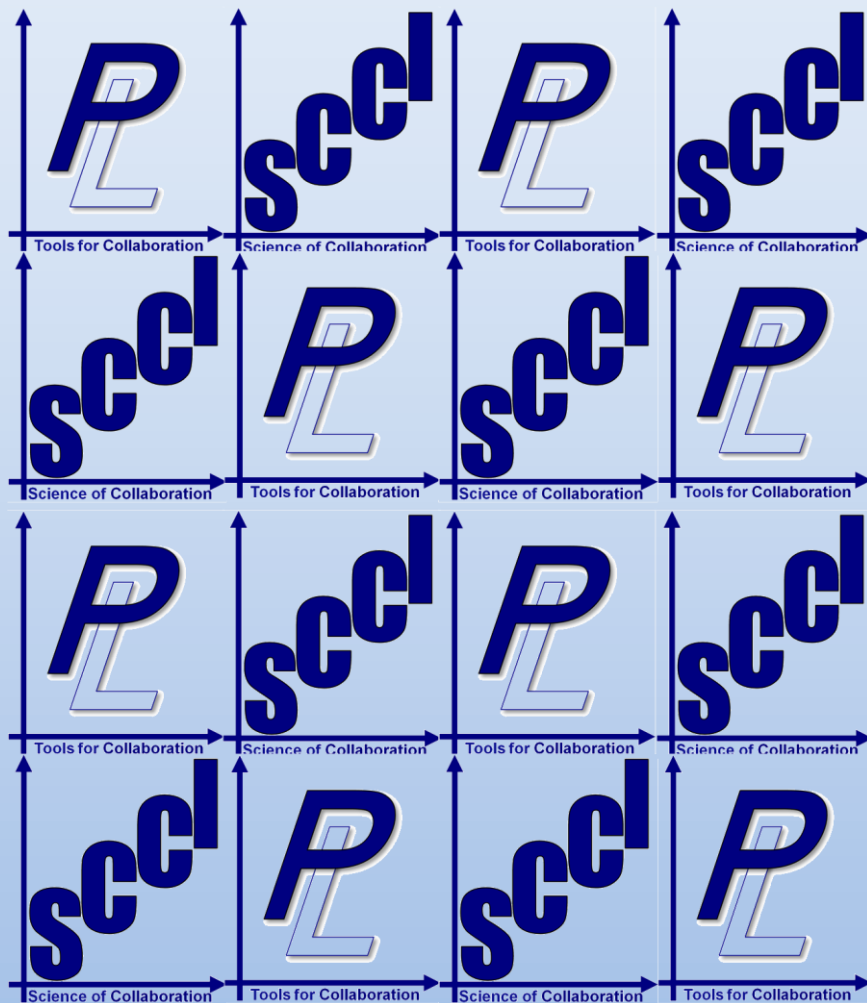


Collaboration Performance Appraisal



Andrew Humphries & Linda McComie



Third Edition 2022

First published in Great Britain in January 2014 by Humphries and McComie.

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Published by

SCCI Ltd
Milton Keynes, England

Collaboration Performance Appraisal

Not that old 'if you can't measure it you manage it' chestnut again!

By Andrew Humphries & Linda McComie

Introduction

In business we measure performance in all its forms. The tools used are sophisticated and people who study for MBAs are required to show an understanding of most of them. Why then do we not measure relationship performance? The usual answer is: “It’s too difficult.” Instead, we rely on tracking operational and financial KPIs even though these are invariably in arrears and only from our own perspective. We have to trust our partner’s figures and guess what is happening across our interfaces. A common problem is thus; one partner may consider time, cost and quality whereas the other will track sales and revenues. Although organizations tie up huge capital and human investments in their strategic alliances, joint ventures and partnerships, they rely heavily on backward-looking, imperfect performance measures. They then wonder how issues that have boiled away unseen such as complacency, distrust, quality failures, opportunism, late deliveries, cost over-runs and communication gaps suddenly raise their heads as major issues. Panicked, often the first recourse is to the contract and the penalty clauses.

In a joint operation or enterprise, it is only logical that all sides will have agreed common performance targets as well as the coherence of their individual goals. Performance measurement must therefore be enterprise-wide and become the essential tool for joint collaboration management. If the collaboration is a network or consortium, the appraisal must involve all the partners. Can you answer these simple questions?

