

CIPD

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Research report

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Beyond the organisation:

Realising

HR's vital role in the
success of partnering
arrangements

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Beyond the organisation: Realising HR's vital role in the success of partnering arrangements

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Introduction

The world we're operating in is becoming increasingly networked and collaborative. In particular, more and more organisations are engaging in strategic partnerships, whether these are strategic alliances, joint ventures, outsourcing, collaborations or public-private sector commissioning models.

This shift in the way we work means more and more business relationships have to be managed beyond your own organisation. There are significant implications for HR's role as they are no longer just responsible for delivering a strong people agenda in their own organisation, but need to now consider the people issues and opportunities across the whole partnering network.

How do we deliver strategic HR support across the network and do we have the capabilities needed to operate in this way?

This report presents our case study research findings, looking at the key business issues in collaborative and partnership working and then pulling out what this means for HR.

This report is intended for senior HR professionals at director level and heads of functional areas. We propose a four-part framework which draws out the main areas that HR needs to focus on to most effectively contribute to the success of partnering arrangements. The findings are likely to be valuable to those who:

- are starting to work in an increasingly networked and complex way

- are already working in these arrangements and want to maximise HR's contribution to partnering effectiveness
- want to develop a wider appreciation of the key business opportunities and challenges involved to help develop the most appropriate HR strategy and responses
- are reconsidering their HR model and the capabilities that are needed within the HR team to operate beyond their organisation's traditional boundaries.

Why is this area such an important one for HR?

The prevalence of partnering arrangements is increasing. And, importantly, research has revealed that they have a staggeringly high failure rate. A *Harvard Business Review* article (Hughes and Weiss 2007) stated, '*studies show that the number of corporate alliances increases by some 25% a year, and that those alliances account for nearly a third of many companies' revenue and value – yet the failure rate for alliances hovers between 60% and 70%.*'

In a Boston Consulting Group article, Roos and Cools (2006) stated that: '*Alliances have become an increasingly important – and complex – part of corporate strategy. According to one estimate, approximately 30 percent of global corporate revenues in 2005 were a direct result of alliances – up from only 2 percent in 1980.*'

And it appears that partnering relationships between organisations are set to increase

further, particularly as public sector organisations are entering into more partnerships with both the private and voluntary sectors as they move away from delivering services directly to more of a commissioning model. The 2013 PwC global CEO survey of public and private sector CEOs (p18) found that significantly more state-backed CEOs '*expect to initiate a new strategic alliance or joint venture (52% compared to 47% of private sector CEOs) and to outsource (40% compared to 30%).*'

And despite high failure rates, a 2009 PwC survey found that over 75% of CEOs rated partnerships as 'important' or 'critical' to their business: '*Unsuccessful partnerships waste time and damage relationships which can lose money, reputation and people*' (p4).

And of course these contextual changes mean that HR's strategic agenda is also shifting: '*...not just because of internal organization design pressures resulting from complex business models, but also as a consequence of changes in the importance of external inter-dependence and partnership. The organizational "value web" is, in almost every case, extended across traditional organizational boundaries. This interdependence is a defining characteristic of business model change*' (Sparrow et al 2010, p272).

Partnering relationships typically involve complex transactions between organisations concerning the flow of products, services, money, information or

communications from one to another. Multiple stakeholders have to engage in mutual problem-solving, collaborative information-sharing and shared decision-making about resource allocation.

Previous desk research (Sparrow and Miller, in CIPD 2013) uncovered that many of the common issues faced in partnering are people-centric, dependent on relationships and management behaviour. Therefore HR has the opportunity to make a significant contribution to partnering success. Key issues for HR include:

- 1 What sorts of interventions, policies or processes are needed to support a range of different inter-organisational arrangements?
- 2 What are the prominent people and organisational issues that have to be dealt with in business partnering arrangements? For example the talent and leadership agenda, capability-building activity, and the quality of relationships needed to create sufficient predictability, reliability, competence, and so on?
- 3 What are the implications of these issues for the HR delivery model?
- 4 How does the HR function move from a model based on an owned employment relationship to the provision of support to employees that it might not now directly or even indirectly employ?

The pressure is on HR directors as this more complex way of working presents significant talent management and structural challenges for the function. HR directors need to consider if the existing HR structures, policies and processes support partnership working as well as explore their partners' requirements and

assess what the cost may be in differentiating their HR provision.

Those working in these collaborative arrangements have to make important choices and decisions which require an understanding of:

- the best organisational form to adopt
- the strategic behaviours and performance that are required
- the structure and processes through which the business will be delivered
- how best to identify and then disseminate the collective aims of the collaboration
- how important intangible resources (such as people, skills and knowledge) will flow into and out of the collaborative venture, and how these flows will be regulated
- how important duties, rights, functions and roles of the members of the collaboration will be allocated.

Managers' roles also become more complex in partnering arrangements, often managing teams which include those who report directly to them as well as people employed by a partner organisation. Therefore employees may have a crisis of 'dual identity', experiencing HR practices and approaches from both their home and host organisations.

Unsuccessful partnerships waste time and damage relationships, so increasingly businesses need to take note of successful ones and adapt their models. Even the best-designed networks can fall apart. Therefore, when designing HR systems, it is essential that HR considers how their approach could assist or hinder the partnership in a potential crisis situation.

Although there are many challenging issues inherent in this way of working, strategic partnerships can also be a great opportunity for HR and for professionals generally – opening up new opportunities, diverse job roles and career paths.

Someone needs to oversee all the parties involved in the people-related aspects of the collaborative business model and if HR doesn't adopt this role, someone else will. With the prevalence of partnering still increasing, supporting these arrangements needs to be a core HR capability.

Our programme of work

To examine what this shift in the way we work means for the HR profession, the CIPD is collaborating with Professor Paul Sparrow and Dr Lilian Otake at the Centre for Performance-led HR at Lancaster University on a programme of work called Beyond the Organisation.

Within this programme we have published a series of reports to provide practical guidance for HR professionals and managers on how to deliver excellent people management beyond their own organisation to support the success of business partnering arrangements. It is with insight into the management of these challenges, and the sorts of collaborative work arrangements we see today that HR can address the performance issues inherent in these sorts of business relationships.

The first two reports in this programme of work draw on secondary research to scope the territory. The first presents the main business issues faced in partnering arrangements: risk, governance and capability-building. All three of these issues are highly people-centric,

‘Many of the reasons for partnership failure have a significant people dimension to them.’

dependent on relationships and management behaviour, which means that HR has the opportunity to make a significant contribution to partnering success, and sets a clear strategic agenda for the function.

The second report looks specifically at how we can best organise HR for partnering success. We explored the implications of this shift in the way organisations operate for the HR architecture (function design, structure and process) and the delivery mechanisms required. Our review of existing work in this area uncovered six main challenges for HR to consider when deciding on the most appropriate HR architecture for their business context:

- understanding the way the whole partnering network operates to inform HR choices
- supporting partnership arrangements needs to be a core HR capability
- differentiating the level of strategic support between arrangements
- designing HR to deal with crisis situations
- developing leadership for the network

- dealing with the issue of employees’ dual identity.

Links to both reports can be found in the *References and further reading* section at the end of this report.

To examine in practice how organisations are dealing with the key issues identified in our first two publications, we designed in-depth case study research. We worked with a selection of organisations engaged in different types of partnering arrangements. This current report presents the findings from this case study research, illustrated with practical examples of how HR can effectively manage these relationships in different contexts.

We use our case study data and insight to develop and detail a framework that HR and senior business leaders can use to manage the most important people issues that the new collaborative world entails.

In the next section we briefly describe our research approach and then present the key findings from our work.

Figure 1: Three overarching themes



Key findings

In this section we present our framework of key findings and a brief discussion of the research process behind it. In subsequent sections we will go into more detail about both the case study settings and each of the four areas of our framework.

In-depth case study research

To capture the complexity and reality of this way of working, we examined six different collaborative settings intended to cover both the private and public sectors (Box 1). In the next section we describe each of these industry and organisation settings in detail.

Within each case study we interviewed a range of stakeholders, including HR, across the partnering arrangement, gathering a range of perspectives on key issues. In the case study interviews we asked people about the key themes that had emerged from our initial desk research as being vital for partnership success or failure. These were risk management, governance and capability-building. However,

we also encouraged discussion about additional opportunities and challenges in collaborative arrangements. The case study research therefore moves our thinking on from the previous reports and enables us to examine in practice how HR supports a wide range of partnering arrangements.

This report has drawn upon 45 interviews, secondary research and the intelligence gathered from a data-sharpening workshop with senior case study representatives which assisted interpretation of the findings.

Our framework of key findings

Our case study work enabled us to examine how, in practice, HR is contributing to the success of partnership arrangements. We have identified four overarching areas for HR's attention (Figure 2):

- 1 oversight of the intended strategy
- 2 ensuring the integrity of the strategy as it is executed
- 3 ensuring the integrity of the operations
- 4 optimising the operations as the partnership evolves.

- 3 ensuring the integrity of the operations
- 4 optimising the operations as the partnership evolves.

We believe that it's through focusing on these four areas that HR can maximise their contribution and impact.

Although the different organisations we studied were engaged in different types of arrangements and designed HR differently according to their context, there were common themes across the case studies and common issues that needed to be addressed.

In the next section we detail the six case study organisation settings in more detail to provide context for our findings. We then bring the framework (Figure 2) to life using practical examples from our case studies, with the overarching aim of helping HR and senior business leaders manage the most important people issues that the new collaborative world we operate in entails.

Box 1: Six collaborative settings

This report is based on case study research in the following settings:

- industry-wide partnerships in the nuclear industry: **Nuclear Decommissioning Authority / Sellafield Ltd**
- collaborative business models for the co-creation of value in aircraft engines: **Rolls-Royce Aerospace**
- the complex portfolios of joint ventures in the oil and gas sector: **Shell**
- multi-agency working in local government: **West Sussex County Council**
- the move from direct provision to a commissioning model in the National Health Service: **NHS East Cheshire /arvato**
- strategic collaborations in police forces: **Dorset Police / Devon and Cornwall Police.**

Figure 2: A framework for maximising HR's impact on partnership success

- | | |
|--|--|
| <ul style="list-style-type: none"> • design and use shadow management boards • establish the architecture needed for network integration • use of voluntary workforce transition frameworks and partnership charters • creation of mechanisms by which learning from the partnership is fed into the strategic leadership teams • taking a network-wide view of capability-building and resource planning • building capability in commissioning and bidding • promoting information – sharing for reputation management • adapting the way the partnership is managed as it evolves and matures | <ul style="list-style-type: none"> • build a collective and common understanding of the collaborative model across all partners • align investment plans across the partnership network • establish partner-in-distress protocols • develop common branding and identity |
|--|--|



- | | |
|--|--|
| <ul style="list-style-type: none"> • enhance HR systems to enable partners to share people-related insight • develop common employee and customer engagement models across the collaboration | <ul style="list-style-type: none"> • build cross-organisation teams with connections back to governance teams • build flexibility into contractual arrangements to facilitate regular reviews of the collaboration's performance objectives • protect the operating core of the network through understanding the degree of alignment between the operating cores of each partner • redefine vocational education, training and professional syllabuses to facilitate a collaborative way of working |
|--|--|

1 Living in a collaborative world

In this section we build a picture that shows the wide-scale reliance on collaborative arrangements in the economy today, and the increasingly inescapable need for organisations to understand how to better manage collaborative working.

In our initial desk research we argued that HR needs to engage with the high-level business issues that face organisations operating in this context. These issues were about risk, capability and governance, all very people-centric (Box 2).

We invite you to consider the challenges that exist in ensuring effective people management across our six case settings that we introduce below. Despite the rich context of collaborative working, we have uncovered the significant challenges that exist across the different types of arrangements; the latter part of this report is dedicated to discussion of how HR

can best address these challenges via our four-part framework.

