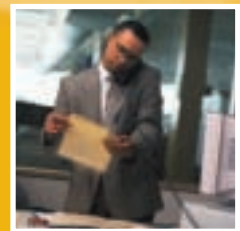
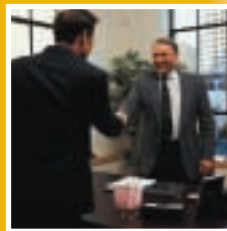
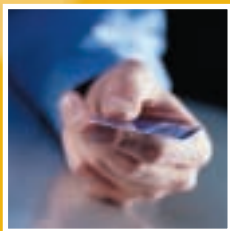


An overview for customers
and suppliers

Effective partnering



Office of Government Commerce

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Senior IT Forum involvement

This guide was commissioned by the Senior IT Forum. The Senior IT Forum's aim is to identify and address the joint systemic issues that occur in the acquisition and implementation of Government IT-enabled projects. It is jointly sponsored by OGC and Intellect.

For further information on the Senior IT Forum, please visit: the OGC and Intellect websites: www.ogc.gov.uk and www.intellectuk.org

If successfully implemented partnering is an immensely powerful tool that can contribute to successful project and programme outcomes and deliver significant improvements in value for money. It will only succeed where there is a mature approach to relationship management and it will require effort and commitment from both sides to make the relationship work. It should never be regarded as an easy option.

Introduction

This document summarises the key issues around considering, planning and creating a partnering relationship with an IT service provider. Its focus is not on formal procurement, contracts or service delivery management. Instead, it covers the critical factors in creating a strong working relationship built on mutual benefit – taking the right approach, creating the right behaviours, putting the right people in place and managing the arrangement in the right way in order to achieve a successful outcome for both parties.

The guidance is primarily intended for those leading the project and programme teams in the customer and provider organisations. It will also be of interest to everyone who may be involved in a partnering arrangement.

The first part of this document outlines the main considerations for partnering. The second part sets out essential questions on the partnering relationship that should be considered by the Senior Responsible Owner (SRO). These questions supplement *The OGC Gateway Process: A Manager's Checklist* and are designed to help SROs to self-assess the development of the partnering relationship at key points in the procurement lifecycle. Senior Responsible Industry Executives (SRIEs), the SRO's counterparts in provider organisations, will also benefit from this self-assessment process.

What is partnering?

Partnering is a form of collaborative working between customers and suppliers. This guide aims to demonstrate how partnering can be used between public sector organisations and IT service providers towards shared business aims to realise mutual benefits. In contrast with traditional 'arms-length' procurement and contract management approaches, partnering is characterised by a greater degree of openness, communication, mutual trust and sharing information.

The aims of partnering arrangements are often expressed in terms of business outcomes rather than specific outputs or improvements; their success is particularly dependent on the people and relationship aspects.

The tone of a partnering arrangement differs from a traditional contract and the behaviours of those involved are different too. The management of a partnering arrangement is usually proactive rather than reactive. Both parties work together to identify optimum solutions and to anticipate and resolve problems in a constructive, collaborative way. The arrangement needs to be based on mutual trust and openness, a recognition that the relationship itself is as important as the contract and a conviction that partnering makes good commercial sense for this particular programme.

Why should the public sector consider partnering?

Modern commercial arrangements should be based on the following principles and should:

- be based on a shared understanding of what the desired outcome is and which elements are to be provided by each party
- be focused on benefits - not just on time and cost
- have a shared understanding of which party is managing particular elements of risk
- (for long term contracts) be able to cope with changing customer requirements and technology developments
- be capable of implementing efficient and effective procurement.

Partnering extends these principles. For the customer organisation, a good partnering arrangement offers the benefits of proactive risk allocation, technical innovation, flexibility and improved value for money. For the IT service provider, the benefits include more involvement in management decisions, greater freedom

to suggest innovative solutions, and better insight into the customer's business (as well as commercial gain). For both parties, shared business objectives and a collaborative approach to achieving them mean that the partnering approach offers significant strategic benefits.

Partnering is about strength through collaboration. Building and maintaining a partnering arrangement will take much more effort and time than a traditional approach, not least because new attitudes and behaviours may have to be learned – and old ones unlearned.

When should partnering be used?

