Positioning Relationships: Focused or Fad

(Evaluating the development of collaborative relationships)

By David E Hawkins

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Aim

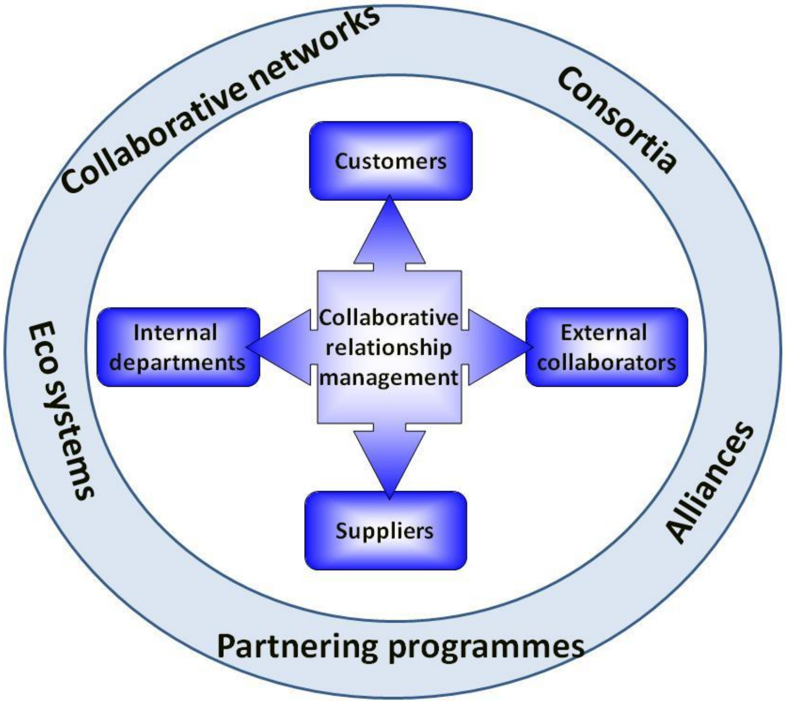
The aim of this paper is to consider the implications of adopting collaborative approaches and evaluating the appropriate relationships in order to concentrate resources for maximum business benefit. Historically terms such as partnering, alliances and collaborative working have been used in a variety of circumstances covering a broad range of relationships. Frequently the use of such relationship descriptions have been in appropriately assigned to conventional trading arrangements with the result that they set unrealistic expectations resulting in the perception that these models are simply cosy fad driven relationships that are deemed to fail. There is potential to ignore the investment required harness the full potential of collaborative working through a lack of a focused approach to evaluating and targeting the right relationships.

Outline

Partnering and collaboration can make a valuable contribution to business operations. However it has to be recognised that these approaches can require a significant investment of time and resources. It is therefore important to establish the potential return, which will focus this investment to deliver maximum benefit.

It is equally important to understand that every organisation is different and whilst there are many common themes any collaborative programme needs to be aligned with the specific business objectives and challenges. By segregating the profile or external relationships these can be grouped to ensure that resources are most effectively deployed. Consideration should be given not only to the current relationships but also to the potential developments within the market place or anticipated changes in the overall business strategy. This will enable any development programme and investment in partnering or collaborative relationships to capture potential benefits in the future. Understanding the parameters of existing relationships provides the platform for building effective engagement.

As the business landscape becomes more complex and challenging, the relationships between organisations take on new and varied configurations. It has generally been accepted that for most organisations they are both customer and supplier in relation to different aspects of the value chain. Organisations can often miss opportunities by maintaining rigid boundaries between their internal functions but as the market changes so the complexity of these relationships increases.



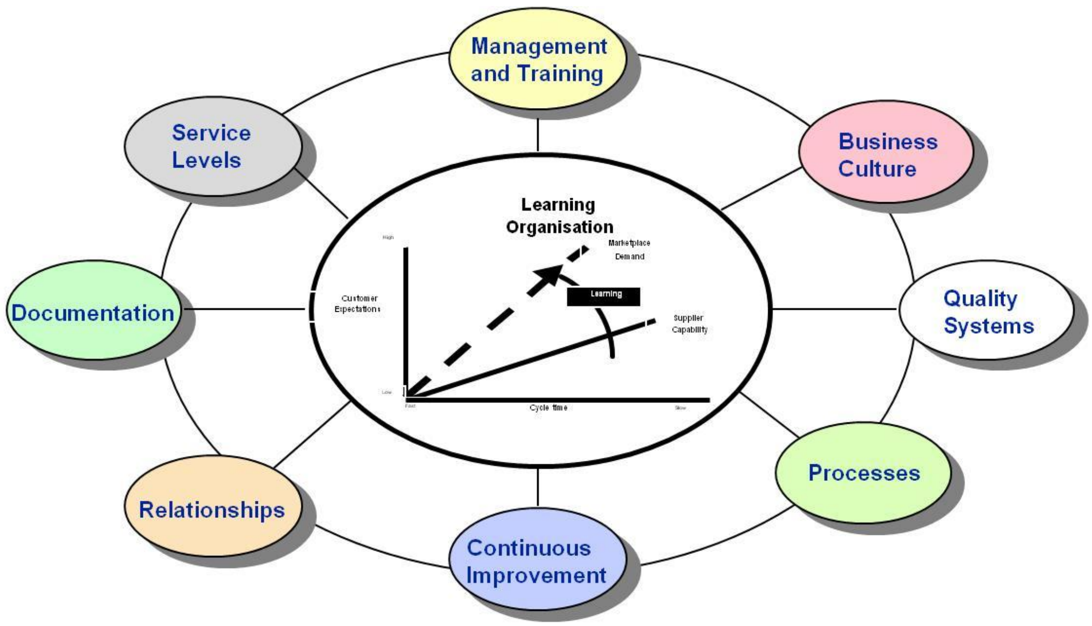
The growing trends in globalisation and convergence in many industrial sectors has introduced the vista of trading relationships both vertically and horizontally within the value creation process. It is becoming more frequent to see competitors working closely together in specific ventures, as well as the complexities of mergers bringing together previous competitors into a single organisation. In each case the pressure to improve competitive edge and develop alternative value based solutions has introduced a greater need to ensure that the organisations can work in an integrated way to maximise potential benefits.

