

## How to: Deal with the tricky nature of collaboration

16 June, 2011



Monitoring and nurturing relationships between collaborative businesses is no easy task, meaning vital – and beneficial – components can slip through the net

People have always known that the greatest risks in any system are at the boundaries – and that's never been more true than in today's interconnected business environment.

Twelve months on from the BP Deepwater Horizon disaster, there are still many lessons to be learned. Reports from the Presidential Oil Spill Commission identified the causes as systematic failures of management rather than one-off technical problems, and at the heart was a failure of the “many ambiguous dotted line relationships with and between the companies involved”.

It's not just the oil sector that has this problem – consider the recent Railway Safety and Standards Board report on the UK's Network Rail, which concluded “there is no open culture” between Network Rail and its contractors, leading to the under-reporting of some 500-600 work-related injuries leading to lost man hours over five years.

Clearly the nature and quality of relationships between organisations can be a source of significant unquantified and unmanaged risk for many businesses that now have to work collaboratively.

There are many reasons why these relationship risks are not identified and actively managed. Principally it's because the risks are not under the control of a single organisation and therefore slip between the gaps.

Relationship risks are complex and dependent on the nature, governance and operation of the collaboration – and crucially the behaviour of the leaders involved.

Here are five things you can do to manage relationship-driven risks. Some of the solutions are structural, some procedural and others are attitudinal.

### **1 Set up an early warning system**

The key to any safety system is monitoring the precursors as advance warning signs of a major incident. But when a system involves several different organisations, like the rail industry or the Deepwater Horizon well, it's much harder to identify cross-organisational warning signs.

Experienced managers pick up signs intuitively within their own organisations, but between organisations these feelings are often dismissed. Indicators of problems ahead might include difficult collective decision making, communication breakdowns, non-attendance at critical meetings, or public arguments between leaders.

### **2 Increase the ability of leaders to work collaboratively**

The Presidential Commission mentioned earlier said that 'a culture of leadership responsibility' was lacking on the Deepwater Horizon. They identified the need for a culture in which "individuals take personal ownership of safety issues with a single-minded determination to ask questions and pursue advice until they are certain they get it right".

These cultures need leaders who build open relationships, encourage upwards communication of bad news and ensure that this communication happens with partners too.

### **3 Make sure you have board scrutiny of relationship risks**

All businesses have risk registers that should be periodically reviewed by the board, but often these don't focus on the real worries and fears of the directors.

Issues as complex as the relationship between organisations are rarely identified in these documents so the whole board doesn't get the chance to scrutinise this area of risk.

If the future success of the business depends on building strong partnerships, then the UK Corporate Governance Code provides a vehicle for boards, during their annual board evaluation process, to check that the risk register reflects the need to manage relationship risks inherent in the business's strategy.

### **4 Create the right set of incentives and sanctions**

In a complex system like rail transport or oil exploration, things will go wrong. Equipment will fail, people will make mistakes.

A robust strategic risk system will incentivise partners to identify these small failures and communicate them early to others, and also have a sanctions regime that notices when something is out of expected bounds and acts quickly to highlight it via a proportionate penalty.

### **5 Review and actively build partnerships**

Like any marriage, strong enduring relationships don't happen by accident and they have their ups and downs. Relationships between businesses need tending carefully.

This means: clear governance that identifies how the parties will work together (and resolve their differences); a single, agreed dataset to avoid much of the arguments about joint performance; and collaborative leaders who recognise the need to invest time and resources in making the partnership work.  
**SR**

David Archer and Alex Cameron are both directors of business partnership consultancy Socia and authors of *Collaborative Leadership – how to succeed in an interconnected world*.