Partnering is not appropriate in every situation. It is a long term relationship, usually over five years and often much longer, where customers and providers adopt long term rather than short term views. Partnering may be suitable where there is a need for:

- business change, especially where innovation is required and/or the future is uncertain
- using new methods of service delivery (such as providing services online)
- flexibility in constructing teams, involving specialist skills or scarce resources
- outsourcing business processes or services, perhaps to allow customer staff to concentrate on core areas.

Partnering is unlikely to be suitable for:

- short term requirements where there will not be time for the provider to recover initial investment costs
- projects where the customer requires complete or significant control over the specification and service delivery, with little or no flexibility for the provider to propose new ways of doing things
- contracts where there is little or no scope for continuous improvement
- contracts where the customer requires an outcome, but cannot transfer key elements of control or major risks to the provider.

Rather than focusing solely on the benefits, costs and risks to the customer, partnering seeks to create a 'win-win' relationship, where both sides feel that the investments and concessions they have made, and the risks they have taken on, have helped them realise genuine benefits and achieve strategic goals.

The procurement

The SRO's perspective

The *Senior Responsible Owner (SRO)*, as the senior representative in the customer organisation, will need to give as much weight to the desired relationship as to specific service requirements and to be clear about these objectives of the procurement from the start. In addition to establishing their technical and organisational suitability for meeting the business requirement, potential partners will need to show that:

- they understand the customer's business and can align their priorities with the SRO's priorities
- the requirement falls in their core business area, and will be a genuine priority for them throughout the life of the contract
- they have the people in place who can help create and maintain the kind of relationship the SRO is looking for
- they have worked as partners with other organisations (ideally)
- they understand what shared aims, mutual benefit and a joint approach to risk will actually mean for the arrangement.

The SRIE's perspective

The *Senior Responsible Industry Executive (SRIE)*, as the senior representative in the provider organisation, will need to ask reciprocal questions about the customer organisation:

- do they understand your organisation's business and can they align their priorities with your own?
- will the partnering arrangement be a genuine priority for them throughout the life of the contract?
- do they have the appropriate relationship management systems and people in place who can help create and maintain the kind of relationship that they seek?
- have they practical experience of working in collaboration with other organisations?
- do they understand what shared aims, mutual benefit and a joint approach to risk will actually mean for the arrangement?

Key roles

The Senior Responsible Owner (SRO) is the individual in the client organisation who is responsible for ensuring that a project or programme of change meets its objectives and delivers the projected benefits. The SRO should ensure, among other things, that the relationship with the supplier is actively managed.

The Senior Responsible Industry Executive (SRIE) role mirrors the SRO role in the provider organisation. The SRIE works in partnership with the SRO to ensure more successful delivery of IT-enabled change programmes in government.

The primary objectives of the SRO and SRIE roles are:

- to be focused on the achievement of the desired business outcomes
- to be open with each other about issues, problems, constraints and politics within their respective organisations.

Key features of the partnering approach

The key features of what the partnering approach is seeking to achieve must be set out in both the requirement and the formal contract – both partners must be clear about what they want and fully understand what is being proposed from the earliest stage and throughout procurement. Plans for how the risks will be managed must be made clear.

Traditional procurement concentrates on an examination of what the provider would do for the customer, with far fewer commitments in return; partnering focuses on what you could achieve together. Compromises may be required from either party and each should stress their organisation's willingness to take a collaborative approach at all stages.

At the outset of the relationship, the customer's and supplier's objectives are unlikely to be aligned; incentives have to be designed to achieve this. Contracts that reward contractors for helping deliver business objectives, but without attempting to transfer risks best managed by the customer, are an essential foundation for a good partnering arrangement.

Partnering principles

Partnering principles should guide both parties' actions throughout the procurement process and into contract management. There must be top management commitment from the start and throughout, from both parties. The right people need to be in place from the start who can build and maintain open relationships. As well as technical and business understanding, they will need to draw on abilities in communication, diplomacy and problem solving. They will need strong interpersonal skills, tact, patience, honesty and the ability to form strong professional relationships. A partnering approach takes time to plan so that the right people are in place from the start. You may need to consider how behaviours at many levels of the partnering organisations need to change in order to make partnering a success.

Practicalities of managing the relationship

Both parties will need to think about the practicalities of managing a relationship that is built on trust. The public sector must have the necessary controls in place to provide evidence to demonstrate that the provider has delivered the agreed level of service. The provider has to be confident that unreasonable demands will not be made. There has to be reasonable compromise to ensure that the public sector complies with its requirement to demonstrate openness, equity and value for money without imposing undue bureaucracy on the provider.

