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BUYER'S GUIDE

Where Great Partnerships Begin

Taking a Second Look at Partnerships

Avoiding a "Contractor" Relationship

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Determining what portions of your business to outsource or supply and creating the relationships to ensure the supplier can be successful is a daunting task. It can involve dealing with emotions, past history, conflicting opinions, complex business cases, and communication issues at every turn. To help folks work through this process, we have broken it down into six steps and have provided some tools and tips for each of these areas. This article is not meant to be all encompassing, but will hopefully provide you with new ideas for your existing procurement processes. The six steps and the major questions addressed follow:

1. Sourcing Strategy (What sourcing strategy will fit within your organization?)
2. Selection of a Partner (Who can help you be successful and how do you compare them?)
3. Partnership Agreement (What are both parties going to do to ensure success?)
4. Ensuring Organizational Fit (Where does your partner fit in the organization and what is their scope and roles?)
5. Organizational Communication (How do we ensure that the organization as a whole understands the partnership?)
6. Performance Management and Benefits Tracking (Are we getting what we expected and what financial benefits are being accumulated?)

You will notice that the word partner is used many times in the place of supplier or contractor. This is an important point to note. Webster tells us that the definition of partner is "one that shares," and for the highest levels of success that is exactly what has to happen. Both parties work together to share the benefits and the consequences of the business process.

Now let's look at the sourcing model and discover how to assess your needs before we look at what partner can meet them.

Sourcing Model

The first step in closing an identified resource gap is to decide on which sourcing model to follow. Every sourcing model has advantages and limitations that should be considered. These advantages and limitations are not only limited to cost and head count; they include factors such as cultural tolerance to "outsiders," skills development time, employee ownership, sustainability, potential career paths, and benefit capture time constraints. This first step in the process is often overlooked by organizations that skip right to the vendor selection process without evaluating all three models using the considerations mentioned earlier. Risk to the return on investment is reduced by picking the right model for the culture of your facility.

In FIGURE 1, we have provided an example of the three sourcing models and the advantages and limitations of each. You can use this guide to help your group complete this first step. Your group may add criteria as well as advantages and limitations based on the group's past history and the site's specific culture.

Selection of a Partner

The selection process is typically an area that comes easier to most teams and is well supported by corporate procurement and their existing processes. In general, most selection teams will list the major elements that the partner should provide. The elements are then weighted based on the perceived importance to the project success and the selection process. The one suggestion that we would add is that the criteria could be provided to the potential partner pool for feedback. Many times, the partners will suggest new ideas and elements, based on their past outside experiences, that may have been overlooked by the selection team. Once you have completed the scoring matrix then you can issue a request for quote (RFQ) per your procurement processes. The response

Figure 1. Sourcing Models

Model	Description	Advantages	Limitations
Internal	All tasks and duties are performed by internal resources (Outsourced)	Creates Ownership Creates new career paths May be less expensive	Requires time to develop and implement Adds growing pains and rework Requires extensive training Variation in quality
External	All tasks and duties are performed by external resources (Turnkey)	Fast No in-house expertise required No added headcount Allows focus on core competencies	Higher cost "We vs. Them" attitude Lack of ownership No additional job opportunities/ career paths created
Hybrid	Tasks and duties are divided between contract and internal resources (Train the Trainer)	Shared responsibilities Best of both worlds Incorporates strengths of both parties	Possible reliance on partner for things that could be accomplished internally

to this document should provide you with the answers that you need to rate each potential partner against your list of elements. If you use this process then you avoid the issue of having to select the lowest cost provider. Instead others can truly differentiate themselves with the value they can provide based on your selection elements. From here you can build your business case for whatever option that you select and can then build your partnership agreement with your new partner.

Partnership Agreements

The partnership agreement is a document that is drafted in conjunction with the supplier and clarifies the high expectations of both parties throughout the relationship. This one single document can help you avoid many of the issues that damage custo mer/supplier relationships. Many of the things that are covered in this agreement may not be covered in the terms of the commercial agreement but could be added if both parties accept. We have provided an example in FIGURE 2 that will show examples of what topics you might address.

Ensuring Organizational Fit

It is important for your outside partner to have clearly defined roles and responsibilities within your organization. The scope of work and decision-making authority should be decided jointly between your organization and the contract partner. People will fulfill clearly defined roles, both good and bad. If the organization micromanages and treats the resource with distrust there is a high likelihood of developing a dependent relationship. The resource would be less likely to take initiative because the culture has dictated “You are the contractor, I decide how things go around here” which in turn drives a “Sit on my hands and wait upon be told what to do” attitude. On the other side, well-defined and jointly agreed to roles and responsibilities will drive the partnership mentality and personal accountability.

