A Learning Partnership Culture:
Develop Successful Strategic Partnerships

The Context

In the contemporary business environment it is necessary for the majority of firms to create strategic partnerships in order to develop a competitive advantage in their industry. As a result the competitiveness of an individual firm's value chain is dependent on the success of its strategic partnerships with its suppliers, other internal business or functional units and industry linkages. No business is an island. In spite of this, strategic partnerships are often dysfunctional or at the very least are not as effective as they could be.

Why do partnerships often not realize their full potential?

There are many reasons ranging from different partner objectives, lack of trust between partners, the perception of an unfair price / division of profits, "incompatible" cultures, failure / perception of failure of a partner to deliver, lack of openness to ideas and input by the other partners, to name but a few of the common reasons given by business executives.

At the inception of the process it is critical that there is appropriate screening, selection and negotiation processes to build a solid relationship. Companies that expend energy, thought and commitment in this early phase limit their downside partnership risk. In addition to identifying the business need and core reason for the partnership, the screening and selection process needs to focus on the following "soft" factors such as integrity of the partner(s), culture compatibility, management style, potential commitment levels, ability of the partner organizations to learn and grow, previous alliance experience, partner expectations and extent of common objectives. There are various techniques that can be used to gain and assess this information to ensure that each partner goes into the relationship with both eyes open. This is however not covered in the scope of this paper, as this is a topic for another position paper.

This paper will concentrate on existing partnerships assuming that there is a valid business reason for the partnership to exist, the partners have integrity and there is a basic level of trust.

In spite of the presence of these basic factors, many partnerships still struggle to realize their potential. A factor that is common in the majority of these cases is the lack of a **Learning Partnership Culture** within one or more of the partner organizations and between the strategic partners. This type of organization and partner culture can, however, be developed and has truly significant benefits for the partnership as well as the individual partner organizations that embrace it.

Prior to defining a Learning Partnership Culture, here are examples of the type of questions to start thinking about and relating to your partnerships. The purpose is to give you a starting point which you can relate to and on which to build.

PARTNERSHIP HEALTH CHECK: SAMPLE ITEMS

<u>Examples</u> of upfront questions to give you a taste of the issues you should start thinking about to assess the health of your partnership learning culture:

– Are you able to communicate with your partner(s) or do you hold back on what you want to say?
– Do you feel that your partner(s) is holding back on what they want to say to you? Are there "undiscussable" issues?
– Are you concerned that your partner(s) does not fully appreciate your perspective?
– Do you have concerns that you / your partner(s) will not deliver on expectations?
– How compatible are your cultures and management styles? Have the differences caused conflict?
– Is there a mutual respect and trust between the partners?
– Etc ………..

In this paper we will address a) what defines a Learning Partnership Culture b) why this type of culture benefits a strategic partnership and c) how to create this type of culture within a strategic partnership.

A) What defines a Learning Partnership Culture?

A learning partnership culture within the context of a strategic partnership has specific characteristics. These characteristics can be divided into three broad categories.

1. Relationship between the partners
2. Communication infrastructure within and between the partner organizations
3. Management approach within the partner organizations

The way in which each of the characteristics that make up these categories can be leveraged to create or obstruct a learning culture, is displayed in simple terms in Table 1 below. Each characteristic is presented on a continuum from poor to optimal for creating a learning culture.

Table 1
Significant Characteristics of a Learning Partnership Culture
(**X** represents the optimal position)

Relationship between Partners

• Objectives and Expectations

Unrealistic and Individualistic ←————————————X—→ Shared, Challenging and Achievable

• Partners intentions

Deferent ←————————X————————→ Authoritative (Participative)

• Degree of trust

Untrusting ←————————————X—→ Mutual Respectful Trust

• Bargaining power with respect to ideas

Loser ←————————X————————→ Winner (Balanced)

Infrastructure and skills within and between Partner Organizations

• Partnership skills and previous partnership experience of managers

Insignificant ←————————————X—→ Significant

• Information sharing

Low level of Connectedness ←————————————X—→ High level of Connectedness

Management Approach within Partner Organizations

• Degree of empowerment

Lack of Empowerment ←————————————X—→ Responsible Empowerment

• Management's success at minimizing silo formation within their own company

Highly Segmented ←————————————X—→ Silo Free (Cohesive)

To be effective it is necessary to work on all three of these dimensions as they interact and support each other. Neglecting to do so will negate the potential positive outcome for the partnership and can be the difference between success and failure. Where on the continuum the partners perform on each characteristic is very dependent on the partner organizations' perceptions, competencies and assumptions they hold about themselves and other partner organizations.

