Developing and Marketing A Successful Alliance

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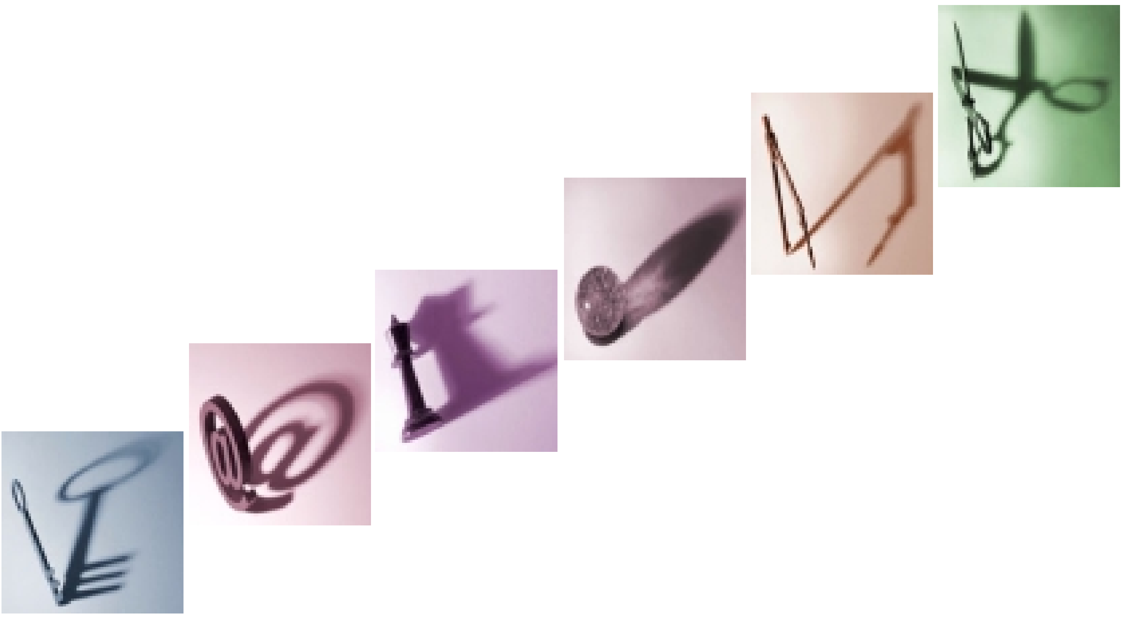

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INTRODUCTION

Clients are demanding better value and a greater degree of professionalism from the construction industry. From the industry's perspective, the agenda is rapidly moving away from old style "tender clubs" where a group of interested parties come together, in a dominantly transactional and self-interested mode, to bid for specific opportunities. Clients are quite rightly, seeking clear evidence of teamwork, positive previous experience and skills at managing business relationships in a collaborative, consensual style. This is in addition to increased expectations on time, cost and quality emerging from industry reform initiatives and reports. Hence the ability to plan, form, nurture, sustain and effectively promote successful alliances is recognised as a key market differentiator. So what lessons can be learned from successful alliances and practitioners?

INCREASING CLIENT EXPECTATION

Clients expect continuous improvement from their asset based investment and related support operations. They are actively promoting initiatives such as:

- ‘Best value’ & sustainable solutions;
- Accurate whole life cost modelling;
- Operational and asset outsourcing;
- Workable public private partnerships (PPPs);
- Auditable transparency;
- Significant supply chain improvements.

These have created major challenges for top industry practitioners. Many of these initiatives involve increased asset management responsibility, in particular the combination of PPP, whole life costing and outsourcing.

Several organisations, previously considered as either contractors or professional service companies, have transformed into full range support service providers. Company market (or private) valuations are measured by the strength and depth of order books, assessed profits and cash streams at high price to earnings multiples. These companies have developed through a combination of organic growth, merger, acquisition and structured alliances to deliver a full range of services. How do we engage clients and persuade them that an alliance can be more effective than a homogeneous support services company? This is the essential role of the alliance partners’ management and marketing teams. To do this we need to learn from real cases, leading research and best practice.

ALLIANCE SEGMENTATION

There are many elaborate and extended definitions but alliances tend to segment into variants of:

- Vertical alliances between clients and service providers;
- Horizontal alliances between teams of service providers; and
- Supplier alliances.

Figure 1 shows a typical alliancing environment. It illustrates the range of partnerships that should be planned and managed to deliver success. The figure also highlights the need for quality people, trained and experienced in relevant alliancing technology, forming the heart of the collaborative enterprise. This has been verified by leading edge research from the USA and Europe, also from other industries.

VERTICAL ALLIANCES

Clients who lead the agenda see their key suppliers as business partners, enabling collaborative transformation on a significant scale. Teams wishing to develop alliances with these leading clients need to be able to demonstrate strength, depth, proven knowledge and experience. Their promotional and presentational approach needs to show hard evidence and a track record demonstrating the relevant facts. Therefore, team leaders should be drawn from practitioners supported by professional marketing. Practitioners need to have had professional training and development and an ability to deploy alliance technology. Marketing departments can and do play a key role in supporting the team.