Industry-wide partnerships: the nuclear industry

There are a number of sectors where industry-wide partnerships have become important. For example, the Department for Business, Innovation and Skills has based its industrial strategy¹ on an analysis of those sectors where there appear to be particularly high-value opportunities for partnership. These include:

- advanced manufacturing (for example in aerospace, automotive, life sciences, biotechnology and pharmaceuticals sectors)
- knowledge-intensive traded services in professional services or business services across software, IT and telecommunications
- enabling sectors such as energy and construction.

In these sectors, changing business practices and new technology creates the opportunity for spillovers in research and development, resulting in the development of new products and services. In turn, the commercialisation of these new ideas, products and services often creates the need for new and broad partnerships.

The first of our case study settings is one where industry-wide partnerships have now become essential – the nuclear industry (Box 3). In response to debates about energy security and climate change, and calls for a changing portfolio of energy given attempts to decarbonise energy production, the previous and current government have shown renewed commitment to nuclear energy.

The previous government's 2008 White Paper *Meeting the Energy Challenge* and the current government's National Policy

Box 2: Learning from our previous research

We argued that:

- Employers increasingly will find that they not only have to manage their own workforces, but also across the partnering network.
- These responsibilities become too complex to be managed solely through contracts and formal governance arrangements; informal mechanisms involving good-quality, trusting relationships are vital to the success of partnering arrangements.
- From a customer or end-user perspective, the expectation and need will be for the relevant organisations being brought together to collaborate effectively and to operate in a coherent and integrated way.
- This expansion of responsibility, and heightened exposure to the risks of poor co-ordination and control across partnered arrangements, will inevitably start to change the way that HR functions will work, and the way that they organise and deliver their HR services.

Statement of 2011 about the reform of the electricity market and industrial strategy on the *UK's Nuclear Future* have resulted in significant sector change. Together they have culminated in an agenda for new-builds in the industry which is not based upon public body ownership, but instead is to be decided upon by commercial companies operating in a commercial market.

There has been a marked transition from a strategy based on the operation, extension of life, decommissioning and clean-up of reactors last built over 20 years ago, to one which now includes new-builds for new capacity, and requires extensive collaboration.

This collaboration is across government, large industrial partners, the scientific research community, and back down through supply chains and local SME communities.

This results in transfers of risk from taxpayers to the nuclear plant operators of different nationalities, and the creation of shared risks between such businesses and governments. The construction of new nuclear power stations in the UK would require investment of the order of £40 billion by 2025, along with innovations in technology, financing, safety and waste issues, supply chain potential, workforce requirements and R&D.²

Collaborative business models for the co-creation of value: aircraft engines

The second of our settings is that of collaborative business models. Under the drive of competitive pressure and the need to differentiate services, as well as the development of more complex financial business contracts, many organisations now find themselves operating increasingly as part of a highly integrated network economy.

Through innovating more efficient service systems (by manipulating the skills, knowledge, tools and business processes that can be brought to bear at various points of the customer relationship),

Box 3: Partnering between Nuclear Decommissioning Authority and Sellafield

The Nuclear Decommissioning Authority (NDA) is a non-departmental public body created through the Energy Act 2004. It is the strategic authority responsible for nuclear clean-up and waste management in the civil public sector nuclear estate. It owns the liabilities and assets of 17 UK nuclear sites and runs the competitions to contract for the operations of these sites. This nuclear estate is actually operated through a series of site licence companies, which carry a licence granted by the Office of Nuclear Regulation to operate the nuclear sites. The site licence companies are in turn owned by a series of parent body organisations.

Sellafield Ltd is by far the largest of the nuclear site licence companies. Operations at Sellafield include the processing of fuels removed from nuclear power stations, fuel fabrication, and the storage of nuclear materials and radioactive waste. From 2008 to early 2015 its parent body organisation was Nuclear Management Partners Ltd, which was a consortium made up of the US firm URS, the UK firm Amec, and the French firm Areva. The initial site licence was granted in 2008, renewed for a further term in 2013, but rescinded in early 2015. Sellafield Ltd is now to become a subsidiary of the NDA. In the future a new strategic partner will be appointed by Sellafield Ltd, to strengthen the programme management and commercial capability at the site, as well as playing a key role in managing capital projects and contracts.

The NDA spends approximately £3 billion a year, with £1.6 billion of this spent in the supply chain supporting 3,500 companies. In 2013 the Government published its Nuclear Industrial Strategy, which consists of a series of industrial strategies across a number of sectors. The strategy articulates the NDA's commitment to new-build activity in addition to the existing decommissioning activity.

The scope of industry-wide partnering arrangements is substantial, making their success vital for everyone involved. The nuclear sector in the UK employs 40,000 people, of which around 18,000 are employed by the site licence companies. World Nuclear Association figures from 2012 estimate that on a global basis by 2030, £930 billion is expected to be invested in building new reactors and £250 billion will be spent decommissioning those reactors that will come offline.

organisations can change and shape the relationships and transactions they have with their customers or clients. Through developing business models that operate across, and more closely integrate, a number of stakeholders, organisations are reaping the benefits of a more

efficient and customer-centric way of working.

These collaborative business models can result in efficiency, speed and enhanced value for parties involved. They have become common in the aerospace sector and are being deployed into

marine and nuclear businesses. They bring to the fore what is called the co-creation of value, as seen in Rolls-Royce (Box 4).

Industrial restructuring on this scale is also leading to the development of new business opportunities and links across

Box 4: The co-creation of value at Rolls-Royce Group

Rolls-Royce Group plc has 55,000 employees worldwide, with 45% of the workforce in the UK. Operations cover 85 Rolls-Royce facilities in 17 countries, 33 joint venture facilities involving a further 25,000 to 30,000 employees, seven manufacturing technology partnerships, and over 70 strategic suppliers. The group has five divisions: Civil Aerospace, Defence Aerospace, Marine, Power Systems, and Energy. Revenues in 2013 were over £15.5 billion and it has a £72 billion order book.

Rolls-Royce developed its TotalCare[®] offering³ based on a strategy of value co-creation and a through-life cost model. This model offers customers higher levels of engine availability and utilisation based on a combination of data, technology and engineering know-how, coupled with supply chain and cost management skills.

The background to the model

A typical commercial jet engine contains 10,000 parts and has a life of around 20–25 years. Historically it had to be taken out of service approximately every five years for a full overhaul and margins were only made after ten years through the sale of spare parts. By the mid-1990s a new business model was adopted. The relationship with customers shifted as the business moved away from selling product and spare parts towards servicing long-term, multi-decade contracts to keep their planes flying. The majority of airlines now buy amounts of engine thrust: a through-life cost model. So in return for a flat cost per hour, they get the engine, all servicing, monitoring and spare parts and a guarantee for on-time performance. In essence, Rolls-Royce gets paid by the number of hours an aircraft engine operates. Around half of its revenues today come from this long-term servicing business model compared with 40% a decade ago, and more than 65% of its large in-service engines are covered by this business model.

For the model to work there must be very close alignment of knowledge and data generation and sharing across the support network. Rolls-Royce manufactures approximately 30% of its gas turbine products by value, with the remainder of production provided by an external network of partners and suppliers. Data must be captured and used across a global network of partners and suppliers through a process called network resource management to make support activity more intelligent and efficient.

Parts of the supply chain are shared with the competition, which adds to the complexity of managing the collaboration. It places extra demands on suppliers, who need to be aligned to their different customers' needs. For example, if an aircraft engine project is successful it has considerable knock-on effects for the revenues and operational planning of suppliers. Therefore a mutually incentivising system of sharing some of the investment is needed. Rolls-Royce uses its primary suppliers, called risk and revenue sharing partners (RRSPs), to jointly finance and co-develop new products. Under the partnership, suppliers invest capital in the development of a new engine and provide product development engineers.

In the latest development of the model, Rolls-Royce is enhancing its engine health monitoring with the intention of eradicating unscheduled repair or maintenance events. This requires significant data-handling capability across more than 40 customers to predict engine problems before they happen, enabling preventative action to be taken and insight into the operational capability of airlines' pilots and other staff.

the public and private sector. For example, as part of the nuclear renaissance, an organisation such as Rolls-Royce has been extending its nuclear business and capability, capitalising on its 'safe systems' expertise and building new business activity through organic growth, acquisitions and collaborative projects. It is moving beyond the world of nuclear submarines and instrumentation control, into maintenance, inspection and repair work in civil nuclear plants, as well as involvement in new-builds and nuclear supply chain management.

Managing complex portfolios of joint ventures (JVs): the oil and gas sector

There are different ways of thinking about joint venture archetypes and how to differentiate the level of HR support that they need. For example, judgements on the level of HR support needed might be based on risk (identifying the macro- and micro-level recurrent risks to performance), on the level and nature of equity holding, or in terms of long-term strategic intent versus the opportunities to exploit or create important capabilities and knowledge. Different behavioural, structural and control decisions will be made, depending on the nature of a joint venture. Ventures might also vary in maturity across a lifecycle from young to mature collaborations.

We use the oil and gas sector to illustrate the complex portfolio of joint ventures that exist. To first provide some broad context, the world has shifted from one where the major global oil firms had a dominant position to one where national oil companies are now dominant as the resource owners. Upstream (exploration and production) activity in the industry is very capital-intensive, speculative and risky. Projects,

especially in the area of liquid natural gas and deep water, are too expensive even for a super-major to finance on its own. No single organisation can expose itself to the full risk profile, and many of the technologies needed are proprietary. Some countries require foreign companies to partner with local entities if they are to enter their market, and often the owner of resources may not have the capital or technological ability to develop the resources fully. Joint ventures are therefore a critical way of operating in the oil and gas industry.

By 2012, industry reports revealed that the oil and gas sector was one of the most resilient, but also the most dependent on mergers, acquisitions and joint ventures. With an average of four transactions taking place every day, the value of oil and gas transactions had grown to \$402 billion in 2012, up 19% compared with 2011, which in turn was up 33% from 2009. Upstream activity accounted for \$284 billion of transactions in 2012, with \$42 billion in downstream activity (refining, storage and retail).⁴

Although JVs have long been an established feature of the industry, recently there has been a shift in their nature:

*Today's JV transactions ... come in so many shapes and sizes that it can be difficult to decide on the optimal arrangement[,] ... private equity partners have come into play[,] ... small independent oil companies are partnering with one or many major oil companies, and public and national oil companies from all over the world are entering the US oil and gas market. All offer [different] combinations of resources, assets, capital, expertise and labour.*⁵

The range of parties involved has become more complex – individuals, investors, public and private companies and independent players in the industry have started to partner more vigorously with major oil companies. Shell, our third case study setting, demonstrates the challenges of aligning HR across this changing array of joint ventures (Box 5).

Multi-agency working in local government

Our fourth setting examines recent changes in the management of county councils. Local authorities face what has been called a 'perfect storm'.⁶ The 2010 Comprehensive Spending Review resulted in almost a one-third reduction in funding from central government from 2011–15. Many of the drivers for collaborative work are generic, such as the need for reductions in public spending and efficiency savings, increase in demand for services and public expectation about the quality of services, a fall in demand for paid-for services (such as leisure centres), a drive for continuous improvement, and changes in technology (such as e-enablement). Others arise from a political and ideological shift in the role of local authorities and district or county councils. Together, these drivers are leading to a redesign of services through the development of new partnerships.

In 2011 the Government published the Open Public Services White Paper and the Localism Act 2011, which introduced a new general power of competence. This redrew the scope of charging and trading activities that councils can undertake and 'frees authorities from having to link their commercial trading activities to a relevant statutory function (although they will still have to

trade through a corporate medium) and instead allows authorities to extend what they may do in pursuit of profit, efficiencies and to provide greater local choice far beyond traditional functions'.⁷ Such initiatives form part of a public service reform programme. This programme requires county

councils to be an enabler rather than a provider of all services, offering strategic leadership and facilitation in order to increase choice, open services up to a wider range of providers and devolve our case study setting within local government decision-making to communities (see Box 6).