More times than not, the resources executing the labor or tasks were not involved in the contract agreement process. A roles and responsibilities agreement covers details of daily tasks, interactions, and expectations not necessarily covered in the contract agreement. The roles and responsibilities chart developed should be tied to specific business process steps and is another level of detail beyond the partnership agreements. Remember to be as specific as possible and avoid vague steps or gray areas. Roles and responsibilities should be in alignment with the overarching principles set forth in the partnership agreement.

Organizational Communication

The first step to good communication is knowing what to communicate and when. One way to identify what areas should be discussed is to complete a risk management review and communication plan. While working through these two documents, many teams discover things that they never considered previously. By completing both of these documents, we model the proactive behavior that we know drives success. It is hard to move away from the old-style reactive environment if all you do is react in the minute to every challenge. Let’s take a look at the risk management tool.

It would be great if every large partnership development process went off without a hitch, but here in the real world we know that is not the case. Unfortunately, key supplier contacts leave, deadlines are missed, and software does not always deliver expected results. At the beginning of the sourcing change, take the time to get the leadership or sponsorship team together with key stakeholders and work through how to ensure the most positive results. Spend a day focusing on the project negativity. What I mean is, have the team think of all the things that could go wrong to derail this project and create a list of items that could adversely affect the partnership or cause a slow results and benefits. Once the list is complete, you can compile negative thoughts and rank the likelihood of occurrence and impact to the results. FIGURE 3 is one example of the type of tool that you might use.

If you have ever been involved in a failure modes effects analysis (FMEA) you might note the similarities. However, instead of failure modes of equipment, we are looking into failure modes of the project. Once this ranking is done, you can then begin to

Figure 3. Risk Management Tool with One Example

Project Goals	Barriers to Success	Severity or Impact	Likelihood of Occurrence	Eliminating or Mitigating Step	Single Point of Accountability
Implementation February 1, 2012	Plant Manager leaves site	8	4	Communicate to corporate to ensure support of project in event of leadership change	PM

Figure 4. Communication Planning Tool with Example

Message Risk or Topics	Documents or Tools to Use	Timing within the Project	Media	Communication Type	Single Point of Accountability
Project vision and mission communication	V and M documents on Z Drive	Pre-start of supplier transition June 1, 2011	Letter from Plant Manager	One way	Plant Manager

Figure 2. Partnership Agreement

PURPOSE STATEMENT

Achieving world-class reliability requires integration between several functional areas including outside contractors. Formal partnerships between Maintenance and Specialty Contract services must be in place to define behaviors, communication, objectives, and expectations necessary to achieve world-class equipment reliability.

CONTRACTOR RESPONSIBILITIES TO THE ORGANIZATION

Guiding principle – “We are stakeholders in the equipment”

OPERATIONS

- Strictly follow all plant operational and work procedures
- Operate according to good business practices
- Act as a “good ambassador” on behalf of Maintenance when communicating with Operations

TRAINING

- Undergo training to understand Plant Maintenance processes and equipment
- Provide continuing education and skill enhancement to our technicians

COORDINATION

- Provide communication and planning for repair time
- Support the initiatives of plant planners and supervisors

QUALITY OF WORK

- Provide a mechanism for feedback on work in progress / completed
- Provide technical information and feedback to Maintenance

PROCESSES

- Provide a disciplined approach
- Support Reliability Best Practices

TEAMWORK

- Work alongside plant personal as one team
- Support the vision and mission of the plant

RESOURCES

- Provide only qualified and certified resources

MAINTENANCE RESPONSIBILITIES TO CONTRACTOR

Guiding principle – “Maintenance and Contractor operate as one entity”

OPERATIONS

- Help contract labor understand how plant/equipment operates
- Understand that the contractor is a stakeholder and has a voice

COORDINATION

- We will not encourage placing blame
- Support a partnership vs. dictatorship
- Promote flexibility and adaptability
- Ensure communication process – ongoing/daily basis

QUALITY OF WORK

- Lead by example by using proper procedures and precision techniques

PROCESSES

- Plan their work
- Apply the correct Maintenance Strategy for each piece of equipment
- Follow the processes currently being designed

TEAMWORK

- Provide timely communication to contractor (Maintenance Plan)
- Ensure contractor understand their role in our business
- Set clear jointly agreed upon expectations

MANAGEMENT METRICS

Metric	Definition	Target	Reported by	Action Plan
Overall Equipment Effectiveness	% Uptime x % Rate x % Quality	90%	Operations Manager	80% - Review noted “non-compliance” at Daily Management Meeting
Schedule Compliance	Actual work orders completed as scheduled	90%	Work Execution Coordinator	75% - Review noted “non-compliance” at Daily Management Meeting
Schedule Efficiency	Actual labor hours compared to estimated labor hours	+ 15% Variance	Planner	+ 20% - Initiate formal review and audit of work orders
Planned Work Percentage	Volume of work planned vs. “short-lead”	85%	Planner	<85% - Review jobs progressed through short-lead crew for prioritization abuse

PARTNERSHIP AGREEMENT APPROVAL

Department Manager	Approval Signature
Plant Manager	
Contractor Representative	
Maintenance Manager	