We will address each of the categories, in turn.

Relationship between the partners:

Objectives and Expectation Management refers to the extent that partner objectives and expectations are shared and realistic while at the same time being challenging. One of the most common reasons for partnership failure is overly optimistic and incongruent expectations by one or more partners (Source: Data Source, interviews with more than 400 business executives). In this context it is necessary to ensure that common objectives and expectations are managed, thoughtfully aligned and that the partners are equally committed to the partnership and achieving the objectives. These goals must be challenging to encourage the partners to grow and be successful. Unachievable goals can be very destructive as the partners begin to associate the partnership experience with failure and this memory can be difficult to overcome.

Partner intentions are the mental model that each partner brings to the partnership and governs their perception of the other partner organization(s). If one of the partners adopts an authoritative relationship style this limits mutual learning and encourages the other partner(s) to become subservient, generally leading to a destructive relationship over time. However, a participative or collegial relationship does **not** mean that the partners have equal rights or equal participation in all decisions but that the relationship and sharing of skills and ideas is based on an atmosphere of participation. The decision rights are clearly defined and play to individual partner(s) strengths. The partners should still be open to new ideas and learning from each other even though the ambit of the learning may not form part of that particular partner's decision rights.

Degree of trust. A participative or collegial partner atmosphere cannot exist without trust. Partners need to select companies with integrity and build credibility through their actions. Mutual trust and respect is also built on an understanding and appreciation of the other partner's motivations, situation, strengths and weaknesses. Partners need to build this depth of understanding about each other. This is often difficult for the partners as the nature of strategic partnerships is to complement aspects that the other partner(s) do not possess in house – this gives rise to the initial need for a strategic partnership. As a result the partner organizations often have very different objectives, skills, people and cultures which are not understood by the other partner(s) organizations, potentially leading to conflict. In addition business executives are often skeptical of their strategic partners at the inception of their relationship.

A lack of trust is complex and can based on many variables including: a fear that promises will not be kept, a fear of reprisal based on certain issues being voiced or actions taken, a fear of information shared being used against them and mistrust that the other partner will deliver on expectations. A threatening or

fearful relationship leads partners to act in the worst interests of the partnership, adopting defensive behaviors that limit information sharing and encourage power plays. Furthermore this does not have to be about a real threat or fear but rather the **perceived threat or fear**. For example partners often assume that the other partner has the intention of using shared information gained during the partnership against them in price negotiations at a later stage, causing the partner(s) to act defensively. Where these perceived threats and fears exist they are damaging and need to be identified, understood and addressed. In many cases the negotiation process also leaves one or both of the parties with a negative feeling towards the other. It is important to establish a mutual trust, respect and a collaborative atmosphere at the outset of dealings and not only once the partnership agreement is signed.

Bargaining power with respect to ideas needs to be balanced in an atmosphere of mutual trust but with the appropriate emphasis on the sanctity of decision rights. The partners need to respect who has the right and need to make specific decisions for the good of the partnership relative to partner strengths and roles. The other partners should however provide input to the partner who has the decision right and that partner should receive it openly and not perceive it as negative. This is not about winning or losing but about sharing ideas based on an intention to improve the competitive advantage of the partnership.

Infrastructure and skills within and between partner organizations:

Partnership skills and previous partnership experience of managers. The extent to which managers have had previous successful and positive partnership experiences, has a significant effect on their likely success in the current venture. This experience and developed skill should not be underestimated. Companies in partnerships need to create processes that identify individuals with these partnership capabilities and create processes to develop these capabilities in their managers. These skills include conflict resolution, collaboration, delegation and communication skills within a partnership context. Managing partnerships is a costly exercise given the number of relationships, interactions and touch points that need to be managed to achieve the objectives. It is therefore important to provide the necessary skills to managers to assist them in their roles and achieve a higher return on this investment.