- How many business relationships do you have?
- Why are they important?
- Which ones are doing well and why?
- Which are not doing well and why?
- What objective measurements can you use?
- How do you identify targets for continuous improvement
- How do you do all this jointly with your partners?
- How do you do it with minimal effort and maximum effectiveness?

If you were the CEO of a major company looking to takeover another or, if you came into the top post of a focal organization in a supply chain or project management network, aren’t these the minimum due diligence questions you would need answers to? Having seen the way many blue-chip organizations operate, we can tell you that not only do they not ask them; they don’t even know they need to ask them. This seems odd given the so-called scientific management we declare we practice today.

We propose the answers to these questions are essential if your organization is involved in collaborative working with others. What’s more, we challenge you to get the best out of

your strategically critical relationships if you do not have a grip on joint enterprise performance.

What must the collaboration appraisal do?

Collaboration appraisal needs to fit in with the other metrics that trace time, cost, quality and key events across the boundaries of the partner organizations. They are designed to measure expert perceptions of success in order to highlight those opportunities to reap more value from the joint enterprise. The appraisal needs to support a variety of business-to-business relationship functions. As can be seen in this list, you may be surprised by the extent of appraisal situations that should really form part of relational governance:

- **'Partnership potential'** to improve internal partnering capability and to help organisations to choose the right partner
- **'Quick look'** a rapid gauge of performance for an initial assessment and regular progress monitoring
- **'In-depth diagnosis'** to measure the key relationship performance dynamics and provide sufficiently detailed analysis and recommendations to allow a change programme to be initiated and sustained
- **'Strategic overview'** to discover where good and poor practices are situated in a portfolio of key relationships and allow them to be managed
- **'Multi-party teamwork'** to measure the performance and diagnose the issues within an alliance or consortium

What does the appraisal process look like?

Overview

The appraisal process should not be complex. It should be easy to carry out, not disruptive to the participating organisations, the results should be readily understood by staff at all levels and, it should have the buy-in and confidence of all, especially senior management. Below in Figure 1 are the 3 simple components of a joint enterprise relationship appraisal.



Figure 1: A joint enterprise appraisal process.

Setting

The setting for the appraisal exercise is a crucial part of its success. Given the sensitivities involved, like marriage guidance counselling, the process must be administered by an independent, impartial, trusted, discrete 3rd party. The supplier is not going to 'open-up' if the process is being run by the customer. The 3rd party must be the soul of discretion because the detail that will emerge from the appraisal will be commercially sensitive so a guarantee of complete confidentiality is a given. The appraisal sponsors need to be the participant organization's relationship managers; senior people who will represent their organizations throughout the process and will be responsible for leading the emergent change programme. The 3rd party appraisal team will work for them because it is important that personnel see the process as being an internal initiative rather than one that is 'being done to them by outsiders'. After all: 'what do outsiders really know about the way we do things?'

Finally, having got the undivided attention and support of the staff in the participating organizations to the appraisal process, it is very important that once the results have been analysed and presented to the sponsors, comprehensive feedback is arranged. In our experience, these staff will also be extremely keen to become involved in the resultant change programme and often make excellent change agents.

Data Collection

All questionnaire respondents and must be assured total anonymity and confidentiality in order to secure their open, honest and complete participation. There is no data collection by workshop. We consider this is a most unreliable way of collecting objective data. If you are sitting next to your boss or your opposite number from the other organization, you are likely to hold back from expressing your true views because you don't want to open yourself up to career-limiting honesty, organizational embarrassment or spoil relationships with those you interact with on a regular basis. Instead, semi-structured interviews are used to add richness to the survey responses and again, absolute confidentiality must be guaranteed. It is likely that quotations from both the questionnaire comments and the interviews will be used to add impact to the appraisal findings. These must be sanitized to ensure that it is not possible to identify individual contributors or the firms they came from. It is preferable to carry out interviews over the phone. This is less intrusive and time-consuming for the interviewee as well as allowing him or her to contribute without pressure or distraction. It also enables the interviewer to concentrate more fully on making notes of the key statements made by the interviewee without the need to record and transcribe the conversation.

