

Employers collaborating to raise skills in supply chains and clusters

March 2005

Summary report

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1. KEY FINDINGS AND RECOMMENDATIONS

OVERVIEW

The plethora of ways in which employers work together on skills and innovation to enhance business performance is comprehensively illustrated by the final report from the CBI's Skills Project. The report sets out the findings from a major CBI research programme incorporating a survey of over 400 employers together with some 30 case studies. The findings from the project have been widely disseminated and the policy recommendations subject to extensive consultation among CBI members and key committees.

While the link between higher skills levels and higher levels of business performance is increasingly recognised, very little research has been undertaken into the business benefits – both direct and indirect – that can be obtained specifically as a result of employers working together to enhance skills and innovation. In line with a commitment announced in the government's Skills Strategy, the CBI has identified how businesses can enhance their performance by collaborating on skills and how further developments in this area could be stimulated.

KEY FINDINGS

The major findings from the CBI research programme include:

- Almost without exception, employers that collaborate on skills report that this activity has a positive impact on business performance. The most common specific business benefits to collaboration are improvements in employees' competence, working practices, product/service quality and customer satisfaction.
- The majority of employers in the CBI survey work together on skills issues. Employers collaborate on skills and innovation in a variety of groupings – most commonly working together with others in the industrial or business sector (60% of organisations), although there is also considerable collaborative activity on skills in the local area and in the supply chain (49% and 48% respectively).
- The nature of skills collaboration is driven by business needs and hence encompasses a wide variety of approaches. For example, large companies might open up their training facilities to smaller firms to ensure high-quality skills in supplier companies, while small or medium-sized enterprises (SMEs) might set up mentoring groups or pool skills to bid for contracts for which they would not have the full skillset individually. However, some characteristics are universal – such as the ability to gain economies of scale by sharing training costs.
- In terms of business size, the research has identified two main models of collaboration. Under the 'hub-and-spoke' approach, a large employer leads improvements among smaller firms. The second approach involves predominantly SMEs working together to mutual benefit.
- The programme has identified four broad types of groupings in which employers collaborate: local firms in the same business sector (the 'classic' cluster); local firms

operating in disparate sectors; national sectors; and the supply chain (which encompasses all the companies involved in delivering a final product or service).

- There are instances of both the 'hub-and-spoke' model and the SME collaboration model occurring across each of the four types of business groupings. However, some groupings are particularly appropriate to one or other approach – for example the supply chain is usually characterised by the 'hub-and-spoke' approach, where a large firm at the top of the supply chain drives skills improvements in the smaller firms involved.
- The most common specific aim of collaboration is to improve employees' job-specific skills, and there is also considerable interest in developing employees' generic skills such as teamworking and communication. However, many collaborations have specific business objectives, hence collaborative initiatives in the supply chain often concentrate on issues such as process improvements.
- The primary factors fostering success in collaborations are the involvement of firms facing similar business problems or challenges (45% of surveyed firms cited this factor as influential), senior-level commitment (44%) and the availability of tailored training (43%). However, these vary according to factors such as size of firm – with external facilitation particularly important to smaller firms.
- Employers most commonly become involved in collaborative working by setting up a scheme themselves, with over half of survey respondents (56%) reporting this to be the case. Others do so because of an approach from a public sector broker or intermediary (28%); an approach from a firm that is a customer (23%); or through a private sector training provider or broker (22%).
- Taking the findings from the survey and case study research together, it is possible to draw key messages about the drivers of business skills collaborations – that is, what gets them under way initially. These include: the vision of key individuals at varying organisational levels – ranging from managing director to personnel officer level – is often vital; approaches by larger firms are also an important driver; and initiatives by industry forums or external organisations can also drive collaboration.
- For skills collaboration to be sustained in the long-term, the case study research is helpful in drawing out key messages, which include: senior-level commitment must be maintained to ensure long-term success; change agents can be invaluable in institutionalising skills gained from collaborative working; and pump-priming funding, where available, must be employed effectively to promote long-term success.
- A lack of opportunities acts as the major barrier to working with others on skills, reported by almost half of surveyed organisations that do not collaborate. Other significant obstacles include confidentiality concerns (notably, over working with competitors) and lack of time or resources. By contrast, only 18% of organisations that do not collaborate attribute this to not seeing the benefits of doing so.

RECOMMENDATIONS

The CBI research programme has illustrated how business collaboration on skills can improve business performance and has identified the factors that influence the extent to which employers adopt this approach. While the study has found extensive evidence of good practice among CBI member firms, it is likely that the level of collaborative working is less well-established in the wider economy. Given the right opportunities, information and support, the CBI believes many more companies would be willing to work together on skills to raise business performance.

Drawing on the findings from its current research programme, the CBI has developed a range of policy recommendations aimed at fostering and promoting business collaboration on skills and innovation.

Recommendation 1 – Develop more tailored support for business, particularly small and medium-sized enterprises, to foster collaborations on skills and innovation

Among employers in the CBI survey that do not collaborate on skills, almost half say that this is because they have not had the right opportunity. This evidence suggests that improved business support could foster a greater number of openings for firms to work together on skills. This could include:

- **the dissemination of information and practical advice about collaboration**

The CBI is willing to take a lead in promoting and disseminating the good practice findings on collaboration that have been identified in the current project. Good practice case studies and guidance could be targeted to meet the needs of key personnel, for example material aimed at large firms could set out information on realising the benefits and handling the practical issues involved in becoming a regional hub and driving up skills in the local area. Information for small firms could in turn provide practical advice on the type of training needs that can be met by collaboration and how to manage the process.

- **the fostering of alliances between firms by the use of existing brokers**

Existing business brokerage services could create opportunities for employers by keeping a database of firms interested in collaboration. They could also facilitate collaboration between firms – for example, helping to overcome confidentiality issues by screening to check that direct competitors are excluded from collaboration if appropriate.

Recommendation 2 – Increase responsiveness of training providers to employer needs on skills and skills collaborations

Many cases of collaboration in the CBI research programme are motivated by employers' need for tailored training. The research has also identified examples of companies that have collaborated to design their own qualifications according to industry-specific needs. These arrangements could be fostered by:

- **directing funding towards training supplied by employers and good providers**

In the CBI's view, more employers would collaborate to access training provision if they were confident of obtaining a service tailored to meet their needs. This would mean making public training provision more responsive to employers. The bulk of the Learning and Skills Council's (LSC) budget for "adult participation and learning" is currently allocated in bloc funding to further education (FE) providers, encouraging the system to be supply-led rather than demand-driven. Employers and individuals should be able to purchase training eligible for public funding from any LSC-accredited provider, including private providers as well as FE colleges.

- **drawing on the lessons learned from the successful Employer Training Pilots**

The CBI has welcomed the government's acknowledgement, in announcing the new National Employer Training Programme, of evidence from the Employer Training Pilots evaluation suggesting that both employers and adult learners respond positively to the delivery of training in the workplace at times that suit them. Building on this model is essential to further success.

