THE WEB OF PARTNERING

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Lessons for those downstream

In many ways marketing is a late-comer to the partnering arena. The first applications I experienced, and in some cases helped initiate, were in the supply chain and in construction, followed by the Oil industry in the late 1980's. Bovis, for example, was Marks and Spencer's 'partner' in shop-building for forty years; building virtually every new shop they set up.

In the early 1980's Xerox, Chrysler, and Motorola manufacturers were establishing a version of partnering in their supply chain, usually called 'preferred supplier' while British Leyland was busy committing hara kiri with its suppliers and unions. In fact if you really want to go back to manufacturer/supplier partnering the classic was Henry Ford and Harvey Firestone.

The oil industry re-discovered cooperation in the mid 1980's when the oil prices dropped to $18/barrel. In the North Sea drilling partnerships came first, followed by engineering, maintenance, construction and facilitation management. (Given the price dropped even further to $10, this was a vitally important strategy.)

The oil operators who have entered into partnering with their drillers have, by and large, achieved their 30% cost decrease targets, and, in the case of NAM, the six contractors have received more than £8 million bonuses through the pain/gain mechanism. However this level of win/win in this sector is very uncommon.
Chrysler, who were a superb client, shared a saving 0f $6 billion with its suppliers in the mid-nineties. That was one of the strengths that Daimler Benz were looking for from the merger. That, however, is another story!
However, it is interesting to note that, although the very high performing companies are those most likely to form alliances - 64% compared with 46% - the only alliances they like to form are vertical, i.e. partnerships along the supply chain. This is good news for sellers who have both the individual and organisational competencies of cooperation.

Innovation
One of the greater areas of pay-off of partnering has been in process and technological innovation. The suppliers are <u>the</u> experts in what they do, and as soon as they experience a relationship of trust and an easing of control, i.e. over-specifying, they become capable of delivering real added value. The oil industry began slowly to realise this in the late 1980's when they discovered that 80% of the technical innovation in the industry came from the oil service sector. The few operators, like Chevron and BP, who began to behave more openly were the key beneficiaries.

The automobile industry is littered with examples of innovation, particularly where there is concurrent engineering or design for manufacture. There have been spectacular successes where two or more suppliers are encouraged to work together, for example, wiring harness and lights component suppliers.

The same can be said for service innovation from companies such as Johnson & Johnson in FM, who bring the benefits of continuous learning to their clients.

Quality of Working Life
When a partnership is working all the evidence indicates that people enjoy their work so much more. We have had hardened quantity surveyors come up to us at the end of a joint workshop saying things like: “I never knew work would be like this”, and, “I feel that for the first time I have really been listened to.” Deming's phrase: *Joy at work*, rings true in partnering.

BUT, do not underestimate the challenges!

Some Challenges of Partnering
The Incompetent Client
In this case, the client does not change internal policies to reflect the new relationship, so two things happen:
1. Duplication occurs with the contractor doing the job “independently'; but still subject to the old audit regime designed for the adversarial relationship.
2. Traditional performance measures, such as 'non-productive time' (NPT), are used, which discourage cross-functional team meetings, process analysis and creative problem solving. The result is that cost savings are merely efficiency savings of 4-5%, rather than the real breakthroughs, which requires a higher degree of risk-taking. This sub-optimisation means that, not only does the client not get real value; but the contractors' margins do not really increase - one of their key aims - although their work load does.

The other down-side elements include mixed messages to the contractor, where typically the working relationship on site improves; but at head office the same old suspicions reign. This includes not having the awareness to involve the partners early enough in some of the decisions, and leaving them to 'manage the mess', rather than add value.

The suppliers and contractors, having begun full of hope, begin to get very cynical about the supposed new relationship, and a kind of cold conflict creeps into the relationship. The surface behaviours appear cooperative to an outsider; but are in fact operationally very defensive, and gradually the possibility of a win-win relationship fades away.

What to do?

Partnering is achieved through a structural approach, which redesigns processes, structures, and roles as a strategy, and trains everyone in the new competencies of cooperation. This means that the sellers, in particular, have to be very good at selling the kind of deal that actually good for both organisations, and sticking to the their bottomline. To achieve this they need the informed, support from their leaders, which very often is not forthcoming because the leaders really do not understand what it takes to make two companies work together. It is not a couple of good dinners with the customer with a: “Yes, I will still respect you in the morning.” kind of attitude.

The leaders of the selling company need to remember the fate of the male spider in many species.

They get consumed by the female during the act of conjugation, who is not really hungry! It is just her experience of close relationships.

To avoid this fate the more advanced species tie the female up with their thread first, and then complete, not just a satisfying courtship; but also get to share in the fruits of the relationship afterwards.

In business, the silken thread that makes it all possible is the partnering planning and preparation that is carried out by the competent spider (sorry,supplier), together with the internal support they need which commits both parties to a win-win.