Survey Phase

Most managers suffer from being bombarded by questionnaires. It is thus vital that this phase minimizes the effort required whilst generating true perceptions of clear, important collaborative relationship issues. To this end the survey phase consists of a relatively short, on-line questionnaire that is scientifically designed to test the collaboration dynamics that occur between organizations. As such they do not vary, apart from context, regardless of industry sector or setting. It should not take more than 15 minutes to complete. It asks for 'agree/disagree/don't know' answers to simple questions that require some thought and force the respondent to clarify his or her ideas. As is usual with surveys, there should be a text entry box at the end to allow respondents to freely contribute anything they think is relevant. In one live survey we carried out a free text entry amounted to 8 A4 pages when printed out! The relationship managers who know their organizations and the staff should nominate those who will take part. As comprehensive a sample of knowledgeable people drawn from a wide range of functions and organizational levels will bring-in the best quality data. This is not sampling research but instead a 'self-selected census'. As long as the right people with good knowledge are chosen to take part, the number of people surveyed is immaterial.

Interview Phase

The purpose of the interviews is to provide the reasoning behind the survey results. Interviewees will be asked to comment on the joint, headline, traffic light results from the survey. For example:

- 'Why is this aspect so successful and what is its impact on the joint enterprise?' What efforts have been made and could still be made to capitalize on this achievement?'

- 'Why is there such a difference of opinion between the organizations on this particular matter and how does it affect the way the relationship operates?'
- 'They/you have indicated that this aspect is not performing well. Why?' What has been/is being done to overcome the issue?'

As long as the right people are selected, those with the roles and seniority who have an overview of both strategic and tactical parts of the relationship, only a small number of interviews will be needed. Moreover, each session need not take more than an hour to complete.

Workshop Phase

The joint workshop phase is designed to achieve four things:

- endorse the survey and interview findings
- add any further richness to the information revealed
- decide and prioritize the actions that can be taken
- agree and resource an implementation plan

The attendees from the participating organisations will include the senior sponsors, often at director level and above, the relationship managers who will take the action programme forward and, departmental managers and key staff who will be affected. The group must not indulge in finger-pointing and laying the blame at anyone's door because this is counter-productive. The team must instead face its challenges as a team and low performing areas must be turned-round or re-deployed to those that can contribute greater value. It is usually productive to re-state and confirm the original alliance value objectives in order to re-establish the motivation for collaboration. Often these will have been overlooked or forgotten in the 'white heat' of trying to establish and make the relationship work. The overall focus must be joint value-seeking:

- 'How do we capitalize and further exploit those things we are doing well?'
- 'How do we eliminate waste and turn-round dysfunctional processes?'
- 'How do we put in place joint management that aims to continuously improve relationship performance?'
- 'How do we ensure we seize and capitalize every new business opportunity that presents itself to the alliance?'

Implementation

The implementation plan must be integrated with the joint management of the relationship so that not only does it ensure those things that need doing get done, but also that aspiration targets can be set and achieved. Reactive change initiatives only result in a temporary hold up in relationship performance decline. This is what we really mean by continuous improvement. In Figure 2 we show how relationship appraisal dovetails with change implementation into a continuous improvement cycle. All change must be institutionalized by its incorporation in policy, operational processes and practices, staff

training and internal audit. We usually see this happening 'in-house' but it is also critical to apply it to the joint management of collaborative relationships.

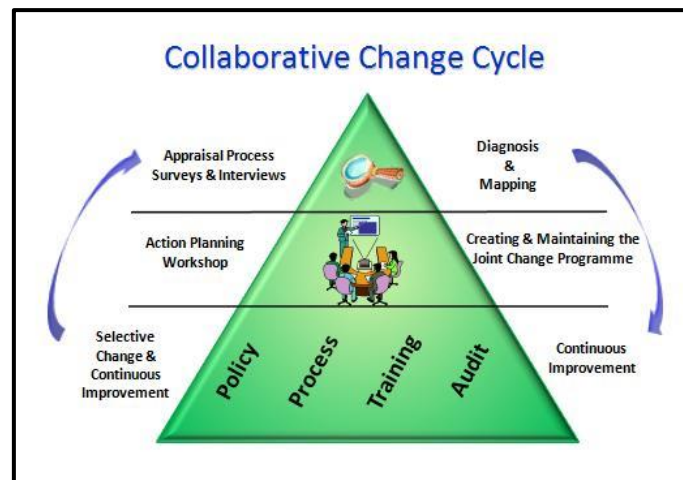


Figure 2: The collaborative change cycle.