Recommendation 3 – Encourage more employers to pool apprentices/open up training facilities

Many small or medium-sized enterprises (SMEs) find it difficult to commit for the full term of an apprenticeship (three to four years) – for example, many small construction firms would not have contracts of that duration. The current research has illustrated one way in which the problem can be overcome – with larger employers sharing apprentices with suppliers or partner organisations for the duration of a project. This can also benefit the individuals involved through the opportunity to gain experience of working in a range of firms. The sharing of apprentices should be promoted, for example through encouraging brokers and business support agencies to raise awareness of the benefits of sharing apprentices.

Recommendation 4 – Improve education-business links

Good communications between employers and educational institutions is vital to facilitate employer collaboration on shared qualifications and training. For many employers, the biggest problem can be finding the right university or college to link with in the first place, and then finding the right person to contact within the institution. The drive to improve communications should involve the following types of measures:

- **facilitation of communication between universities and colleges and employers in the local area.** This might include the extension of "account management" models already being applied in some FE colleges, whereby companies are allocated to individual staff who co-ordinate efforts to meet their skills needs.

- **supporting best practice in exemplar colleges.** For example this could include the use of the Learning and Skills Development Agency-approved benchmarking tool "Learning PROBE"

Recommendation 5 – Create a clear route for firms to gain accreditation of their own qualifications

Many successful collaborations centre on the formation of a tailored qualification in which two or more companies share design and provision to meet a joint skills need. In order to make it easier for firms to do this, there is a need to build on current initiatives to create clear pathways for inspection and accreditation of such arrangements.

Recommendation 6 – Encourage employers who wish to collaborate to look to existing schemes for inspiration

Several existing schemes identified in the CBI research programme have been successful in helping both small and large employers to grow their business, for example the scheme run by the technology transfer company RTC North where programmes include mentoring, training and innovation programmes and site visits. Others include the Britest scheme where a group of employers and universities collaborate to share research and develop innovative practices while overcoming intellectual property concerns.

Recommendation 7 – Encourage employee involvement in skills collaborations by engaging with employees

Effective employee involvement is key to any successful skills collaboration. Involving staff in discussion about their training needs and keeping them informed about the benefits of skills and training collaborations raises their motivation to undertake training. Where unions are recognised, they may well be able to play a constructive role in facilitating alliances (for example, with local colleges).

Recommendation 8 – Improve responsiveness and coherence of government skills agencies

Employers, especially small or medium-sized enterprises, find the plethora of skills agencies confusing. Given that networks of employers collaborating on skills do not respect administrative or regional boundaries, improved communication and co-ordination are essential between the various agencies currently involved in the planning and delivery of skills (for example, local Learning and Skills Councils, Sector Skills Councils and Regional Development Agencies).

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2. CBI SURVEY OF EMPLOYER PRACTICE – SUMMARY OF FINDINGS

The majority of firms in the CBI survey of over 400 employers collaborate on skills with others in their supply chain, sector or local area – and most report a positive impact on business performance as a result. This section provides an overview of the survey findings, identifying the nature, benefits, success criteria and barriers to collaboration among participants.

Key survey findings

A number of key messages emerged from the CBI survey of employer practice:

- the majority of firms in the survey work together with others in their supply chain, sector or local area – often collaborating on skills in two or even all three of these categories;
- collaboration on skills has a positive impact on business performance in the vast majority of firms, primarily through improvements in employee competence and in working practices;
- the involvement of participants with similar business problems, commitment of senior management and the availability of tailored training are key factors influencing the success of collaboration; and
- a lack of opportunities acts as the major barrier to employer collaboration on skills and innovation.

Survey details

The CBI dispatched a detailed survey questionnaire by e-mail to around 5,000 member organisations during early 2004. In total, 421 organisations participated in the survey, giving a response rate of just over 8%. The majority of respondents were large firms with 250 or more employees, although there was also good representation of small and medium-sized enterprises (SMEs), with this group comprising more than one-third of responses (Exhibit 1). Service sector firms accounted for 56% of participants, while those in manufacturing and the production sector accounted for 32% and 12% respectively (Exhibit 2).

Exhibit 1: Respondents by organisation size

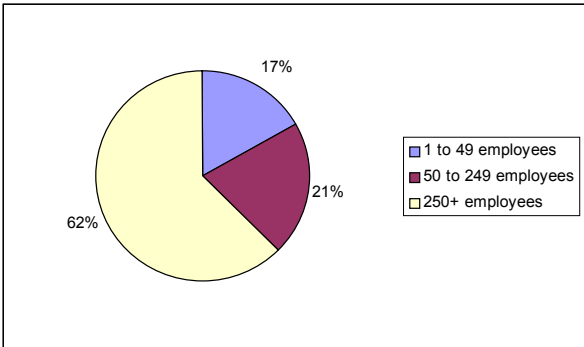
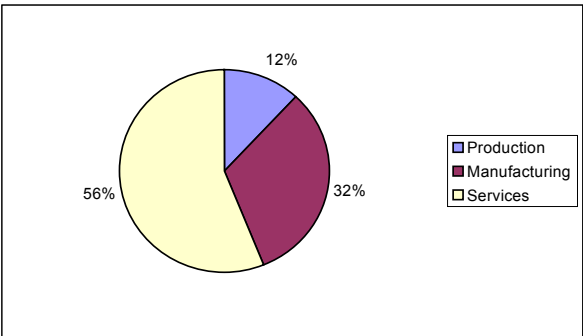


Exhibit 2: Respondents by sector



Most employers in the survey work with others to enhance skills

More than three-quarters of respondents to the survey work together on skills issues. The overall findings support the proposition that employers are doing a great deal in this area and they are doing so in a variety of ways to meet a range of business objectives.

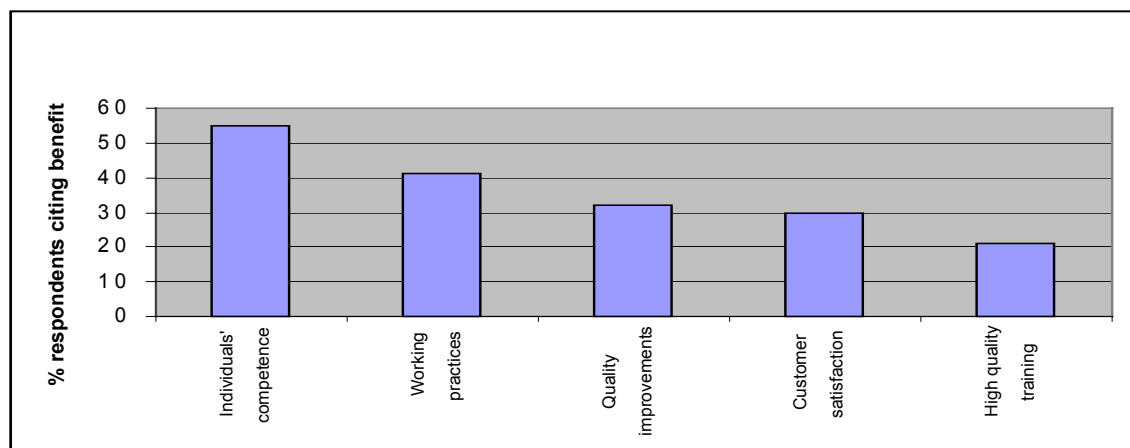
The most common objective of collaboration is to improve employees' job-specific skills, with more than half of the survey respondents citing this. However, there is also considerable interest in developing employees' generic skills, such as teamworking and communication (42% of respondents), through collaborative working.