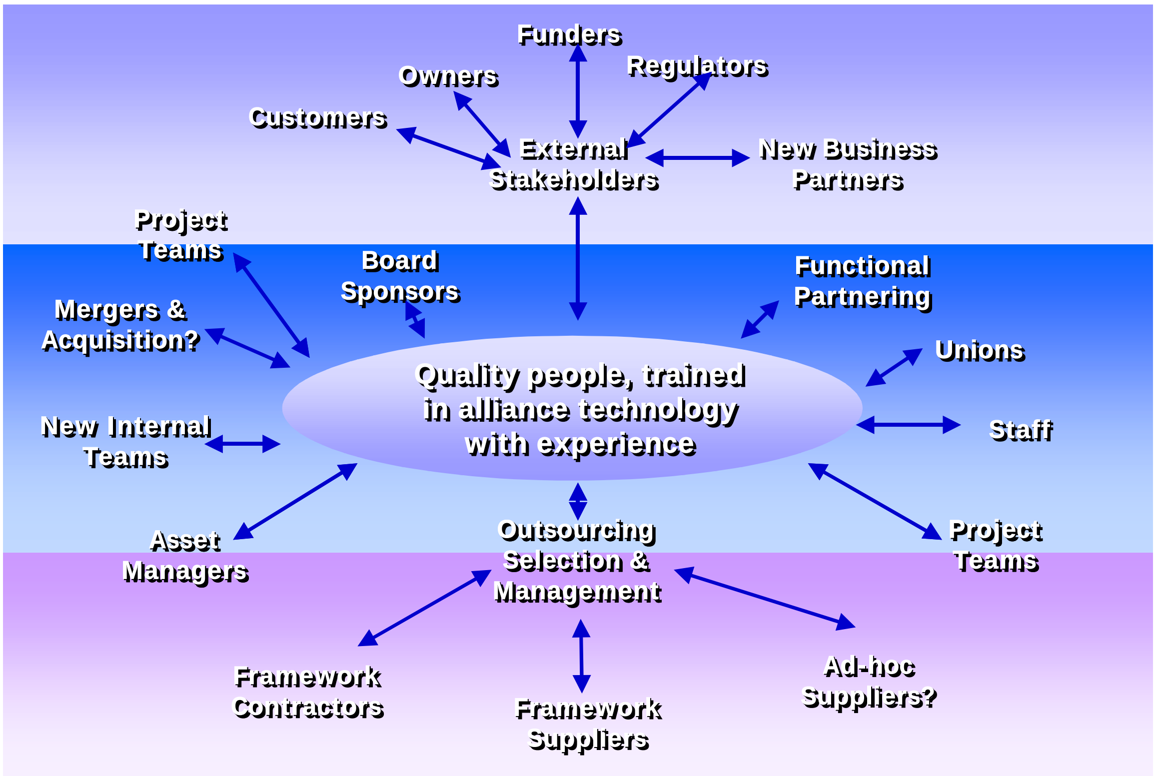

FIGURE 1 – THE ALLIANCING ENVIRONMENT

CASE 1 – A SUCCESSFUL VERTICAL ALLIANCE

One of the most innovative utilities in the field of alliance management is Dwr Cymru Welsh Water (DCWW). It is nearly a 'virtual' company, employing only 130 people. DCWW has outsourced many activities: including customer services, operational asset management and Information Technology. It also runs a set of geographic alliances for new capital works. These are all core business areas with the performance, strength and quality of the alliance partnerships critical to DCWW's future. Using this approach, the business recorded its best ever year in 2001/2.

Selection processes took into account alliancing skills evidenced by written documentation, formal interviews and site visits. At interview, the assessment team looked for hard evidence of these skills. Post selection, DCWW has sponsored facilitated partnering workshops for the alliance teams' directors and over 100 of their staff. Incentives are based on delivery against Key Performance Indicators. After some initial challenges, the Service Delivery Alliance is more comfortable with interdependence. Jeff Williams, DCWW's Director responsible for relationship management summaries the lessons that have been learned:

- Clients are looking for real evidence of alliancing skills from potential service providers, not just good presentation;
- Incentives are best framed around a common set of client based KPIs that engage alliance partners into a mutually dependent framework;
- Strong and robust communications such as newsletters, joint planning, regular performance meetings, senior management collective reviews and facilitated workshops will all help achieve successful delivery;
- Trust between partners takes time to foster and effort to sustain;
- An alliance based enterprise can outperform traditional vertically integrated businesses;
- All the partners need to work together with integrity and a common purpose to achieve a win-win position.

HORIZONTAL ALLIANCES

The drivers to create horizontal alliances are typically to:

- Satisfy client needs;
- Increase geographic coverage;
- Extend the service offering;
- Increase delivery capability;
- Beat the competitors' offerings;
- Grow when cash constrained;
- Focus on increasing performance.