‘The big shift in focus will be away from price and compliance and toward how organisations address innovation and change through their agreements.’

Bill Huber, Information Services Group (IACCM – The Future of Contracting)

Relationship appraisal summary

Figure 3 summarizes the key features of the appraisal process. It uses a few academic research expressions because it describes a scientifically based data collection and action research process. In the Appendix at the end of this chapter we provide some more background on the science behind the process. The overall aim is to capture and utilize reliable data in a rigorously repeatable method. Moreover, because the data is based on a standard model, it means that the collaborative performance of organizations can be compared and benchmarks used to make strategic and performance judgements. Thus, senior managers gain a powerful governance tool in a key aspect of business that is not available using traditional methods.

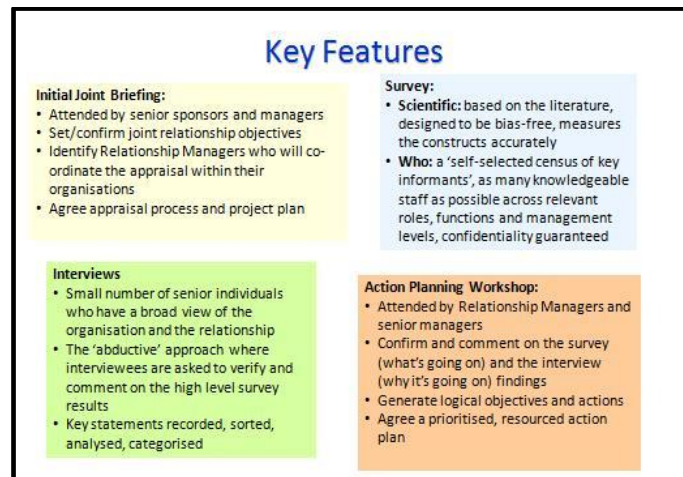


Figure 3: Appraisal Key Features.

Different variants of relationship appraisal

High level traffic lights report

Figure 4 is an example one page set of traffic lights that resulted from surveying the views of a pair of partner organizations. The percentage satisfaction scores with the relationship are shown in coloured traffic lights and numbers. The performance bandings are defined as follows:

- Green (75% - 100%) - ok unless high priority
- Green/Yellow (65% - 75%) - corrective action recommended
- Yellow (50% - 64%) - corrective action is required
- Red (0% - 49%) - urgent corrective action required

It's possible to compare the respective perceptions quite easily by focussing on the colours. The main measures are listed on the left as are the softer aspect such as Trust and Commitment.

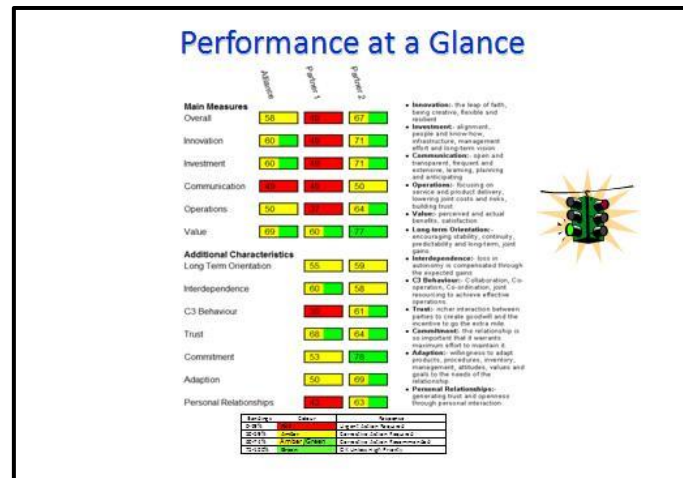


Figure 4: Example top level traffic light report (2 organisations relationship).

