

Collaborating in a recession

the mother of invention

These are times of rapid change. Industries are shifting and new relationships have to be formed fast. Who would have thought even 12 months ago that GM – once the world's biggest manufacturer – would end up being 70% owned by the US Government while its European operation is sold off to a Canadian car parts manufacturer?

At Socia we've been observing the changes that recession has wrought across the business world, and one thing we've learned is that in these tough times the ability to collaborate has become a business imperative. To explore this hypothesis we asked a number of our clients to a breakfast meeting to share their experiences. This note summarises that discussion.

Damaged pillars of trust-up and down the chain

Our clients commonly talk about three pillars of trust in relationships, all of which have been damaged over the last year.

- **Predictability.** In the past, relationships were built on reliable forecasts from partners: 'don't give me any surprises'. But in the current market conditions, few people can guarantee that.
- **Personal relationships.** Often these relationships go back a long way – but many of them are being broken because key people are no longer around.
- **Financial flexibility.** When everyone has a big hole in their budget there's no longer room for manoeuvre and compromise to help out a partner for the sake of a long-term relationship.

If these traditional ways of building trust have been damaged, but the relationships they once supported are still critical, you have to look more creatively at what can sustain collaboration in these tough times. Some clients have done just that and found new opportunities as a result – opportunities to significantly change the way products are created, and opportunities to radically tackle costs by working with partners who see that another round of salami-slicing individual budgets isn't going to achieve anything like what's needed.

Opportunities to redefine relationships

For example, one client who works in the global drinks industry talked about the huge shift from pub sales to supermarkets. This long-term trend, coupled with the current credit crunch, has encouraged them to radically redefine their relationship with their

major supermarket customers. Both sides had a pressing need to reduce their inventory in order to improve cash-flow and also saw that there was an opportunity to drive growth in sales as more consumers chose to entertain at home. But it was only now, when backs were to the wall, that they could pluck up the courage to try sharing knowledge and control with a customer they'd previously kept at arm's length and regarded with suspicion. As a result they have reduced inventory costs, achieved growth in sales volumes – and redefined relationships for the future.

It's no longer good enough to run your own operation as efficiently as possible and let others mind their own business. You have to look critically at relationships up and down the whole chain from source to end-consumer to see where opportunities for savings or innovation may lie. And this means taking precious knowledge that you might once have guarded very dearly, and sharing it with other players in the chain who may previously have been seen as competitors or reluctant partners

Application to public policy delivery

Can these lessons be applicable in the delivery of public services? For example, people in Whitehall policy departments often talk about the public as customers of the services they are developing. But a different value chain model emerges if we consider the public as the end-consumers (of benefits, or health and social services), and think of the chain of intermediary organisations (Local Authorities, private-sector suppliers, third-sector bodies) as the primary customers of new policies who then package these on for use by end-consumers.

In this model you need to ask yourself questions such as:

- **What risks am I taking** by not looking for new collaborative opportunities with customers (or other intermediaries)?
- **Who am I scared of** working closely with – and why?
- **Where are the opportunities** to radically reduce whole-life costs in the way services are delivered if I look at relationships right down the chain from policy through to use?

Looking ahead

At Socia we see some real risks to collaborative business relationships in the next 12 months. There is a point beyond which financial conditions are so difficult and relationships so damaged that working collaboratively to retrieve the situation is impossible (the case of Metronet being forced into administration is a good example).

Leaders need to act now to reinforce the critical relationships that will help their organisations tackle the challenges of this global recession. Often this means they need to work in a more collaborative way – but they don't know how. Some leaders do it naturally; others have to learn new ways of working that feel quite uncomfortable and alien. So who are the role models in your own organisation (or your partner's) that others need to learn from, and how can you help them thrive and pass on this critical skill in these testing times?

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