An Introduction To Implementing and Managing Collaborative Relationships

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What is relationship Management?

Management of relationships is vital to the well being of the organisation and its up-stream and down-stream partners. The most valuable of all business relationships are likely to be those that are collaborative. Where organisations work together using their specialised resources innovatively to achieve aims and objectives that could not be realised on their own, collaborative relationship management principles will apply.

However, managing them is often seen as a 'black art' where we don't know what to do, we don't know that we don't know what to do, it's somebody else's job or we haven't the time or money to do it. Look for a course in a business school and you are unlikely to find it. They do Customer Relationship Management and Supplier Relationship Management, but not Enterprise Relationship Management - the process for coordinating all the business activities that are essential to the success of a joint/multi-party endeavour.

Relationship management is one of the most important management systems that should be in place and as such it should be clearly documented both in policy and in practice. It uses its own virtuous action cycle that acknowledges the joint nature of the endeavour and ensures that performance increases become inevitable.

The partners Review the quality of their collaborative relationship and its achievements, Adapt their way of working to keep their relationship in-step, agree Improvements to their processes and behaviours and Operate together.

By formally managing the essential activities of the joint enterprise it becomes proactive and accountable. It must be supported by objective relationship performance measures that create clear joint understanding between partners and ensure you 'get things done' to time, cost and quality. This management system has the ability to always capture joint value within your collaborative business relationships.

The idea of a management plan to keep track of the activities that support a business relationship is not a new one. It could be an Alliance Project Plan or Partnering Plan. We use the term Enterprise Relationship Management Plan because it covers the joint enterprise and is the key document used to support our proposed management system. Contents:

- **Organisational Arrangements -** Who's who and what they do
- **Business Case –** Objectives and Value Proposition
- **Asset Register of Resources and Capabilities** - What we all bring to the table
- **Risk Assessment** - Keeping an eye out for the unexpected
- **Commercial Agreement** - Flexible contracting
- **Management Activities** - Operations and processes
- **Continuous Improvement & Innovation** - Building on success

- **Knowledge Management** - How we share IP
- **Communications** - The pattern
- **Exit Arrangements** - Pre-nuptials

The ERMP should be appropriate to the size of the relationship. It must be simple, clear and available to all those who need to access it for both reference and to record activity and must be kept current.

The Role of the Relationship Manager

The Relationship Manager (RM) will play a pivotal part in ensuring the smooth running and therefore, the performance of business-to-business relationships. The RM will be responsible for developing, implementing and then maintaining the collaborative business relationship management process throughout the organisation and becomes the repository for knowledge and experience in collaborative working.

Externally, the RM manages the relationships with networks of organisations, often involving dependencies. It is likely that this web of relationships is highly complicated. Where you find strong relationship management there is less friction and scattering of resources which allows the partner organisations to move forward and achieve their aims.

Central to the RMs role is synchronizing work with his/her opposite number(s) in partner companies. An appropriate level of authority is essential to enable this to happen. This good governance involves consistent management, cohesive policies, guidance, process oversight and leadership. Regular meetings will discuss past performance, current issues, forecasts and plans. Actions will be agreed, resourced and monitored and people assigned will be held to account for their area of responsibility. The overall aim is to maintain the relevance of the joint enterprise in line with objectives and against a background of changes in the external environment. When the relationship comes to an end, the RMs will work together to facilitate an orderly exit.

The International Collaboration Standard – ISO 44001 offers a ready-made framework for managing business-to-business relationships. It provides a motive for maintaining your processes at peak performance and is a mark of a quality organisation which can give you a competitive edge.

The guiding principles are as follows:

1. **Business as usual** – *Relationship management is an integral part of your business and should not be seen as a 'bolt on'.*
2. **Seek authoritative advice** – *Decide how the value of your collaborative relationships can be improved.*
3. **Review what you do** – *Identify the things you need to do to improve the way you work with your partners.*
4. **Talk to your partners** – *Discuss and agree an improved structure for working together.*
5. **Implement and document** – *Jointly start doing what you agreed and keep records.*

6. **Manage the on-going relationship** – *Stick to the principles.*
7. **Continuous improvement** – *Make performance improvement inevitable by frequently reviewing with your partners how you are working together.*

Good relationship management has the capability to give you startling results. Do as little or as much as you need to do and the increase in business performance will repay your investment many times over.

Although relationship management is an iterative process that moves around the Relationship Management Cycle and can be entered at any point, in practice it does have three distinct operational phases. These are the Decision Phase (choosing a partner), the Operations Phase (working together) and the Exit Phase (a clean break) which we will cover in our next three blogs.

The Decision Phase

This is the process for selecting new partners. The company must be clear about its objectives from the outset. These will only be broad statements of intent which will be crystallised and reconciled with the selected partner. It is likely that the potential partners will already be known because the field will not be large and those companies capable of meeting your strategic objectives will be even fewer. Factors to be considered include known capabilities, reputation, market strength and culture.

Any nominations should be balanced against internal strengths and weaknesses, focusing on finding complementary skills, resources and capabilities. An understanding of the potential capability to work together to meet joint objectives is more important than hard evidence of past achievements.

From a commercial perspective, successful relationships need the right mix of stability and flexibility. They require a base of rules and procedures that reflect obligations and expectations, yet at the same time there must be mechanisms to support change and reflect shifting internal and external conditions. A record of all decisions, actions and achievements from this phase must be kept in the Enterprise Relationship Management Plan (ERMP) for each potential relationship.

