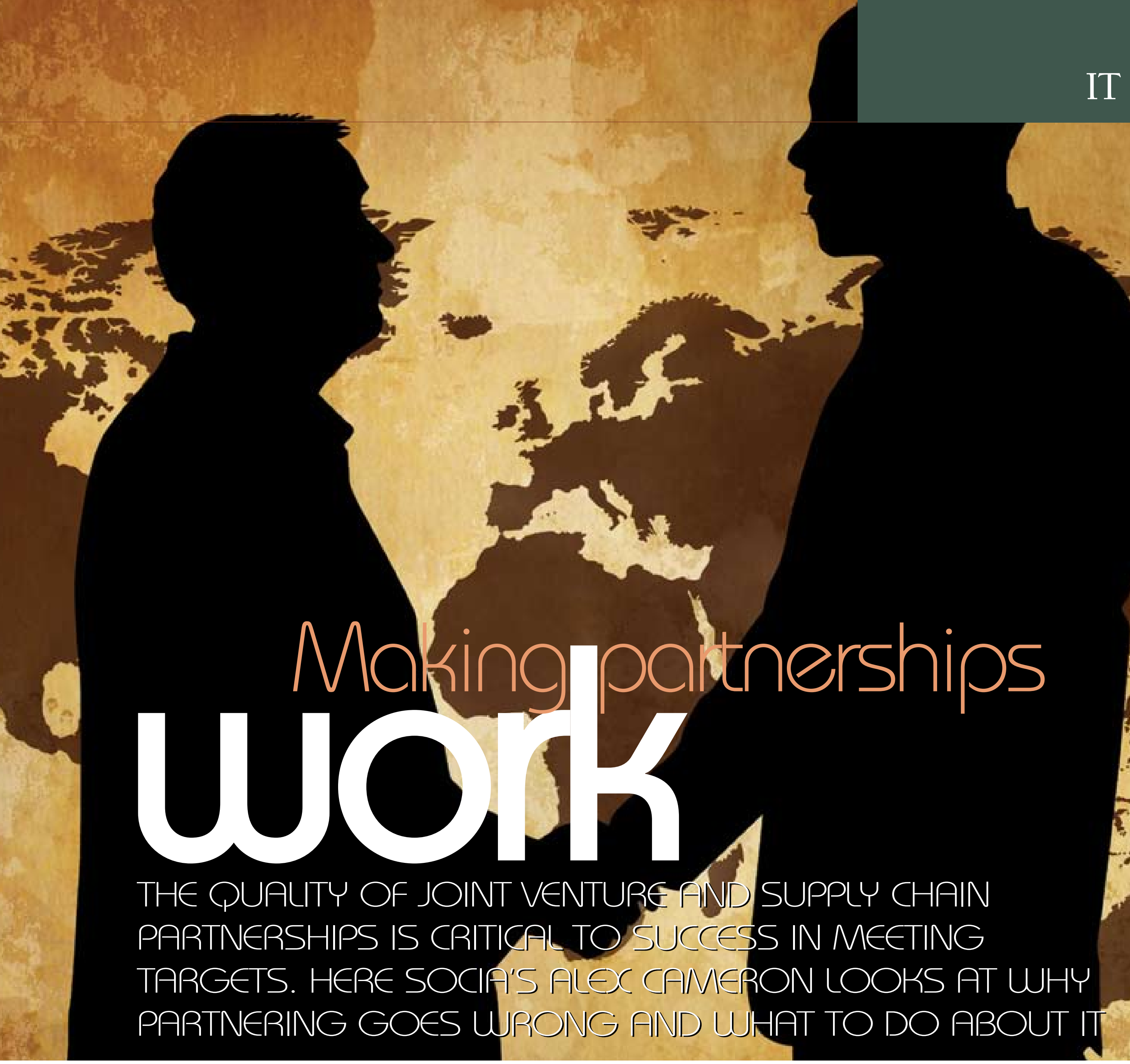

Making partnerships work

THE QUALITY OF JOINT VENTURE AND SUPPLY CHAIN PARTNERSHIPS IS CRITICAL TO SUCCESS IN MEETING TARGETS. HERE SOCIA'S ALEX CAMERON LOOKS AT WHY PARTNERING GOES WRONG AND WHAT TO DO ABOUT IT

Ahe authority of the major international oil and gas companies is threatened as never before by the ascendancy in the balance of power of national governments and the state agencies that are the owners and stewards of the very finite reserves of fossil fuel resources around the world. The shortage of oil challenges companies in a number of ways, including the necessity to drill in environments that are increasingly politically unstable.

Oil and gas companies are having to adapt to these realities and to factor them into the already extensive and complex nexus of relationships that traditionally characterise oil exploration and resource development, involving as it does a range of joint venture partners and supply chain service organisations.

The nature of the relationships of oil companies with national Governments and their agencies is a key determinant of the feasibility of projects, requiring an understanding of, and sensitivity to an array of cultural, political and other differences and issues. This is a delicate and dynamic partnership that must be developed and nurtured by project directors and indeed at all levels of client contact throughout the business.

Increasingly, key players in the industry are recognising that the relationships with Governments, joint venture and supply chain partners alike require concerted organisational attention and training of staff for projects to succeed.

These partnerships call for a new type of project leadership – a collaborative style that is not instinctive, one that has to be learned in order to enable the leaders to work effectively with, and get the best performance from partners. The relationships must be scoped to accommodate future changes of the individuals in the key roles too, to provide for the grooming of successors during the course of contracts that can last for 15 or 20 years or more.