Collaborative integration has become a challenge for most business operations often linking multiple entities within the value chain. Partnering has now evolved into a relationship matrix that bridges organisational boundaries. In many cases the process of integrating internally can be even more challenging than with external relationships. The application of collaborative concepts and approaches across the value chain can help in the integration of both horizontal and vertical relationships to create value. For the majority of businesses their external spend may be a significant proportion of the total scope and planning the supply needs early will direct efforts to the optimised outcome. Understanding the capability of providers and their drivers is crucial to developing an effective partnership.

In today’s market the adoption of alliances is equally important in terms of business development when considering the creation of complex multi facetted solutions. Assumptions during the early stages may prove both costly and time consuming. Establishing the right partner is crucial to the success of the venture.

In fact it is always recommended that you do not take any situation for granted. Particularly when clearly moving into a new style of trading that could have long-term ramifications. The process needs to be carefully considered and developed in a managed way. To support a good commercial position you must come at the prospect from a competitive baseline.

Partner risk has to consider both the product risk constituents such as hazard, complexity, criticality and probability and customer expectations and confidence, reputation, experience and known performance. Together these primary aspects create a profile of risk for any selection.



Look beyond the traditional evaluation

In assessing a strategic partner there is a need to look much deeper than quality compliance to a contract. There is a need to evaluate more intrusively. The problem is that once an alliance is in place organisations will operate in a more open manner. They must be able to support the intended markets and have suitable experience, ethos and style of the company. It is very hard to evaluate how two organisations can work in harmony.

A Foundation for Collaboration and Partnering

In recent years the vista of partnering, and alliances, has been seen as a potential option to aid the drive towards a more competitive operations and the exploitation of the extended enterprise concept. The concept of partnering is not a new one. The whole idea has been around for as long as people have been manufacturing and trading. The partisans of old worked in partnership to combine their skills to satisfy customers' demands. Even further back as outline in an earlier book ''Sun Tzu and the Project battleground'' the ancient Chinese philosopher Sun Tzu, in 500 BC, advocated that the key to military success was in building effective alliances. In more recent times the term has taken on a more definitive legal connotation, reflecting the legal relationship between individuals in a partnership within which they take on a contractual liability in the same way as a limited company.

Some promote the idea that partnering is the latest gold mine to be developed, offering great rewards for organisations. Partnering may be considered either panacea or millstone whereas in reality it is neither but by enhancing business relationships it is possible to produce added value and alternative options to the traditional business landscape. What is important is to understand here it should be applied and how to evaluate partners.

So why did this 'new' enthusiasm start to drive in different directions, the truth is that despite the fluffy rhetoric that was voiced by its evangelists the foundation of thinking was based on hard commercial needs and challenges. That of reducing costs to maintain a position in an ever increasingly competitive market place. Unfortunately it also meant that pressure to reduce costs at the top of the food chain placed pressure on those further down to take on higher levels of risk. For what in many cases was less reward, despite the sales pitch that shared risk would be balanced against increased potential profit. The idea of no pain no gain had takes on a whole new meaning.

In fact the real exponents in recent years were those at the supply end of the production manufacturing markets. Concepts such as JIT (just in time) supply programmes necessitated the forging of new relationships between suppliers and manufacturers. In many cases the major retail sales outlets developed approaches that ring fenced such a large part of their supplier's production that in essence they had almost total management control without taking any equity. These may have been called partnering arrangements but in reality they where traditional master and slave relationships.

The move towards outsourcing brought with it new problems for whilst it did reduce in-house costs it also meant a greater dependence on third parties, who themselves needed to provide returns to their shareholders. The evolution of the supply chain became a strategic imperative.

The idea of JIT relationships moved towards finding new ways of remaining competitive, the prospect of cost reduction across the supply chain became the major driver. These arrangements started to look at a much tighter relationship, where interdependency opened doors to eliminating duplication of effort and investment. The essential components of these relationships were a need to introduce incentives for improved performance on both sides of the trading boundary. Risk and reward had to be acknowledged and trading terms had to be long enough to allow investment return.

Unfortunately for many, at least in the short term they launched into the concept with a somewhat cavalier approach. Their new way was outwardly based on teaming, bonding and a search for those who professed the same desires. The view that your attitude and that of partners was in fact more important than having a sound working relationship opened up a whole vista of problems.

The alliances became stretched as conflicts of interest and individual company profitability came under pressure. As with any relationship there will always be times when differing views and drivers create the pressure for self-preservation. But in some cases which are now often held up as the bench marks for promoting the concepts of partnering not only established working alliances to enable a sound business case to be made for previously uneconomic developments. They have shown that by working openly together with their supply chain, development costs can be reduced by 30%. The reality is there and so is the potential if any company heads into the world of partnering thinking it is a piece of cake they will very quickly crash and burn. Those who have been successful shout a lot, those who have failed keep very quiet.

