

CREATING EFFECTIVE PARTNERSHIPS - BUILDING LEADERSHIP AND UNDERSTANDING UTILISING VALUE MANAGEMENT

MICHAEL VANDENBERG MIVMA (Prac), MHKIVM & GORDON HASSETT - MIVMA, Directors, RDT Pacific - Management and Project Consultants - New Zealand

OVERVIEW

Changes in the worldwide business environment, including globalisation, evolving technology, constant innovation and increasing specialisation, require changes to traditional stakeholder relationships contractual forms, structures and the like.

In the new business environment, the success of projects, whether they be informal or contract based, depends upon the management and leadership of well motivated teams. Well motivated teams require a focus on common project goals and objectives. They also require an environment which fosters trust, co-operation and empowerment.

Creating effective partnerships is about establishing relationships which are focused on win - win outcomes through open communication, common purpose, innovation, broad stakeholder ownership of solutions and the development of a team environment where project success factors are developed and fostered.

A key component of a partnering or alliancing arrangement is the successful initiation of the arrangement. By utilising an experienced facilitator and a proven methodology it is more likely that the arrangement will be successful from the start and be robust enough to survive the tests such relationships are designed to deal with.

The traditional Value Management process is in our opinion a robust framework for the initiation of partnering and alliancing relationships.

It must be recognised however that no matter how good the Partnering initiation process, or how many of the right words are uttered during that process, the success of the arrangements depend upon individual and organisational commitment to implementation, monitoring, learning and improving.

THE PROBLEM

Changes in the business environment in recent years have not been matched by changes in stakeholder relationships, contractual forms, structures and the like.

The changed environment has led to a drive for more effective use of resources, requiring rationalisation of effort.

Globalisation of business is requiring new approaches to ensure that businesses are internationally competitive - even to compete in their home markets.

Evolving technology and constant innovation are driving shorter product lifecycles which require more immediate responses across a broader band of functions.

Replication of structures occur in all participants in industries.

Increasing specialisation leads to a lack of focus on the total system.

Rapid integration of large populations into the global economy, eg China and Eastern Europe are stressing the ability of developed economies to respond to demands for goods and services.

It is becoming increasingly evident that the macro issues outlined above can not be adequately addressed utilising traditional approaches to contractual and working relationships.

These traditional approaches are often "win-lose" based and as such discourage open communication and the functions which open

communication foster, such as common purpose, innovation, broad stakeholder ownership of solutions and the like.

THE OPPORTUNITIES

Deregulation and defacto integration of the world's economies are allowing relationships across international boundaries and are breaking down government regulation which made these relationships problematic. This change provides the opportunity for relatively small specialist players to leverage their knowledge across global markets.

Companies can grow and add value by focusing on doing what they do best, across global markets, rather than being generalists in their home market. Working with other leading edge companies leads to sharing of expertise across what would otherwise be impenetrable boundaries

By joining complimentary skills, opportunities are provided for two or more partners to become involved in accessing new markets which individual companies may not have the expertise or resources to enter separately.

Partners each accessing each other's profile, client base and strategic location are able to offer complimentary, non-competing products and services.

At an individual project level, on-going performance of relationships and promotion of innovation are enhanced, by establishing shared objectives and formalising communication and issue resolution procedures. The

consequences are felt on the bottom line of all participants.

THE PRE-REQUISITES

Whatever the form of working alliance being considered, there are a number of pre-requisites for success, which in our experience must be present, these include:

- basic understanding of the concepts of the arrangement at the outset
- high level commitment (CEO level) in each of the main stakeholder organisations
- equity between the major stakeholders
- trust between each of the parties
- respect for other parties' skills and resources
- constructive discontent with traditional approaches
- likelihood of common purpose unfolding
- commonality of main stakeholders' business ethics
- broad stakeholder involvement from each organisation
- competent independent facilitation of arrangement initiation workshop

THE OPTIONS

There are a number of alternative contractual and relationship forms to the dominant traditional approaches. These include:

- the joint venture structure, where two parent companies create a third company as a formal structure to undertake a specific project.

- cross shareholding, involves two or more companies exchanging a minority interest for the purpose of pursuing long term mutual purposes
- joint action groups (JAG's) which usually comprise industry groups focused on a particular aspect of business such as export markets
- soft networks which usually address broad issues affecting an industry and may comprise large numbers of participants
- hard business networks typically comprise 5 - 8 participants with an immediate focus on the bottom line
- partnering, a formal commitment between two or more organisations for the purpose of achieving specific business objectives by maximising the effectiveness of each participant's resources.
- alliancing (in our experience is an inexact term, often interchanged with partnering). In different jurisdictions alliancing may be used to indicate a partnering arrangement with more than two participants or may be used to avoid the possibility of legal interpretations of "partnering" as "partnerships".

This paper addresses in detail the processes and techniques utilised to initiate partnering /alliancing arrangements, the benefits which can result and relates some case study examples. We note however that the processes and techniques described can equally be utilised to initiate joint ventures, cross shareholding, joint action groups and soft and hard networks.

THE PROCESS

The traditional Value Management process is in our opinion a robust framework for the initiation of partnering and alliancing relationships.

For the purpose of this paper it is assumed that the principles of the Value Management process as outlined in the Australian and New Zealand Standard on Value Management (4), based on the Miles Job Plan are understood.