The Main Measure definitions are as follows:

- **Innovation:** The ‘leap of faith’, being creative, flexible and resilient
- **Investment:** Alignment of objectives, investment in people, know-how, infrastructure and management effort and, long-term vision
- **Communication:** Open and transparent, frequent and extensive learning, planning and anticipating
- **Operations:** Focus on service and product delivery, lower joint costs and risks, build trust
- **Value:** Perceived and actual benefits, Satisfaction

The Additional Characteristics (softer measures) definitions are as follows:

- **Long-term orientation:** promoting continuity, patience and joint gains
- **Interdependence:** encouraging joint responsibility
- **C3 behaviour:** collaboration, co-operation, co-ordination
- **Trust:** creating good will and the incentive to go the extra mile
- **Commitment:** belief that maximum effort should be expended to maintain the partnership
- **Adaption:** willingness to adapt products, processes, goals and values to sustain the relationship - flexibility
- **Personal relationships:** generating trust and openness by personal interactions

The partners in Figure 4 were a pair of SMEs, a specialist, electronics company and its parts supplier. It can be seen that neither was satisfied with their performance although the customer was more dissatisfied than the supplier. Their 20-year relationship had matured into a comfortable 'marriage' where conversations had become mundane grumbles and the innovative spark had died. They had both lost track of each other’s changing and improving

capabilities and due to failure to capitalize on the possibilities, were losing their competitive edge. The appraisal came as a wake-up call and as can see in the bottom-line figures below, they were able to affect a transformation. Good management from the start would have prevented the performance degradation situation from occurring.

- Regular Planning Meetings defined joint production schedules
- Joint product reliability action saved £50k per year on in-house testing and £90k in parts holdings
- Supplier involvement in new product design brought lower cost, improved design reliability, better asset availability, more functionality, shortened time to market from 5 years to 1
- Customer updated MIS with new, integrated system to improve asset control, marketing and requirements forecasting
- Over 3 years Customer Revenue up 38.5% per year Supplier Revenue up 35% per year

“We are now concentrating on solving the issues rather than shouting at each other”

Sub-set traffic lights

In another relationship Figure 5 shows the Value dimension from a high-level traffic light report broken down into more detail. It shows the questions asked in the questionnaire and the traffic lights for each. You can see that Firm A feels very strongly that it is trapped in a ‘loveless marriage’ with doubtful gains. Overall, however, there is a feeling that the relationship has a future and ‘divorce’ is not the answer. It turned out that despite satisfactory operational performance, communications between Firm B and Firm A were poor with format, frequency and method problems resulting in ‘crossed wires’ and one particularly frustrated partner. It only took a joint review and then re-alignment of the information channels in this alliance to overcome the issues. More importantly, the appraisal exposed an unexploited opportunity to leverage greater value from the data flows about customer demand trends.

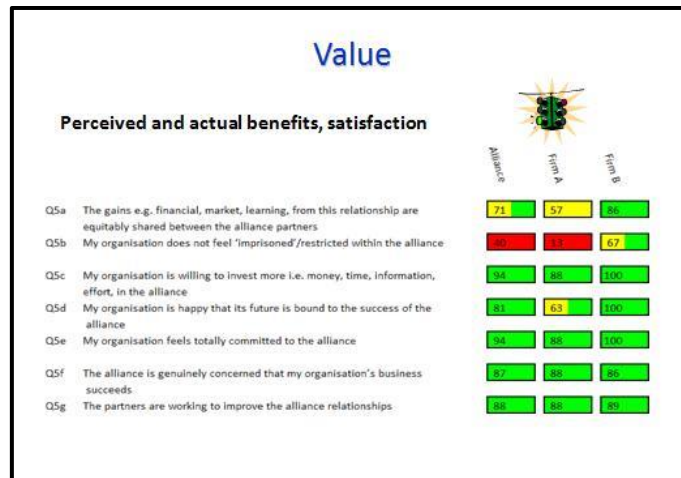


Figure 5: Example relationship Value traffic lights with questions.

Personnel Quotations

The traffic lights will give a pretty good view of what’s happening in the partnership or at least where to look. Quotations out of the additional information boxes in the questionnaires and the interviews on reactions to the traffic lights will invariably give you the reasons in some detail. The combination of the two invariably provides a very powerful and detailed view of the key performance dynamics in the relationship. The comments staff make have considerable impact, especially on senior people. They often have an immediacy, freshness and poignancy that bring to the fore the essential issues. Collectively the quotations can be analysed to show representative perspectives of aspects such as operational process effectiveness, clarity of communications and the trustworthiness. During the appraisal workshop phase the selective use of quotations will reinforce the key messages from the survey data and leave little doubt in the minds of managers of what actions need to be taken. Some examples from a relationship between the UK Ministry of Defence and a major industry partner are contained in Figure 6.