Moving to a commissioning model in the National Health Service

Our fifth case study setting touches on the recent changes in the NHS. Beginning with the Health Act in 1999, more recently the 2010 White Paper *Equity and Excellence: Liberating the NHS*,

Box 5: Realigning HR support for JVs at Shell

In Shell, JVs operate in very different ways. It has a range of upstream businesses. At one end of the spectrum it might be a lead operator, working with service companies that might have their own JVs for which Shell has no responsibility. At the other end of the spectrum Shell can be in relationships where there is a huge degree of mutual dependency and inter-dependency. Multi-partner arrangements are likely to become more common in the industry, and Shell pursues opportunities where its capability and talent offering to the partnership is indispensable, so partnering is mainly long term. For example, in the Brunei-Shell arrangement, where the first commercial oil find was made in 1929 by the British Malayan Petroleum Company, there are now four Brunei/Shell joint venture companies (BSP, Brunei LNG, Brunei Shell Tankers and Brunei Shell Marketing) employing about 14,000 staff and contractors.

In other emerging arrangements, such as in Kazakhstan, very complicated multi-partner ventures are now being established. In Kazakhstan Shell operates in several business sectors – oil and gas exploration, production and transportation, oil products marketing. In exploration and production alone it has equity interest in three projects. In other areas of resource, such as liquid natural gas, huge investments beckon. Total demand for liquid natural gas in the Pacific Basin is expected to rise from 120 million metric tonnes in 2012 to 241 million metric tonnes per annum in 2020, with exporters in Australia, Russia, Malaysia and Qatar all needing to develop the infrastructure to meet such demand.

This shift in the complexity of JVs is not seen as a revolutionary change, but it is bringing new aspects to the HR role, where individuals have to be comfortable and adaptable enough to work in more risky environments.

Two risk issues became particularly evident to Shell throughout 2011 and early 2012: non-technical risks; and reputational risks. Responding to this, they reviewed what would be the best HR operating model to support the increasing number and scale of joint ventures in their business.

Part of the solution was to create a new role in January 2013 to provide central HR oversight across its joint ventures in the upstream part of the business. The post has responsibilities for joint ventures in Brunei, Kazakhstan, and six countries in the Middle East, Italy and Denmark, working with Shell colleagues and the HR directors of each joint venture. It also combines the role of being managing director and country chair for Shell in Norway.

This thinking around the most effective HR models also led them to identify and review a range of different 'archetypes' for joint ventures, and to think about the different levels of Shell influence, control and support each might need. In the oil industry, industry ventures can range from an arm's-length investor type arrangement, to a need for heavier touch assurance with some senior-level leadership development, to ventures that need to be developed and offered access to technical learning, through to collaborations that offer the opportunity not just for development but also leverage. Each archetype presents different challenges, reflects a different level of maturity in the collaboration, and so comes with different risks, governance needs, and a need for different bundles and packages of HR support.

and the subsequent Health and Social Care Act 2012, governments have tried to encourage more joint working between health and social care statutory agencies. This joint working enables pooled budgets, joint commissioning

of services, use of multi-agency teams, co-location or cross-agency placement of staff, structural integration of activities across local authorities and primary care services, and extending powers for joint working.

A number of professional and institutional bodies (such as the Social Care Institute for Excellence, British Medical Association and the King's Fund⁸) have drawn attention to a range of pressures that have reinforced this drive. These include:

Box 6: Multi-agency working in West Sussex County Council

West Sussex County Council is the council in charge of managing affairs in West Sussex, an area of over 821,000 residents. The county council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically and efficiently.

The new service commissioning model is leading to the creation of new organisations (through joint ventures, mutual, co-operative or charitable status) established within communities, and the transfer of staff to these organisations for delivery of required services. Commissioning, as a capability, requires an understanding and strategic response to the needs of communities (often achieved through joint strategic needs assessments), the development of procurement and contract management skills, and clear governance through monitoring and quality assurance of the performance of service providers. It also requires actions to build the capacity of the providers. The joint strategic needs assessment and commissioning process used by health and social care colleagues is the largest area in which they commission. It shows the complexity the council faces. They have slightly less involved processes for contracts that are not concerned with health and social care.

This has created both a formal commissioning agenda and an informal one. Formally, councils deliver services but those services are provided by a third party who can be contracted to provide the best possible service. Informally, they have the opportunity to create joint projects aimed at doing more with fewer resources, enabling councils to do things they would not have the resources to do themselves. Over the years West Sussex County Council has created a range of partnerships with different organisations, involving the outsourcing of most of its back-office operations to another organisation.

There is a duty under the Local Government Act 1999 for councils to make arrangements to secure continuous improvement in the way in which their functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the county council is responsible for putting in place proper arrangements for the governance of its affairs.

For example, as part of the general drive for transactional economies of scale, in 2012 it chose Capita as its preferred partner (called a support services outsourcing client) in a ten-year back-office outsourcing contract. Under the contract, worth approximately £154 million in additional revenue, Capita delivers services including HR, payroll, finance, online service delivery, office services, procurement and pension administration. Under a collaborative 'shared HR' delivery arrangement, it has differentiated which HR functions it needs to retain and which can be provided by its partners. And in 2011 the international engineering, construction, investment and services firm Balfour Beatty was selected by West Sussex County Council to deliver the maintenance and improvement contract for the county's highways.

There is also a general push for achieving efficiencies through more effective multi-agency working. Some of these collaborative working arrangements are formal through contracts, but others are the result of individuals within parts of the council spotting opportunities to work together to save on resources and create better outcomes for service users. Pilot studies are often run, and the council draws on experience from other councils that have gone down similar routes.

- rising demand for services (through population increase, improvements in life expectancy, changes in old-age dependency ratios, and longer periods of a falling quality of health)
- the need to reduce public expenditure and concentrate important resources, such as acute care, on those who cannot be treated or cared for in other settings
- the potential for technology to change the relationship between service providers and customers
- variations in health outcomes between social groups and across geographies
- persistently high levels of mortality in some areas.

There is an overarching philosophy of prevention of illness and treatment of risk factors before the need for primary or acute care, and of supporting people with complex

needs to live independently in the community. This has led to calls for much more flexible use and location of skills (across a number of boundaries such as GP and hospital-based specialists, and health and social care), the need to decommission previous models of care, encourage innovation and controlled risk-taking in the delivery of health and social care services (across hospitals, primary care, community services, social care and mental health), and the implementation of a new model.

In addition to these drives for more integrated cross-agency working, the NHS as a whole is undergoing what the King's Fund describes as one of the most radical reorganisations in its history. In addition to having to improve productivity (£20 billion of efficiency savings need to be delivered 2012–15), it is having

to seek a new balance between being a state provider versus being a state enabler of healthcare provision. Under the Health and Social Care Act 2012, over £60 billion of 'commissioning' health care funds were transferred from abolished PCTs to hundreds of commissioning groups. External part funding is still limited – 94p of each £1 of care is delivered by NHS providers. Of contracts worth £10 billion, NHS providers were awarded contracts worth £8.5 billion (85%), voluntary and social enterprise providers were awarded £690 million (7%), private sector providers were awarded £490 million (5%), while other providers were awarded £330 million (3%). Our case study setting within the NHS context is NHS East Cheshire Trust (see Box 7).

Box 7: East Cheshire NHS Trust–arvato

In 2013 NHS Eastern Cheshire Clinical Commissioning Group became one of the 'pioneer partnerships' (the Government identified ten 'pioneers' for the integration of vital care and support services) with other Cheshire-based clinical commissioning groups (CCGs) and county councils. As operating and funding models move upstream from a hospital-based medical model to a prevention model, the system calls for new ways of thinking about service provision. Attention shifts to the financial and clinical sustainability of healthcare services, and service provision has to be seen through the needs of newly empowered patients. Providers of care have to work more closely with the people who receive care and their support networks of family, friends and carers. Generalists and specialists across GP practices, CCGs, local authorities, mental health trusts, hospital trusts, ambulance services, and voluntary sector providers of community services have to be brought together. The changes in mindset entailed are significant. In the long term these will be dealt with through changes in vocational education and training (VET) arrangements across multiple professions and in the short term it places great pressure on the quality and integrity of leadership to inspire and promote this new way of working.

At the same time business processes are being brought under shared service arrangements. Cost pressures have led to rapid evolution in the blueprint for professional and transactional HR services. In East Cheshire NHS Trust, their HR services evolved through a series of stages. First, in 2007, an outsourcing contract was used to establish an arm's-length service provided by Cheshire HR Service as a virtual organisation bound by a service-level agreement to provide shared services for HR administration, learning and development, occupational health and counselling. With the move to GP-led commissioning and end of primary care trusts, two of the three founding organisations disappeared. The acquisition of Cheshire HR by arvato in 2013 created a new organisational form, and this entity now enters into broader business process outsourcing across public–private sector partnerships.

Strategic collaborations in police forces

Our sixth and final setting moves us into the world of police forces. The police context is one of public sector financial pressure and the need for collaborative working to achieve economies of scale. There are also pressures to maintain the resilience of strategic police services, to maintain key capabilities and to deploy them flexibly.

There have also been historical developments that shape the thinking today. In the mid-2000s the government of the day expressed the desire to reduce the then 43 police forces into a handful of more regional and strategic forces – merged ‘superforces’. This approach was initially opposed by the Association of Chief Police Officers, and after a number of merger and amalgamation projects, a different track was taken. This history across several forces showed that collaboration is very difficult – their public

sector context of multiple, complex and politically driven stakeholders, and the equal power of chief constables and their command teams, has meant that arrangements cannot be detrimental, so there have been many failed attempts at integration – long projects consuming much resource but resulting in little financial or efficiency gain. The subsequent approach was to seek much looser collaborations. Historical experience with a merger model has since been replaced by a bi-force or a tri-force series of collaborations. These involve fewer stakeholders, less complexity in governance arrangements, and therefore offer the advantage of quicker and more lasting gains. A number of bilateral collaborations have been pursued across forces such as Suffolk and Norfolk, Surrey and Sussex, West Mercia and Warwickshire, South Wales and Gwent, and Devon and Cornwall and Dorset. The research examined the latter collaboration, which is exploring ways in which Devon and

Cornwall Police can work together with Dorset Police.

To look at the wider landscape, the Comprehensive Spending Review of 2010 created significant financial pressure – the CBI noted that as a result, from 2012 to 2017, police forces in England and Wales have to adapt to a 20% fall in funding.⁹ This study argued that around 12% of national police strength remains involved in back- and middle-office activities, and provided examples of collaborations around regional and national procurement, operational support for front-line staff, and specialist technological capabilities. Her Majesty’s Inspectorate of Constabulary (HMIC), the body that reports to Parliament on the efficiency and effectiveness of police forces in England and Wales, has produced a series of reports under the Valuing the Police programme.¹⁰ In terms of resilience, there is a need to ensure strategic policing and protect potential service gaps. Under the Police Reform

Box 8: Police collaboration

Police forces are restructuring and reconfiguring how they carry out their work. The scale of savings that are needed mean there is a real desire to make collaboration work, and so much thought is going into the most appropriate *modus operandi* for integration teams. One of the drivers of integration is the ‘speed to efficiency’ principle – if savings are not achievable quickly, other services or collaborative models have to come into play.

Around two-thirds of the projects involve collaborations between forces (for example around joint specialist operations or firearms units, major and serious organised crime, or forensics services), one-fifth are collaborations with other parts of the public sector (for example with health trusts and other blue-light services), and 6% are collaborations with the private sector.

