more efficient for the customer. By harmonising bank and government body KYC (Know Your Customer) requirements, for example, we can avoid duplication of procedures and the associated delays. In turn, this enables customers to be in an advantageous position when bidding for contracts.”

Knowledge sharing is another important benefit of the partnership, says David. “Exporting is a niche product and the financial support choices that are available to companies are not always obvious, or widely broadcast.” By working together, both organisations therefore play a vital role in supporting and educating the export industry.
Seizing the opportunities of a burgeoning African mining industry, Welsh civil engineering and building company Dawnus has established itself as an expert in a niche sector. 48% of its turnover is now generated overseas – with impressive growth facilitated by Lloyds Bank, working together with UKEF.

Since we first started exploring opportunities in Sub-Saharan Africa in 2009, our turnover has increased from £78m to £177m," says Tim Lowe, Group Finance Director, Dawnus. "We now employ nearly 700 people in the UK and more than 1,000 overseas."

Though largely self-funding, Dawnus has a requirement for contract-specific trade finance facilities to access some opportunities that this market presents. In 2012, for example, Dawnus was offered the chance to tender for a $200m contract at the Marampa mine in Sierra Leone. “It was a significant moment for the business,” remarks Tim. “The deal extended over three years, which essentially provided the business with long-term security and safeguarded local UK, indigenous and ex-pat employment.”

With one of the contract conditions being a $15m bond, Dawnus turned to Lloyds Bank for a solution. “We’ve worked with Lloyds Bank for several years and have developed a strong relationship,” says Tim. “They demonstrated a really cohesive approach, bringing in a team of trade experts who were instrumental in steering us through the hurdles to achieve exactly what we wanted.”

A partnership approach proved effective in addressing risk concerns. “We used the services of UKTI and the Foreign & Commonwealth Office to complete thorough due diligence on West Africa,” explains Simon Robinson, Trade Director, Lloyds Bank. “Dawnus’ market expertise was also a positive, while the fact that the mine owner was London Mining, a UK-based, AIM listed entity, helped in terms of comfort around counterparty risk.”

Furthermore, by working alongside UKEF under its Bond Support Scheme the Bank was able to share some of the risk. “Lloyds Bank and UKEF worked closely together to enable us to unlock the funding we required on our terms,” concludes Tim. “Without the bond, we simply wouldn’t have been able to secure the contract. It’s encouraging to know that we can count on the Bank to support us as we continue to grow.”

Turnover has increased from £78m to £177m since 2009

A $200m contract in Sierra Leone was a key milestone

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SECTOR REPORT

EDUCATION: ACADEMIA & INDUSTRY

Examining how academic institutions and businesses are working together to innovate and excel.
With their extensive knowledge base, state-of-the-art facilities and direct access to young talent, it comes as no surprise that spin-out companies are often created by universities to develop their research into commercial products or services. Although spin-out companies continue to pop up across the UK, an interesting trend towards university partnerships with existing external businesses is gaining significant traction.

A pioneer of this concept was the University of Sheffield, which founded the Advanced Manufacturing Research Centre (AMRC) in 2001. Supported by Boeing, the AMRC is a world-class centre for advanced machining and materials research for aerospace and other high-value manufacturing sectors. It aims to help manufacturing businesses become more competitive through the application of new techniques, technologies and processes – and has provided a model for partnership research centres worldwide.

**WORKING TOGETHER**

In the Yorkshire and Humber region alone, the AMRC has collaborated on over 300 projects with small and medium-sized businesses, creating or safeguarding over 1200 jobs. One such company is Performance Engineered Solutions Ltd (PES) – a high performance engineering design business that has worked with Formula One names including Ferrari and McLaren.

As Mike Maddock, Managing Director at PES explains: “The AMRC has been very supportive of our business and PES has really evolved from its interaction with the AMRC. Technology changes so rapidly that, unless you are a very large corporate, it can be difficult to keep up. Immersing ourselves in the collaborative environment provided by the AMRC means that we can see where technology is going and how it is being applied.”

The partnership also provides a support network, says Mike: “If we have a manufacturing challenge, we go and discuss it with the AMRC – they act as a hub for bringing together partners and collaborators to help overcome hurdles. And when clients push us to explore new technological developments, the AMRC can help us to determine whether an idea is viable.” For example, a recent joint research project between PES and the AMRC looked into the potential use of bio-composite materials in the production of niche automotive vehicle bodywork panels.

“Not only does the AMRC have an excellent academic skillset that is beneficial to mid-sized companies, it also has a very practical focus – which is often missing from traditional university engineering courses,” notes Mike. The AMRC is therefore realigning academia with the practical skillsets that are the lifeblood of manufacturing and engineering.

**FACILITATING PARTNERSHIPS**

While PES has an extremely close link with the AMRC, many businesses do not have such a direct line into academia. This is where organisations such as Interface – the knowledge connection for business – have a significant role to play. Established in 2005, Interface is a central hub which provides a free and impartial service connecting businesses, both national and international, to 24 higher education and research institutes in Scotland. The organisation works across all academic disciplines – ranging from psychology, science, engineering and technology to economics.

“We work with businesses to find the best expertise possible across our academic partners – and we provide links to those institutions. This saves businesses both time and money in finding the right partner,” says Dr Siobhán Jordan, Director, Interface.

“What these partnerships deliver is the ability to progress ideas and projects which companies do not have the internal capacity or knowledge to undertake in their own right. They can also provide independent verification or a proof of concept, which can then assist companies in securing investment.” Indeed, a significant number of businesses that Interface has introduced to partners in academia have shown increases in turnover, created new jobs, and developed products and processes that are now generating sales in the marketplace.