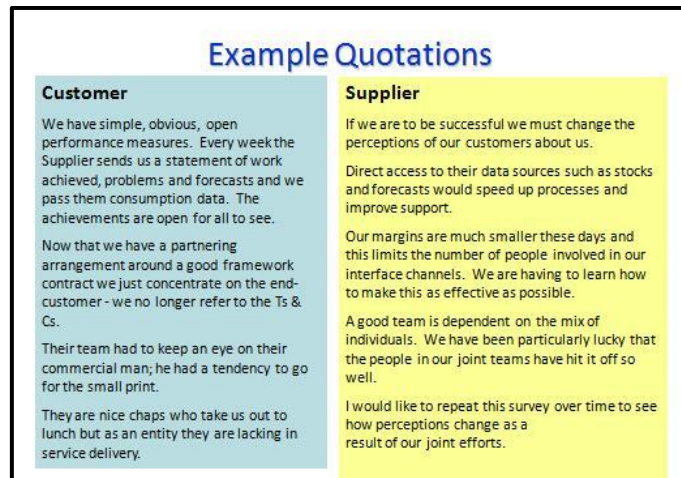


Figure 6: A sample of personnel quotations.

A portfolio perspective

Figure 7 is a view of 57 relationships between a customer and his main suppliers. The top level performance figure from each relationship is plotted showing the positive and negative scores (a relationship having an overall satisfaction score of 75% is shown with a green vertical bar for 75% and a red vertical bar for 25%). Highlighting the green scores identifies where the good practice can be found and the red shows where help is needed the most. The customer's portfolio comprised over 200 strategically important relationships. This sample included small, medium and very large alliances that were felt to be representative of the complete set.

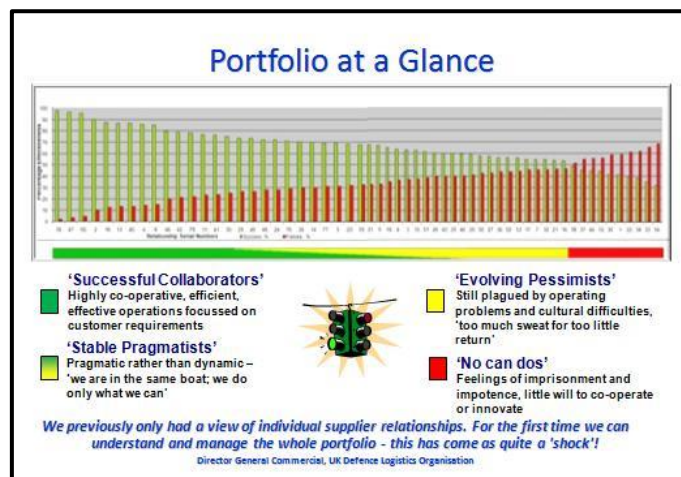


Figure 7: A portfolio of procurement and technical support project relationships.

In this case the customer's head office working with their own and the suppliers' managers generated a catalogue of best practices and practitioners from its best relationships. They then ran a couple of projects using these resources to support and mentor a very poor and a

medium relationship. The aim was not only to change their ‘game’ but also to pilot an approach that could be rolled out across the portfolio with the intention of standardizing the approach to relationship management. This plan also allowed the targeting of corporate-level resources at prevalent issues such as complex technological environments (engineering), retaining and motivating staff with critical skills (HR), standardizing collaborative contracts (Commercial), improving knowledge-sharing (IT) and consignment/item tracking (Supply Chain).

Finally, the Group CEO met with the industry steering group's leaders and decided that the portfolio perspective provided them with a new governance opportunity. It would allow them to set performance targets for the portfolio as a whole that would cascade down via corporate directors to the individual project relationships.

The consortium perspective

Figure 8 shows how an appraisal can be used to understand the relationship dynamics within a multi-party alliance or consortium that has common objectives. The same measures are used as for a two-party relationship described in Figure 4 but here people from each organization completed the questionnaire so that it is now possible to contrast the views of the participating organisations.