A 2014 study by HMIC reported that the 43 police forces have delivered 96% of the required £2.5 billion in savings and, while there were plans for 8,500 fewer front-line police officers by 2015, the proportion of police officers in front-line roles is now expected to increase from 89% to 92%. Indirectly, these reports have examined the area of collaborations, planned to deliver around 10% of overall cost savings, and resulting in over a sixth of police budgets being spent on collaborated policing functions. However, only a quarter of the 43 police forces are responsible for 70% of the collaborations, most projects are in early stages, and progress is still seen as slow: *‘the pace, depth and breadth of collaboration remains disappointing. A less fragmented, more structured approach to effective working between forces or between forces and other organisations is required.’*¹²

and Social Responsibility Act 2011, the Government laid out a series of national threats to help police and crime commissioners and chief constables plan for policing challenges that go beyond their forces' boundaries, that is, areas where national policing capabilities were important. The capability and capacity of the service were considered.¹¹ Collaboration work is seen as one tool to close that gap in the policing world.

While legislation is not a driver of the current collaborative efforts, it might follow, especially if current progress is too slow. There is a broad expectation in the policing world that the current model of policing will need to change, with a regional policy model being one of the options. But the environment of continued austerity and further cuts to funding seems inevitable.

Conclusions

The six private and public sector settings that we have outlined above serve to evidence some of the key challenges and opportunities faced in partnership working. Many of the issues highlighted are concerned with the three people-centric themes that emerged from our previous work as important for partnering success: managing risk, effective governance and the need to build certain capabilities, both within your own organisation and across the network. For example, our case studies have highlighted that:

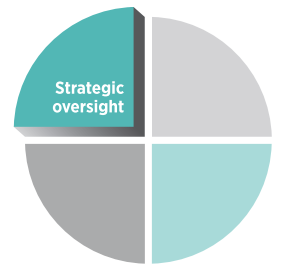
- Within all these partnerships, complex issues of trust, predictability, reliability and competence need to be managed.

- Partnerships involve an exchange of both tangible benefits (such as learning or acquisition of technology, products, skills or knowledge) and many intangible benefits.
- Some pooling, exchange and integration of partner resources is often necessary, which often requires the creation of economies and efficiencies, and a balance between making contracts comprehensive while also maintaining a high degree of flexibility.
- The development path of the collaboration is often not totally clear from the outset; therefore communication of the strategic intent of a collaboration across a distributed group of employees may often be difficult.
- The reputation of all parties involved becomes shaped by the effectiveness of the relationship beyond the borders of any one of the involved organisations.

Overall, it is clear that business partnering is a widespread organisation operating model throughout the UK economy and wider research advocates that it is only set to grow in adoption and therefore importance.

Having looked more in depth at each of the collaborative settings we have explored in this research, we now return to our four-factor framework to examine the key contributions of HR to partnering success. We take each factor in turn, providing practical case study examples and drawing out the implications of operating in a networked organisation for the HR profession.

'There is an increasingly inescapable need for organisations to understand how to better manage collaborative working.'



2 Strategic oversight: ensuring oversight and quality of the intended strategy

Ensuring oversight and quality of the intended strategy is important to ensure sufficient risk management, governance and capability assurance across the arrangement.

Given the importance of this opening strategic role, we devote most attention to it. Table 1 provides an overview of the eight important mechanisms available to organisations to ensure sufficient strategic oversight, as well as what these require of HR.

Each mechanism requires people-related insight and action if they are to be used most effectively. We explain each mechanism in turn and also draw out some ideas for action for addressing some of the challenges raised.

1 Designing and using shadow management boards

The design and use of a shadow management board is often seen as a key mechanism through which to maintain strategic oversight. In some of the case study organisations there was formal use of shadow management boards. A shadow management board might not overtly participate in the governance of a collaboration, but it does have legal liabilities where it is judged in practice to have real influence over business affairs and where there is an expectation that other directors and employees will comply with the directions and

instructions it sets. Such boards are used frequently, for example, in joint ventures. Sometimes a shadow management board is required for regulatory reasons; in other contexts it is a chosen way of ensuring integrated management until a sufficient level of trust has built up between partners. In short, the use of shadow management boards may be seen as a form of risk mitigation. The constitution of this board, and the presence or not of someone with designated people management responsibilities, is important in our view.

Joint ventures tend to be governed through a variety of arrangements, from formally constituted management boards or collaborative stake committees – with partners either being in joint control or one or more having a minority stake – through to shadow management boards. In all instances, however, the challenges of influencing from a minority position, often counterbalanced by the importance of the organisational capabilities that are being supplied to the venture, are well known.

Given the demands on leaders operating in these complex networked environments and the changing landscape of legislation, for example with developments around corporate manslaughter or contingent liability for employees, all partners now look closely at

their own, and their partners', leadership capabilities:

Do you have the right competence in your leadership structure; who is responsible for ensuring that; is that part of a development process; is that part of a recruitment process? At a succession planning level how do you manage staffing [when] there is not always dominant control but typically a need for the host organisations to supply some kind of capability or presence? There is a structured piece about how do you run those organisations ... in terms of who they are, how you manage those remotely and how it all fits together ... and there is a leadership behavioural piece which says, if they are independent how they are independent if the mother ship maintains the career path.

The nuclear industry is a good example of the complexities that are often involved in managing partnering arrangements. The Nuclear Decommissioning Authority (NDA) has the regulatory oversight across the various site licences. However, the various consortia of multinationals that have been brought together to operate sites are there because they bring a range of specific capabilities that the NDA does not have itself (although of course it has the detailed understanding

Ideas for action: Designing and using shadow management boards

- Consider how HR can maximise their contribution on the shadow management board.
- Identify the leadership competencies required in these oversight roles. To what extent are they part of your management and leadership development programmes?
- Consider the implications of the leadership capabilities and behaviours required to work in this networked way for your succession planning approach.

Table 1: Eight mechanisms that HR can use to ensure sufficient strategic oversight

Mechanism	What is it?	HR's role
1 Design and use shadow management boards	A shadow management board might not overtly participate in the governance of a collaboration, but it does have legal liabilities where it is judged in practice to have real influence over business affairs.	<ul style="list-style-type: none"> • Develop the right leadership competencies for these oversight roles. • Integrate partnership requirements into succession planning. • Set behavioural expectations across the network.
2 Establish the architecture needed for network integration	A set of rules, frameworks and models to guide the integration process. It's important to establish this architecture in the initial planning stages of the strategy.	<ul style="list-style-type: none"> • Build expertise in organisation effectiveness and advise on the best design principles. • Provide advice on the employment relationship implications of organisation design changes. • Develop project management skills to support network integration. • Develop and use operational insight to advise senior managers on the suitable architecture for the arrangement.
3 Use of voluntary workforce transition frameworks and partnership charters	These voluntary mechanisms are non-binding, but can be used to co-ordinate activity across partners and establish new norms and protocols to guide joint decision-making.	<ul style="list-style-type: none"> • Understand the different approaches to resourcing and skills development used by partners. • Develop effective relationships across the HR teams of the various partners. • Work with partners' HR representatives to identify what mechanisms, or protocols, will ensure mutually beneficial and co-ordinated resourcing across the network.
4 Creation of mechanisms by which learning from the partnership is fed into the strategic leadership teams	Mechanisms by which the strategic team learns, on an ongoing basis, how their collaborations could be best designed and managed.	<ul style="list-style-type: none"> • Identify external sources that could 'inject' knowledge and new thinking into the strategic team. • Establish mechanisms to bring learning from across the partnership into the organisation. • Promote trust and positive relationships across the network to promote information-sharing.

CONTINUED >

Table 1: Continued

Mechanism	What is it?	HR's role
5 Taking a network-wide view of capability-building and resource planning	Resource planning needs to be considered early in partnerships. Clarity is needed over what resources and capabilities are required, which partners have these or how they will be acquired, and how the loss of resources or capabilities can be dealt with.	<ul style="list-style-type: none"> • Develop a deep understanding of the capabilities and technical expertise needed to deliver the partnership objectives. • Work with partners to understand the resourcing and capability strengths and challenges across the network as a whole. • Establish what needs to be built into the formal contractual process, versus more informal mechanisms. • Ascertain whether the parties involved have the skills to 'work' the collaboration itself, managing beyond their organisation boundaries.
6 Building capability in commissioning and bidding	Contract management skills and strong commercial awareness are required. Specialist roles are often created (sometimes called 'intelligent client' roles) to get maximum value from complex client and vendor relationships.	<ul style="list-style-type: none"> • Develop an 'intelligent client' capability within HR, by building a partnership mindset. • Understand how to tailor HR activities to partnership needs through a deep understanding of partner culture and capability. • Establish what new core capabilities are needed across the workforce – for example commissioning capability, acting as an intelligent client, risk management, governance and contract design skills – and how these can be developed.
7 Promoting information-sharing for reputation management	Timely information-sharing between partners, especially of potential risks, is essential for effective reputation management.	<ul style="list-style-type: none"> • Establish cross-organisation information-sharing platforms. • Tailor information-sharing mechanisms to the needs of the partnership, for example, highly formal and heavily contractual versus informal and light-touch. • Set the supporting relational and behavioural expectations for the network.
8 Adapting the way the partnership is managed as it evolves and matures	The type of strategic oversight required changes over time as collaborations develop and relationships between partners evolve.	<ul style="list-style-type: none"> • Ensure the HR lead has the capability to provide strategic oversight over the lifecycle of the partnership. To a large degree, this involves understanding and advising on all of the issues above. • Understand how the relationships between the collaborating organisations are likely to develop over time as operations mature. • Examine how different scenarios – for example changing contracts and changing levels of partner inter-dependency – could create new capability, governance and risk issues.

of these capabilities). Moreover, the use of shadow boards would also be unacceptable, as it would compromise the 'site licence', which has to remain with Sellafield as the licensee.

Therefore, the decision whether or not to use a shadow board, the conduct of such boards, and the governance arrangements established by these boards is very important, but also one that invokes many political and indeed legal judgements.

Such arrangements can be a source of tension and there are risks associated with the use of management boards:

- People often manage to the models that they know, and some collaborations by design are intended to introduce a new model.
- If a governance model is developed in one setting and imposed on another, it may not work optimally.
- The governance bodies might be tempted to maintain control over issues that may be better managed by others, or might be tempted to divest too much power to other parties within the collaborative venture.
- There is often a need to identify a lead party to take responsibility for the strategic oversight of the arrangement, or be vested with the powers to manage for the whole network.

2 Establishing the architecture needed for network integration

A second mechanism to establish oversight of the collaborative strategy is to establish a series of rules, frameworks and models to guide the integration process. It is very important to establish this architecture during the initial planning stages of the strategy. The architecture establishes two things: the decisions to be made around important frameworks and models, and who has authority over those decisions.

We use the example of police forces to illustrate some of the architectural decisions needed. All police forces face considerable impending financial gaps, and in order to fill those gaps, both Devon and Cornwall, and Dorset Police realised that there may be advantages to working together.

As noted in section 1, there has also been a long history within police forces of building collaborative operations (ranging from services such as forensics through to scarce capabilities such as armed response teams and back-office functions such as HR). This history has shown that collaboration can be very difficult – their public sector context involves multiple and complex stakeholders. In addition, both police and crime commissioners and chief constables hold responsibilities that require the exercise of specific powers that are vested in their

respective roles as the corporation's soul. It has therefore proved difficult on many occasions to develop a shared understanding and consensus between perhaps three, four or five forces when seeking to progress collaboration. Against this background, while there have been examples of success, there have also been failed attempts at integration, which has been frustrating for those involved and potentially wasteful in terms of resource commitment and lost efficiency gains.

Today, however, there is a renewed desire to manage collaboration well. Massive financial gaps are coming down the line and many police forces are only halfway through the cuts. They have little option but to make collaboration work. Integration work is often driven by a 'speed to efficiency' principle – if it is not achievable quickly, other services or organisation models have to come into play. The legislative context has also become important – there is a broad expectation that the next government will take steps to alter the existing force make-up. So the collaborations police forces are forming now are understood to be a potential precursor for much bigger changes that may be coming down the line, and having the right processes and model to support these collaborations is essential.