Collaboration has a positive impact on business performance for the vast majority of firms, primarily through improvements in employee competence and working practices

Overall, 95% of respondents reported that collaboration on skills has a positive impact on business performance. This was split between those perceiving a small positive impact (58%) and a significant positive impact (37%). Fewer than 1% of respondents believed working together with other employers had a negative effect.

The most common business benefits of collaboration were improvements in employees' competence (55%), working practices (41%), product/service quality (32%) and customer satisfaction (30%) (Exhibit 3). These benefits are generally found in all sectors and in all sizes of organisation. Although collaborative working most commonly benefits firms in terms of upskilling employees, wider business improvements are clearly also significant.

Exhibit 3: Benefits of collaboration



The benefits of skills collaboration are influenced to some extent by the type of employees involved:

- where owners and directors are involved, new business opportunities are more likely to arise;

- participation by managers and professionals tends more often to lead to benefits through organisational learning, rather than individual skill development, including improved working practices and an improved ability to cope with change; and
- when skilled/semi-skilled employees are involved, it is more likely that 'micro' benefits will result, such as improvements in individuals' competence, reduction in training costs and improvements in workforce morale.

Skills collaborations are most commonly established by the employers involved

The majority of employers in the survey (56%) established their collaborative working arrangements themselves. Brokers from both the public and private sectors were involved, in, respectively, 29% and 22% of cases. However, the survey findings indicate that large firms are more commonly approached than SMEs by brokers or intermediaries wishing to initiate collaborative projects.

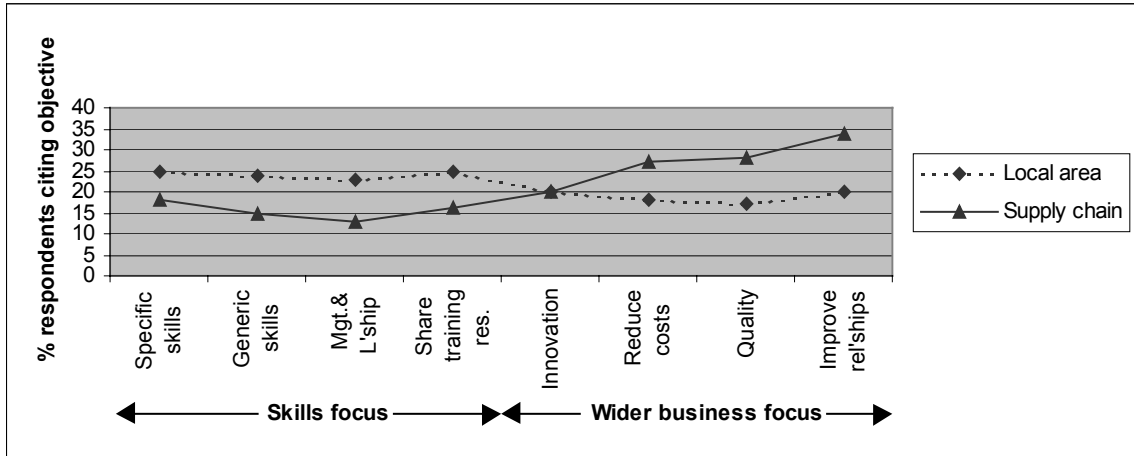
The businesses involved in the collaboration most commonly provided the funding for this themselves, with 40% reporting that participating companies wholly funded the project. There was very little evidence of collaborations being wholly funded by any other means – for example, just 2% said that the Learning and Skills Council (LSC) provided all funding for the initiative, although 33% reported that collaboration was partly funded from this source. Other sources of partial funding included Regional Development Agencies (19%), European Union funding (18%), and Business Link (12%).

Companies are generally more likely to be involved in learning from each other through professional bodies (54%), best practice or industry forums (53%) or trade associations (45%). However, partnership arrangements between firms are also common. More than 40% encourage their suppliers to train, while around one-third of respondents are actively involved in a learning or training project driven by their customers – and more than a quarter either open up their training resources to others or make use of another employer's resources. More formal involvement in group training associations appears less widespread, although a significant minority (21%) are members.

Firms often work together in more than one grouping

Employers most commonly work together on skills with others in their sector, with 60% of respondents doing so. However, working with others in the local area and in the supply chain is also common, with almost half the organisations collaborating with others in each of these ways (49% and 48% respectively). Of particular note are the objectives of collaboration when disaggregated by the level at which employers collaborate (Exhibit 4).

Exhibit 4: Collaboration objectives in local areas and supply chains



Large companies are more likely to collaborate than smaller firms

Among participants in the CBI survey, large firms (defined as those with 250 or more employees) collaborate on skills issues more commonly than SMEs. For example, they are considerably more likely to be involved in an industry forum and/or a group training association.

However, SMEs are more likely to collaborate informally. Indeed, the survey findings indicate that – although SMEs might be less involved in formal training and learning than larger organisations – extensive use is made of informal employee development and organisational learning.

The involvement of participants with similar business problems, the commitment of senior management and tailored training are key success factors in collaboration

Survey participants were asked about the factors key to successful collaboration. Most commonly, companies reported the sharing of similar business problems as key (45% cited this factor as influential). Through their collaborative working, organisations are able to share experiences and advice to help each other.

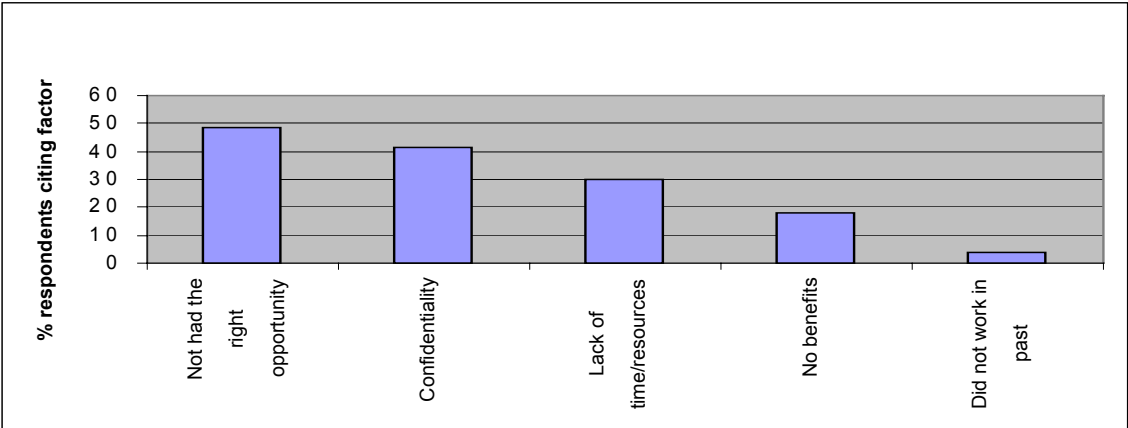
Senior management commitment to collaborative working is also seen as influential (44%), and this factor was rated highly by both large and small firms. The availability of training tailored to the needs of the organisations involved was also commonly cited (43%).