Even at the outset of the arrangement, you should consider how it will end. Exit strategies and plans for recompetition should be developed at an early stage, so both parties understand what will happen at the end of the contract.

Establishing and managing the relationship

Partnering arrangements mean differences in both corporate relationships and individual relationships. The way the two organisations regard each other is crucial, and above all else there must be mutual trust or the relationship may break down.

Trust needs to be developed – there will be little evidence of it on Day 1 although there will be plenty of good intentions. Trust has to be built and ‘earned’ through the right actions, behaviours and performance. There needs to be reality in the relationship and acceptance that there will be a steep learning curve. It is important to have the right people in the right place and this may require hard decisions about removing people who are hindering the relationship.

At the individual level, each one-on-one relationship should be peer-to-peer, with individuals chosen on the basis of their suitability for their role. Senior managers, too, must show their commitment, with the SRO actively involved on the customer side and their industry equivalent, the SRIE, involved on the provider side. At the management board level there should be mutual commitment.

The figure below shows the recommended governance arrangements.

How open should the relationship be?

- Single/joint project board?
- Single risk register?
- Visibility of potential problems?
- Open book accounting – on both sides?
- Single project budget and account managed together by customer and provider?
- 360° staff reporting – on both sides?

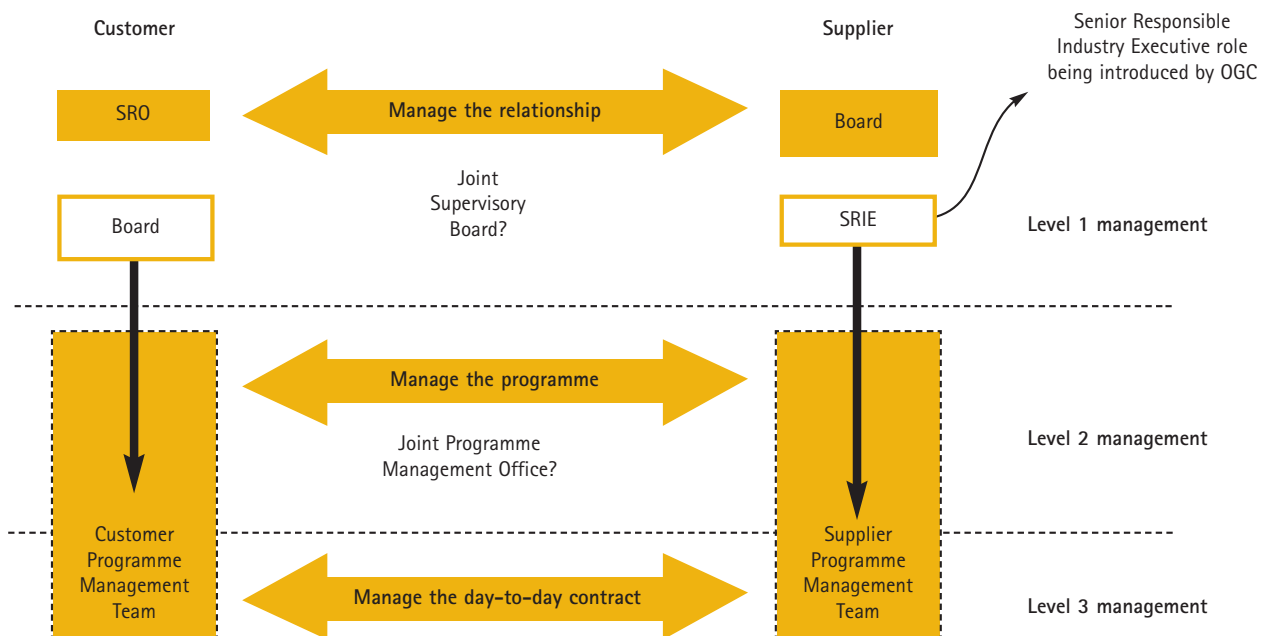


Diagram: courtesy of LogicaCMG

A strong partnering arrangement starts with well-designed contractual clauses, but is then about establishing appropriate attitudes and behaviours (see Annex A for a checklist of the attitudes and behaviours required). One of the key benefits of effective partnering is being able to raise issues or areas of concern at an earlier stage, thereby making them easier to resolve. The roles, responsibilities, processes and mechanisms that will enable the relationship to grow and change need to be in place from the start. Some options and suggestions are as follows.