**SHARING KNOWLEDGE & EXPERIENCE**

Collaborative partnerships between industry and academia are opening up new avenues for mid-sized companies, giving them both the knowledge and leverage to pursue new ideas.
here is a tradition of collaboration between academia and industry,” states Keith Norman, Head of Higher and Further Education, Lloyds Bank. “Universities rarely undertake research in isolation, normally collaborating with either other universities or external bodies. For example, large charities such as Cancer Research UK commission significant amounts of research, and similarly many big engineering firms, such as Rolls Royce, work in partnership with universities to develop new technology.”

So what drives partnerships and how important are they for all parties?

“Relationships become very important during times of crisis, as we all know,” says Keith. “We have experienced one of the worst economic downturns in history, and of course budgets and resources have come under intense scrutiny. The funding mix is changing – universities are increasingly trying to diversify their income streams and so partnerships with industry, whether that’s on a research or a teaching footing, can be critical.”

Collaboration is being used to great effect in a diverse range of sectors and driving significant benefits for all parties. The University of Essex, for example, in partnership with the Edge...
Foundation, boasts the Edge Hotel School, which enables students to work alongside professionals in a fully operational 4-star country house hotel as part of their degree level studies, and has rooms sponsored by major hotel groups. Another example is the Centre for Innovative Manufacturing in Liquid Metal Engineering, a collaboration funded by the Engineering and Physical Sciences Research Council (EPSRC) between Brunel, Oxford and Birmingham universities and companies including Jaguar Land Rover, Tata Steel and Siemens. Its mission is to equip the UK metal-casting industry to become more cost-effective and sustainable, whilst improving casting quality.

“Through tie-ups with universities, businesses can gain credibility and a competitive edge in process, product or service development.”

Improving funding levels isn’t the only driver – reputations can be greatly enhanced. “It’s a very competitive environment,” asserts Keith. “Universities need to attract high calibre students to survive. To do that, they need high quality facilities and academics. There’s a new Research Excellence Framework completing in 2014 and universities want to be as high up that league table as possible.”

And it’s not just universities who benefit from these partnerships, he adds. “Through tie-ups with universities, businesses can gain credibility and a competitive edge in process, product or service development without the cost of creating an in-house research facility. From our perspective, working with both universities and businesses, there’s an opportunity for collaboration that can create value for all parties.”

Lloyds Scholars is a combined social mobility and higher education programme. Launched in 2011, we initially worked with Sheffield and Bristol universities to design a programme that would benefit students from lower income families, but have expanded to eight universities each offering 15 scholarships every year. The programme provides students who would not have an opportunity to fully partake of university life a complete package including an annual bursary and financial incentives for academic achievement.

Each student is mentored by a senior figure at Lloyds Banking Group, who offers work experience opportunities and career information and direction. We provide softer skills training in negotiation and media skills, for example, and two paid internships at the Bank. This is not, however, a recruitment programme and, whilst that option is open to graduates, what they are applying for in joining the programme is support that will hopefully make them more employable.

In return, we ask them to volunteer at least 100 hours each year in their local community. With 228 scholars this year, that’s 22,800 hours of support for community organisations. And there’s a breadth of skills as we have students studying everything from archaeology to zoology, in communities from Edinburgh to Bristol.

The Lloyds Scholars programme is a partnership that brings benefits to students, universities, Lloyds Banking Group and to community groups across the UK.

For more information visit lloyds-scholars.com
To really get the best from your business relationships you need to break conventions, argues partnership marketing consultant ANDREW ARMOUR.

Emerging from the realms of marketing into the wider business lexicon, partnership marketing is one of those broad terms that can mean different things in different organisations and industries. Essentially it’s a more collaborative approach that leverages the value in key relationships – going beyond conventional business relationships and building powerful alliances to create a ‘collaborative advantage’.

It’s particularly important in driving innovative thinking. In a competitive, fast-paced environment, businesses must innovate in order to survive and mature, and an effective network is a real asset. Internal R&D and talent programmes are important, but true innovators draw on partnerships – with suppliers, customers, distributors and even with traditional competitors.

As a driver of business culture, technology presents challenges and opportunities. It facilitates smart networks and makes it easier to connect and share. But we must remember that those connections are based on people. Much is made of advances in ‘collaborative software’ that enables remote working and 24/7 availability. The danger, however, is that it’s not what true collaboration is about.

True collaboration is about bouncing ideas off one another and working closely together. Working remotely is great for productivity, but it’s not a creativity enabler. Isolation is rarely inspiring.

What’s more, collaboration delivers value. Partnership marketing can extend your budget – if you engage more fully with your network to create deeper understanding of your business and the wider market you can leverage that insight to real commercial benefit. With budgets under scrutiny, relationships can be made to work harder to inform creative strategies with much greater reach.

This phenomenon is being driven at both ends of the business spectrum. Larger companies are becoming more open to strategic partnering and today’s diverse communication channels enable them to connect more readily with smaller suppliers and customers. Ambitious smaller businesses can also spark engagement with large corporates through those channels.

A lot of this openness has to come from the top. The traditional, top-down decision-making culture is changing. We’re seeing executives having real conversations with suppliers, rather than just dictating terms. It can be challenging to effect this kind of change in conventional dynamics, but it’s a shift that represents smarter ways of working and real opportunities.

Andrew Armour, Managing Director of Benchstone, is a marketing consultant, tutor and commentator on partnerships, collaboration and innovation. Find out more at www.andrewarmour.com
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