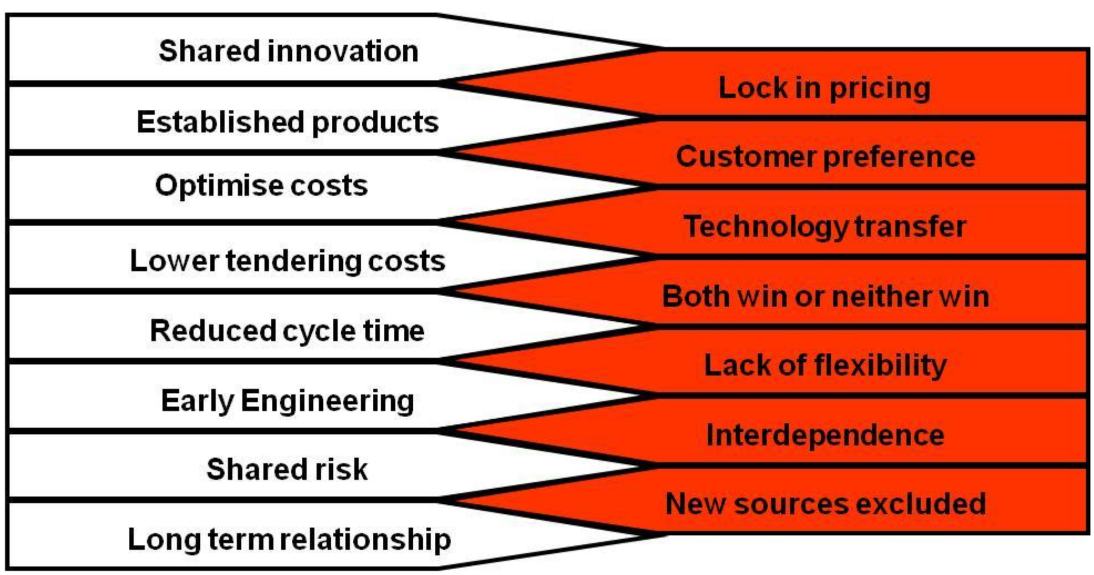
To move forward organisations need to establish a clear understanding of what partnering means to them. The term has been corrupted by the vogue nature becoming the watchword for marketing people across the globe. It's not partnering if all you do is talk nicely to each other. Nor should it be used to disguises what in many cases are cost down contracts. Partnering has its place in the contracting toolbox. That place however, is to some extent limited and to give it too wide a parameter provides the overlap into areas where it may be inappropriate.

There are many contracting approaches that can be deployed and which clearly work better under a collaborative umbrella. Looking at these options such as target contracts, blanket contracts, preferred suppliers, cost plus contracts, call off agreements or joint ventures and if these will provide the fit then they should not be confused by calling them a partnership. In developing BS 11000 the idea was to consider an approach that could be utilised across the contracting panorama where partnering may be an eventual goal but that could also support more traditional relationships.

The objective in developing a collaborative partnership has to be focused on enhancing the overall performance. This enhancement is driven by all of those key drivers that make up this business cycle, starting to focus the organisation on the ‘Total Cost’ of doing business, as opposed to the price you would normally pay at, say, point of sale. This must encompass the sharing of risk starts to get organisations looking beyond previous norms to understand why they should even consider partnering as an option.

The concept of working in more of an open relationship will create pressures on both sides. The principle of open book trading is easy and most in negotiations would publicly endorse such a relationship. However, when it comes to the crunch few organisations have the real constitution for seeing it through. Without this kind of commitment they are not likely to realise the real benefits. Certainly you one can see organisations moving beyond the open book contracting approach, beginning to attack, or unlock, and the wider potential of savings. These can include not only reductions in actual spend profiles but reach right back to savings in tendering and supply costs. In some cases there is also potential to address more long-term issues such joint R&D.

So the concept of collaboration has a very wide brief in terms of the joint potential that can be developed. Being clear on how far you want to go is extremely important to the development process. Setting the scene can often be just a simple process of assessing the pros and cons associated with any alliance. Consider the example below;



To make the relationship work you have to be clear on both sides what you expect to get out of it and are prepared to go for the objectives not the individual scores. The first organisations must be clear about their real goals. This has to be done in an environment of openness on both sides and this is where the concepts start to breakdown. Developing these programmes needs real commitment and a structured approach to finding the appropriate parent to work with.