By contrast, factors that hinder employers who are currently working together on skills include: time constraints on participants (68%); concerns about sharing information with competitors (35%); and the financial costs of involvement (27%).

A lack of opportunities acts as the major barrier to employer collaboration on skills and innovation

Almost half the respondents who do *not* collaborate with other companies reported that this was because they “have not had the right opportunity” (Exhibit 5). By contrast, only 18% of organisations that do not collaborate stated that this was due to not seeing the benefits of doing so, and very few (4%) are dissuaded because past efforts had had little success.

Exhibit 5: Reasons for not collaborating



Confidentiality concerns also act as a significant barrier to participation in collaborative working (41%). However, when firms are working closely together, concerns over confidentiality can be overcome in many instances, with the collaboration proving worthwhile to all participants.

3. IMPACT OF BUSINESS SIZE ON SKILLS COLLABORATIONS

The CBI research has identified two broad approaches to collaboration in terms of business size. Under the ‘hub-and-spoke’ model, a large employer leads or drives skills improvements in smaller firms by means such as opening up training facilities. In a second approach, predominantly small or medium-sized firms collaborate to mutually mentor one another, share learning programmes or pool skills.

Skills collaborations are driven by business needs and circumstances, which vary according to a range of factors – with business size having a particularly significant impact. As noted in the survey analysis, large companies are more likely to be involved in formal collaborations, whereas smaller firms often co-operate on skills in more informal groups. Business size can also affect the nature of the relationships involved – particularly in terms of the influence wielded by each of the partners.

The research programme has identified two broad approaches to collaboration on skills and innovation in terms of the size of employers involved. Below, we set out examples illustrating how the two models work in practice and summarise the advantages that each can bring to the participating firms.

Model 1: Hub-and-spoke – leading companies drive skills improvements among smaller firms

Under the hub-and-spoke approach, a large, industry-leading company or number of companies (or another organisation such as a university or an employers’ association) drive forward skills improvements in other smaller firms as well as their own company. This approach is particularly appropriate to the supply-chain model – where a top-level company that supplies the end-product depends on the supply of products (for example, components) from other firms – although it has wider applicability. The smaller firms involved could be companies in the supply chain or sector or just located nearby. The approach often involves relatively formal types of learning and training, for example larger companies opening up their training facilities to smaller firms.

The benefits of this approach include:

- smaller firms are able to acquire high-quality training at a reasonable cost using the resources of larger companies; and
- for larger firms, the model can offer commercial benefits, such as the capacity to charge for training to cover the cost of resources – and may help them to take the pick of skilled employees in the locality – as well as bringing an enhanced corporate reputation through contributing to the local community.

The Partnership for Learning case study below illustrates how a joint initiative by a group of major local employers helped to regenerate skills and learning in smaller companies throughout the local area.

CASE STUDY: Partnership for Learning – Chiron Vaccines, Eli Lilly, Jaguar, local firms

Overview

The Partnership for Learning scheme (PfL) was established in 2001 by Jaguar Cars together with three major chemicals companies – Chiron Vaccines, GlaxoSmithKline (an initial partner) and Eli Lilly. The four original core partners pooled their resources to set up PfL as a joint training centre with conference and meeting facilities in premises situated opposite Jaguar's plant in Halewood, south Merseyside. A registered charity, the primary purpose of PfL is to provide high-quality skills training that is linked directly to current local employer requirements.

OBJECTIVE: To reduce training costs while maintaining quality; contribute to local economy

DRIVER: Desire for local economic regeneration to be matched by local skills regeneration

FUNDING: Core partners, fees from businesses, local Learning and Skills Council, EU

Details

The stimulus for PfL was a shared recognition of the need for collaboration to help match local economic regeneration with local regeneration in terms of skills and learning – including a transition away from a focus on the automotive industry towards the development of the pharmaceuticals cluster in the area. For Ford, the owner of Jaguar, there was a particular desire for a technical training centre located close to its plant for its own apprentices and those of other engineering companies in the local area. The three chemicals firms also wished to access high-quality training and achieve economies of scale by having a joint facility for generic training; about 70% of their training needs overlap.

Each partner uses PfL for specific training to meet business needs, such as problem-solving for group leaders at Jaguar. In addition, each undertakes generic training such as information and communications technology (ICT) skills and health and safety: about 30% of the training undertaken by Jaguar and the bio-pharma firms overlaps.

Partnership for Learning has evolved over the past three years and only about 30% of PfL's budget is now from the original core partners. While GlaxoSmithKline has now left the group, other new partners have come on board. About 300 local firms pay to use the facility on a client basis, and there is additionally continuing financial support from public sources. PfL now also delivers training for adults in the local community, such as fork-lift truck driving and gas fitting. PfL is also a learndirect premier business centre.

Benefits

The initiative has aided local regeneration and brought individual benefits to the companies involved. Jaguar effectively uses PfL as an outsourced training and development department – about 90% of its training goes through PfL – and has reduced its in-house training staff. Further benefits are the high-quality tailored training, a wide range of 'cherry-picked' public and private training providers and confidence about the quality of training through a stable, established relationship with PfL. Similarly, the main benefit to Chiron from being a partner in PfL is the access to very good training practice and aggregation of training costs. The economies of scale gained by sharing the training facility greatly reduce the incidental, non-value-added costs of training – such as organising funding, dealing with training providers, administration and travel expenses. All the core partners benefit from improved skills in the local labour pool, while the community benefits in that any profits are distributed as bursaries, allowing free access to local people to attend courses.

Model 2: Small or medium-sized firms work together on skills to gain mutual benefits or economies of scale through shared learning or mentoring

In a second model of collaboration, predominantly small or medium-sized enterprises (SMEs) learn from one another – sometimes in loose, informal ways, without necessarily using formal training programmes. Smaller firms do not generally have access to the same in-house training resources and facilities available to their larger counterparts. By clubbing together, they can mentor each other on skills, pool skills to jointly compete for large contracts, or access high-quality training through sharing costs.

The example below illustrates how several small Yorkshire-based public relations firms were able to mutually enhance their ‘cutting-edge’ expertise by collaborating in an informal mentoring group.

CASE STUDY: Harrogate PR Cluster

Overview

A group of PR consultancies in the north of England meet regularly to share knowledge and ideas for innovation. As the companies involved are in competition with each other, a high level of trust is a prerequisite for this form of collaboration.