Here is a checklist of actions that you would follow when selecting a new partner:

- Decide if you need a collaborative relationship
- Gather a team with the right skills and knowledge
- Open an ERMP in order to record all major decisions
- Define your objectives
- Shortlist likely partners considering:
    - Complementary capabilities
    - Reputation
    - Market strength
    - Culture
- Meet likely partners and reconcile objectives

- Make choice considering:
  - Price and performance
  - Culture
  - Attitude to relationship management
  - Risks
- Draft a contract suitable for a collaborative relationship and place a copy into the ERMP
- Draft Exit Arrangements
- Review the way in which you have handled the Decision Phase in order to learn from the experience

Finally when you have completed this phase whether you have chosen a partner or not, review the process to understand what went well and what didn't. Ensure that these lessons are learned for the future. You may have selected a partner but in the process you should also have made contacts with other organisations. The ERMP you raised for each should not be discarded because there is potential for future relationships with them and the 'due diligence' could thus be shorter.

The Operation Phase

The operations phase is about all the mechanics of managing a collaborative relationship throughout its productive life to ensure that it is efficient, effective and that there is continuous performance improvement. Operational oversight will involve working very closely with the partner organisation to meet joint objectives on a day to day basis. It also involves instigating activities that make continuous improvement happen including process innovation and learning from experience and, provides the ability to exploit new opportunities that the joint business opens up. As the relationship grows its objectives and the supporting contracts/SLAs will need to be reviewed. The effectiveness of the collaboration will be increased by ensuring that relationship responsibilities such as operational processes, risk, resourcing and performance span both organisations. All these activities will be co-ordinated and managed by the Relationship Managers (RMs) jointly at their monthly meeting.

In addition it is important to create a clear understanding at all levels of those aspects of the joint business that affect the bottom line and the ability to create value. This will be provided by a performance measurement system that is optimised specifically for relationship management. A prime example is SCCI's PartnerLink which enables key performance drivers of innovation (Creativity), alignment and investment (Stability), open dialogue (Communication), operations (Reliability) and building commitment (Value), to be measured and understood across the enterprise. It should also give you a view of the softer aspects of a relationship such as Trust, Commitment and Long-Term Orientation that have a motivational impact on operational performance.

A record of all decisions, actions and achievements from this phase must be kept in the Enterprise Relationship Management Plan (ERMP) for each relationship. This documentation is used to jointly keep track of policy and practice. It will include static information such as the objectives, contract/agreement(s), organisational and management arrangements and contact details, and dynamic information such as changes to contract schedules, regularly updated plans, performance and continuous improvement records, minutes of management meetings including actions, and copies of communications such as newsletters.

Here is a checklist of actions that should be used to manage the operations phase:
At the very least a monthly, formal operational meeting chaired jointly by the RMs, would address the following:

- Review performance targets in last period and issue statistics
- Review work/orders in progress
- Review forecasted work, sales and orders in next period
- Review resourcing
- Facilitate the Sharing of Intellectual Property (IP)
- Consider and solve problems
- Review and update the joint risk register
- Agree updates to the ERMP

As a result of fall out from the operational meeting the following may need to be considered separately/less frequently:

- Actively seek out, initiate and manage process improvements
- Review and update the commercial agreement
- Review value proposition and joint objectives
- Review future plans
- Review industry and technology updates
- Identify new business opportunities to refer to senior management
- Identify policy issues to refer to senior management
- Review and update Exit Arrangements
- Involve other supply chain partners
- Agree updates to the ERMP from these meetings

The Exit Phase

This is the last blog in our series about implementing and managing collaborative relationships. We have talked about the reasons to collaborate, the key role of the Relationship Manager, partner selection and working successfully together. We now conclude with the phase where the actors disappear into the sunset.

Every successful business relationship will eventually come to an end, this is a natural progression. For example, where the market for the product or service declines or ceases to exist or at an agreed time limit as in the case of a completed project or, change in regulatory or other external conditions. Alternatively, one side or the other can trigger a breakup of the relationship. For example, culture mismatch could become serious enough to make an exit necessary as could a failure of effective enterprise relationship management or under performance. Break up would also occur where one or other of the partners ceases trading, is taken over or cannot fulfil its contractual obligations.

Just as in other aspects of relationship management the exit phase needs to be carefully planned from the beginning of the relationship and its execution managed, usually by the Relationship Managers (RMs).

Significant intellectual property rights will often be involved as well as those investments that have been made and used by the partners such as skills, materials and infrastructure. The impact on the up-stream and down-stream members of the supply chain should not be forgotten.

Much of this will have been recorded in the commercial section of the Enterprise Relationship Management Plan (ERMP) when the collaboration was first set up and will have been kept updated during the life of the relationship. It will also be useful to list in the ERMP the actions and resources that will be needed to achieve a tidy exit. Because of their knowledge and operational experience the RMs will have an important role to play in managing the exit process.

Here is a checklist of actions that should be used to manage the exit phase:

- RMs need to appoint teams with the requisite skills and experience
- Create exit project plan
- Agree how the Intellectual Property Rights and assets will be allocated
- Agree business continuity actions with supply chain members and stakeholders
- Ensure that all contractual terms are complied with or, if necessary variations are agreed
- Jointly review and record the lessons learned at the time of closing the ERMP. These need to be fed back into the respective organisations so that benefits can be realised in future projects.

A planned exit will ensure that a satisfactory outcome for all stakeholders will be achieved including the retention of goodwill and therefore the opportunity to do business in the future. A key benefit is learning from experience and improving relationship management capability.

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Further Reading:

Andrew Humphries & Linda McComie (2022), **Implementing and Managing Collaborative Relationships – A Practical Guide for Managers**
Routledge, New York, ISBN 978-1032-1173-86
155 pages

Andrew Humphries & Richard Gibbs (2015), **Enterprise Relationship Management A Paradigm For Alliance Success**
Gower, Farnham, England, ISBN 978-1-4724-2908-7
215 pages

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