A ‘partnering agreement’: this is usually created as a ‘charter’ to complement the formal contract terms. A partnering facilitator leads a workshop that helps both parties together to set out the principles, attitudes and ideals that will characterise the arrangement. These could include the degree of openness, the spirit in which problems will be handled, the desired ‘tone’ of the relationship, principles for communication, the behaviours of staff and so on. It should be consistent with the Government Procurement Code of Good Practice (see Further information). Subsequently there needs to be a series of team building and charter development meetings, starting with the active involvement of the SRO and SRIE. These meetings will take time and money but are essential to the success of the partnership.

Incentives: increased benefits and savings for the customer justify additional supplier profit; for both parties, there could be profit share in return for improved efficiency and so on.

A shared risk register: this ensures complete understanding for both parties about risks to implementation and ongoing service delivery, and enables a joint approach to managing risks. Clarity of who is responsible for and manages which risks is also essential.

A joint project board: a joint project board would be chaired by the SRO, with the active involvement of the SRIE as technical adviser or even Senior Supplier.

Open book accounting: there could be open book accounting for both parties, together with other measures that continually evaluate and demonstrate value for money, not lowest price. Actual costs and agreed profit margins are made visible, while also creating an understanding of the customer’s budgetary restrictions. The degree of ‘openness’ needs to be carefully considered at the outset.

Collaborative performance management: a constructive, collaborative approach to setting targets and (in particular) baselines can help to build awareness of what can and cannot be achieved.

Defined roles for relationship management: as well

as nominating individuals or teams for service delivery management and contract management, both parties should create relationship management roles. Their job will be to keep the relationship open and constructive, identifying problems early and moving to solve or escalate them as necessary.

Means of communication: formal and informal communications should focus on dealing with exceptions and resolving problems together, promptly. For example, when a problem occurs each party could be required to explain the issues from the perspective of the other party. Staff from both parties should be involved where key business decisions are taken that affect the relationship and service delivery, especially where innovation is a key feature.

Organisational learning and sharing knowledge: it is important to ensure that lessons learned stay learned, and are passed on to others. Continuity of staff can preserve corporate memory; there should also be the means for embedding learning from the arrangement into future working practices and attitudes.

Common pitfalls

The wrong people

Choosing the wrong individual for a crucial role could derail the whole arrangement. In some situations, interpersonal skills could be more important than technical understanding.

Lack of cultural readiness

All the people in both the customer and supplier organisations who will be involved must be ready to make partnering work. Although the benefits of partnering may be clear and achievable, the organisation may not be ready to work in new ways, or to be able to change in a short time.

Unclear objectives

If the objectives of the arrangement for both parties are not clear at the outset, no amount of management effort will make the partnering relationship successful.

Inadequate performance measurement

The level at which services are currently provided, or the baseline from which improvements can be measured, are crucial to the way in which providers’ performance will be assessed but can be very difficult to establish at the outset. In addition, finding relevant benchmarking measures that make meaningful comparisons between providers or suppliers can be hard to achieve.

Relationship self-assessment questions

These questions should be asked by the SRO in addition to the questions described in the OGC *Gateway Process: A Manager's Checklist*.

Questions *before* Gate 0: Strategic assessment

Once a business need is identified, the SRO can consider whether a partnering arrangement would be a good way of meeting it.

- What kind of relationship does the business need suggest? Would partnering be appropriate? If so, then why?
Is our organisation ready to work with a provider on a partnering basis?
- Do we have the leadership, skills and capability to make it work?
What is our track record in building partnering relationships (if any)?
- Could existing relationships, ours or those of other organisations, act as models or exemplars for what we are planning?
- Can we define success in building this relationship, and then set targets, milestones and measures that will enable us to assess how successful we have been in creating it?
- Assuming the relationship can be created successfully, will users and stakeholders 'sign up' to it and add momentum to its development?
- What kind of provider could manage the risks we envisage allocating to them? Realistically, would a provider be willing to take them on and can we give them sufficient control so that they can manage them?
- How do we think the provider community would view a partnering approach to meet this requirement?

(See also Annex A for a checklist of readiness to partner.)

Questions *before* Gate 1: Business justification

As the business case is developed, the SRO should ensure that the unique features of partnering arrangements are integrated into it. This means justifying the partnering approach as the best way to proceed in terms of the value for money, risk management and added value that it will offer in comparison to traditional approaches.