OBJECTIVE: Mutual enhancement of skills to improve service to clients

DRIVER: Business owners met at a networking group for senior businesswomen

FUNDING: Any cost split between members

Details

Northern Lights PR, Z-PR and Mortimer Chadwick Gray are small PR consultancies in the Harrogate and Leeds areas. Their owners met originally through Network, a national group for senior businesswomen. Although the three companies compete for business, they set up an informal group with two other PR consultancies in the Harrogate area to share ideas and offer support.

A shared desire to address gaps in current skills provision was the starting point in setting up the group. Members found a dearth of relevant advice for small PR companies – they felt that most information available from government sources is basic and designed to help new starters in business. The group members are all interested in the “cutting-edge future stuff” – such as viral marketing, and digital media and its potential.

The group meets for half a day, once every quarter, using this session to share knowledge and expertise on a range of issues affecting the businesses. The firms benchmark each other and offer advice on practical and staffing issues, also clubbing together to share training sessions for staff on an ad hoc basis. There are usually no costs involved: if any occur, they are split evenly between the group’s members.

Benefits

All collaborative work is entered into with the primary aim of adding value to the service the consultancies deliver to their clients. Members believe the general good-practice advice and enhanced awareness of up-to-date techniques has led to superior service.

4. SKILLS COLLABORATION IN CLUSTERS

Business skills collaborations may take place in a wide variety of groupings – at national, local, sectoral or supply-chain level – with many areas of overlap occurring between these forms of collaboration. The advantages associated with each of the different types of grouping are assessed below.

The CBI research programme has uncovered a plethora of collaboration arrangements as employers work together on skills and innovation in various ways according to their particular circumstances and objectives. Such arrangements may be found in clusters or in wider groupings of employers.

Clusters are defined fairly broadly by the Department of Trade and Industry as “concentrations of competing, collaborating and interdependent companies and institutions which are connected by a system of market and non-market links”. To allow a detailed analysis of the benefits of different types of business collaborations on skills, four broad categories of business groupings have been developed for the purposes of this research:

- local firms in associated business or industrial sectors (the ‘classic’ cluster);
- local firms in disparate sectors;
- national sectors; and
- supply chains (dealt with separately in section 5).

LOCAL FIRMS IN ASSOCIATED BUSINESS OR INDUSTRIAL SECTORS

This is the ‘classic’ model of the cluster, involving related firms in close geographical proximity that compete but also collaborate. The model is most applicable to small and/or medium-sized firms working together although it could also involve larger firms – for instance the case study below illustrates how a cluster of hairdressing firms in north west England benefits from skills collaboration driven by a large firm. The main advantages of this approach are:

• **Pooling skills can enable firms to compete effectively for contracts**

Where local firms operate in the same sector, one advantage is the enhanced ability to pool skills to compete for contracts. This approach is particularly apposite for small firms as they can draw upon others with complementary skills to bid for larger or more complex pieces of work that would not be feasible if they were to compete independently.

• **Firms are able to mentor and mutually learn from peers**

In ‘classic’ local clusters of related firms, collaboration enables firms to increase the expertise available to them by learning from others working in the field. This approach is especially helpful for small firms, which by their nature provide fewer opportunities to learn from colleagues internally. However, large firms may also be involved in this type of local cluster. For bigger businesses, one potential consideration is the issue of corporate social responsibility – involvement in this type of initiative can demonstrate their commitment to local communities.

- **Firms may find that local trade unions can help to foster skills collaborations**

Given that union representatives often have contacts in several companies in the same sector locally, they may (where recognised) be able to help broker or support local learning collaborations. For example, a local provider may be more willing to negotiate flexible training provision – such as courses arranged at times to meet the needs of shiftworkers – if approached by a broker rather than by companies acting independently.

- **Economies of scale can be attained through sharing training costs**

The capacity to obtain economies of scale – for example by pooling local training resources – often provides a motivation for collaboration between firms in ‘classic’ clusters. While this benefit is applicable in many forms of skills collaborations, it is particularly appropriate to small local firms that lack access to the resources typically available to their larger counterparts, such as centralised training facilities.

CASE STUDY: Andrew Collinge and small hairdressing firms in north west England

Overview

Andrew Collinge (AC) is a hairdressing and beauty firm with eight salons in Greater Merseyside. It has four training centres where it trains apprentices both from its own business and from other local hairdressing salons. In its most recent Adult Learning Inspectorate report, the company received a grade 1 (excellent) for the quality of its training, and has also recently been awarded Learning and Skills ‘Beacon’ status.

OBJECTIVE: Access to high-quality training at reasonable cost (small firms); commercial benefit from charges for training, enhanced corporate reputation (large company)

DRIVER: Initiative of large local employer in opening up its training facilities

FUNDING: Local Learning and Skills Council (LSC), business fees, customer charges

Details

Currently, Andrew Collinge trains around 200 hairdressing apprentices, on both Foundation and Advanced Apprenticeships, of whom around 50 are its own employees while 150 are from other salons. There is great demand from young people and employers for the firm’s training: there were 150 more requests than places available on the 2003/4 programme. AC signs an ‘employer contract’ with all the smaller salons, insisting on minimum standards.

AC arranges for all apprentices to have day release from their employment to undertake the off the job training requirements of the apprenticeship framework. This day is spent training for the technical certificate and the key skills, which are fully integrated with salon activities and undertaken entirely at AC training salons. In addition, each apprentice undertakes “real” hairdressing work for AC with customers who pay a reduced trainee rate, which enables the young person to assemble evidence towards competence in each of the separate units of the NVQ. Each trainee is also assigned an AC tutor / mentor who agrees quarterly progress targets with the learner in order to gain certification of competence.

Benefits

For AC, there are commercial benefits from the training from LSC funding, the small fee charged to salons and the capacity to charge (discounted) fees to customers for trainees’ services. The quality of the training is such that AC never has to advertise for new recruits, as it has an excellent reputation across the area. However, trust is essential to the success and AC agrees to not poach any of the apprentices from other employers. Many of the local hairdressing salon owners have been trained by AC and regard it as very high quality, so refer their own apprentices to the company; there is therefore a ‘virtuous circle’ of highly competent hairdressers in the area.

LOCAL FIRMS IN DISPARATE BUSINESS OR INDUSTRIAL SECTORS

Most of the pre-existing research into clusters focuses on the traditional model of clusters in related industries – and hence on the potential for working together to enhance specialist or sector-specific skills.

One particularly innovative aspect of the CBI's current research lies in its examination of collaborative activity among local firms that are *not* operating in the same industry or sector.

The main benefits potentially associated with this type of grouping are:

- **The capacity to enhance generic skills**

Many important skills are generic across sectors of employment – for example, management or leadership skills, problem-solving and basic skills such as literacy and numeracy – rather than being specialist or sector-specific skills. Indeed, there is evidence that it is such generic skills that are often in particular need of improvement to drive enhanced business performance.

- **Cross-fertilisation of skills may be possible between public and private sector employers**

One particularly fruitful form of collaboration is that between private and public sector organisations – each is able to learn innovative approaches from the other's skills or specialisms.

- **Mentoring from peers who are not competitors may encourage greater openness**

While mentoring from peers can be a particularly effective way to learn, such learning processes will naturally often preclude the involvement of direct business competitors. Where groupings comprise firms from differing sectors, participants in mentoring programmes are able to learn in an atmosphere of trust and openness – without any fears that they may be assisting their competitors.