Ideas for action: Establishing the architecture needed for network integration

- Research the different architectures used in partnership arrangements similar to yours. What has been most effective and what are the key learnings?
- Establish who has authority over these decisions, both within each collaborating organisation and also the amount of influence and decision-making power each partner has across the network.
- Examine how you can best capture the learning from the design stage of a collaboration and ensure it is fed into and guides decisions once collaborations move into operational stages.
- Consider the HR team's current knowledge and capability around organisational effectiveness. Is further development necessary to achieve the best design solutions?

Box 9: The use of a phased integration model in police force collaborative work

With the need to integrate forces and share capabilities, police forces are drawing upon their prior experiences, and much thought has been put into the *modus operandi* of integration teams. This *modus operandi* is driven by a number of principles:

Understanding the design options available: a key role of the alliance team is to analyse the options and alternative models that might be used for each work element that is to be integrated (be this shared service, joint venture, new mandates). The alliance teams must be very well networked in order that they understand the complexities and implications of the solutions being proposed. The design authority rests with the two deputy chief constables.

A process of phased integration: prior learning has shown police forces that if they try to combine more than two entities or forces, the stakeholder management becomes very complex and the speed to integration too slow. Therefore, the best strategy is often to combine two things, and then move on to combine with others.

Establishing mutual buy-in to the collaboration: a key starting point is getting understanding of what the collaboration is all about, its vision, its enactment. So there needs to be much work up front to build this mutual insight.

Third entity or lead force model: however, even when working across only two organisations, there is still a need to be very clear at the outset what the gain is that they are seeking to achieve from all the various work streams they are about to embark upon. The deputy chief constables debated whether to try to combine and reframe services under two separate 'host commands' or to design a 'new third entity', with each 'host command' being seen as clients to this third entity, and to apply a third entity approach to each micro-component (subject area) that they intended to integrate. Current proposals revolve around a 'lead force' model.

Command team protocols: the command teams need there to be a strong sense of trust and a 'nothing off the table' mindset between the two command teams. The two chief constables and the two police and crime commissioners are the ultimate clients of the collaboration initiatives. The risks are therefore: command team trust; the impact on officers and staff; the IT systems and related infrastructure; and the capacity of the alliance teams to manage the scale and pace of integration work.

Organisational learning: however, to ensure that the learning from this work on the frameworks, models and processes that guide and support the collaborations is not then lost as the forces move into actually operating the collaboration, the design leads will then continue to work closely with the integrated operations, using their learned insights into how the collaboration must work to guide its future conduct.

Building new capabilities: although the integration work is driven by the need for financial economies, the integration work has to deliver more than just a 'salami slicing' of activity across forces, or simple economies of scale. A collaborative mindset needs to be a fundamental part of how forces operate to effectively balance the cost-efficiency requirements with maintaining service standards. In arriving at the preferred 'lead force' governance model, the two forces understood the need to integrate each component of work or operations, but also to build in new mandates for these activities, and do things in different ways. This new capability-building has to be managed by the design authority.

3 Use of voluntary workforce transition frameworks and partnership charters

A third mechanism for maintaining strategic oversight is through the use of voluntary mechanisms that do not compel partners, but serve as an agreed basis for co-ordination. For example, organisations might collaborate through voluntary HR networks that are tasked with co-ordinating and formally aligning key processes, such as strategic workforce planning, across a number of parties. In

the nuclear sector, a range of voluntary mechanisms have been established to ensure appropriate strategic oversight across operations. In particular, they have created a transition framework to enable staff to move across the partnership into different roles as required and to support the partnership's future skills requirements (see Box 10).

Similarly, partnership charters may be used to establish important expectations about this work across members of

the collaboration. Again, these charters are of a voluntary and non-binding nature, but they are used to establish new norms and protocols for important areas of decision-making often seen in partnership arrangements. The example in Box 11 demonstrates the complexity of the boards and decision-making. East Cheshire NHS Trust put voluntary charters in place to ensure strategic integrity of their arrangement, namely a constitution of executive board representation and a memorandum of understanding.

Ideas for action: Use of voluntary workforce transition frameworks and partnership charters

- Identify what useful and tangible mechanisms, or protocols, are necessary to ensure mutually beneficial and co-ordinated resourcing across all partners. A range of interventions to help get these mechanisms established, and agreed to, across partners should be considered.
- Encourage partners to share detailed resourcing information. This may require high-level principles and formal agreements to be in place.
- Where no formal arrangements exist, HR can show initiative in creating its own arrangements and exchanges for the network. You may want to consider whether it's necessary to:
 - regulate competitive recruitment behaviour
 - enable the mobility of staff within and across partnering organisations
 - share information about talent or expert knowledge, and enable mutual usage
 - develop organisation and network-wide plans to meet future skills scenarios.

Box 10: Workforce transition frameworks in the nuclear sector

Transition frameworks consist of a series of tangible mechanisms and processes which are designed to enable the transfer and management of staff within and across the partnership, and develop plans for key future skills scenarios. Successful transition frameworks are driven by cross-network terms of reference and a series of high-level principles and formal protocol agreements, intended to encourage partner organisations to share detailed resource information.

Transition frameworks have been established between the NDA, the private companies who run the nuclear sites, and other organisations involved in the nuclear sector. As the staff demand profile across the whole nuclear estate reduces from 2012 through to 2037, as the pace of de-commissioning accelerates and significant numbers of people in the industry reach retirement age, this will require more flexible and constructive employment of staff with nuclear skills across all organisations involved in the sector. As one organisation makes people redundant as plants slow down or decommission, is there a better way of keeping the skills safe by looking at opportunities across the nuclear industry?

Box 10: (continued)

In 2012 HR representatives from across the nuclear industry (from DECC, Cogent, NSAN, ONR, EDF (Generation and New Build), Horizon, NDA, Sellafield Ltd, Magnox Ltd and Springfields) came together with the objective of maximising the utilisation of skilled resources across the nuclear sector. Their transition framework focuses on four areas: fishing in the same pool, planning for the future, mobility, and investing in skills. For example, although resource planning has been carried out in detail across the NDA estate for some years, they have now agreed a coding structure which splits the nuclear industry workforce into 52 'resource families'. This enables equal calibration and reliable transfer of skills across organisations. The NDA is also working closely with the sector skills bodies via NESAs (Nuclear Energy Skills Alliance) to develop appropriate action plans to address skills shortages. The scheme helps to build and extend the relationships between existing nuclear sites with the supply chain, new-build and other organisations.

Box 11: Strategic oversight through commissioning groups in NHS East Cheshire

In East Cheshire NHS Trust there is one big hospital in Macclesfield. East Cheshire NHS Trust also runs both the acute and community services locally. There are 23 GP practices and a mental health trust, and there are strong links with Cheshire East Council, which runs social services locally. In addition, a number of other organisations are involved in supporting health and social care, such as a hospice, voluntary organisations and some prominent patient groups.

Clinical commissioning groups (CCGs) were set up by the Health and Social Care Act 2012 to organise the delivery of NHS services in England, overseen by NHS England. In East Cheshire, the CCG's role is to commission or buy healthcare services for the region it covers. It works with patients and healthcare professionals and in partnership with local communities and local authorities serving 200,000 patients and chaired by a local GP. It recognised fairly early on that in order to transform health and social care, it is important to make the trust not just financially sustainable going forward, but also clinically sustainable. Some form of governance, or partnership charter, was needed.

There was sufficient trust in the clinical leadership, and had been sufficient injections of external knowledge, that governance was based on a memorandum of understanding. A programme board and an executive board were established to oversee internal governance. Articulating a clear vision, values and principles provided the guiding structure.

The programme board itself can make decisions and recommend these to the executive board. It has the lead responsibility for co-ordinating the trust's transformation programme.

The executive board has representatives from all the collaborating organisations (such as trust chief executives, medical directors of the mental health trust and the acute medical trust, strategic director of adult care for the council, the commissioning director for NHS England, the local council's Health and Wellbeing Board chair, director of local medical committee to represent GPs as individuals, and patient representatives). The executive board is not a decision-making body, a provider or a commissioner. It enables a decision-making process which involves all the main stakeholders, who then take back the recommendations to their own statutory bodies, be they clinical commissioning groups, boards or trust boards.

4 Managed knowledge injections into the strategic oversight teams

A fourth mechanism to establish strategic oversight of the collaborative strategy is to manage the 'injection' of important knowledge and learning into the strategic oversight teams.

East Cheshire NHS Trust operates on the core premise that the patient or the citizen should always be at the centre of how they operate and therefore the collaborative work needs to be aligned to this fundamental purpose. All the collaborating organisations can ensure strategic oversight by first putting on a collaborative organisational hat, focusing on the higher-level aims of the collaboration, but then *'take off their organisational hat and go back to what they trained for'*, meaning they return to their specialisms (and the particular insights or biases that their professional standpoint may bring, in the eyes of others) to decide how they can best contribute to achievement of the wider aims.

Our East Cheshire NHS Trust case study provided various examples of how the strategic team acquired the knowledge that helped them to make informed decisions about how their collaborations could be best designed and managed. They:

- took the opportunity of study tours for representatives from

various bodies within the CCG to California and Sweden to learn about other integrated care systems, to suggest ideas about the potential transformations that were available for their organisation, and cement trust in the relationships

- set up patient reference groups very early on to get their views and ideas about key planned activity
- invited front-line staff (nurses, doctors, social workers, allied health and pharmacists) to lead major work streams, which helped to promote staff engagement with culture change and transformation of the organisations involved
- established a care professionals board to bring together all the ideas from clinicians, third sector and patients about what the ultimate care model will look like and feed into development of the care standards and the 'ambitions for change' initiatives
- worked closely with a public and staff engagement company to develop website animations, Twitter feeds and Facebook pages to promote awareness of workforce involvement in the organisation transformations and reduce potential risks around reputational damage or impacts on recruitment and retention of staff
- established a work stream focused on workforce development which is led by HR and looks first at the existing

assets, capacity, capability and skillsets of staff; it then assesses the training required in the new collaborative world as well as associated employee relations issues with unions.

5 Taking a network-wide view of capability-building and resource planning

A fifth mechanism for maintaining strategic oversight is to ensure the development of capability across the whole network, by the whole network.

Resource planning needs to be considered early in partnerships and clarity is needed over what resources are required, which partners have these resources, and if not how they will acquire them, or deal with the loss of resource. In some industries there are recognised talent management challenges which the whole network comes together to remedy (Box 12).

However, as many of the above examples show, formal mechanisms need to be in place to ensure that actions take place:

Our most successful collaborations are the ones where we have been the most intentional about capability transfer. ... The more transactional formality you have the better, even if you think you are dealing with a very competent counter party. ...

Ideas for action: Managed knowledge injections into the strategic oversight teams

- There will be new strategic knowledge that the oversight teams lack. Sometimes teams are aware of this; other times they must be made aware. Identify the experts, customers or pilot industries that are important learning sources to commission learning opportunities.
- Oversight teams will need to acknowledge, and be transparent about, their own need to learn and gain knowledge to maintain credibility, while having sufficient insight to justify the main strategy. How can HR best work with them to facilitate this learning in an ongoing way?

It was all very clinically laid out that they would purchase for cash this capability [from us] ... all done in a very formal fashion and then we diligently supported our obligation ... with very careful recruitment installation and training activity.

Ideas about how best to manage and develop the capability of the whole network tended to be developed in those sectors where there has been a history of collaborations. HR needs to identify these hotbeds of ideas and feed this thinking and previous learning into newer initiatives.

The need for a network-wide approach to capability-building raises important questions for HR about the extent to which, certainly in the early contractual stages of many collaborative relationships, the following can be debated:

- How much can be known, organisationally, about the capabilities and technical niches that will become important?
- What are the foreseeable and knowable risks to capability development that will have to be dealt with and attended to?
- How much of this needs to be built into the formal

contractual process, or must be handled later through other mechanisms?

- Overall, how do we assimilate this information across the network of organisations, identifying gaps and solutions?