- Do we still think that partnering is the right way forward for this project? If so, does the business case for the project include the explicit requirement for a partnering arrangement, and justify the approach in terms of business need?
- Are partnering aspects genuinely integral to the business case, or do they appear to be 'bolted on'? Has successful partnering, or a good working relationship, been identified as a critical success factor? If not, why not?
- Does the business case take account of the additional investment (in relationship management etc) that a partnering arrangement will require, compared to traditional procurement?
- Does the business case take account of any changes in approach or behaviour that your organisation will need to make in order for partnering to work?
- What are the views of the likely providers on partnering and the key features they see as critical to success?
- Are outline plans in place for how risks should be allocated between the partners?
- Do risk plans take account of potential partners' likely attitudes to taking on risk? Is this based on actual discussion with the market, lessons from other projects, or assumption?
- Are management structures ready to open communication flows, both formal and informal, with the partner when the time comes?
- Does this project have the clear top level commitment necessary to underpin a successful partnership-based approach?

Questions *before* Gate 2: Procurement strategy

The SRO needs to ensure that partnering requirements are integrated into the procurement strategy. The ‘soft’ requirement for a productive, creative and trust-based relationship should be held in equal regard with the ‘hard’ requirements for technical capability, workload capacity and track record.

The requirement must make it clear that a partnering relationship is desired, and set out precisely what this means in terms of risk allocation plans, openness, trust, communication, shared information, mutual benefit and a joint approach to solving problems and handling changes.

- What procurement strategy will allow you to create the kind of partnering arrangement that you need?
- Has the partnering aspect of the business case been successfully translated into the written requirement?
- Does the requirement make clear the requirement for key partnering features such as shared objectives, mutual benefits, openness and trust, communication and a joint approach to risk management?
- Are risk plans fair and equitable, allocating each risk to the party best placed to manage it?
- Are the risks that providers will take on balanced by benefits?
- Is the requirement focused on outcomes and mutual benefit, or has the focus slipped back on to inputs and outputs?
- If you were a service provider reading the requirement, would you agree that partnering makes sense and is the best solution for this project?
- Have you ensured that the requirement is not over-specified, thus limiting providers’ freedom to innovate? Could they take on more risk?
- Do you, or members of your team, understand enough about your business, the market and the technical aspects to hold an informed discussion on partnering issues with potential partners?
- Have you and your team developed a clear idea of the shape and form of the required partnering arrangement and identified the key aspects/parameters to be discussed and agreed with providers?
- Are the right people in place to identify potential partners?
- Are the right people, expertise and skills to manage this arrangement in place – for both parties?
- Is your organisation ready for a partner’s involvement in its day-to-day life? What behaviours might need to change? Are new skills required?
- Do the potential providers fully understand plans for risk allocation, and the implications of the risks they would be taking on? Do you and your team understand these things too?

Questions *before* Gate 3: Investment decision

Selecting the provider who will become a partner means establishing beyond doubt that both parties’ aims are compatible and can be achieved to mutual benefit, that both parties are committed to success and that they are able and willing to make the arrangement work. While choosing the right partner is important, this must not be at the expense of an open competitive selection process.

- Has the procurement strategy successfully preserved partnering principles through the procurement process?
- Is your choice of partner based on mutual benefit, whole-life value for money and a proactive approach to risk management?
- Has the provider proved their commitment, readiness and suitability for partnering to you – past experience, processes and tools used, skills of key staff?
- Have you proved your commitment, readiness and suitability for partnering to the provider?
- Is your organisation ready for the changes that partnering requires – in business processes, attitudes, behaviours?
- Have you established that both parties’ business strategies are compatible and can be taken forward together for mutual benefit?
- How will you encourage constructive, open and non-adversarial behaviours in those who will be dealing with the partner?

Questions to be asked after the contract has been let and during the first year to be asked after

Plans must be in place for how partnering will work in practice before the contract comes into force.

A 'partnering charter', which sets out the parties' commitment to a partnering approach and how it will be put into practice, can be a useful addition to the main contract.

- Have you and the provider established precisely how you will work together?
- Have the SRO, SRIE and other key personnel been identified?
- Have communication flows been established and tested? Do peers in the two organisations know each other and understand each other's responsibilities?
- Have mechanisms been identified that could help to make the partnering arrangement work (open book accounting, shared risk register, sharing information on costs and profit margins, etc)?
- Has provision been made for raising and addressing concerns about the state of the partnering arrangement and the tone of the relationship?
- If problems arise, are you sure that the management and communication structures in place will encourage a 'no-blame' attitude and a joint approach to their solution?
- If procurement has been lengthy is the provider still 'on board' and committed to the success of the partnership? Have there been changes in their business priorities, internal structure or long term strategy?
- Is the arrangement ready for predictable future demands? What would the likely response be to an unpredictable future demand?

