

# Partnering

How Organisations and their Suppliers gain through  
Trust and Co-operation

*Expert knowledge means success*

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Note: This publication has not been updated since it was last published. Some of the hyperlinks may have changed and may need updating. In addition, some of the information in this publication may be out of date.

## Partnering Explained

Partnering has been described<sup>1</sup> as “a commitment by both customers and suppliers, regardless of size, to a long-term relationship based on clear, mutually agreed objectives to strive for world-class capability and competitiveness. It involves the parties addressing all aspects of the “cost” of doing business together and not just looking at “unit price”. It aims to build in quality, based on the teamwork approach using shared information wherever possible”.

Partnering is different<sup>2</sup> from conventional contractual relationships in that effective communication strategies existing amongst the partners leads to openness and trust, better and earlier identification and hence management of project issues, particularly risks, and increased value for money gained in large scale complex procurements.

Partnering can apply to a number of sectors whether service or product delivery. It’s used particularly in contracting and can assist large organizations to achieve better service outcomes and efficiencies. Critical to the success of partnering are good working relationships built on trust, fairness and the sharing of risks and benefits. Even the Government can benefit - establishing partnering arrangements with the private sector can bring new skills to traditional services.

Partnering is likely to be most appropriate for large complex projects or where service delivery suits an open, joint management arrangement. It is not suitable in all situations. Partnering should be adopted in situations where strategic gains in cost and quality can be delivered and where service requirements are complicated or continuously developing. Successful partnering arrangements have already been introduced in the road construction, water service and building maintenance areas.

To succeed, when an organisation decides that Partnering is likely to be an attractive option for its future relationship with suppliers, it is very important that it clearly specifies what it has in mind by “Partnering”

and agrees the terms with the supplier.

Partnering strengthens relationships between organisations and their suppliers and is arranged through normal contracting processes in accordance with established buying policies. Active contract management techniques are employed to ensure the contract requirements are delivered. The contract should be re-tendered periodically to ensure open competition and best value for money. Partnering is one of the more advanced contract management techniques which embraces joint management, process measurement and improvement tools to achieve enhanced contract performance and customer service.

Partnering has been successfully employed on contracts that are technically complex, involve several major players, are for the acquisition of critical items, or anticipate identifiable problems. In selecting contracts for Partnering, a contract of two years’ duration or longer is generally preferred. Normally, a contract of less than two years is not long enough in which to maximise the benefits of a Partnering relationship. However, if the parties are familiar with, or have experience in the process, its application on shorter contracts may be beneficial.

*“... a commitment by both customers and suppliers, regardless of size, to a long-term relationship..”*



## Advantages of Partnering

It simplifies or even eliminates some management structures

Personnel involved in effective Partnering Arrangements are empowered, resulting in flatter management structures, quicker decision making, and a reduction in the attendant administrative burdens (ratification meetings, report presentations, superior officer approval)

It establishes mutual goals and objectives

This avoids the “us vs. them” mentality that often characterises relationships in business. Finding common ground in mutual goals and objectives, the parties soon realise that they’re “in this together” and that success is dependent upon their commitment and ability to work as a team.

## It encourages innovation

Continuous benchmarking of current procedures and performance create an environment that encourages new and innovative approaches to improve performance and reduce cost.

## Partnering builds trust and encourages open communication

Right at the start of their contractual relationship, the parties establish communication channels designed to promote openness, trust and efficient contract administration.

## Partnering helps the parties eliminate surprises

Increased communication on various subjects means that the parties are less likely to be surprised by events that often occur during contract performance. Surprises result in schedule delays and additional costs, often leading to disputes and litigation.

## Partnering enables the parties to anticipate and resolve problems

The partners proactively anticipate problems and design an Action Plan addressing how those problems will be jointly identified and resolved or avoided. They recognise that problems will occur during contract performance and that the existence of these problems does not mean that their relationship has failed.

## Partnering avoids disputes through informal conflict management procedures

At the outset of the relationship, the parties determine how they will manage any conflicts that might arise. This is often accomplished through a Conflict Escalation Procedure. This procedure identifies the roles and responsibilities of the individuals from both government and industry and provides for the automatic elevation of issues through several organisational levels to avoid inaction and personality conflicts.

## Partnering avoids litigation through the use of Alternative Dispute Resolution

The commitment to resolve disputes informally at the earliest opportunity minimises the necessity for litigation in administrative and judicial forums. Avoiding the considerable expense and delay attributable to litigation frees the participants to the Partnering arrangement to concentrate their efforts on successful and timely contract

performance.

## Partnering reduces paperwork

When the parties focus on contract performance rather than case building and “documenting the file,” paperwork can be, and has been, significantly reduced.