The value management study process comprises three stages; the pre-workshop, workshop and post workshop stages. The specific approach for a Partnering study will vary from project to project but will commonly include the following aspects.

PRE-WORKSHOP

Key aspects of the pre-workshop stage include :

- identification and confirmation of the clients objectives for the workshop - the workshop is structured, and the agenda is formulated to ensure the objectives are achieved.
- identification of the workshop participants including representatives from a cross section of significant stakeholder organisations to ensure the most relevant and representative workshop group.

During the pre-workshop stage the Information Phase commences with the assembling and distribution of background information to study participants. This information may include specific information on the

relationship and communication issues identified by the senior representatives of the major stakeholders, confirming that there is a level of common purpose as a starting point.

WORKSHOP

Throughout the workshop, participants work in a highly contributory and dynamic environment, in a mix of large - up to 20 people, and small - as few as 4 people groups. The facilitation team keep the groups focused and productively employed throughout.

The workshop stage commences with the continuation of the information phase (which can occupy up to one quarter of the overall workshop time frame). The information phase is divided into a series of steps, structured to ensure the generation of a large amount of information, relevant to the project or operating environment and the focus provided by the workshop objectives.

The function identification process is utilised to identify the Partnering arrangement functions.

At the completion of the information phase the workshop participants will have a common level of relevant project or operating environment knowledge from which to proceed into the subsequent phases. In particular, a clear picture of the specific key issues, objectives and functions has been assembled and thoroughly tested, around which strategies for the achievement of the Partnering objectives are created in later phases.

The workshop stage continues with the analysis phase, during which the information identified in the function

identification phase (having been structured by the workshop facilitation team) is presented back to the group for discussion and endorsement. The function analysis phase is key in setting the direction for the remainder of the workshop as the agreed functional hierarchy will identify the base components of the Partnering Charter being the Mission Statement, Partnering Goal and Partnering Objectives.

The creativity phase follows, during which the participants generate strategies or tactics to achieve the shared Partnering objectives. In addition ideas, systems and methodologies are generated to deal with:

- communication and issue resolution
- Partnering performance monitoring and evaluation
- particular key issues and objectives identified in the information phase.

The Judgement phase involves the evaluation of the ideas (strategies, tactics and methods) created in the previous phase.

This phase will result in a consolidated set of outcomes including agreed:

- Partnering Mission Statement
- Partnering Goal
- Partnering Objectives
- Partnering Strategies or Tactics
- Partnering communication and issue resolution framework and process
- Partnering performance monitoring and evaluation framework and process

The final workshop phase involves the review of ideas and options developed for implementation, what problems are involved in progressing and implementing the developed

recommendations and what action is required, by whom and by when.

POST WORKSHOP

The post workshop phase involves the preparation of the Partnering Study report, Partnering Charter, and dependant upon the clients needs, assistance with the management and monitoring of the action plan to ensure that the workshop outcomes proceed as intended.

IMPLEMENTATION

As is the case with all management approaches and systems, the implementation of the agreed system or process is key in fulfilling the potential benefits identified in the initiation phase.

It is our experience that there are two key factors which go a long way towards ensuring the arrangement implementation is successful.

The first factor is championing of the process from the most senior level possible within the main stakeholder organisations. This championing is particularly necessary during the early stages of the arrangement when, in our experience, a culture change is necessary to move individual thinking from:

- a traditional approach to a partnering approach
- an individual approach to a team culture
- a win - lose approach to a win - win approach
- a contractual allocation of value improvement to a partnering sharing of value improvements

The second factor is the ongoing monitoring and evaluation of the performance of the partnering team in achieving the partnering arrangement goals. This evaluation, and the resulting feedback and opportunities for improvement are key in the team becoming a learning organisation. It must be stressed that the evaluation is of the relationship and communication goals, not the project goals, although many of the relationship goals will support the achievement of project goals.

BENEFITS

The benefits of utilising Partnering or Alliancing in a project or general business environment are many and varied.

The following statement from one of our clients - Transit New Zealand summarises the main generic benefits of Partnering.

“ The formal Partnering process provides a means to focus the whole team on a number of shared goals, which usually, in a capital project environment are subsets of a joint objective focused on completing a successful project. In addition, the environment created when formulating the Partnering agreement or charter provides an environment which motivates the team towards co-operation.

The communication structure and trust that is built up with a commitment to Partnering means that issues are identified and resolved quickly, saving the costs of unexpected issues, delayed decisions, dispute resolution and litigation. The focus is on issue

resolution and dispute avoidance rather than dispute resolution.

In addition there is a real focus on value improvement given the incentive of those involved sharing in the cost benefits of implemented value improvements.”

CONCLUSION

Successful projects are delivered by well motivated teams. Well motivated teams require a thorough understanding of shared team project goals and objectives (in addition to individual and company goals and objectives).

To be effective and well motivated teams should also operate in an environment which builds trust, co-operation and encourages empowerment of team members.

The initiation of a Partnering approach, the development of a Partnering charter, the development of a communication and issue resolution framework and the agreement of a relationship and communication evaluation process and criteria ensure that there is a team environment where the teams success factors are developed and fostered.

The traditional Value Management process is in our opinion a robust framework for the initiation of partnering and alliancing relationships.

*1-1-2 days
Project Based*