In the second case study marketing plays a pivotal role in implementing a true global alliance. The firms' marketing departments work in harmony to deliver the core message using common branding. They refer to partners in all business communications, link web sites and produce alliance specific brochures. Partners also work on major client initiatives and develop integrated 'key accounts'. This builds added value into the alliance. The professional skill of the partners and business development staff are critical to delivery. This requires a learning culture and a mutually supportive marketing environment, where egos are suppressed. Executive level engagement, board sponsorship and specific alliance champions are also crucial.

CASE 2 – A SUCCESSFUL HORIZONTAL ALLIANCE

The project and cost management firm Gardiner and Theobald, works in alliance with Levett & Bailey and Rider Hunt. The alliance covers Europe, the Middle East, Asia Pacific, Australasia and the USA. These three firms have worked together on projects since the 1970s. By the mid 1990s their clients were demanding greater geographic coverage and a wider range of services. To meet these demands the firms agreed to develop their relationship into a formal business alliance. This would enable:

- better exploitation of local market opportunities;
- expansion of technical skills;
- global coverage;
- cross fertilisation of clients;
- lower combined marketing and operational costs (compared to organic expansion); and
- an in-depth understanding of local cultures.

The alliance has achieved improved client development, cross fertilisation and an increase in new orders. A new harmonised brand was created and simultaneously adopted by all three firms after four months of planning. This projects a consistent image in all locations with the alliance information appearing on formal communications such as letterheads, brochures and linked websites. The firms' senior partners discuss business opportunities every week by telephone and video link. They meet every six months to sustain the relationship and discuss strategy, marketing and business issues. Staff movement between the firms improves their technical and cultural understanding. Business development costs are shared on a pro-rata basis and the likely staffing/cost mix of each opportunity agreed at the earliest possible stage. Decisions are based on getting the right blend of staff, technical skills and geographic experience for the project to satisfy client needs.

Good interpersonal relationships between the alliance management teams are based on mutual dependence and trust. This involves continuous open communication, frequent exchange of information and looking after each other’s clients and interests. Roger Fidgen, Gardiner and Theobald's Senior Partner sums it up:

“It's about finding the right partner. It needs to feel right and takes time, energy and investment to make it work. Like a successful marriage, if we don't continue to work at the relationship it could fall apart. The alliance is founded on trust and looking after each other's interests - and we do.”

CASE 3 – A SUCCESSFUL SUPPLIER ALLIANCE

A professional services firm needed to plan and prepare for a new framework initiated by a major government agency with a billion pound budget for procuring assets and support services. The multi-year framework, based on a more concentrated geographic and major contract support structure, was business critical to the firm, which spent time interviewing the agency. The results were analysed then discussed amongst a cross-section of the firm's management, including the marketing support and commercial functions. One of the key aspects of the framework is demonstration of an effective supply chain and an alliancing ethos – leveraged by a high ability to trust.

Since the partnering skills were to play such an important role in the assessment, each team member completed their Partnering Quotient (PQ) assessment. The PQ assessment measures an individual's partnering skills (ref 1). The six key attributes needed to become a successful partner are:

- Future rather than past orientation;
- Comfort with change;
- Win-win orientation;
- Comfort with interdependence;
- Ability to trust;
- Self-disclosure and feedback.

In this case there were two areas requiring further development – the team member's tendency towards a past rather than future orientation and their relatively low ability to trust. Early identification of these attributes helped the team focus on improvement and helped build stronger supplier alliances. Professional assessment provided hard factual data to support the framework application.

SUPPLIER ALLIANCES

For supplier alliances the emphasis is on "practice what you preach". Leading clients such as the Highways Agency, Defence Estates and major utilities have started to recognise and appreciate the skills and talents available within the construction industry's supply side. Clients have seen partnering initiatives being heavily promoted by the lead services providers (contractors, facilities management and professional services groups). They now seek evidence of lead service providers' abilities to work with suppliers in a collaborative style. An excellent example is the new Highways Agency Procurement Strategy (ref 2).

In the third case the Client yet again seeks hard evidence not "fine words". The next significant step is to carry out supply side assessments, using metricated methodologies. Partnering workshops that demonstrate commitment and achieve improvement within the supplier alliance will usually follow.

CONCLUSIONS

- Professional strategic evaluation and the use of a well developed partnering process puts an alliance on a firm footing.
- A comprehensive communications strategy covering each partner's staff, clients, suppliers and industry commentators is critical.
- The investment needed in planning, developing, marketing and delivering a successful alliance in time and energy should not be under-estimated.
- Sponsorship and leadership from the highest executive level of all the partners is important in demonstrating organisational commitment.
- Seek to promote and develop the partner's business, wherever possible and the partner will almost certainly reciprocate.
- Regular reviews of joint opportunities and measuring performance against mutually agreed targets help to keep the alliance on a positive and professional footing.
- Trust is essential to building a relationship and delivering real added value. Trust is fragile, hard to achieve, needs working at, easily lost but hard to recover.
- Professional support in planning and developing your alliances will dramatically enhance the likelihood of success.

References:

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2. Delivering Best Value Solutions and Services – Highways Agency Procurement Strategy 2001