Information sharing needs to be facilitated through open communication channels and infrastructure. This paper will not deal with the information technology system issues and how this type of technology can facilitate information sharing but rather with the definition of appropriate information, the intention of sharing and the context within which information is shared. It is important for partners to test their own assumptions and ensure that task relevant information is shared as openly as possible to the appropriate level of

the hierarchy and across functions where appropriate. While an open communication system where information flows freely is desirable, it is counter-productive to overload individuals within the system with information they do not need or want – this can also be destructive as it leads people to miss and potentially shut out the useful information.

Management approach within partner organizations:

Degree of empowerment needs to be responsible. Empowerment is often an over used business buzz word that people use as a catch all to solve organizational problems. Empowerment if used incorrectly can be extremely destructive to the people within the partner's organization and to the strategic partnership. Empowerment needs to be responsible. Responsible empowerment is a means of enabling employees to perform their function and role within the organization and within the strategic partnership, having received the necessary skills, tools and other training required. Responsible empowerment takes into account the existing skills, interests, motivations and competencies of individuals and partners, in order to collaborate with them to design and build the appropriate skills and provide them with the necessary tools to perform their desired role. Empowerment that does not recognize this need, even with the best of intentions, will result in failed disempowerment.

Management's success at minimizing silo formation within their own company. Silos may be defined as groups of employees that tend to work as autonomous units within an organization. They show a reluctance to integrate their efforts with employees in other functions of the organization. The effect has the propensity to exist throughout a Company, or between subsidiaries within a wider corporation, resulting in division and fragmentation of work responsibilities within the organization. Departments and business units can fragment into even smaller silos based on strong personal bonds, and areas of commonality that differentiate groups of employees from the rest of their department. Silos are a common occurrence, as they exist to a greater or lesser extent in most companies. Managers who have been successful at minimizing this silo effect within their own organization should have developed skills that would be very useful in a partnership context. In many (not all) partnerships, the success of the venture is also dependent on the extent to which the silos within an organization are minimized.

B) Why does a Learning Partnership Culture provide benefits to the strategic partnership and to the individual partners?

Alignment of objectives: The individual partner goals are aligned with one another and as a result team work is focused a common set of objectives. The partnership whole is greater than the sum of its individual partners given the team dynamic that are created. This shared sense of ownership nurtures an environment where problems

become "our" problems as opposed to "my" problems and joint problem solving, focused on a shared goal, leads to a quantum leap in solutions.

Enhanced sharing of skills and resources: Partners become less defensive towards other partner actions and are therefore more receptive to skills sharing. Training is more openly received, readily implemented and rewards of implementation efforts are realized. Creative solutions are easier to achieve as partners share their complementary skills more openly and enthusiastically, leveraging the individual partner strengths to create these solutions. The training and skills sharing reduces costs, improves efficiency and competitiveness as partners learn from each other's strengths and skills.

Partners develop a greater commitment to each other and the overall partnership: Partners develop a mutual respect and trust for each other's values, objectives and cultures. This combined with buy-in and responsible empowerment developed at cross functional and cross hierarchical levels within and between the partners' organizations strengthens this mutual commitment. Partners begin to look beyond the pure boundaries of the initial agreement and invest energies to improve the competitiveness of the partnership.

Implementation "stickiness" – greater chance of sustainable implementation: Implementation of training and ideas has a greater likelihood of being sustained, as there is increased buy-in and focused efforts by the partners. This occurs as a result of an openness to new ideas and the potential impact partners can have on improving their current processes. In a classroom setting, too often, managers go through the motions and even with good intentions; the majority of managers do not fully implement and adhere to what they have been taught. Teaching often fails to be converted into sustained practice. One of the reasons for this is that there is no learning culture platform on which the training can be based. A culture which has a thirst for knowledge and improvement which is recognized within the organization and partnership assists in achieving sustainability.