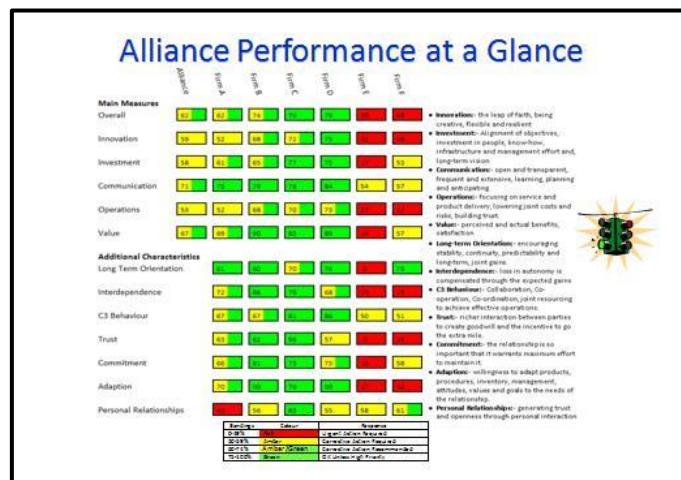


Figure 8: Performance traffic light set for a public sector alliance.

In this case 6 organizations were involved. The Borough Council was distinctly nervous about its Children’s Policy. Health was concerned. Education was not too bothered. Criminal Justice was complacent and the 2 housing charities felt nobody cared. Following the interview phase at the action planning workshop the parties saw their end-to-end processes were not working properly because they didn’t have defined owners or performance targets. Moreover, although the teamwork was enthusiastic, it was not effective. They agreed to:

- Map the end-to-end processes for each service

- Review the performance requirements of each process
- Review the staff training and policy needs for each process
- Establish a process manager for each who will be the main point of contact for its operational delivery
- Upgrade the information flows so that all members receive timely, accurate communications
- Establish a regular alliance management group with its terms of reference and standard agenda
- Introduce a team building programme
- Carry out further Alliance Performance Appraisals annually

Conclusion

We hope we have demonstrated to you how joint relationship performance appraisal has an essential part to play in your formal enterprise relationship management practices. These benefits are highly relevant and tangible:

- The catalyst for defining joint opportunities to increase revenue and shareholder value
- Increases customer satisfaction from better product/service quality and delivery
- Strengthens the bond between partners and enhances their ability to innovate
- Reduces administration and production costs and risks
- Bridges the hidden gaps in teamwork, thru more cohesion, integration and fulfilment, and increased transparency
- Builds joint capability to seize future business opportunities
- The catalyst for defining joint opportunities to increase revenue and shareholder value
- Increases customer satisfaction from better product/service quality and delivery
- Strengthens the bond between partners and enhances their ability to innovate
- Reduces administration and production costs and risks
- Bridges the hidden gaps in teamwork, thru more cohesion, integration and fulfilment, and increased transparency
- Builds joint capability to seize future business opportunities

We have looked at well over a hundred major inter-organizational relationships and have seen these sorts of outcomes time after time. So, maybe there is still some truth in Lord Kelvin's adage: 'if you can't measure it you can't manage it!'

Appendix - The science of collaboration appraisal

The core of any scientific theory is a theoretical model and scientific research methods are used to test the model using real-world data. The relationship appraisal process we have described in this chapter is based on the work of the Nobel Prize Winning, US economist, Oliver Williamson. He suggested that firms had 3 choices: to do the work in-house, to work co-operatively with partners or to go out into the market to buy the goods and services you needed. The conditions for deciding are shown in Figure 9 with one aspect – Asset Specificity broken out on the left to give you a flavour of its terms. Basically, firms and public sector organizations tend to keep core functions in-house because they are their most valuable assets. The things you buy in the market are uncomplicated and available from multiple sources. Collaboration is all about working with others for mutual gain to produce goods or services that neither of you could provide alone.

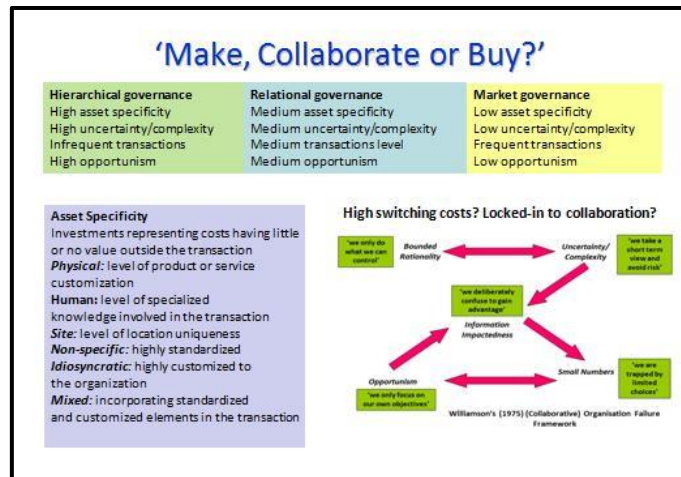


Figure 9: Performance traffic light set for a public sector alliance.