## Partnering reduces the time and cost of contract performance

By establishing open communication as a guiding principle, parties to Partnering arrangements have found that issues are raised, discussed and resolved more expeditiously. This enables the partners to meet or exceed contractual schedule requirements and avoid costly mistakes or rework.

## Partnering improves safety

Taking joint responsibility for ensuring a safe work environment for contractor and government employees reduces the risk of hazardous work conditions and avoids workplace accidents.

## Partnering improves engineering efforts

Daily engineering activity, as well as the formal value engineering process, is streamlined through the application of Partnering principles.

## Partnering improves morale and promotes professionalism in the workforce

The Partnering process empowers the parties to work together towards common goals. This creates a uniquely positive outlook and motivation to personally contribute to the team’s efforts.

## Partnering generates harmonious business relations

Enhanced communication, the identification of shared goals and objectives, the recognition that problems will arise, and the agreement to address those problems through a specially designed procedure will facilitate creating and maintaining harmonious business relations.

## Partnering focuses on the mutual interests of the parties

Rather than the parties individually developing positions on issues, Partnering engenders a team-based approach to issue identification and problem resolution, which is focused upon the accomplishment of the parties’ mutual objectives. Longer-term



### Partnering Tips

- ✓ Partnering works best within an environment that understands quality management, customer focus, process improvement, participative leadership and team practices.
- ✓ Partnering should be endorsed as corporate policy.
- ✓ Partnering should be phased in slowly to allow a cultural transition to take place.

commitments create an environment where the parties will be confident to invest in improving support.

## Important elements of Partnering

In order to make the Partnering process work, it is imperative that contractual parties reduce non-productive effort and focus on improving contract performance. To achieve this, the following elements are critical to the Partnering process:

### Preparation

The participants must understand what Partnering is and truly believe that the current contracting process can be improved by a new way of doing business. Partnering will only work in organisations that are culturally prepared to accept change. They must recognise that the up-front investment in preparing to partner will yield significant benefits throughout the contract performance.

### Commitment

To succeed, Partnering needs the total commitment of senior management, as well as everyone with a stake in the relationship—those who will have an impact on contract performance. Periodic meetings will ensure the continued commitment of stakeholders, introduce new participants to the Partnering process, and reinforce team goals. Additionally, the participants in the Partnering process must have an unwavering commitment to it and the open communication that is its hallmark.

### Inclusion of appropriate parties

In order for the Partnering process to work, everyone who can impact the performance of the programme must be involved. The partners must carefully choose which organisational elements will be represented as well as which specific individuals should participate. Strong consideration must be given to the participation of major sub-contractors, user representatives, and contract administration personnel whose involvement in the Partnering process may be essential to successful contract performance.

### Clear definition of roles

Participants in the Partnering process must fully understand and accept their specific roles and responsibilities and be empowered with the requisite decision-making authority

in order for the Partnering arrangement to be successful.

### Reinforcement and follow-up

In-process reviews should be held on a regular basis to ensure that programme goals and objectives are on track and to measure accomplishments. Momentum will be maintained through the achievement of goals, the celebration of successes and the endorsement of the Partnering process by participants and senior leaders.

### The Partnering Charter

Most partnering relationships are outlined in a non-binding Partnering Charter document the purpose of which is to detail the mission and objectives of the arrangement and to demonstrate the commitment of the key people involved. The Partnering Charter is the focal point of the relationship and the blueprint for success. It is the threshold document in which the parties set out their mission statement, mutual goals and objectives, and commitment to the Partnering relationship. When the parties establish their overriding goals and objectives, they must ensure they are mutually agreed upon so that everyone will be actively focused on achieving them.

There is no single approach to drafting a Partnering Charter. The Charter should include a mission statement expressing the partners' commitment and agreement to communicate openly and to share information in order to avoid surprises. The Partnering Charter should also include specific, identifiable and measurable overriding goals and objectives, such as:

- Deliver the product/service (xx) days ahead of schedule
- Identify problems at the first opportunity
- Jointly resolve problems at the lowest possible level
- Seek fair treatment for all participants
- Limit cost growth to less than (xx) %
- Pass First Article Testing the first time
- Eliminate litigation through the use of ADR procedures

Partnering relationships are commercial contracts that require performance measures. Rigorous contract management and performance reviews are required to ensure contract obligations are delivered. Most partnering relationships are also outlined in a non-binding Partnering Charter which

*"Engaging in Partnering is similar to picking a Partner... and entering the three-legged race. The Partners have their legs tied together and know that to win the race they must reach the finish line; however, if they run in different directions, do not start at the same time and on the same leg, or do not hold each other up and keep each other out of potholes on the path to the finish line, neither will finish successfully."*

*U.S Army Materiel Command*



formally details the mission and objectives of the partners and demonstrates the commitment of the key people involved. Continuous improvement in partnering involves a team approach to determine whether work processes are meeting the needs of the parties, and where necessary, to improve them. Performance measures are established and regularly monitored, and combined with customer satisfaction measures, provide valuable data for continuous improvement. Joint process improvement teams should be established to investigate problems or pursue improvement opportunities. These teams should be trained in the partnering philosophy, team development, conflict resolution, the Plan-Do-Check-Act improvement cycle and quality improvement techniques.

