Managing a Successful Partnering Relationship - Key Questions

Partnering means sharing risks and rewards, problems and solutions. With mutual respect and through teamwork, partners build quality into the supply chain, sharing information wherever possible.

Choose Carefully

Potential partners are selected by competition and are usually existing key suppliers or companies that are clearly capable of meeting the department's requirements

- Has the department fully identified its business requirements?
- Can the industry meet those requirements?
- Has the department identified its key suppliers and those companies capable of meeting its standards?
- Do the potential partners have good track records on delivery, price and after-sales service?
- Are the potential partners market leaders and can the department influence their research and development programmes?
- Are the potential partners financially viable and do they have clearly defined business strategies?
- Will the department conduct sufficient business with them to consider entering into a partnering relationship?
- Has the department sought guidance from OGC?
- Has the department given serious consideration to the number, quality and seniority of our personnel required to manage the partnering relationship successfully?
- Is a mutually-agreed exit strategy in place and can the contract be re-competed effectively?

Measure Accurately

Joint management teams should frequently review performance indicators and targets for continuous measurable improvements in quality, delivery times and cost reductions.

- Are there clear, precise and meaningful performance indicators?
- Are the indicators targeting real improvement, eg service response time, on-time deliveries, service level, costs, waste-avoidance etc?
- Have joint review and improvement teams been established? Are they meeting frequently?
- Are joint plans in place to help to build the relationship eg joint research and development, access to technology, joint training and development events etc?
- If a partner fails to perform, is there a forum for addressing and resolving disputes, and are clear escalation routes in place?

Benefit Greatly

There should be clear value for money benefits demonstrable through the achievement of performance management targets and the analysis afforded by reasonable access to the partner's financial records and cost information

- Is the overall package providing significant gains and benefits?
- Do the expected gains and benefits outweigh costs?
- Are the gains and benefits sufficient to outweigh the advantage of accepting lowest price bids?
- Is the department's organisation delivering the commitment and competencies to ensure that the partnering relationship is a success?
- Is the relationship enabling our partner to generate efficiencies and develop new products - passing on a share of the savings to the department?
- Are benchmarking tests demonstrating that the partnering relationship is providing the department with the best possible value?
- Can I promote this partnering relationship as an example of good practice across Government?

Clear Expectations

Select by Competition

BEST PRACTICE

Managing Partnering Relationships

Encourage Innovation

Continuous Improvement

Accurate Measurement

Managing a Successful Partnering Relationship with Key Suppliers

Commitment from the top

- A successful partnering relationship requires commitment from the top down. As well as providing direction, Top Management (Permanent Secretaries, Executive Agency and NDPB CEOs) must perceptibly create an atmosphere that encourages innovation and dispels fears about trying new approaches. To encourage a sense of mutual trust, they must ensure that the partners:
    - *support open and frank exchanges*
    - *pool experience and expertise*
    - *encourage open book accounting*
    - *establish a joint structure to provide effective management*
    - *promote a 'win-win' mentality*
    - *enter two-way review process*
- The larger the contract, the greater must be the involvement of senior management. A senior official should be appointed to take responsibility for the contracts management and care should be taken to ensure that the project is fully resourced, especially in terms of the quality and number of personnel deployed. Managers, on both sides, need to be capable of demonstrating behaviours that reinforce the relationship.

Strategy

- The partnering relationship must fit in with the department's strategic plan. The team responsible for representing the department's interests must be involved in producing the partnership's overall strategy. The basis of this should be set out in the form of a framework of principles, a non-binding partnering agreement or a simple mission statement, which:
    - *determines the aims, objectives and long-term goals of the relationship*
    - *identifies the benefits to both the department and the supplier*
- An exit strategy for both partners is essential. It must clearly specify under what circumstances the department would want to withdraw from the partnering relationship. Good partnering relationship agreements usually specify potential breakpoints and contain fixed end-points

Planning

- Selected by competition, potential partners are usually existing key suppliers or companies that are clearly capable of meeting the department's requirements. Factors that need to be considered before entering into a partnering relationship include the supplier's:
    - *attitude and current performance (eg track record)*
    - *understanding of total acquisition costs*
    - *commitment to producing quality products/services*
    - *ability to produce creative and innovative products/services*
    - *willingness and ability to change, eg the introduction of e-business*
    - *financial viability and business strategy (is it clearly focused and well defined?)*
    - *quality and standard of personnel management*
    - *willingness to provide management information*

Clear Benefits/Risk Management

- Before making any significant change to operations, Top Management must ensure that the department carries out a full risk/benefit analysis. To be able to justify entering into a partnering relationship, the benefits (including efficiency savings) must significantly outweigh the risks. The analysis should not be restricted to price alone: there should be clear value for money benefits.
- It is also important to ensure that the potential partner recognises the benefits of a long-term partnering relationship, which can include:
    - *lower costs*
    - *marketing and strategic advantages*
    - *a share of the rewards*
- Partners must make their expectations clear from the outset. They should identify the risks and negotiate an equitable system for sharing them. Throughout the life of the partnering agreement Top Management must ensure that the project's management team keeps this under continuous review.

Good Communication and Effective Mechanisms for Conflict Resolution

- Good communication, strong and effective management, and the active monitoring of agreed performance indicators are essential to avoid conflict between the partners. Establishing ways of assessing, reviewing and improving the partnering relationship must be a prime concern. Performance indicators should be objective, reasonably easy to record and target real improvement. There should also be effective measures for managing change.
- To monitor progress and to reduce the potential for conflict, Top Management must ensure that a joint review and improvement team is established. This should meet frequently to ensure that any problems are addressed quickly and that solutions are recommended, and agreed, by the partnership as a whole. A clear escalation route for the resolution of problems ensures that responsibility falls at the appropriate level of management.

Let us know what you think

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