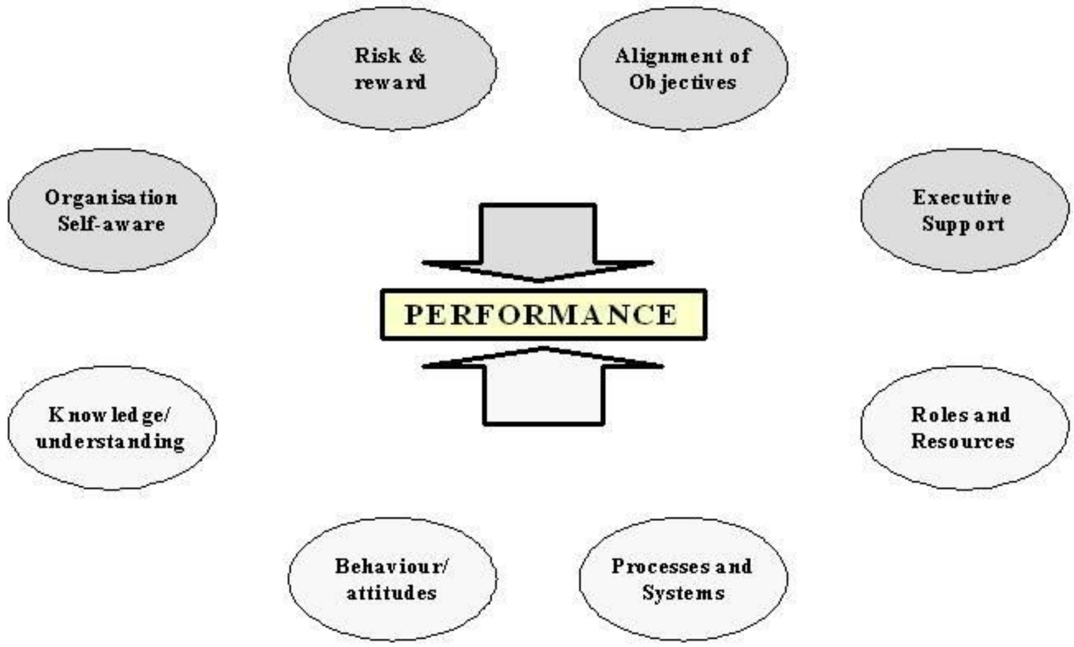
Performance based collaboration

When should an organisation consider the benefits of effective collaborative relationship management? In the first place it should be focused on being cost effective and has to be evaluated as the most appropriate tool. There should be consideration as to whether the relationship lends itself to repeat business and developed where it can benefit from lessons learned. An important factor is that there is time for the relationship to develop.

Looking at collaborative arrangements requires a degree of filtering. It is unlikely that a direct copy of one company's programme would fit another organisation exactly in any event. There are, however, some common traits that fallout from investigation and these are the drivers that organisations should be looking to mirror, recognising that the traditional adversarial approach diverts resources away from focusing on the mutual benefits of optimising cost and time.

Collaborative approaches have force organisations to look at how they share risk, monitor performance and share cost reductions. Traditionally subcontracted work based on a fixed price contract then fight with the contractor to maintain the spend profile. Under these new types of relationship the driver has to be targeted towards measurable performance and value for money. The contractor may have a fixed budget to achieve a certain level of performance. The main incentive is to perform well but below the budget level and share the saving.

The concept of partnering also has its feet squarely in the field of research and development. R&D can be a major drain on any company budget. Finding partners to share in the cost with the aim of sharing in the ultimate sales opportunity is one that is gaining in popularity. Funded research across a spectrum of organisations is becoming more prevalent with particular support from governments looking to enhance a particular field of industry. Even in the competitive market the developing of new products or enhancements in a win/win environment is worth considering. Partnerships based on these principles have some particular problems if the outcome does not meet the original objectives but perhaps was close.



Elements of partnering performance

Clearly each organisation has different drivers and strategic needs and for many collaboration and partnering is not the answer but perhaps it should be part of the strategic thinking to identify where there could be investment opportunities, which expand the enterprise without creating complex and rigid legal relationships or joint ventures. The following chart provides some initial ideas to assist in identifying where partnering may add value initially and beyond so it is important to define not assume the expectations.

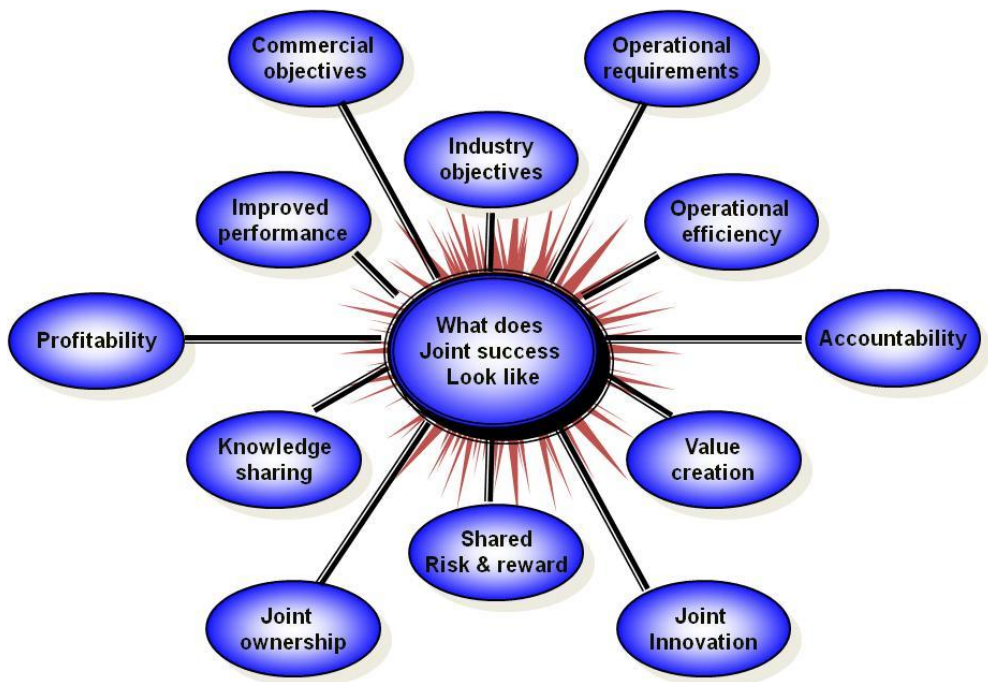
Wider aspects of Relationships	Competitive Tender	Preferred Supplier	Alliance	Partnership	JV
Long term Stability				*X*	*X*
Joint R&D				*X*	*X*
Reduced Total Cost		*O*	*X*	X	X
Focused team			X	X	X
Risk Sharing			O	X	X
Innovation				X	X
Optimisation			**O**	**X**	**X**
Reduced Quality Cost		**O**	**O**	**X**	**X**
Reduced support cost			**O**	**X**	**X**
Reduced engineering Cost		**O**	**O**	**X**	**X**
Back to Back terms			**O**	**X**	**X**
Realistic LD’s			**O**	**X**	**X**
Real Guarantees			**O**	**X**	**X**
Cost reduction		**O**	**X**	**X**	**X**
Inflation Hedging			**O**	**O**	**X**
Lower tendering Costs			**O**	**X**	**X**
Reduced Cycle time		**O**	**X**	**X**	**X**
Winning prices			**O**	**X**	**X**
Improved Cash Flow			**O**	**X**	**X**
Finance/funding Support				**O**	**X**
Global Supply	**O**	**O**	**O**	**X**	**O**
Customer Support		**O**	**O**	**X**	**X**
Currency Risk management			**O**	**X**	**X**
Reliable delivery	**O**	**O**	**X**	**X**	**X**
Market pricing	**O**	**O**	**X**	**X**	**X**
Enhanced Service Support		**O**	**O**	**X**	**X**
Extended skills base			**O**	**X**	**X**
Enhanced supply options			**O**	**X**	**X**
Integrated propositions		**O**	**O**	**X**	**X**
Customer focused solutions		**O**	**O**	**X**	**X**