The rules of open competition, accountability and probity must also be observed in the renewal of partnering contracts. When a formal partnering contract expires it should be evaluated against the contract objectives and then publicly tendered again to ensure open competition. This tendering process will encourage open and competitive tenders and allow innovative offers to be received. This will result in the best value for money solution when the contract is re-awarded.

## Summary of the Principles of Partnering

Partnering relationships should be established according to the following principles. Everybody involved in the partnering arrangement needs to understand and accept these principles.

### Commitment

Partnering requires considerable effort, innovation and patience. Cost savings are not always immediately clear and may come from greater efficiencies in processes.

### Common Objectives

Partners must identify, understand and support each other's objectives. Partners work together to translate their individual objectives into common objectives and strive to achieve the same goals.

### Open Communication

Partnering establishes principles and systems for the timely and accurate exchange of information to develop trust and efficient management. Business relationships could suffer through the guarding of information and poor responsiveness.

### Ethical Behaviour

High ethical standards are fundamental to partnering and the conduct of all parties must be totally open and ultimately accountable.

### Teamwork

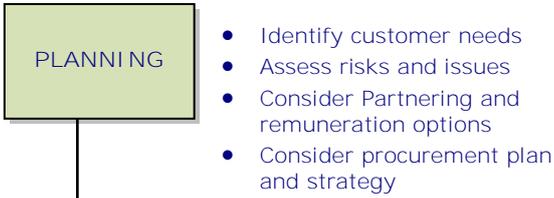
A team approach is essential in partnering and lays the foundations for continuous improvement. Teamwork builds trust and keeps the relationship successful.

### Reduction of Total "Life-Cycle" Cost

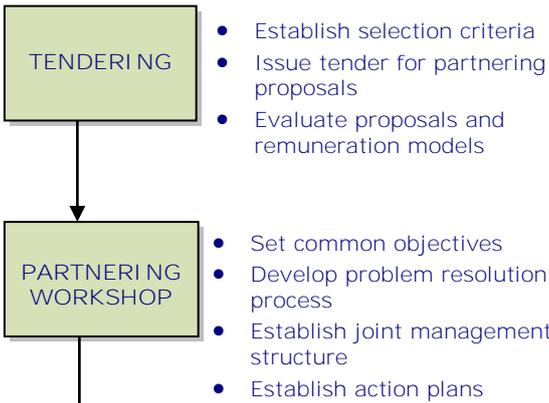
Partnering is about value for money and total process costs are continually measured, controlled and reduced.

## The Partnering Process

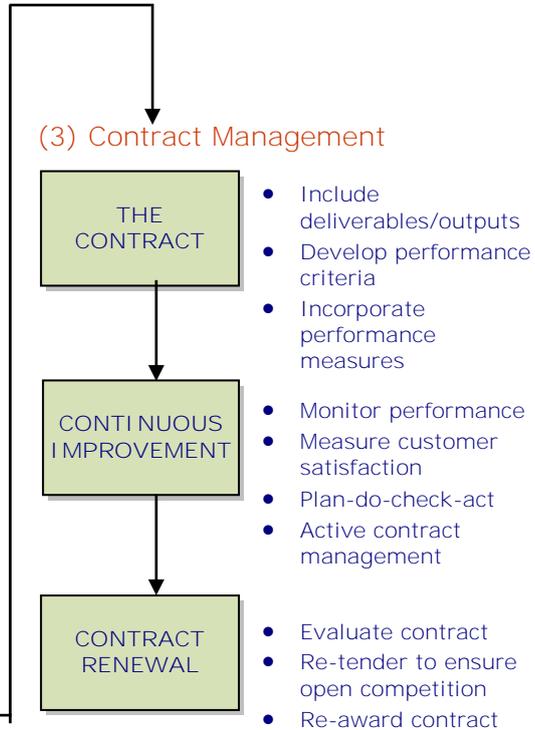
### (1) Contract Planning



### (2) Contract Formation



### (3) Contract Management



### Example of Partnering Charter

Our Mission

*"To complete the project on time, within budget, to specified standards and to the satisfaction of all key stakeholders."*

Common Objectives

- ✓ Complete on time
- ✓ Complete on or below budget
- ✓ Fair return to the contractors
- ✓ No adverse effects on third parties
- ✓ Work together in the future
- ✓ No disputes
- ✓ Safe working methods
- ✓ Good working relationships
- ✓ Minimal disruption
- ✓ Enhance reputations
- ✓ Customer satisfaction