And of course an important issue that has to be faced is whether the parties involved in a collaborative venture have got the skills to actually ‘work’ the collaboration itself, managing beyond their organisation boundaries. For example, in the public sector historically managers have been used to relatively straightforward and hierarchical forms of decision-making, but in the new collaborative contexts they have to operate with much higher levels of tolerance for uncertainty. The need is to balance:

...quite different and competing priorities where there may not be a right answer or may be the least worst answer. How do you get through that so that you can give some sense of direction whilst acknowledging that you’re not going to be absolutely clear and absolutely perfect on everything?

Boxes 12–14 provide examples of a number of initiatives adopted by our case study organisations to develop network-wide capability.

Such collaborative thinking is also being seen in sectors such as aerospace, automotive and chemicals.

In these more traditional manufacturing sectors the main risks to the success of a shared growth strategy are building a culture of employee engagement (in the traditional sense of employee relations, that is, informing, consulting and communicating), and the consistent deployment of strategy. Once organisations move towards considerations of shared best practice in HR, then, in order to avoid a ‘do as I say and not as I do’ reaction, the next step seems to be that HR has to think about the cultures of partners and whether they support the shared objectives of the wider network, which in turn raises the need for shared cultural change programmes around generic themes such as deploying a high-performance culture, or setting behavioural expectations from senior executive level right down to the shop floor.

Ideas for action: Taking a network-wide view of capability-building and resource planning

- Future-proof talent management plans by analysing the organisational capabilities and technical niches that will become important.
- Identify external hotbeds of ideas and enable thinking and previous learning to feed into new initiatives.
- Identify the opportunities to share resources or development of capabilities. Where are the capability gaps and how can they be filled?
- Consider shared learning and development plans and joint investments in HR to benefit from economies of scale and to achieve common objectives. Collaborating at an industry level can help address changed job designs or contexts and the training requirements that need to be addressed for a range of important disciplines.

Box 12: Strategic workforce planning at the industry level in the nuclear sector

In the nuclear industry a lack of qualified and experienced nuclear staff is a technical challenge facing the whole industry and an ageing workforce is contributing to a loss of expertise. The solution requires a generic and collaborative response. However, sharing skills development across partners creates other competitive challenges. For example, how do you avoid poaching from one firm to another? There are two ways in which the potential loss of staff from one partner to another (for example through poaching or redundancies) has been managed.

- 1 *Engaging in strategic workforce planning at industry level*, that is, above the level of the various organisations that contribute to partnered working, setting standards across partners to lower the need for 'poaching'. The National Skills Academy was established in order to drive a collaborative standard-setting approach to training. The job contexts and training requirement for a range of disciplines across the nuclear industry have been developed, along with a nuclear skills 'passport', which together enable the employers to benchmark and analyse skills gaps. An education training conferencing facility called *Energies* was also opened in 2009, invested in and developed by the NDA and a few other partners. It uses labour market intelligence to identify forward workforce planning issues.
- 2 *Managing the risk of skills loss by establishing transition frameworks*: if one part of the network is making people redundant as they slow down and close sites, in order to keep the skills in the wider nuclear industry, they use a voluntary partnership to share posts and job openings. Such frameworks require terms of reference and high-level principles, but can be very effective.

Box 13: Thinking about the value stream back through supply chain at Rolls-Royce

Rolls-Royce's supply chain represents the equivalent of a £3.5 billion business, with seven supply chain units (separate business units which are operationally aligned to a certain part of the supply chain) covering the main aircraft engine commodities, such as compressor components, turbines or installations and control. Each team has a senior HR business partner and full functional suite of HR activities. In Rolls-Royce there are 14,500 people in domestic facilities, but 80% of that business is global, with significant hubs in the USA, Germany and Singapore, covering responsibility for scheduling and purchasing back through first-, second-, third- and fourth-tier suppliers. The value stream for HR delivery covers both the purchasing external environment and the manufacturing internal environment.

Rolls-Royce participates in the UK Government's *Sharing in Growth* business transformation scheme, which is concerned with supplier development and helping improve the back end of the supply chain in UK advanced manufacturing supply chains. This agenda brings three strands to the thinking of HR:

- building supplier capability and securing the reliability of supply
- making best use of resources and by developing those first-tier suppliers that can manage the rest of the supply chain on your behalf
- improving your own costs and competitiveness through improved quality across the supply chain.

In the last couple of years [we have understood] ... it's about supply and collaboration and supply and development in partnership ... we should be able to influence good practice at least through the supply chain [but given a sharing in growth agenda] ... the way forward from a commercial point of view in terms of establishing these relations is to be much more all-encompassing ... trying to help them understand best practice, whether that's in manufacturing, planning terms or in HR terms ... historically [organisations] haven't thought in that way ... we're trying to get on the front foot.

Box 14: Developing providers at East Cheshire Health Care Trust

East Cheshire Healthcare Trust knew that they had to have the right culture and attitude across the network of healthcare providers to deliver care in line with their new way of working. There was an emerging sense that they have to help their providers develop their own vision of how they will organise themselves going forward more formally, and might take the form of an accountable care organisation, or as a prime contractor or through the use of subcontracts.

East Cheshire Healthcare Trust is now encouraging the providers to consider the capabilities that they will need. Three needs have become paramount:

Encouraging choices about the best organisational form: in future contracts, how will different bodies hold each other to account on being able to deliver that contract? Will it be necessary to consider completely different organisational forms that will allow them to meet contract requirements?

Helping the different network collaborators to identify with the wider network ambitions: the more difficult audiences can range from the public, through to more cynical and heavily loaded GPs, hospital consultants or their junior doctors and staff nurses, whose day-to-day workload means they might not have the time nor the desire to understand a strategy or large-scale change, and see it as just a way of paying them less for doing more.

Shared learning delivered, provided in small and sensible chunks, around 'natural communities': the NHS can sometimes be seen as splitting people along specialist lines that make no difference, nor sense to a patient, say, with diabetes and heart failure. In a natural community, social workers may need for example to understand the occupational health world. There are many areas of cross-over that emerge. Therefore, in order to educate and engage professionals with collaborative working, mechanisms are needed to tell the same story to completely different skills groups. Training has largely been based not around existing organisations or specialities, but more natural communities, such as local pharmacists, social workers, GPs, nurses, recognising that something needs to be done at a different level as well. They are attempting to build a joint learning and education system that delivers to staff and people across the health and social care system.

6 Building commissioning and bid capability

A sixth mechanism for maintaining strategic oversight is to develop the commissioning and bid capability of partners.

A major challenge in many partnership operations is developing commissioning capability. This applies to both public sector commissioning models and private sector collaborative ventures. Take private sector collaborations based around joint ventures as an example. The following quote cautions about losing capabilities in general that you may rely on your partner for:

Eventually one way or another you become completely dependent on your partners because you lose the capability to do it yourself. Whatever it is you trusted your partner to do, you lose because you don't practise it as much or eventually don't practise it at all ... your capability withers when you don't use it yourself regularly. ... You are moving into a domain where you have to have more of a systems engineering view of the world because you've created a black box in which you've got a partner, and you are trusting your partner to get on with stuff inside that black box.

You are managing requirements and you are validating outputs, but you [have to accept] you are becoming less and less capable yourself in that domain.

A senior director from a technical organisation argued that partnered contexts create fundamental challenges for most professional groups, whose professional education does not encourage a systems mentality:

You need a project management skill set and you need to be intentional about constructing the mechanics of how the partnership is going to work.

It won't happen by accident. ... These things don't come naturally. You tend not to recruit people with these skills. Whatever profession you are in, be it engineering or IT or finance or whatever, it focuses on the nuts and bolts ... [with the exception of] the purchasing profession, where a systems view of the world is the native view. ... A lot of purchasing actually has this systems engineering perspective, because you are defining your requirements and you are trying to establish a framework of governance with counter parties in which they are

going to deliver, and then they deliver it and you pay them once you have verified that they have delivered what you agreed they would deliver.

Maybe bizarrely there is a kind of HR skill set analogy ... these skills are very similar to the kind of people management skills where you set requirements for people; you don't tell people how to do the job; you say these are the objectives that I would like you to achieve, and this is how I am going to measure whether you have succeeded or not. The governance relationship

is your regular interaction with these individuals, and they trust you that you are not going to hold them to the letter of whatever it was you write down in your annual objectives if circumstances change.

In the public sector too, in order to ensure the strategic integrity of the collaboration, a major challenge is to develop the skills of the commissioner.

Where does commissioning capability and bid capability need to sit in the organisation? Some organisations develop strong and

Box 15: Skills of the commissioner in NHS East Cheshire

Integrated health care implies the development of community-focused, transformed organisations, or sets of organisations, that will work together to deliver these changes. However, clinical care commissioning groups were not built, funded or initially designed to oversee transformational change – they were there just to commission local health services. They have had to develop an enhanced range of skills, most notably risk management and governance.

Risk management

- their own risk management, governance and contract design skills
- the skills of local leaders, which have become paramount – examples of successful cross-organisational working, especially in the public sector, have largely been driven by inspiring clinical or social care leaders, who have made efforts to bring together the providers and manage the risks in pursuit of a higher-level vision.

In terms of risk management, the clinical and social care leaders who are modelling collaborative working recognise the need to manage five main risks:

Expectations: raising hopes that they could change things quickly. Both staff and patients came into the original discussions about services with years of resentment, anger and frustration, and needed to be re-energised.

Reputational: both on a personal leadership and organisational level. Rather than seeing themselves as a commissioning organisation, the clinical leaders saw their role as orchestrating the local health and social care system. They needed to avoid being seen as too 'gung-ho', innovative, maverick or not playing by the rules. For a GP to stand up to say, 'we have to completely transform the way emergency care is provided locally, and you are much more likely to survive a car crash if you are sent 20 minutes up the road, rather than coming to our local A&E that has not got the facilities to manage', is personally difficult.

Political: for example, prominent local MPs might in private sign up to a transformational programme that can make their constituents healthier, but have to cope with public pressure which might object to unpopular changes. Headlines in local media such as 'no maternity unit' or a 'downgrade in the A&E department' can create concerns in the system and amongst the local population, so used to seeing A&E as the default place of safety and care, which will subsequently impact the speed of change.

Box 15: Skills of the commissioner in NHS East Cheshire (continued)

Affordability: are they going to be able to create a transformed health and social care system that is affordable, and can meet not only the long-term needs through cutting duplication and improving efficiency, but also not increase short-term transition costs? The process of transforming from the old system to the new one, and the transitional costs associated with this transformation, carry risks to retention, morale and engagement.

Confidence in the theory of change: those leading change have to rely on international best practice, and expert advice on the systems needed to integrate care, from advocates such as the King's Fund. But they have no current evidence that confirms large-scale transformation is possible or will eventually deliver quality of health and social care and outcomes such as safety, access, improved patient experience: it is all theoretical.

Governance

In terms of governance, which is at an earlier stage, there has not actually yet been a point by which they have decommissioned the old system and re-commissioned the new one, with a new contract. So while nothing has significantly changed contractually between collaborating organisations, nor is there yet any legal governance behind the transformation, there is a need for collaborators to hold each other to account on the direction of travel. Being one of the lead pilots, NHS East Cheshire had some contractual leeway to think more creatively about solutions, and new ideas have been injected into the system in a variety of ways.

In terms of contract management, they have learned to shape the contractual levers that exist within the NHS contractual process. These levers allow for a degree of flexibility in all the annual contracts to do something different if it is quality based. Flexibility therefore exists in the contracting process to address workforce capability issues, and the need to work differently.

well-resourced internal intelligent client teams that have strong contract management skills and strong commercial awareness. They set up specialist roles to derive maximum value from what can be complex client and vendor relationships.

The notion of commissioners acting as 'intelligent clients' involves moving from adversarial roles with contractors and the close supervision and monitoring of contract terms, payments and performance, towards a partnership model in which the client has the ability to provide strategic direction and high-level guidance to contractors, using sound data on which to base decisions and performance-manage contracts. Such needs were seen within the West Sussex County Council case study (Box 16).