X= likely O = possible

Defining your expectations

Why look at the expectations before deciding on the focus of collaboration. The reason is twofold, firstly on the assumption that the organisation already has some interest in collaboration and has ideas of where it could help. Second that without fully establishing what the potential of what the benefits could be, how you create the appropriate focus. Throughout the commercial marketplace, you are unlikely to succeed unless you know where you are going. It must also make commercial sense.

Examining the potential wider aspects of a business relationship will provides a background thinking when it comes to deciding the suitability of the approach. When starting to look seriously at the commercial benefits of collaboration the focus may be fixed in a relatively narrow band of products or service. Market competitiveness ensuring a lowest price is generally the starting point. The assumption being that collaboration provides some magical formula that ensures this is achieved. Reaching a market price though not always easy can be achieved by simply applying traditional good procurement practice. In this respect the question of reliable deliveries. Though for interdependence, delivery is a factor and then perhaps there is a role for collaboration.



Developing expectations

With the ever-increasing moves towards outsourcing the traditional view of an organisation is changing and may now depend as much on integrated capability, as it does on traditional product or service. Cost reduction is where there are true opportunities that traditional relationships are unlikely to bring to the surface. This is logical for why should a provider having competitively won a contract pass back cost reductions. In a traditional relationship the buyer seldom if ever provides the flexibility to generate these savings and perhaps as a result of not believing that they would get a fair share of the saving for the effort involved.

In a more open relationship the rules can change and across industry are being changed through partnering deals. To remain at the leading edge organisations have to change the rules and partnering offers one of the approaches. When both sides can see real return for their effort then the enthusiasm for trying increases, particularly if this can be done without eroding margins and profitability. Instead of the traditional negotiating of changes or variations were both sides lose interest as each tries for the major slice. If you have the right partner you can look to see where there is duplication of effort and what really does add value. Once organisations cross the 'Rubicund' it is surprising what opportunities come to light.

In the field of engineering much of the time is spent in reviewing and questioning the output of providers and suppliers. So one might ask is it not better to apply the effort up front to validating the partner than sitting looking over his/her shoulder. The effort should go into looking for opportunities not failings. These give a much greater return on investment. This also involves a much greater degree of responsibility on both sides to make it a success.

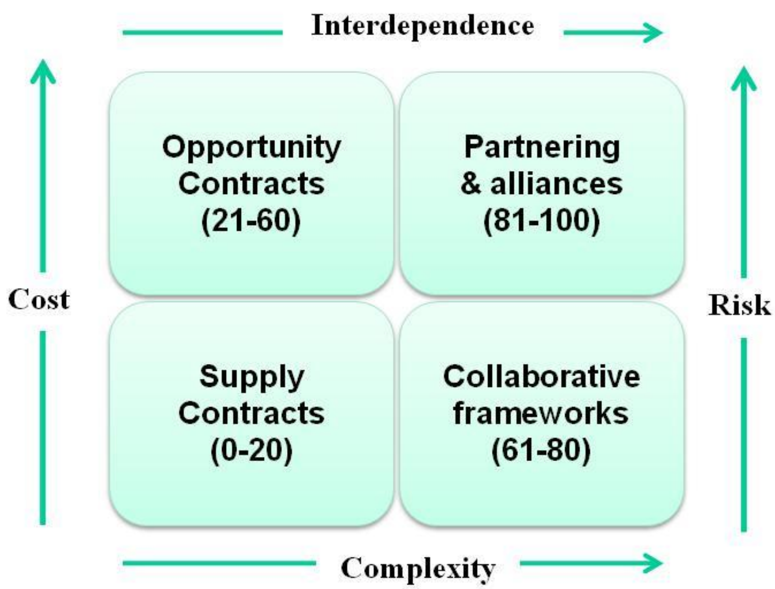
The development of joint responsibility opens up the possibility for joint management and as a result lower costs. Avoiding duplication of effort does of cause raise the issue of risk management. The potential to improve competitiveness, however, through collaboration by risk sharing is a major consideration. Inside many companies there are various layers of management or functions add their little bit of comfort. Each stage adds more to the cost or contingency. Then taking an aggressive stance with external providers they in turn add their risk factors. They are all looking at the same risk and each level, in fact, is adding risk on risk. A realistic openness can often provide a much more cost-effective solution. When the parties are not simply trying to protect their corner but focus on winning.