A good example is provided in the case study below involving RTC North – a specialist technology transfer company based in the north east of England – which arranges cross-sectoral mentoring groups to ensure the exclusion of direct competitors.

CASE STUDY: RTC North

Overview

An independent technology transfer company in the North East England brings together local businesses and specialist facilitators in schemes including mentoring, company-to-company advice and a process improvement club. The design of groups to involve businesses from different sectors helps to avoid competitive concerns and is an important factor influencing the success of the programme.

OBJECTIVE: Improve business skills and performance by learning from best-practice organisations

DRIVER: Government initiative dating back to the 1980s

FUNDING: Fees from businesses, subsidised by RTC North

Details

Originally one of the network of regional technology centres (RTCs) set up by the government in 1987, RTC North has expanded – growing from three employees in 1989 to 60 in 2004. While the organisation has continued with its original technology transfer activities, the centre has also broadened its remit to include a range of improvement tools for local businesses. Activities include research and development, market research to help companies with the search for new products and its role as a Regional Centre for Manufacturing Excellence, part of the Manufacturing Advisory Service network.

The best practice arm of the organisation facilitates best-practice learning and mentoring among small companies in the region. Businesses can participate in a six-month group programme of workshops, visits and mentoring for a fee of £500. These groups are cross-sectoral; this both widens the participants' experiences and helps to ensure that there are no direct competitors in the group. For example, a recent health and safety programme involved a recycling company, a stairlift manufacturer, a detergent manufacturer, a bakery and an injection moulding company.

Groups of six to 10 'mentee' companies participate in each programme, together with an external facilitator such as a private consultant or a university specialist. The manager from each mentee company is involved, sometimes joined by team leaders or first-line managers. Both small and large companies host sessions as mentors during the course of the programme.

Benefits

Firms involved in the RTC North programmes have gained substantial benefits in terms of direct cost savings. For example, one local manufacturer involved with mentoring schemes reportedly saved a total of £116,000; the biggest individual savings have come from the lean manufacturing programme, where cumulative savings and cost improvements for the 10 participating companies totalled in excess of £1 million.

NATIONAL SECTORS

An important form of employer collaboration on skills is that between firms in the same sector at national level, on issues that are wholly or largely specific to that industry. The main advantages that may be achieved through collaborating at national or sectoral level include:

- **Firms can often work together particularly effectively at national level to address skills shortages and gaps, or to design industry-wide qualifications**
- **Pooling training with firms in different regions can overcome competitive concerns**

CASE STUDY: Dickinson Dees and other law firms

Overview

As the legal framework becomes more complex, practitioners need to become increasingly specialised in the areas of law in which they practise. It is often difficult for even medium-sized or large firms to independently provide the level of specialist training they require at reasonable cost. By working together to pool training resources, a group of legal firms have found that they are able to address this issue.

OBJECTIVE: Acquire specialist training, reduce training costs

DRIVER: Large company initiative/facilitation

FUNDING: Businesses involved

Details

Dickinson Dees is one of the largest law firms in the North East, with some 65 partners and a total of around 700 employees. Following several ad hoc training forums in the past, the firm's training department has maintained contact with training staff in other legal firms nationwide, and uses these contacts to help fill training needs that cannot be met in house.

When a training need arises, training managers at Dickinson Dees contact one of several firms with whom they have an established relationship. These tend to be large, regional, single-site firms from other parts of the UK – in previous years, for example, the company has established contact with firms in Glasgow, Leeds and Bristol. If the firms find they have a common training need, they arrange a shared workshop with an expert speaker – either a top-level professional or an academic. The costs are split between the two firms involved and sessions may be held at either of the firms' premises. The shared workshops usually centre around case studies that are of relevance to both firms. In the past, shared workshops have been held on topics including employment law, legal issues surrounding the private finance initiative and taxation law. Trust and an established relationship are helpful for this type of collaboration – and national-level co-operation works well in this case as the firms operate in different regions and so are not in direct competition.

Benefits

Together, the firms have gained access to training from top-level barristers and academics at a reasonable cost. Practitioners who have attended the workshops also report benefits from discussing the issues at hand with like-minded professionals from other firms.

5. SKILLS COLLABORATION IN THE SUPPLY CHAIN

Given that participating firms already share a common goal of ensuring that the top-tier company continues to win business, supply chains have considerable potential for inter-firm co-operation on skills and innovation. This section illustrates how skills collaboration in the supply chain can lead to measurable business improvements.

There are many examples of strong collaboration through the supply chain in the UK, notably in the automotive and construction sectors. Learning in supply chains occurs when individual firms in the chain help their suppliers, and sometimes their customers, to improve their performance and develop their own capabilities to improve performance over time.

The potential benefits associated with this approach may be summarised as:

- the capacity to tackle skills shortages or gaps in the supply chain;
- improving suppliers' performance;
- encouraging inward investment;
- improving industry standards and corporate reputation;
- the desire to establish more formal relationships; and
- the need to establish better, longer-term relationships.

Most supply-chain collaborations are driven by the top-tier company

The majority of supply chains are led by the company at the top of the chain, given that it is heavily dependent on effective suppliers to provide high-quality products and services in each tier below.

The achievement of clearly defined business benefits is the central objective for the vast majority of collaborative work on skills in the supply chain. All companies in the chain will ultimately be affected if the competitiveness of the top-tier firm is threatened. A more efficient supply chain, with employers at each level improving their performance, ensures that there will be a considerable positive effect on the supply chain as a whole.

There is a continuum of means through which companies attempt to instigate or respond to performance improvement demands by supply-chain partners. At one end, there are 'softer' measures, where higher-tier companies offer free or subsidised training to their suppliers, opening up their learning and training resources to others. Working with other firms to develop more secure relationships is popular, with suppliers required to meet performance standards to be considered as long-term partners. Some dominant players use 'harder' measures to increase performance, where suppliers are told to improve or lose business. Whatever the method used to gain employer buy-in to collaborative working, it is almost always couched in terms of the business benefits of participation.

CASE STUDY: Heathrow Employment Forum

Overview

With the fifth terminal (T5) at Heathrow set to open in 2008, airport operator BAA has drawn up a Local Labour Strategy for delivery by the Heathrow Employment Forum. The forum members work together to map the skills needs associated with the new terminal – initially targeting construction skills – and to ensure that local training provision matches these needs. As the T5 project progresses, the intention is for the forum also to help develop retail, hospitality, logistics, maintenance and engineering skills.

OBJECTIVE: To tackle skills shortages and provide high-quality local employment and training opportunities

DRIVER: Initiative of large local employer

FUNDING: BAA, Carillion, local Learning and Skills Council, Connexions

Details

Against a background of construction skills shortages in Greater London and the South East, the fifth terminal (T5) at Heathrow is currently under development. Airport operator BAA has therefore developed the Local Labour Strategy with the aim of ensuring that new employment and training opportunities are created for people in the local area during the construction and subsequent operation of T5.

