

Socia Advisory Board Bulletin

Tales of the Unexpected

'Managing Risk & Reward in Partnering Situations' was the subject of the March 2006 Socia Advisory Board roundtable.

It provoked so much discussion that three issues of Comment have been devoted to the discussion's outputs and conclusions. In the previous issue, we shared the attendees' views on The Road to Partnership.

This second issue focuses on the thorny subject of what to do when things go wrong, and how to ensure you're as prepared as you can be for the unexpected.

Hope for the best, prepare for the worst...

The road to partnership, as we saw in the last issue of Comment, can bring with it promises of future fortunes via long term relationships that create extraordinary value. That's why companies go into partnership in the first place, and if they're wise, it's that vision that will keep them going in the hard times.

But therein lies the rub. There will always be hard times - this is real life, and in real life, things go wrong: promises are broken, scandals break, and unforeseeable developments occur. One of the most vital issues, when setting up in partnership, is to account for the unaccountable, and expect the unexpected.

As Julie Baddeley puts it:

"It's all very well setting up a partnership that is predicated on constant success and harmony, but we know life isn't like that! Dealing with problems needs to be recognised as part of the process, and planned for in advance."

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How do you expect the unexpected?

The very nature of the term 'the unexpected' means that it's difficult to quantify exactly what can happen to derail, or at least threaten, a partnership. It's the things you least expect that are likely to blindside you and cause disruption, precisely because they don't fit into the plan and aren't covered by the contract.

The panel of experts present at the Advisory Board roundtable shared their experiences, and just a few of the totally unexpected things that have happened to change their plans.

Gerry O'Hagan (Diageo) confided that:

"We entered a 15 year partnership with ENRON just before it all went 'pear shaped'".

Mark Camley from The Royal Parks had more than one tale of the unexpected to tell:

"When Bob Geldof announced that he was going to run Live8 in Hyde Park, we (...) lost out hugely due to the cancellation of the Prince's Trust concert on the same day. The same thing happened when we had to postpone the Queen and REM concerts after the terrorist attacks on 7th July."

All three situations - political scandal, unforeseen events (literally), and terrorist attacks - could not have been specifically accounted for in a risk register. However, this does not mean that they had not been planned for in the wider sense. Both Diageo and the Royal Parks had accounted for 'the unexpected' in their partnership agreements, and had plans in place to ensure that things didn't simply fall apart.

Preparing for all eventualities

Unless you've got a crystal ball up your sleeve, no-one can foresee all the possible bolts from the blue that can occur in business. However a number of steps can be taken to ensure that your partnership has the best chance of weathering unforeseeable storms, and may even benefit from them in the long term.

The first and most important factor, in how well your partnership will deal with the unexpected, is being sure that you've chosen the right partners with whom to work. Being able to trust that your partners have the capacity and capability to manage in difficult situations is paramount if you're to weather storms together. Many organisations don't really understand what a commitment to partnership means, and don't necessarily have the capability to manage the relationship when things go wrong.

Mark Camley agreed:

"The Royal Parks decided not to put all of the Royal Parks Maintenance contracts with the same supplier for that very reason - it's too big a risk to assume that just one company can cope with all the possible eventualities across the whole of London."

"Dealing with problems needs to be recognised as part of the process, and planned for in advance."

"You can't predict the future, but you need to talk about it."

Once you're sure you're working with the right partners, however, you need to be upfront about possible pitfalls down the road, and set expectations in advance.

As John Yard said:

"You can't predict the future, but you need to talk about it."

Speak the same language

Mutual value doesn't mean the same thing for all parties; it's vital that everyone understands what a 'win' is for each partner, and how significant it is for them.

This applies at both a business and a personal level. Knowing on what factors people's bonuses depend, and what partners are incentivised to do, particularly when things go wrong, means you can test levels of compatibility between partners.

As David Archer put it:

"Just because you call yourselves 'Affinity' doesn't mean you're actually aligned."

To have joint objectives you have to work hard at getting them set early on, so that both partners are truly aligned, and working together. This ensures that everyone's talking the same language, with the same expectations and understanding of what's most important and needs to be done, should the unexpected occur.

Leading from the front

Getting all of this information out in the open necessitates strong leadership; so does dealing with the unexpected when it occurs. It takes courage simply to face up to the fact that, even with the best of plans and intentions, things will always go wrong. Encouraging both parties to put their cards on the table requires real strength of character, sensitivity and honesty, plus a strong vision of the benefits, short and long term, of being prepared.

But what can a good leader do to be prepared for the unexpected? Ideally, having ascertained and aligned all parties' expectations, incentives and requirements, they'll also have made sure that there is an exit strategy, and a strong Plan B.

Gerry O'Hagan shared with the board that that this kind of advance vision and courage can pay dividends when things do go wrong:

"We managed a very productive exit from the partnership with ENRON when things went awry. A few months later we were up and running with a new partner, and working even better, because of the lessons we had learned, and the plans we'd had in place for unexpected eventualities."