Having looked principally at the operational benefits the next comes from the longer-term perspective. These may not be immediately appropriate but could in time be the basis of a true winning combination through optimisation in its many forms. Traditionally organisations take a requirement, develop a specification and then head for the best deal in the market place. What are seldom fully rationalized is not how a given product fits the requirements and how the interaction of a chain of products or equipment can provide an overall solution. The object is to win rather than simply protect volume. Research and development is another potential for benefit. Particularly where the development can be shared and the results marketed independently outside the partnership. Clearly the big driver would be to develop for a joint advantage.

The long-term stability of a true partnership provides a platform on which each party can grow, working within a team environment that encourages the focus to be on total cost not individual order volume, whilst maintaining profitability for all and increasing orders. These are some of the concepts that can and are being used do improve the competitiveness of previously established adversaries in the value chain.

Segregating relationships

The spectrum of relationships, specific needs and strategic requirements will be many and varied. Within this context the following generic model based on **THE KRALJIC MODEL** provides a basis for initial positioning of relationships. In some cases there will be a progression from one sector the next based on changes in demand or the development of an opportunity.



Supply contracts would be those that will generally cover products, commodities or simple services that are relatively low value, limited complexity and low risk but more importantly not of strategic impact to the business. Opportunity contracts would be those that whilst of significant impact are generally one–off type requirement where the likely best outcome would come from a traditionally developed arms length contract arrangement. Collaborative frameworks would be those that whilst not initially strategic in nature are of significant accumulative value where overall cost and performance can be enhanced through the development of a framework agreement that fosters a more integrated approach. Partnering and alliances would be strategic requirements where the long term potential for an integrated approach could provide significant advantage and benefit through the exchange of knowledge and resources.

The challenge within the majority of organisations is to establish and communicate a clearly defined set of criteria that will assist those involved in the selection process to understand the different models and applications. This provides a basis for defining the parameters and the process, procedure and systems variables that may need to be addressed in order to establish a platform for development.

To exploit the full potential of collaboration and to ensure a robust foundation and strategy to gain the best from the market whilst establishing the right approach to building the appropriate relationship it is important to consider the key elements which influence each model. This will ensure that as the process evolves the right priority is given to the desired outcome.

Cost is always a significant issue and one which seldom is far from the evaluation process alongside the traditional aspects of quality and delivery. However these alone should never be the only arbiter when considering any contracting arrangement. It needs to be balanced against aspects of performance and risk overall to the business and the greater the ability to fully define the requirements that easier it is to simplify the evaluation.

Risk is a crucial factor for any business and as such in developing a procurement strategy the exposure to potential risk is a key aspect. Risk can be classified in many ways from simple security of supply to the mission critical nature of the requirement to overall business success. Complexity in the modern market place is a broad ranging strategic aspect of procurement. This may cover a variety of issues resulting from the interaction between contracting parties and more significantly their performance over time.

Interdependence is the most difficult aspect of modern business models where the performance of the parties is by necessity interwoven. This may result from joint development of products and solutions based on sharing of information resources beyond traditional contract relationships to the creation of joint solutions and market propositions. This interdependence is most crucial where the outcome can only be delivered through the joint activities of the parties. The following examples are offered to provide a basis for developing and internal model that matches the business. This is not intended to be all inclusive but will hopefully set out some parameters to be considered.

	Criteria	Supply	Contract	Collaboration	Partnership
1	Cost, Delivery and quality only	X	?		
2	Single site service contract		X		
3	Multi site service or maintenance contract		X	X	
4	Outsourcing BPO programmes			X	?
5	Customer facing outsourcing programmes				X
6	Fully defined supply requirements	X	?	?	
7	Solution development programmes				X
8	Repeatable construction programmes			X	X
9	Product development programmes			X	X
10	Integrated distribution and logistics programmes			?	X
11	Performance critical activities			?	X
12	High levels of knowledge transfer required			?	X
13	Clear opportunities for joint value creation		?	X	X
14	Limited market supply capability			?	X
15	Open ended development requirement				X
16	Opportunity for cost aggregation			X	X

As every organisation is different and thus the spread of activities may vary significantly, however in the majority of cases the cost and risk profile generally tends to follow a pattern. The model the following matrix provides an initial a basis for establishing a relationship route to ensure that collaborative and partnering programmes are focused most appropriately. Utilising this general profiling approach it engenders the development of a specific strategic approach that addresses internal concerns and external influences.

The matrix is based on a simple scoring model that is based on gauging the importance of specific issues that have been identified. By assessing these initial 20 parameters the organisation should be able to start the process of segregating their existing or projected future relationship requirements.