The strategy is being delivered by the Heathrow Employment Forum, which is run jointly by BAA and London West LSC. Members of the forum include T5 construction suppliers, Berkshire LSC, CITB-Construction Skills, Jobcentre Plus, five local authorities, Connexions and Brunel University. Launched in July 2002, the forum meets every quarter.

The forum has worked with a range of partners to establish a new network of construction training facilities in the areas around Heathrow. These comprise four centres for 14- to 16-year-olds, which act as feeders to a fifth facility, the Heathrow Construction Training Centre. Operated by Carillion Construction Training, the centre provides construction apprenticeships for around 80 young people each year.

A limited number of bursaries worth £5,000 are also awarded to local young people who want to continue their construction studies at university. On top of the grant, students have the opportunity to gain work experience at T5 over the summer, and the forum has helped six local secondary schools to gain specialist status. The forum is also currently looking to open up opportunities for older local people, working through local colleges and community groups. This initiative is primarily run by construction firm Mace in partnership with BAA, tapping into the 'Building London, Creating Futures' project that already operates at major construction sites elsewhere in London.

Benefits

In total to date, the various forum projects have provided vocational training for around 200 school pupils and more than 250 over-16s. This is helping to ease skills shortages and provide high-quality local training and employment opportunities. Additionally, the annual Heathrow Meet the Buyers event gives local companies the chance to sell their goods and services direct to T5 construction companies and other major buying organisations in and around Heathrow.

The specific benefits associated with the approach based on collaboration on skills and innovation in the supply chain include:

- **The capacity to tackle skills shortages or gaps in the supply chain**

Although much inter-firm collaboration on skills in supply chains concentrates on addressing the competencies of existing employees (that is, skills gaps), it is also quite common for supply-chain collaboration to focus on the need to tackle problems of skills shortages when recruiting. For example, the construction industry has a serious skills problem: an ageing workforce means there is a need to increase apprenticeship uptake and completion rates in the industry to replace workers leaving. Collaborating with supply-chain partners offers an effective means to dampen the impact of gaps and shortages, especially for smaller firms, as illustrated in the Heathrow Employment Forum case study above.

- **Improving suppliers' performance**

The top-tier company depends on the quality of the products or services it receives from its supply-chain partners, and therefore has a clear incentive to take steps to improve skills and performance among its suppliers.

- **Encouraging inward investment**

The improvement of skills in supply chains can be a key factor in securing or maintaining inward investment to the UK. The Society of Motor Manufacturers and Traders (SMMT) Industry Forum, for example, was established in the mid-1990s in response to the poor performance of local suppliers in meeting the needs of Japanese motor manufacturers (Toyota, Nissan and Honda), and the threat that overseas suppliers posed to the UK supply businesses. Improving the performance of the lower-tier partners in the supply chain helped to ensure that Japanese inward investment was sustained.

- **Improving industry standards and corporate reputation**

Collaborative working within the supply chain can also provide an effective means to drive up standards in more generic areas, such as health and safety. The construction industry is particularly well-developed in this area. Many supply-chain leaders have developed their own means of improving the health and safety skills of their subcontractors' workforces. Additionally – with the impetus coming from the dominant players in the sector – the industry as a whole operates a national programme, the Construction Skills Certification Scheme (CSCS) to address the perceived deficiencies in the industry's health and safety record and reputation.

- **The desire to establish more formal relationships**

Supply-chain collaborations work most effectively when partners are accustomed to working together to achieve the same aims. The construction industry, for example, is characterised by a huge number of very small subcontractors, specialising in different areas. If a large contractor is able to deal with a small number of suppliers – with the requisite skills levels – on each job, this enables more effective relationships to be formed. In this model, subcontractors become more aware of the specific demands of the contracting firm – enabling them to provide a better service and help win repeat business – while the contractor can be more assured that its suppliers can deliver the required service.

- **The need to establish better, longer-term relationships**

In industries where the life cycle of a product is long, such as aircraft, effective long-term relationships with suppliers have to be formed. As there are a limited number of tier 1 suppliers in the industry, there is a strong impetus to use collaborative working to improve performance, rather than cutting off poor performers. The world's two leading aircraft suppliers – Airbus (see case study below) and Boeing – have each addressed the need to maintain good, long-term relationships by opening up their training centres for members of their suppliers' workforces.

CASE STUDY: Airbus and supplier firms

Overview

The UK arm of Airbus – the European consortium producing the A380 double-decker aircraft – has a strategy of continuous improvement throughout its supply chain. The company opens up courses from its on-site Lean Manufacturing Academy to suppliers and also offers them help with implementing changes to their working practices.

OBJECTIVE: To ensure effective operation of lean manufacturing techniques through the supply chain

DRIVER: Initiative of top-tier company

FUNDING: Airbus funding as part of its overall supplier improvement programme, although the intention is to run the courses on a commercial basis to other companies

Details

Airbus has been implementing lean manufacturing processes for some four years. It became evident that the strategy would be effective only if key partners in the supply chain also improved and adopted lean manufacturing principles. Given that Airbus has only about 20 tier 1 suppliers, the company needs to work with them and help them improve rather than instantly dispensing with poor performers. The company therefore encourages suppliers to join its own staff on a three-week programme of lean manufacturing at its academy. Suppliers in turn have a strong incentive to attend the course: there are only two significant customers in the sector – Airbus and Boeing – so suppliers cannot afford to lose business from either.

The programme is aimed at leaders, managers and supervisors in tier 1 suppliers – for example, recent attendees included the MD and two operations directors from a firm with a 200-strong workforce. Poor-performing suppliers are shown visual presentations that illustrate the problems with their performance and how they need to improve. Tuition is also provided on 15 specific issues of lean manufacturing.

Companies may require help with the implementation of techniques learnt at the academy, in which case Airbus's supplier improvement teams can undertake further work with them either at the academy or at their own sites. More detailed follow-up courses lasting two days are available for some of the topics, culminating in accreditation and certification of competence. The intention is to map this to NVQs, although some difficulties are foreseen in retaining the sector-specific technical training.

Airbus funds the initial three-week course for suppliers as part of its overall supplier improvement programme. However, the intention is also to run the programme on a commercial basis for other companies interested in learning the basics of lean manufacturing. The course has relevance for manufacturers as well as process service industries such as call centres.

Benefits

The collaboration helps long-term partners introduce process improvements and ensures the high quality of the final product. Airbus reports significant benefits from this, including a 65% improvement in quality, a 35% productivity improvement and a reduction of 50% annually in the number of accidents.

6. THE ROLE OF HIGHER EDUCATION

The higher education sector can play a significant part in the development and fostering of business clusters, by providing specialist training modules and research programmes or developing innovative practices for local businesses to adopt.

The potential advantages that derive from the involvement of higher education institutions in skills collaborations with groups of companies are that they can:

- provide or support specialist modules, courses and research programmes relevant to business clusters;
- develop or support innovative practices for businesses to apply in the market; and
- facilitate knowledge transfer and skills collaborations between employers.