The little model on the right shows what can happen if you become locked-in to a relationship and insufficient effort has been devoted to managing it. This situation usually grows on the partners over time by which point they have intertwined their business processes, investments and people to such an extent that breaking up is almost unthinkable. The disruption to customers and suppliers as well as business continuity usually forces them to 'sit it out' in a less than productive partnership. That very negative model is the extreme end of the spectrum and it is of course possible to find relationships, like marriages, that are made in heaven.

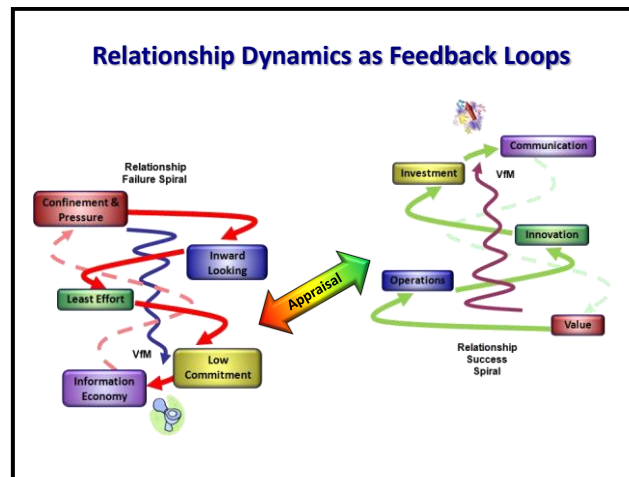


Figure 10: Positive and negative relationship dynamics.

The 'locked in to collaboration' model in Figure 9 can be resolved into the negative feedback loop shown on the left in Figure 10 where unless action is taken to interrupt the worsening situation, relationship value will 'go down the pan'. The other end of the spectrum where 'one good thing leads to another' and value is continually created is shown on the right. The appraisal method we have described discovers where a relationship fits between the negative and positive feedback spirals. Questionnaire data is recorded and processed to provide perception percentage ratings in traffic light form. The questionnaire comments plus interview quotations are then analysed. Together they support the production of performance reports that are used as the basis for joint management action. This is shown in outline in Figure 11. The total methodology is thus capable of appraising any collaborative inter-organisational relationship in order to reveal its detailed performance dynamics.

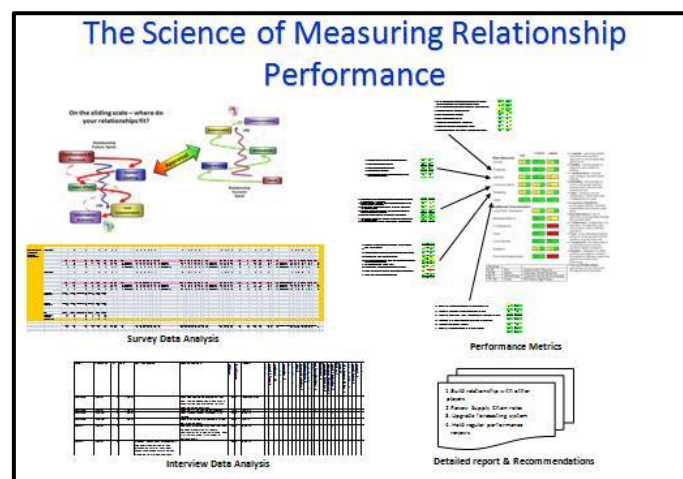


Figure 11: Outline of inter-organisational relationship dynamics research methodology.

Further reading:

Richard Gibbs & Andrew Humphries (2009), **Strategic Alliances & Marketing Partnerships: Gaining competitive advantage through collaboration and partnering**

Kogan Page, London, ISBN 978-0-7494-5484-5
235 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

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

Williamson, O.E. (1975) **Markets & Hierarchies: Analysis & Anti-trust Implications,**

The Free Press, New York, ISBN-13 978-0029347805
286 pages

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