		Low = 1 – High = 5	
1	Scope	Standard product – New development	
2	Overall risk assessment	Low risk – high risk	
3	Engineering design	Fully developed – solution required	
4	Market profile	Highly competitive - specialist field	
5	No. of suppliers	High – low	
6	Supplier capability	High - Limited exposure	
7	Quality requirements	Market standard – mission critical	
8	Cost baseline	Fully validated – Estimate only available	
9	Complexity	Plug & play – high integration	
10	Frequency of requirement	One off requirement – multiple need	
11	Delivery performance	Low impact – strategic needs	
12	Knowledge transfer need	Low - high level of exchange needed	
13	Performance improvement	Low potential – high opportunity	
14	Scope for risk and reward	Low – high potential for improvement	
15	CSR implications	Limited – high risk	
16	Internal reference data	High - Limited data available	
17	Management requirement	Light touch – high supervision need	
18	Past experience in this area	Good - poor record of performance	
19	Procurement driver	General requirement – Strategic focus	
20	Business criticality	Low impact - business critical	
		Total	

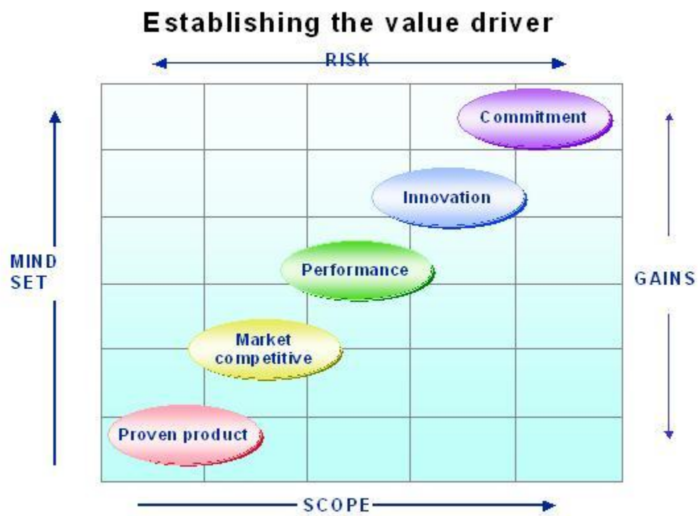
To position the appropriate relationship organisations need to define how the operation will function and deliver additional value. Structured correctly it will provide a platform for measuring success and provide clarity on resources, risk and contribution.

The challenge for the relationship is to look objectively at both side's needs and concerns to establish an approach that will give satisfaction. If there is a wiliness to be open minded then there is an approach that will suit almost every case. Structured positioning preparation will drive a concept.

Before looking at setting up a collaborative approach, there should be a hard debate around the life expectancy of the agreement. Duration will have a major impact on the thinking process and the structure of arrangements. Over a period of time the market position changes and if agreements are not flexible there will be problems downstream.

Organisational strength analysis

Exploiting the interfaces between companies is not an aspect of the traditional business culture. To enhance the competitive edge many organisations are now looking both vertically and horizontally. Developing a collaborative approach has been shown to release potential value and innovation, which has not been recognised historically. The complexity and volatility of this business environment creates a landscape that requires constant flexibility of approach and resource investment. Collaboration is not a solution in itself but does offer an alternative perspective to the value chain. Integration in the delivery network both locally and globally can be optimised by opening the boundaries between organisations to focus on what each does best in a complimentary business process.



Changing the rules of the game requires alternative thinking that may be currently suppressed within the confines of current contracting practice. This transition can seldom be achieved purely based on internal actions. The development of an integrated relationship must be based on exploiting the complementary skills and resources that potential partners can bring to the arrangement. The first stage in any analysis of these potential benefits is to consolidate internal thinking and establish what the key drivers are in each specific case.

The objective of increasing value to the partners and to the ultimate customer must be based on the key ingredients that that are considered to represent and support the end goals. The objective when undertaking an organisational analysis is not simply to score organisations but to remove the outer skin and establish if the potential partner shares the long-term objectives and targets that will deliver benefits to the arrangement over time.

The traditional benchmarks that accompany provider selections such as financial strength and historical performance should not be ignored but should be balanced against the under lying ethos that will ensure that as the relationship progresses the two organisations can become focused on joint aims to their mutual benefit.

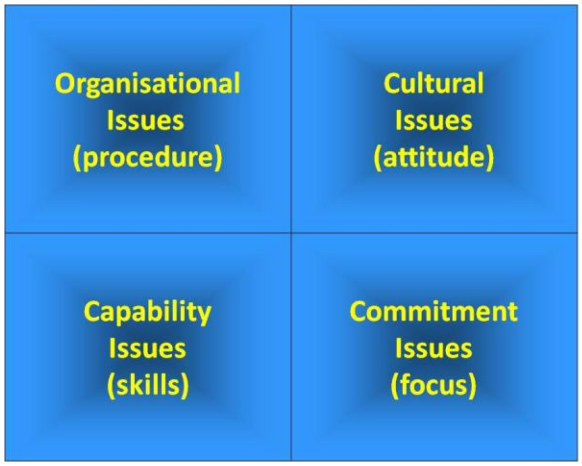
Successful partnering rests on a common drive to exploit the joint potential of two or more individual organisations. The eight step CRAFT process and BS 11000 standard focuses on establishing a structured platform for organisations to realise their capabilities and those of its suppliers to provide an integrated solution to create value and optimise existing relationships. Organisations are beginning to appreciate that integration can deliver valuable contributions to the market. This however means that traditional contracting boundaries and perceived safe guards need to be complemented with a more focused view on the type of organisation being collaborated with.

Effective performance is created through integration of both internally and external customers and suppliers. Awareness of the holistic management has to extend beyond the functional boundaries of traditional purchasing organisations in order to ensure that opportunities are fully exploited. Building on the strengths of the organisation it is critical to establish the level of knowledge and skills that exist to ensure that suitable training can be developed to provide an effective platform to move into collaboration with confidence.