The traditional approach to leadership in the industry is best characterised as 'heroic' - a style that does not work in complex partnerships. Heroic leaders are exemplified by Shakespeare's Henry V: they lead from the front, care for those in their own unit, and inspire great, often blind loyalty among their troops. They go into battle against adversaries - and when times get tough they focus on personally taking charge at the point of crisis and aim to save the day through the force of their own efforts and personality. They have a

will to win at all costs.

Collaborative leaders, on the other hand, lead from the centre of a network of relationships and accept that success is not in the grasp of any one party. They value difference, build a shared vision and sell the dream across a number of organisations. They invest in those relationships where parties can help each other to achieve their strategic aims, look for common ground and find win/win positions – and when times get tough they rely on their partners' focus to keep them fully informed and engaged. They trust those people closest to the problem – for whomever they actually work – to find the best solution.

Initially this may seem an unrealistic aspiration to harassed leaders engaged in demanding industry projects, particularly because an automatic reaction under such pressure is to resort to an heroic style – and it is, after all, their capability in this approach that probably led to their promotion to project leader in the first place.

When partnerships go wrong

There are a range of symptoms that a joint venture can display when it has inherent partnering problems to resolve - even before the budget and project overruns that are the almost inevitable corollary. Here are some early warning signals:

- Partnership decisions are reversed or regularly revised
- Key people aren't consulted or involved in decision-making
- Leaders contradict each other
- People in the partnership say one thing and do another
- Key people involved in the partnership suddenly move on

Partnerships need to be continuously worked on at all levels and not just left to prosper by themselves once the ink is dry on the contract, according to Charles Jamieson. He is chairman of Salamander Energy, an oil and gas exploration and production company specialising in South East Asia.

He says: "Companies in joint ventures must address the mechanics of the partnership at the outset, coaching people how not to fail - and when things go wrong, how to sort them out. Most companies rely on their staff picking up some experience and worldly wisdom in handling relationships as they travel the globe over the course of their careers: but this process is random and unreliable.

"Training and proper custodianship of the relationship is essential, so that the operator for example can deal with all the potential sources of conflict that arise between partners due to differences in culture, organisational size and nationality. The commercial relationship is determined by the joint venture agreement, but the human element really does matter."

Charles Jamieson has a wide experience of such partnerships. He took the non-executive chair at Salamander Energy on retirement from his position as CEO of Premier Oil in 2005, which he joined in 1980. During that time, Premier acted as operator for a number of joint ventures, on behalf of several major international companies.

"You can spend 18 months putting a deal together and then a key partner in the venture can take a strategic decision in the boardroom not to be engaged in that region or type of project. So at the very start when assembling a joint venture you have to evaluate the partners, their needs and way of working against yours: are we going in the same direction, will we move at the same pace, are the partners reliable, with the right experience, as we understand it? This methodical questioning must apply to both the partnering company and to the individuals that you are working with."

Project leaders can reasonably assume that something will go wrong at some point, says Charles Jamieson: this is perfectly normal, because of the unique dynamics of each venture.

"People are replaced, strategies change, and the emphasis and priorities of the project will shift. Therefore you have to have a mechanism in place to agree how to identify and then deal with problems. Joint venture agreements can never

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cover all the issues. People at every level in the organisations need to be in accord. And if the project champion departs there must be other people who can pick up the pieces - and quickly too."

Getting partnerships right

There is a growing body of specialist expertise in the development and implementation of collaborative leadership as a practical and pragmatic management methodology, realised through short-course training programmes and brief external facilitation by experienced practitioners at the start of each new joint venture - and then periodically or when major project changes or difficulties arise.

The goal is to empower the partners to operate not only collaboratively but with self-sufficiency too, rather than to need to rely upon the expertise of management consultants for the project duration. This adds considerable value both to the project and in the longer term to the professional capabilities of each individual participant.

Helpful 'tool sets' are available to measure the effectiveness of each collaborative partnership and develop a mutual understanding of what the partners need to do, jointly and severally, to make the venture work.

Here are some of the steps partners can take to assist collaborative leadership:

1. Be open about your objectives – both short- and long-term, and encourage your partners to be open about theirs.

2. Make sure that the contract incentivises all parties to spend money on solving joint performance problems – and doesn't just penalise past poor performance. When results look bad, the contract should encourage more investment in partnership development not less.

3. Be clear - with your partners and your people – about where the boundaries of responsibility lie - not just for the tangible delivery. Who is responsible for the public reputation of the partnership and where will decisions be made that have an impact on it?

4. Work through a dispute resolution process in advance, so that all parties understand what mediation steps can be invoked, by whom and when – ahead of having to call the lawyers in.

5. Spend as much personal effort communicating with your outsourced partner as you do with your own staff – and expect your partner to do likewise.

6. Be challenging about your own business processes. If the traditional ways you work causes your partner pain then what will that cost you in the long run?

7. Look hard at yourself – are you supporting your partner in words and actions? Staff need a role model of collaborative leadership - and that starts at the top.

"It is not that your partners have to be a mirror image of your organisation, because they won't be: but you have to understand the points of difference on key operational and performance issues, and be able to reconcile these variances when and where it really matters," concludes Charles Jamieson O&G

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Alex Cameron is a director of Socia, which works with board-level decision-makers to create and maintain successful partnerships in joint venture projects and supply chain relationships.

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