Annual relationship health check

The benefits that have resulted from taking a partnering approach should be acknowledged, and evaluating the relationship should be an integral part of contract management.

Plans should be in place right from the start for the end of the contract and/or recompetition, to avoid any misunderstanding or disagreement as the time approaches.

- Is the partnering arrangement delivering clear benefits that would not have been realised through a traditional approach?
- Do performance measures include an assessment of the strength and responsiveness of the relationship, as well as its more easily quantifiable aspects?
- Has the partnering arrangement delivered ongoing improvements in quality of service and value for money?
- Are there still enough personnel in place to manage the relationship as well as service delivery and contract administration?
- Will the chosen exit strategy allow you to disengage from the current partnering arrangement while preserving business continuity and minimising risk?

(See also Annex B for a checklist to assess the ongoing relationship.)

Annex A: Readiness for a partnering arrangement

New ways of working

How confident are you that your team members would be able to work in this way:

- trust: would we promote respect and trust with the partner to build good working relationships with one another?
- sharing: would we accept shared responsibility for the collective performance of the partnership; share strengths and weaknesses; share collectively in success and failure?
- customer focus: would we focus on solving customer needs first, not those of the partner organisations?
- innovation: would we encourage and support innovative approaches to keep up with the demands of a changing business environment?

Current attitudes and behaviours

- Is our approach collaborative and inclusive, rather than an adversarial stance?
- Is success of the partnership (as opposed to achievement of 'our' objectives in isolation) regarded as important?
- Are we willing to be open about strategy, plans, concerns and opportunities?
- Is the contract management style one of empowerment of the provider to undertake certain activities, within an overall framework?
- Is our management style proactive – actively seeking to anticipate and respond to change to implement improvements, achieve further cost reductions and develop close relationships, rather than passive – leaning towards basic monitoring of performance to meet existing needs only?
- Is the relationship expected to be pervasive, involving more than one level or across more than one contract, rather than operating through a single interface?

If you answer 'No' to any of these questions, your organisation is not culturally ready for partnering.

Annex B: Assessing the ongoing relationship

These questions help to highlight aspects that are perceived to be working well and those that require attention.

- To what extent is the provider involved, or invited to become involved, in internal planning or other activities?
- How well are the partnership management structures seen to be operating?
- How successful are communications seen to be?
- To what extent is information shared freely and openly between the parties?
- How well are feedback channels seen to be working up and down organisational hierarchies?
- How effectively are conflicts being avoided or resolved?
- How accessible are financial and performance measurement systems to both parties?
- To what extent is adequate monitoring information being provided?
- How high are the levels of user satisfaction and positive perceptions of the partnership?

If you answer 'Fully' or 'Largely' to these questions, the relationship is going well. If you answer 'Partly' or 'Not at all' to any question, that area needs your attention.

Further information

About OGC

OGC – the UK Office of Government Commerce – is an office of Her Majesty's Treasury.

OGC Service Desk

OGC customers can contact the central OGC Service Desk about all aspects of OGC business. The Service Desk will also channel queries to the appropriate second-line support. We look forward to hearing from you.

You can contact the Service Desk 8am–6pm Monday–Friday
Telephone: 0845 000 4999
e-mail: ServiceDesk@ogc.gsi.gov.uk
www.ogc.gov.uk

Supporting guidance

OGC Best Practice briefings include:

- *Managing Partnering Relationships*, OGC best practice guidance on managing a successful partnering relationship with key suppliers
- *Forming Long-Term Partnering Relationships With the Private Sector in an Uncertain World*, OGC best practice guidance on issues to consider when forming a partnering relationship.

The Successful Delivery Toolkit (available online at www.ogc.gov.uk/sdtoolkit) contains several useful resources:

- the Contract Management workbook covers the vital issues in managing contracts and relationships with service providers
- the Procurement workbook gives an overview of the formal procurement process
- the Questions on Supplier Capability provide a basis for assessing suppliers' suitability for working with customer organisations
- The Gateway workbooks provide detailed questions to ask at each stage of a procurement.

The NAO report *Managing the relationship to secure a successful partnership in PFI projects* provides detailed advice on managing long term relationships.

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