The Britest case study below illustrates how a group of chemicals companies and universities collaborate to help drive business performance while overcoming intellectual property issues.

CASE STUDY: Britest

Overview

A group of chemicals companies and academic institutions collaborate to carry out research into process and plant design methodologies, to develop tools, and to organise knowledge transfer and training for employees. Britest membership currently comprises 10 chemicals and pharmaceuticals firms, including leading companies such as GlaxoSmithKline and AstraZeneca, and three academic members – UMIST (part of the recently-merged University of Manchester), Newcastle University and Imperial College London.

OBJECTIVE: To improve quality of research and innovation and deal with intellectual property issues

DRIVER: Initial project set up by Engineering and Physical Sciences Research Council (EPSRC)

FUNDING: Previously – EPSRC; currently – businesses involved

Details

A collaborative research project known as Britest was originally set up and funded by the EPSRC – the UK government's leading funding agency for research and training in engineering and the physical sciences.

Upon successful completion of that project in 1998, Britest was established as a not-for-profit company comprising members from industry and academia. The company assumed ownership of the generic intellectual property developed collectively by its members.

Although Britest was not established primarily to improve skills, it became apparent that members did not possess all the necessary competencies to benefit fully from the knowledge generated. Britest responded by setting up training, using a multidisciplinary team, for employees in its member companies. Training provision covers both specific technical competencies and, equally important, more generic facilitation and teambuilding skills. Training and knowledge transfer now represents approximately one-third of Britest's activity.

Benefits

The Britest research work – including the development of a set of diagnostic techniques known as the 'Britest tools' – has brought tangible benefits to the companies involved. These include major cost savings as well as a range of other measurable benefits, such as the need for fewer, better experiments.

7. SUCCESS FACTORS AND BARRIERS

An understanding of the factors that foster successful skills collaborations – as well as potential barriers – is important in helping to develop policy recommendations and stimulate further developments in this area.

A central theme in the CBI research programme focuses on how and why business skills collaborations work in practice, including the factors that influence short- and long-term success as well as the drivers that get collaborations under way initially. The analysis below is informed by both the quantitative and qualitative data from the project – with the case study findings useful in fleshing out the details behind the overarching figures supplied by the survey.

FACTORS ENCOURAGING SUCCESS OF COLLABORATION

As part of both wings of the research, employers were asked about the reasons that skills collaborations succeed in practice. The key messages are:

- **The existence of shared business problems, senior-level commitment and tailored training are the three most influential factors in the success of skills collaborations**
- **High trust levels and external facilitation are also often important to success.**

Successful collaboration on skills often depends on the fact that all firms involved experience similar business problems – this was cited as a reason by 45% of the survey respondents who engage in collaboration. The qualitative research illustrates in more depth how this factor affects collaboration – for example certain case studies involved forums where notable success has been achieved as a result of participants drawing on their own experiences to mentor and learn from each other. Senior management commitment to collaborative working is also influential – reported in 44% of surveyed organisations as a reason that collaborations have succeeded.

The availability of training that is tailored to company needs is important to a significant proportion of successful collaborations, with 38% of survey respondents identifying this factor. With the strength in numbers that comes from employers grouping together, firms are more able to access training to specifically meet their business needs. This point is illustrated in several case studies, for example the collaboration between a group of law firms to obtain shared specialist legal training courses.

KEY DRIVERS

Employers most commonly become involved in collaborative working by setting up a scheme themselves, with over half of survey respondents (56%) reporting this to be the case. Others become involved because of an approach from a public sector broker or intermediary (28%); an approach from a firm that is a customer (23%); or through a private sector training provider or broker (22%). The qualitative research

has been particularly useful in drawing out in more detail the ways in which collaborations have initially got under way.

Taking the findings from the survey and case study research together, the key messages about the drivers of employer collaboration on skills are:

- **The vision of key individuals at various organisational levels – ranging from personnel officer to managing director – is often vital to instigate collaboration**
- **Initiatives from larger firms are also an important driver**
- **Industry forums or pre-existing sector groups can generate skills collaboration**
- **Approaches from external organisations can drive collaborations, particularly for smaller firms.**

SUSTAINABILITY

In order to achieve long-term success, it is important to assess the sustainability of various arrangements for collaborative working on skills – once up and running – particularly the specific factors that help them to succeed in the longer term.

Ultimately, the success of skills collaboration in improving business performance is likely to have the greatest influence in encouraging employers to continue to be involved. However, the case study research has been particularly useful in identifying specific issues that affect the sustainability of initiatives. The key points here are:

- **the commitment of managers and senior staff must be maintained if collaboration is to succeed in the long-term**
- **change agents can be invaluable in institutionalising skills gained from collaborative working**
- **pump-priming funding, where available, must be employed effectively to promote long-term success.**

BARRIERS

As part of the survey-based research, employers that do not collaborate on skills were asked why this was the case – while the subsequent case study research helped to illustrate the ways in which the identified barriers might be overcome. The key messages are:

- **A lack of opportunity is the major obstacle to employer collaboration on skills – indicating that with the right support and guidance, many more firms would collaborate**
- **Concerns over confidentiality can prevent employers from working together – although firms are working creatively to overcome this**
- **Time and resource constraints are another barrier, especially for smaller firms**
- **A lack of good-quality providers to facilitate collaboration can be problematic.**

8. BUSINESS BENEFITS

The most common business benefits achieved as a result of skills collaboration are improvements in employees' competence, working practices, product/service quality and customer satisfaction.

An essential part of the CBI research programme involved the mapping of the benefits of skills collaborations to business. The key messages from our survey and case study research in respect of the business benefits attained through collaboration are summarised below.

Most employers who undertake collaboration believe it benefits business performance

The CBI survey findings indicate that employers enjoy considerable business benefits as a result of working together on skills. Virtually all the employers in the survey (95%) reported that collaboration has had a positive impact on business performance. This was split between those perceiving a small positive impact (58%) and a significant positive impact (37%).

Among our survey respondents, the most common business benefits from collaboration are improvements in employees' competence (55%), working practices (41%), product/service quality (32%) and customer satisfaction (30%). These benefits are generally applicable to all sectors and to all sizes of organisation. Although collaborative working most commonly benefits firms in terms of upskilling employees, wider business improvements are clearly also significant.

The business benefits of collaboration manifest themselves in a number of direct and indirect ways

While the survey evidence illustrates the wide extent to which collaboration on skills is perceived to enhance business performance, the case study findings are particularly useful in drawing out the specific nature of those benefits.

Taking the analysis from both the quantitative and qualitative research together, the key messages from the CBI research programme are:

- Collaboration can directly help managers to resolve business problems
- Companies can win new business by working together
- Collaborating on skills can increase quality in the supply chain and enhance the prospect of inward investment
- Working with other companies can help combat skills shortages and gaps
- Collaboration increases value for money from training spend
- Increased customer satisfaction often results from collaborative working on skills
- Some companies use skills collaboration to directly generate revenue
- Skills collaborations can improve staff retention.

CBI, March 2005.