For any organisation to be successful it must first understand its own requirements before trying to develop those of an external organisation. In a collaborative environment the benefits arise from exploiting the interfaces between organisations and the ability of disparate groups to focus on common objectives and implement a joint programme. Creating an effective strategy must be based not on desires but on a firm foundation of capabilities and sound assessment of the arena that will be encountered.

The OSA process provides a framework within which organisations can both undertake a systematic approach to consolidating their internal expectations and views of potential partners, then deploying these findings to create the appropriate strategy.

Every organisation is made up of many individuals each of whom will have their own very specific views of the direction that should be taken and the criteria that should be applied in the selection of any potential partner. In general these will be found to be relatively consistent but often vary by choice of language. These issues will also have certain priorities dependent on the drivers of that individual.



Through a process of categorizing the key issues the organisation can focus on which are the fundamental issues that will drive the relationships towards a successful implementation. This process may require several iterations to reach a conclusion, which satisfies the development team whilst ensuring that the eventual validation process brings a concrete conclusion.

Certainly there will be some opinions that have greater weight simply due to the personnel involved or on an administrative level very much a factor of the organisational style of the potential partner. However, the essence of an effective partnership is that the organisations are willing to work closer together to overcome problems rather than withdrawing to contractual bunkers. So the OSA must be directed at capturing the widest possible vista of the subject organisation and not focused on any particular aspect.

In the later stages of assessment there has to be a focus on setting actions plans for both improvements and any corrective actions and as such no one specific issues is likely to be a show stopper. Since in most cases the potential partner is most likely to already be a part of the existing supply chain where common performance issues will have already been assessed.

It is also important that any OSA is based on the individual provider and not done as a comparison with other providers, who may be considered better in some aspects than others. The process is to develop the criteria that will be utilised to make the assessment. The OSA process is aimed at compiling a sound overall picture of the potential partner and then focusing on the areas for exploitation and improvement. It is common that certain functions within an organisation will have greater emphasis than others but if the relationship is to be effective then each primary functional group must be represented in the evaluation. The following are included as sample questionnaire that covers a range of typical key questions:

- Level of commitment
- Level of capability
- Dynamic Culture
- Appropriate Organisation
- Level of communication
- Total cost approach
- Quality programme
- Commitment to our V&V
- Customer focus
- Attitude to Partnering

Then based on the inputs and the assessment of the potential partner can be defined as fitting into a one of the following categories which range from an obvious potential partner to one where the whole basis of dealing with that provider should perhaps be re-assessed. This often creates considerable interest particularly when the potential partner in question is one that has had a traditional relationship with the organisation.

This may result in identifying those potential partners where there is an obvious fit. Those that may need time to develop in order to become partners and those where it would clearly be in the best interests of organisations to remain in a conventional contracting relationship.

In general however, the custom and practice of organisations and the traditional relationships will likely support the views. Given that the outcome of this process is to initiate a more integrated relationship and that the views utilised to this point have been those from within the organisation is often useful to consider testing the validity of the filtering process on the prospective partner. Clearly many of the views expressed inside the organisation are likely to be critical since that's the objective of the process even though the aim is to highlight strengths it is common to focus on the negatives.

Conclusions

If segregation is approached in a structured manner then the outcomes will be centered on creating a platform for both exploiting the relationship as well as defining areas where joint attention could produce benefits to both parties. In most cases the stresses between organisations is seldom one sided and given the structure of the assessment it can be very profitable in opening possibilities for improvement. The feedback from such discussions can often temper the analysis and improve the overall process as recognition of internal hindrances is not something that most organisations can easily identify.

Collaboration is about exploiting the joint potential of partnering organisations in an open and positive manner so feedback will also test the validity of the potential partners resolve to participate proactively. This should be developed into suitable action plans to address the short, medium and long-term issues that result from the overall analysis. This process is crucial to get in place the key issues that need to be addressed with potential partners. These consolidated perspectives generate a realistic and recognisable profile that should only encourage improvement.

The application of collaborative approaches takes time and valuable resources it is therefore important to focus on deploying organisations assets to maximum effect. By adopting a structured approach these capabilities can be focused on where they will deliver maximum value. It is also necessary to ensure that concepts such as partnering or collaboration are not applied to situations where more traditional approaches are adequate to meet the operational need since if they are not managed properly the likely outcome would be counterproductive.

David E. Hawkins FCIPS

David has an extensive career in projects and procurement within the construction industry. For over 40 years he has been associated with the development and implementation of major projects in many parts of the world, which has provided an insight into the many organisational and cultural challenges that projects can generate. Over the past decade he has been an active promoter of partnering concepts and the development of extended enterprises through the building of alliances. As a strategic thinker he has deployed these approaches to support manufacturing to outsourcing programmes, capitalising on the opportunities within project operations to exploit global sourcing. Building on these experiences he has helped a number of major organisations to implement change management programmes in different industrial arenas including chemical processing, oil and gas, power generation, and mining and minerals processing.

He was the architect and author of the CRAFT collaborative methodology and technical author of the British standards Institution (BSI) PAS 11000 framework the world's first Collaborative business relationship standard. He was appointed chairman of the BSI committee to develop PAS 11000 to a full BS standard. In 2009 he was acknowledged as one of the world's top 100 thought leaders on CSR. He has been a regular contributor to professional magazines. As an established author he has several publications to his credit including

Sun Tzu and the Project Battleground: Creating Project Strategy using the Art of War published by Palgrave Macmillan 2004

The Bending Moment: *Energising corporate strategy* published by Palgrave Macmillan 2005.

Corporate Social Responsibility; Balancing Tomorrows sustainability with Today's profitability published 2006 published by Palgrave Macmillan.