HR itself needs to take an 'intelligent client' role

The case study example in Box 16 shows that another key capability that becomes important for HR is an understanding of how the partnership arrangement operates. As well as developing 'intelligent client' roles across the partnership, HR needs to work with the procurement group and develop its own 'intelligent client' capability.

In a number of settings this was seen to be less about HR having to develop a specific skill set, but was rather about it building a partnership mindset from the outset of arrangements. The development of the necessary technical skills was considered to be quite easy to put in place. But the difference between success and failure revolved around having a particular mindset needed

for partnership working. As a competency, the general view from our interviews was this was not necessarily something that could be taught, but was developed over time. It required insight into the culture of the partnership and from there working out how a number of different HR interventions, such as performance or reward and recognition frameworks, could encourage and develop the necessary behaviours around partnership working.

As with any significant change to the ways of operating, there is the potential for role conflict, especially in public sector settings. Sometimes HR, as one of the back-office functions, is itself affected by partnership, and can be managing their own TUPE transfer as well as that of other departments.

Beyond the immediate and obvious challenges of coping with different sets of terms and conditions, and safeguarding against potential equal pay challenges as these are slowly harmonised in cost- and service-efficient ways, one of the issues faced by collaborative

working is that longer-term business processes, such as innovation, are also impacted by the new business arrangements. HR needs to understand how they can manage those issues across multiple partners, preserving vital organisation capabilities.

HR functions therefore need to understand the importance of ensuring that mechanisms for capability-building are specified in contracts, either by laying out the specific processes needed to do this or by incorporating some of

Box 16: Building intelligent client skills at West Sussex County Council

As WSCC moves towards outsourcing more services, the county council takes on more of a client role (the function of a public authority in planning and overseeing a procurement exercise). So its activities become less about delivering services and more about commissioning, procurement and management of contracts.

In the field of health and social care, for example, it works closely with three clinical commissioning groups (CCGs) and a number of other stakeholders to develop and commission high-quality services. Governance across the commissioning partnership is undertaken by a joint commissioning board and unit, which provides strategic oversight and direction to projects. On this joint commissioning board are leaders from West Sussex County Council (both officers and a political cabinet), and the NHS board.

From the very start of putting out the tender for services and expressions of interest coming back, the impact on West Sussex staff is clear, and HR business partners need to be involved in understanding the implications for internal staff teams, analysing workforce impacts against the different models being looked at.

For example, the monitoring of contracts and oversight of what the county council is procuring, needs competent commissioners, people who understand what needs to be commissioned, people reviewing the contracts which have been awarded, and a sound contract-writing department. As county councils continue to shift their role, there is a risk they have not got the manpower, the staff, nor the expertise in their teams, to monitor and challenge all service providers, yet services are only as good as the people who are checking them. This requires the recruitment of people who know what they are talking about, understand the services, know the standards and can listen to people and families and act upon their needs. The HR department has to support managers to recruit the right people to these roles.

The county council has set out what it calls its commissioning capability plan to train those managers who are commissioning services and managing contracted-out services so it can become a better 'intelligent client'. They have set up a number of internal commissioning courses to help managers reach this level of skills. West Sussex County Council has also sent managers on the Commissioning Academy programme, which is led by central government to increase the skill base of the public sector in shaping and managing external markets.

The type and nature of the partnership will determine the extent to which WSCC works with partners on capability development. While in general WSCC would view a contractor's capability requirements as the contractor's own responsibility, in certain instances, such as the partnership between WSCC and the NHS, it encourages much more learning across partners. This is in part because they are very often working with pooled or intermingled budgets, with some money part of the county council and the other part of the NHS. Therefore, people working within the partnership arrangements need an understanding of the roles and responsibilities of the other stakeholders in order to work together most effectively.

As the experience of partnership working progresses, there will also be a need to develop further capability within WSCC, particularly in certain services and contract management skills. Within any arrangement there is always the risk of there being a loss of knowledge and capability, arising from people leaving the organisation during the life of the partnership arrangement.

the detail from strategic plans into the contracts.

But what does an intelligent client or partnership capability in HR really mean? Box 17 provides a more detailed outline of what building capabilities involves, but we also use the example of county councils to explain more. Councils see partnership in the broadest of terms. They have responsibilities around developing the economy and the skills within the economy, and so recognise the importance of development of the workforce within their supply chain and commitments to issues such as Apprenticeships and Higher Apprenticeships. They also

comprise a wide array of technical skills and capabilities in terms of the makeup of the workforce, from social workers, engineers, trading standards officers, to HR and accountants. Each has a different professional frame in which they work and continuous professional development elements.

However, interventions around partnered and co-designed services mean putting the customer at the heart of the design. In part, an intelligent client capability requires understanding the delivery of a service through the lens of each key professional group involved, and the skills and values that each profession brings,

but then superimposing on this the perspective from the end customer (be that a citizen, consumer, and so on). Creating this capability requires:

- a culture change in terms of what the organisation has to be about, and a more collaborative approach around the co-design of services with customers
- a change in leadership and management focus towards the high-level performance management considerations that such an approach implies
- the development of a capability within the organisation around collaborative working.

Box 17: Building bid expertise to couple commissioning capability

The counter side to the need for commissioning capability is that of bid expertise. Given some of the changes in industrial structure noted in the previous section, business or private sector HR directors find themselves involved in complex bidding processes, bringing together multiple organisations under consortia arrangements, and in essence nurturing the development of new businesses. Organisations with long historical experience of bid and contracting processes, and established protocols, must work with others new to such processes, equalise capability, and understand and then contribute to the HR-specific elements of a bid process. They need to:

- secure the time, availability and project release of skilled staff
- help embed skilled staff in multi-organisation bid teams
- identify dedicated positions within a new structure
- identify and nominate staff who will support new ventures
- develop rapid mobilisation plans to release talent should bids be successful
- plan and establish arrangements for general issues such as pensions, staff reductions or resourcing, harmonisation of short-term bonuses and shaping long-term bonuses, management training, potential alignment of leadership models, and the cultural and change management strategy for the new partnered operations
- assess any reputational, financial and liability risks in the plans and behaviour of all bid partners, across a range of scenarios
- manage the culture of the participative bid process, developing a governance umbrella, defining the decision-making mechanisms within a bid, establishing protocols for the handling of competitive issues around the poaching or transfer of talent, and establishing communication channels to assess true partner readiness.

Given that the quality of such staff may now be assessed by the more insightful commissioners in order to avoid an A team set of bidders being replaced by a B team set of final operators, issues of parity of capability across collaborating organisations arise. Judgements are made about relative financial and risk appetites, seriousness and prudence of bid and risk assessment processes, flexibility of career and resourcing systems, and reliability of promises made about the delivery of key people.

Box 18: Reach-back arrangements built into contracts at the NDA

The NDA makes sure that the contractors build capability into the actual site licence company, making sure that talent is retained, there are processes for building capability in the site, managing how the leadership development is articulated, and making sure that the people on that site become more capable as time progresses. One of the key roles of the HR director is to make sure that the contractors build capability in the site licence company, rather than strip capability out. This requires a controlling relationship with site licence companies driven by the following questions:

- How will they keep a balance of skills on the site?
- How is leadership development articulated?
- Are they putting new initiatives in place which are making Sellafield as a site, and its people on that site, more capable?
- When the partner leaves, how will they be able to show that the site is a stronger site from a people perspective than when they joined?

One of the contracted processes, called reach-back, is designed to ensure general capability. This arrangement enables Sellafield to bring in specialised talent and for that talent to have a view and to influence processes across the collaboration. This might be a secondee transferring knowledge, who then might return. It is Sellafield who determine the use of reach-back, and not the NDA or the parent companies, as this is a demand-led activity.

HR can add value to these reach-back arrangements by ensuring they are used appropriately and ensuring that partners are investing in the right ways, in the right kind of resources, and that this investment ensures a sustainable organisation.

Box 19: The partnership model at West Sussex County Council

The partnership model at West Sussex County Council has been developed in response to a number of drivers: the ideology of county councils being an enabler rather than a provider for local communities; central government preference for increased use of shared service models and efficiency achieved through transactional economies of scale in back-office work across areas such as finance, procurement, office services and HR; the opportunities afforded by digital technology to deliver services; and a desire for innovation in service delivery across county councils. Using intelligent client principles, a range of services have been spun out to private providers, such as highways, waste management, adult learning and music services. Opportunities for partnership are considered through a process of options appraisal based on different sets of evidence and management information, workforce impact and then organisation design principles in order to establish the best model. Each service has a different risk profile, and as a workforce moves into a partnered arrangement, while the council might lose direct control over that workforce, it still has a safeguarding responsibility. While highways management might be concerned with weather and flooding and the damage to road surfaces, the risks are mainly commercial. In adult learning, however, responsibilities for vulnerable adults or vulnerable children to whom the care is being provided remain with the council. Workforce risks for each partnered service are therefore seen in the context of the whole employee lifecycle, that is, from recruitment risks and checking to make sure that employees are suitable through to the maintenance of skills. In some services, once staff move into a partnership arrangement, the workforce risk transfers with it; others, such as social services, might operate on a secondment model, in which case the risk profile changes completely.

In addition to risk considerations, there are governance considerations for HR around how the organisation sets up its operating model for partnership working, not just from a contractual point of view but also in terms of quality assurance of a range of relationships that might be involved. In the adult care sector,

Box 19: (continued)

the Care Quality Commission has a role to play as a regulator, or for children's services Ofsted might be involved. Quality assurance considerations might show that while some parts of a workforce might be moved into a partner, there would still be a need for significant quality assurance staff in-house and in effect a doubling of the regulatory demands as the provider is still subject to oversight.

Of course, exactly the same set of intelligent client considerations have been applied to the design and shape of the internal HR function, its partnership model with Capita, and choices about its own delivery of services. The county council has a series of intelligent client roles, with people acting as the interface between the county council and Capita with knowledge of important subject areas. The HR function has its own intelligent clients who deal with the contracts team, overseeing core processes, such as recruitment, and helping to shape and inform their delivery.

Ideas for action: Building commissioning and bid capability

- Create the flexibility to resource collaborations and bids yourself, including rapid mobilisation plans to release talent, ability to assess any reputational, financial and liability risks, developing a governance umbrella for decision-making in collaborations, and the ability to assess partner readiness.
- Consider the capabilities that you will lose, or that will slowly wither, in your organisation as a result of others providing it, and decide which you will still need to protect.
- Analyse the challenges these new skill contexts create for existing professional groups in terms of education, culture and mindset.
- Develop talent acquisition and retention plans to avoid the risk of loss of knowledge and capability arising from people leaving the organisation during the development of partnering arrangements.
- Consider new core capabilities – such as assessing the quality and conduct of other bids (commissioning capability, acting as an intelligent client, risk management, governance and contract design skills).

This capability is not just a set of skills that can be learned, but also a mindset and culture, which in turn requires a number of different interventions through the performance and rewards frameworks that encourage a series of behaviours around partnership working. Any organisation that becomes involved in partnership activity also needs to develop its own internal operating model, and sets of connections and relationships, to address the necessary questions around risk, governance, and capability. While partnerships might be seen in the context of project or programme management, there are significant contract performance considerations that in turn might

reveal the need for significant levels of people management support. HR can become an important enabling function in these changes, alongside the strategy and IT directorates amongst others.

Partnership working also requires a much greater capability around organisation development. There may be a need to move parts of the HR function into a much more analytical approach, capable of triangulating different scenarios, assessing the intelligence and management information coming back from the business, and making the links back to the broader sectoral context.

7 Information-sharing and reputation management

A seventh mechanism for maintaining strategic oversight is to ensure that there is sufficient information-sharing to help promote effective reputation management, in particular the timely sharing of information around potential risks.

It is clear from our research that both private and public sector organisations need to have platforms for sharing information amongst the partners. These might range from informal face-to-face strategy-sharing meetings through to more formal reporting, but serve to build good relationships and enable trust

between partners as expectations are clearly spelled out. Beyond these concerns of ensuring sustainable organisations and networks, effective information-sharing is also required to avoid or minimise potential damage to the reputation and brand associations of partners.