**Supported By**

[Insert names and signatures of subscribing parties]

## Books and Other Resources



- *Partnering in the Team* - Published by Thomas Telford Publishing for the Construction Industry Board. (Priced £10) This guide details the distinguishing factors of true partnering arrangements against other forms of cooperative working by setting out the basics, defines what is meant by best practice and sets out the reported benefits. It also contains five detailed case studies of successful partnering arrangements in practice.
- *Trusting the Team - Best Practice Guide to Partnering in Construction* - Published by Thomas Telford Publishing for Reading Construction Forum. (Priced £50) This guide discusses the benefits and costs of partnering and makes the business case to convince senior management. It deals with the specifics of the two main types of partnering - project partnering and strategic partnering - and provides practical advice on how to go about it. Contractual and legal issues are also covered and the report is illustrated with many case study examples.
- *The Seven Pillars of Partnering: A Guide to Second Generation Partnering* - Published by Thomas Telford Publishing for Reading Construction Forum. (Priced £50) This guide describes current best practice in partnering in the construction industry. It explains that second generation partnering has emerged and explains how it is underpinned by seven pillars, each which represents a set of management actions: strategy; membership; equity; integration; benchmarks; project processes; and feedback.
- *Partnering in the Public Sector - a toolkit for the implementation of post award, project specific partnering on construction projects* - Published by the European Construction Institute. (Priced £30) This guide is aimed primarily at the public sector, being applicable to both central government and local authority construction projects. It provides practical advice and detailed guidance on the benefits of partnering and how to introduce partnering arrangements on construction projects. It outlines the principles and processes and includes a step-by-step guide, starting with the decision to partner, and finishing with guidance on how to monitor its effectiveness.

- *Guidelines for Partnering* - The Government of Western Australia has published this guideline - view it on the Internet at: [www.ssc.wa.gov.au/pdf/files/guidpart.pdf](http://www.ssc.wa.gov.au/pdf/files/guidpart.pdf).
- *Project Partnering Manual for Design and Construction*, (1995) by William C. Ronco PhD, published by McGraw-Hill Publishing Company; ISBN: 0070536694.
- *Getting Partnering Right: How Market Leaders Are Creating Long-Term Competitive Advantage*, (1995) by Neil Rackham, Lawrence Friedman, Richard Ruff, published by McGraw-Hill Companies, Inc.; ISBN: 0070517827.
- *The Strategic Partnering Handbook: The Practitioners' Guide to Partnerships & Alliances*, (2001) by Tony Lendrum, published by McGraw-Hill Companies, Inc.; ISBN: 0074708791.
- *Project Partnering for the Design and Construction Industry*, (1995) by Ralph J. Stephenson, published by John Wiley & Sons; ISBN: 0471107166.

## Conclusion

There's no doubt about it that Partnering can work very well to the advantage of all concerned. Whilst there may be some initial hesitancy to accept its principles, it should be remembered that, unlike many new initiatives, the Partnering process is a workforce multiplier the utilisation of which is absolutely essential to future success of organisations working together. Partnering is most beneficial when the parties believe that traditional contract administration methods may prove to be ineffective.

Partnering succeeds when there is trust and openness between the client or specifier and the supplier. But it also needs a supplier whose products and or services are completely reliable and whose track record confirms that reliability. In addition, the supplier needs after-sales support and maintenance systems that are tried and tested - it is unlikely that any supplier without an absolute commitment to a quality ethos would succeed in any Partnering arrangement.

Quality products and service alone are not enough. Clients and specifiers want to deal with people who communicate well, who acknowledge problems and solve them and finally, people they can rely upon. It is doubtful if any Partnering arrangement can succeed if the human interaction relies on faceless technology or a large transient workforce in which nobody accepts overall responsibility for the relationship.

These then are the issues that generally contribute to success in Partnering:

- A recognition that traditional contract administration methods no longer work.
- Complete trust and openness between clients or specifiers and the supplier.
- Having products and services that are completely reliable.
- A track record that confirms reliability.
- A commitment to quality and compliance.
- A human-interaction that really works.
- Technical backup able to deal with complex technical issues.
- Keeping promises.

## References:

<sup>1</sup> Extract from *Partnering for Success*. Source: Partnership Sourcing Limited 1996

<sup>2</sup> Source: DPA, DG Commercial on Partnering

## Acknowledgement

In this publication, we have used several source materials which have been acknowledged where specified. In particular, some content is based on the Construction Industry Board's 1996 guide (*Partnering in the Team*) and the US Army Materiel Command *Guide to Partnering*.

## Further Information

This guide is for general interest - it is always essential to take advice on specific issues. We believe that the facts are correct as at the date of publication, but there may be certain errors and omissions for which we cannot be responsible

If you would like to receive further information about this subject or other publications, please call us – see our contact details on the next page.

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