Agreement Date:	November 1, 2010	Review Date:	November 1, 2011

Figure 5

Benefits Tracking Card				
Location:			Date:	
Work Stream:				
Benefits:	Environment, Health & Safety	☐		
	Contribution Margin	☐		
	Reliability	☐		
	Cost Reduction	☐		
KPI Improvement				
Description	Baseline	Target	Conversion Factor	Financial Impact
Frequency:				
Data Source:				
Assumptions:				
KPI Approved			Not KPI Approved	
Comments:			Reason:	
Benefits Tracking				
	Q1	Q2	Q3	Q4
Estimate				
Actual				

develop proactive mitigation strategies for your high-risk items. Some of these items will fall into the communication plan, which we will talk about later, but others will be able to be addressed with new or existing policies or organizational changes. In the end, we want to identify the high-priority risk and create a proactive plan to mitigate or eliminate those issues before they manifesting.

Communication is one of the most important tasks in partnership development. The first step in this communication exercise is to ensure the leadership or sponsorship team has a consistent message. The message should cover why we are creating this new partnership, how it will change the facility and how the change will affect the individuals involved. Once the leadership team truly understands and can articulate in their own words this vision and mission, then they can drive the partnership forward in a sustainable way.

Secondly, we know that there are going to be issues along the way. The leadership team needs to identify these bumps in the road through the risk review, which we covered above. Once you know what the high risk issues are, then you can determine how you and your partner will deal with them before they arise. Many of the mitigating steps will be part of a communication plan.

A thorough communication plan should contain the messages or ideas that need to be presented, the media or medias that will be used to present it and who and when it should occur (Figure 4). For your plan to be effective you will need to use different media and repetition to ensure that the message is truly heard. We have heard it said that it takes 7 to 21 times for an adult over thirty-five to truly grasp all the details of a complex message or announcement. As an example, you may plan to share the change vision four ways within your communication plan and repeat as required.

They could include:

- Verbal one-way communication by the Director or Plant Manager in his or her monthly meetings
- Verbal two-way communication by having each of the plant leaders spend one-on-one time on the floor talking

and soliciting feedback from each of the individuals in his department about the change.

- Written communication via a column in the monthly plant newsletter with frequently asked questions that were discovered in the one-on-one sessions.

- Written communication in the form of a personal letter delivered to the home of each employee from the director describing how this change affects them and their family.

In this example we would also have dates for completion and one person who is accountable for each task to ensure resolution. I have included an example in **FIGURE 4**.

A common mistake most organizations make is to ignore the power of the informal communication system or grapevine. Informal communication systems exist within every organization to a varying degree. Dr. Gordon Allport developed a simple formula for understanding the activeness of the grapevine.

$$R = IA$$

where:
R is the intensity of the rumor
I is the importance of the rumor to the individual doing the communicating
A is the ambiguity of the facts associated with the rumor

According to Allport this formula means that the amount of rumor circulation will vary depending on the relative importance (or impact) multiplied by the level of ambiguity of the evidence on the topic (bits and pieces of information with holes present). This concept ties directly into the risk assessment performed earlier and drives the level of communication necessary. Remember, the greater the impact, the more clarification must be provided to prevent misinformation from spreading.

If we take these types of proactive steps, the partnerships chances for success increase as each issue is successfully communicated and addressed appropriately.

Performance Management and Benefits Tracking

The last section of our process deals with performance management and having a clear understanding of the expected results and how they will be measured and base lined. The first steps of this section were completed during the partnership agreement, when we selected key metrics for the partnership. Now we need to agree upon the base line or starting point for each and how each will be calculated and from what data. We have provided in **FIGURE 5** an example of a document we call the benefits tracking card. It contains all of the information that you might need to ensure both parties are on the same page. As you look through it you will note that it provides detail that can be signed off on by both parties that again will reduce the risk of a misunderstanding. The other great part is that during your quarterly performance management meetings, you can review your benefits tracking cards and see the real dollars that have been saved. As a project sponsor this is great information that can be covered with your team and your boss to build credibility for the partnership and the project.

So, as you manage your way through each of these six steps you may find it easy to use a checklist for small projects. For larger projects it may become necessary to build a project plan to ensure that you have addressed all of the action items in your procurement processes and used the tools above. In that case we can provide you a sample Microsoft project plan that you can tweak to your partnership development. If you want a copy with the additional tips it includes, just send me an email at sisenhour@gpallied.com and we will get a copy to you.

Now that you have completed each of these steps, your level of comfort with the partnership should be higher. This does not mean that you will not have partnership issues but at least many of them will have been foreseen and the level of stress will be reduced. The projects that we have witnessed and managed in this manner are true win-win situations with both parties. The supplier is left with an advocate client that can help with additional business and the customers has a successful project in their list of accomplishments "which never hurts during bonus and promotions season." S