Benefits build on each other: It is less about any one specific benefit but the combination of the benefits described above which lead to cost savings and increased efficiency resulting in improved profitability, harnessing the full potential of the parties and enhancing the perceptions of outsiders including customers.

The openness to learning and new ideas provides the partnership with a sustainable competitive advantage as it is able to adapt more quickly than its competitor to an ever changing market. This is not a zero sum game as a learning culture builds partner competence and confidence, which is translated into partnership success, and is ultimately rewarded by the end customer. This reward is often translated into new sustained business opportunities as these benefits spillover into other areas.

C) How do you develop a Learning Partnership Culture?

Assessment / Temperature check of performance: The first requirement, for an existing partnership, is to assess how the partnership is performing and how the partners "feel" about the partnership, identifying areas of strength as well as opportunities for improvement. It is crucial that partners believe and understand that this assessment is conducted purely to improve the partnership. This should have a quantitative and a qualitative component.

SAMPLE ITEMS
A temperature check or assessment, should be formulated according to the definition of a partnership culture and <u>examples</u> of items would include:

Relationship between the Partners:
- What are your objectives and expectations of the partnership?
- Are there different views on these expectations within your organization and what are they?
- Do your objectives and expectations currently differ from your perception of the partnerships' objectives and expectations and if so how?
- What (if any) are the barriers to achieving the partnership objectives – compare partner responses to each other?
- How do you propose overcoming those barriers?
- What have been the core reasons for success in current and previous partnerships? Attempt to understand the same for failures?
- What characteristics define the corporate cultures of the partners?
- Are there differences in sub cultures of partner business units?
- How have these cultural characteristics impacted the partnership?
- What do the partners believe is the impact that they are having on the other partners?
- What aspects are they aware and unaware of based on other partner views or perceptions?
- Etc ………

Infrastructure and Skills within and between Partner Organizations:
- What partnership skills and previous experience do the managers within the partner organizations have?
- Do the partners have informal and formal processes in place to upgrade these manager skills?
- Are there successful processes in place to upgrade the communications and skills infrastructure?
- Etc ....

Management Approach within the Partner Organizations
- Do silos / stovepipes exist within the organization? What effect do these silos / stovepipes have on the partnership? Consider conducting a silo assessment.
- Are employees responsibly empowered within partner organizations? Has the organization conducted an empowerment assessment where employees' competencies, interests and motivation levels are analyzed relative to their tasks?
- Etc …………

This review or temperature check should ideally be done by an independent, objective third party to ensure that the responses are open and impartial. In addition this mutual learning performance appraisal system should be set up and conducted every 6 months to track progress and make mutual changes to enhance learning and improve the partnership relationship and results.

Creating a "Meeting of the Minds" to address the Relationship between Partners:
There is a need to understand different partner objectives, values, cultures and management styles. The first step in this process is to identify and acknowledge similarities and differences between partners. Understanding similarities is important for partners to maintain perspective while magnifying the differences in attempting to analyze them. In order to achieve a "meeting of the minds" the differences need to be shared in an open and constructive manner with other partners. It is helpful if a third impartial party assists in identifying these differences and helps the parties to enter into a dialogue about them. It is also important to set up training and other partnership initiatives which take these differences into account.

A simple example of this is when a large company with an established corporate culture partners with a smaller business with an entrepreneurial culture. A lack of understanding of these differences can lead to conflict between the organizations as the smaller entrepreneurial business finds it difficult to deal with, amongst other issues, the formalized processes of the larger corporate business. While the large corporate does not understand what drives the smaller entrepreneurial business to act defensively at times. This can even occur within the same company between divisions – e.g. there is often conflict between development and production areas/functions, as a result of the differences in cultures and operating models. There is a need to create training, information sharing, common objectives and learning processes that take these differences into account. The "meeting of the minds" is the first step to creating a fruitful relationship between partners and a platform to build a participative and collegial relationship which includes mutual trust and respect.