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It's key to the success of a partnership to have confident, courageous leaders at the helm: partnerships built by weak leaders, lacking in the strength needed to pull together when times get tough, will have little chance of surviving when the unexpected occurs. When it comes to effective leadership, it is readiness to face and deal with problems alongside one's partner that ensures the promised benefits of the partnership are reaped.

Calm in a crisis

When experienced mountaineers are preparing for a climb, they drill themselves in all of their skills to the point where they can literally use their equipment with their eyes shut. This is so that, should a crisis occur - a storm, an injury, an avalanche - they can rely on themselves to do the 'routine' things needed to stay safe without thinking, thus freeing up their brains to deal with unexpected issues as they occur.

Preparing an exit strategy and a strong Plan B for a partnership works in much the same way. If your planning is sound, as was Gerry O'Hagan's, an unexpected event can be dealt with efficiently, quickly and with the minimum of fuss and blame; it can even turn into a positive experience if lessons are learned and used to the advantage.

When the storm hits, it's easy to lose your head, however if your plans are in place and need only to be rolled out, then both parties are equipped to manage the crisis well, rather than just 'getting through it'.

You say potato...

Of course there are always obstacles to weathering storms; in particular, when the needs of the two partners just don't match up. The Advisory Board and their guests were concerned about the procurement pressures put onto the public sector and the lack of flexibility to select partners who can perform across the length of these relationships.

Julie Baddeley observed:

"There's an interesting tension in the public sector between the long term partnering contract and the short term electoral cycle. Sometimes the unexpected thing that happens is political change! Perhaps it would help if people who are outside the political cycle held the balance of power".

The answer, as ever, to dealing with situations such as this, in which two partners' needs are at odds with one another, is confident leadership. One must be able to handle the paradox of meeting the needs of the short-term political cycle, and the long term needs and aims of the partnership.

"Sometimes the unexpected thing that happens is political change."

"If you've got a long term relationship and don't hold things against your partner... you can ride out short term storms."

Solving problems as partners

Keeping reputation intact is vital when it comes to dealing with difficulty, and this is one of the reasons why it's so important to be prepared. A strong leader can maintain and strengthen his, and his company's, reputation by handling difficulty with poise, openness and spirit. In times of trial, treading all over a partner or pointing the finger will only serve to stop others working with you in future. Being seen as a team that is prepared, and works together to solve problems that belong not just to one party, but to 'the partnership', builds a reputation that will pay dividends in years to come.

Honest, open communication at all stages of planning, and when things actually do go wrong, is equally, imperative in enabling the partners to work together to solve the problems; blaming one another helps no-one. As Mark Camley explains:

"We and our commercial partners lost out hugely due to the events we hadn't foreseen in London last July; it was clearly no-one's fault, so all we can do is share some of the pain. If you've got a long term relationship and don't hold things against your partner that they honestly can't control, you can ride out short term storms."

True partnerships require significant investment. It takes time, mutual understanding, open communication, joint history, a joint belief in future possibilities, and courageous leaders who will sign up to short term pain, in order to reap the longer term rewards. In a small organisation, it's particularly important to ensure that you've got the personal relationships at the right level in the partnership to survive when the going gets tough.

It's crucial to invest in the relationship: riding out storms together, solving problems together, and using what's learned in times of trouble to make the partnership stronger.

Coming next...

In the final section issue of this edition of Comment, the Board and their guests pool their wisdom and share their top tips for a CEO going into partnership. If partnership is likely to be on your agenda, this is a feature you can't afford to miss!

To access all editions of 'Comment', go to www.socia.co.uk and click 'Knowledge'.

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The Socia Advisory Board

The Socia Advisory Board was established to extend the reach of Socia's partnering experience and to pool knowledge of the range of partnering challenges faced in public and private sectors. Julie Baddeley, an ex-consultant who has held executive and non-executive board positions in FTSE 100 companies, the Department of Health and the Department for Work and Pensions, chairs the Advisory Board.

The other members of the Board are:

Charles Jamieson, until recently CEO of Premier Oil.

Kate Nealon, non-executive director of HBOS, Cable & Wireless and a member of the health regulator, Monitor

John Yard, who created several large-scale outsourcing partnerships as Head of Information Technology at the Inland Revenue,

plus **David Archer** and **Alex Cameron** - founding Directors of Socia.

The Board advises Socia and its clients on partnering issues and has regular roundtable debates where it brings together a range of people with different experiences of partnering to debate a topic of mutual interest.

On 2nd March 2006 the Advisory Board's guests were:

Alison Grant from Microsoft

Mark Camley from The Royal Parks

Simon Pilling from Capita

Jason Harrison from Pfizer

Gerry O'Hagan from Diageo

Your Comment

If you'd like to add your own Comment to any of our thoughts about partnering governance, we'd love to hear from you. You can get in touch at info@socia.co.uk and, with your approval, we can publish your Comment on www.socia.co.uk.