"A Look in the Mirror" methodology will reflect the Management Approach within Partner Organizations: In order to optimize performance within a strategic partnership each partner has to take a close at their own organizations with a view to establishing whether they are achieving optimal performance on the objectives required by the alliance, whether their own cultural dynamics are sufficiently constructive to facilitate a mutually beneficial relationship in the alliance and the extent to which negative factors such as silos in their own companies are likely to impact the partnership. Consideration should be given to specific silo interventions and
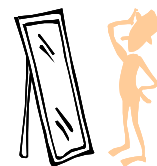
responsible empowerment assessments within and between the worse affected areas/units – this topic will not be dealt with in this position paper as it is a topic on its own (refer to position paper entitled "Making your organizational structure work for you"). Introspection and addressing internal issues should be conducted in parallel to interventions aimed at enhancing a partnership relationship. Otherwise such negative influences may continue to be reflected in the partnership relationship. A full cultural assessment may be appropriate.

Enhancement of Partnership Infrastructure and Skills within and between Partner Organizations: Companies need to create processes that identify individuals with partnership capabilities and create processes to develop these capabilities in their managers. This should be done through formal and on the job training. Partnership development skills include conflict resolution, communication, collaboration and delegation skills. Managers with strong partnership skills and experience can be identified using assessment techniques. Once the assessments are made, a training program should be conducted to enhance these skills.

The common properties of these key skills are good interpersonal skills, (including the ability to express oneself comprehensively but with sensitivity, and to listen), an awareness of and sensitivity to the environment, and ability to compromise. In order to compromise, overcome conflict and collaborate one has to focus on the broad objectives and big picture. One has to distinguish between that which is pivotal to success and the unimportant details. Then to show willingness to compromise on points that are not crucial. Partnerships are reciprocal relationships. High levels of performance on the conditions listed in the definition and represented in Table 1, will tend to set the stage for reciprocity to the extent that partners are capable of this. It is important to realize that this relationship is an interpersonal alliance.

Knowledge and skills from other inter-personal experiences and contexts can help to guide the path towards building solid relationships. For instance approaches used in employee selection, transfer and promotional procedures can be utilized to identify strong partnership managers. It would be wise, for example, as in the case of compiling job descriptions, employee selection, to define the key requirements of the projects that managers within a strategic partner would be required to fulfill. Then the core competencies and other personal requirements should be listed. Once the profile is completed, the same principles apply to inform the potential partners' managers of the skills required and the development required to build on existing skills.

Similarly, skills that are effective in facilitating communication in-house, such as comprehensive personal expression, regular transfer of pertinent information and information sharing, and good listening skills would facilitate good communication

between strategic partners. Conflict management skills learnt in-house from experiences with employees can be generalized to interactions with strategic partners. Negotiation skills from other contexts would also be applicable. A key element that pervades the discussion of these skills is fundamentally open communication. Open communication skills includes stating personal views clearly while making every effort to understand other perspectives.

Open communication processes also need to be set up which facilitate cross functional and cross hierarchical information sharing. This does not mean that all information goes to all levels and functions but rather that the appropriate information is received cross functionally and across hierarchies – more is not necessarily better. This requires an assessment of decision rights, current information flow and processes in order to understand where problems occur. An open environment, needs to be created through training and "meeting of the minds", where partners and employees want to improve the flow of information based on mutual trust and respect for the other partners, while respecting the decision rights of the partners.

In addition to the interventions listed above there is the potential to more closely align competitive and human asset strategies (if appropriate) within partner organizations:
Specific interventions may be required to enhance a partner organization. This should only be considered if upper level management of the partner acknowledges a need and is willing to conduct such an initiative. This type of initiative cannot be imposed by one partner on the other as this reduces the potential for success. This type of initiative should include a review of the partner's business strategy and human asset strategy, which could encompass a broader organization assessment and redesign. This issue will not be dealt with in this position paper as it is a separate discussion.

Conclusion

A strategic partnership is often only as strong as its weakest link. A learning partnership culture is the platform on which successful strategic partnerships grow and on which they develop a competitive advantage in their industry. The success of the partnership is not dependent on individual partner performance but on collaboration and realizing those illusive partnership synergies. While the majority of business executives, reading this paper, would agree with the broad principles outlined here, the art is in its implementation.