Consider for example some of the labour-related requirements and reputational issues that organisations and their customers might expect from their suppliers and international joint ventures (IJVs). Some of these issues, such as child labour, tend to be generic and covered through the establishment of a code of conduct, ethics and behaviours across the organisations. However, there are many other issues that come to the fore where the brand of one partner is eminent in the relationship.

In practice, different judgements tend to be applied to each partnered relationship, and indeed different organisations, by nature of their own culture, adopt more relaxed or mutually respectful regimes. Here, one dominant concern tends to be around the ability of partners to learn from each other.

Lighter-touch efforts at integration might be made if the acquisition is relatively small (because one of the reasons it was attractive was because

it is an agile, fast-moving and cost-effective organisation, in which case imposing corporate standards from the outside often requires an equalisation upwards – having to adopt the best terms and conditions across all partners – and increases costs). Similarly, with larger entities and IJVs where the intention is to learn from each other, beyond having sensitivity to corporate social responsibility concerns and due diligence, differences in the focus of the other HR systems, such as resourcing or rewards, might be judged acceptable.

Beyond the processes put in place, the effectiveness of information-sharing will depend on the principal agents in each organisation. Recognising who these principal agents are in the network, and establishing governance across key personal relationships, is not always as easy as might be expected:

We have learnt very well the lesson that you have to manage the personal relationships between the seniors involved in the collaborations or partnerships. You can't just regard them as paper entities and just delegate a board meeting once a year to the company secretary. ... Frequently you can get a rapid deterioration in relationships ... when there is operational failure across a commercial boundary it will

rapidly spiral into just complete chaos. ... With an operational failure [inside your own organisation] everybody just pulls together and tries to sort it out. When you have operational failure across the commercial divide of your relationship with this partnership then everybody immediately starts pointing fingers. ... But normally you can find routes through even when the strategies aren't perfectly aligned if people are trying to be nice to each other at the top.

I suppose it should be possible to train the principals [in relationship-building and information-sharing] but first of all you need to recognise that you are in one of these relationships ... they have got to identify who the [other] principals are because frequently it is not obvious ... people don't recognise that they are in one of these co-dependent relationships.

8 Managing the evolution and maturation of the partnership over its lifecycle

The final mechanism for maintaining strategic oversight is an overarching one. It is to ensure that the HR directors themselves have the capability to provide strategic oversight over the lifecycle of the partnership. To a large degree, this involves understanding and advising on all of the issues above.

Ideas for action: Information-sharing and reputation management

- Put in place information-sharing mechanisms to ensure effective reputation management because of the activities of partners.
- Identify the principal agents in the network and devote time and resources to establish trust across key personal relationships.
- Develop flexible models to enable decisions to be made about whether the partnership will need either light-touch HR co-ordination or deeper efforts at integration of HR.

Commenting on another (successful) HR actor in the organisation, one interviewee explained the necessary capabilities and the challenge:

The first thing is being clever! If you are clever you get invited to meetings you shouldn't even be in just because you're clever. The 'we'll invite someone because they will have a view' response. ... The second thing is the networking ... the ability to navigate through the [unknown] network and understand what the critical path is, is absolutely fundamental. Then having the judgement to know what issues in the organisation are valued versus those that aren't.

A major contribution that can come from HR directors is an understanding of how the

relationship between the collection of collaborating organisations, and any shared organisation between them, has to be developed over time, as the operations within the partnership mature.

There are occasions in industries where industries are at different points in their cycles ... [there might be] a complete restructuring of how the industry is based. Some of ... the structure of industry is inevitably a response to the changing marketplace. [But] you can't choose not to play because if you don't play somebody else will.

Often [collaborations] are not successful because on our side we don't build into our plans the resources [needed, as we do] not understand that really

these partnerships are frequently about capability development and the partner is paying you to be developed.

Overall, it was evident across a number of our case studies that from an organisation development perspective, the type of strategic oversight that has to be given changes as the collaborations themselves progress through their lifecycle (from start-up to maturity) and the levels of insight and understanding about mutual capabilities, motives and values evolve.

As illustrated in both the NDA and Rolls-Royce examples (Boxes 20 and 21), HR functions need to understand how changing contracts and changing levels of partner interdependency create new capability, governance and

Box 20: Changing levels of support over time in the nuclear industry

Within the nuclear industry, there is now a more mature collaborative environment, and one in which there has been sufficient history to enable important institutional support arrangements to develop. However, even in such a setting, an important challenge is the need to manage the evolution of partnership activities as they evolve through different stages of maturity.

As in any form of collaborative relationship, where parties come with their own drivers, agendas and business models, one of the challenges is managing the *tensions* created as a result of these relationships. In the case of the NDA this is more complex because of the range of partners involved, on a site-by-site basis, managing tensions across different industry positions with different drivers and governing bodies.

The relationship between the collection of collaborating organisations, and any shared organisation between them, has to be developed over time as the operations within the partnership mature. In the nuclear industry, the site licence collaborative arrangements have now been operating for over five years. The NDA has therefore been able to understand the changing priorities as the partnered activities evolve. In the same way that teams may be seen to move through stages of forming-norming-storming-performing, partnership agreements typically develop through different stages over time as they form and get up and running:

- The first stage is when they come together with a single goal in mind, often during a proposal process in which everyone works together to a defined goal and end date.
- The second stage is when the proposal is successful and the focus shifts to preparing, staffing and bringing the organisations together, which has generally been clearly defined in the proposal.
- The final stage of getting off the ground is the critical stage of actual partnership operation, which is the phase that can either lead to the success or failure of the partnership.

risk issues. The changing nature of joint working over time changes the employment relationship across all partners.

Finally, having an understanding of the different levels of readiness for change across members

of a partnership is important. Using the example of the NHS, over the last ten years there have been many changes and contractual levers used to try and promote the marriage of health and social care, or primary and secondary care (such as penalties

for re-admissions or rewards for keeping people out of hospital). In many trusts these measures seem to have potentially driven these groups apart. Integrated care transformations can occur more easily when every local organisation has healthy finances

Ideas for action: Managing the evolution and maturation of the partnership over its lifecycle

- Devote time for the senior HR leadership to build their own capability to provide strategic oversight to different forms of collaboration.
- Understand each partner's position in terms of experience of partnership working and maturity of their business models. How ready are they for this type of networked working? Are the external drivers for the collaboration supported by internal expertise and determination for the arrangement to succeed?
- Build an organisation development plan which includes short-term skill requirements of contract management insight (how to engineer behaviours through the design, loosening or tightening of contractual terms).
- Map out longer-term organisational development actions aimed at understanding how to evolve organisations, and build mutual capabilities, motives and values.

Box 21: The changing rules of the game in risk- and revenue-share models

Collaborative arrangements in the aircraft engine sector have matured. Twenty years ago, risk- and revenue-sharing arrangements were seen mainly as a financial mechanism, such as partners engaged in highly collaborative product development programmes. Rather like a shareholder, they bought a share in a particular product line, paying to enter into a market that the original equipment manufacturer owned, but providing capital that enabled the manufacturer to mitigate the investment cash flows needed on highly capital-intensive projects.

As time has gone by, and as certain projects, arrangements and suppliers have been seen to be more successful than others, models based around exchanges of fractional parts of the engine are seen not just in financial but also in more strategic terms by the manufacturers. Similarly, suppliers, or indeed national governments, now see collaborations as an opportunity to develop capability by working on a programme, and then seek to take that capability, subject to international property restrictions, and build it into another programme. As well as buying access to a programme and gaining capability by so doing, partners also sought to take a capability and sell it to other customers.

Consequently, far more complex commercial and logistical arrangements have become commonplace, driven by considerations around the long-term technical niches and capability of partners. Partners might participate in the service revenue of the business (either through a percentage of the power by the hour revenue or by selling parts directly to Rolls-Royce) in return for which early in the project they make a significant up-front investment in a product and deliver something to Rolls-Royce (such as responsibility for a part, module or even a whole sub-system) which is then integrated into an overall product.

Although there is still a need for assisting the technical capability of a partner, as the collaborative relationships mature, partners become more self-sustaining. Partners end up sharing market, technical and some financial risk (but not necessarily reputational risk as Rolls-Royce's name is on the engine) across what becomes a portfolio of business arrangements. Each arrangement has its own risk and capability profile.

‘HR directors need to be able to advise on partnership requirements and plan accordingly through the evolution and maturation of a partnership.’

or no operational strain, and therefore has space to change. But in many instances the opposite is the case.

Conclusions

The eight mechanisms we have outlined above serve to evidence some of the key challenges and opportunities faced when trying to ensure strategic oversight in partnership working.

They show that HR directors need to have insight into the important issues of organisation design and governance, such as the design and use of shadow management boards, the design options available, and the provision of sufficient information-sharing to enable subsequent reputation management within the partnership. Overall, HR directors need to understand the behaviours that such governance arrangements and decisions will create, and advise the organisation accordingly.

We also discussed the more informal initiatives that can be taken. The use of voluntary transition frameworks or partnership charters can provide valuable support, as can the informal management of knowledge injections into the strategic oversight teams.

A crucial and often unrecognised need is to develop capability across the whole network. But at the same time there are important skills that must be built within your own organisation. We noted the need to build commissioning and bid capability as two key examples.

Finally, managing the set-up of an arrangement is not enough; HR directors need to be able to advise on partnership requirements and plan accordingly through the evolution and maturation of a partnership.



3 Strategic integrity: ensuring the integrity of the strategy as it is executed

We label the second aspect of the framework as maintaining 'strategic integrity'. Having ensured that there is a sufficient quality of thought about the strategy in the first place, the next challenge is to ensure that this original thinking doesn't get lost and corrupted once the strategy starts to be executed by the various partners.

A series of mechanisms are required to maintain the integrity of the strategy as it is put into practice, over time, and across all partners. Key questions to consider are: how can partners maintain an even keel as the partnership activities develop and strategies are executed? How do they ensure strategic integrity? In what ways does this become people-dependent?

In this section we draw attention to four important mechanisms and tools that our case study research showed can help ensure sufficient integrity across partners in the execution of the partnered strategy (Table 2).

1 Common understanding of the collaborative model across all partners

This is about ensuring that each part of the network has the same spectrum of understanding and being able to clone a sense of overall mindfulness.

In many of the collaborative settings we studied, there was

a need to build a collective and common understanding of the overall model across all partners, and especially within the most important decision-making bodies.

In building this 'collective mindfulness', judgements have to be made about:

- the relative speed of learning across all partners
- whether all partners have equal insight into the complexities of the overall collaborative model.

The success of many partnerships relies on various parties bringing their own organisation capabilities and know-how to bear under a single operating model. In order for each partner, and the whole model, to be successful, each party has to understand, and be mindful of, the different ways in which their partners tend to:

- diagnose an issue
- consider what the priorities are
- develop views about where resources therefore should be invested
- decide upon the priorities of any subsequent interventions.

Left to their own devices, partners could easily forget the different interpretations their partners could put on things, and hence the potential for the collaboration's aims to be undermined or derailed. They need insight into their partner's way of thinking. Clearly

this involves thinking very carefully about the terms and conditions of the membership of any governance bodies noted in the previous section, but it also involves the surfacing of the potential risks that may occur in the running of the collaborative organisations, trying to find ways of mitigating those risks, and trying to do some work in the area of culture and in capability that would be necessary for the partnership to try and get through the immediate transition needs.

We found three organisation design solutions that could help each partner develop a common understanding of the overall picture:

- 1 Identifying the skills and the intellectual understanding needed by the 'whole system' and developing these skills and insights inside your own organisation.
This might be as simple as having someone with cross-partner knowledge, or it could be that one partner has this insight and skills, and it's then a case of cloning them in your own organisation. Or it might be that no partner really has people with the necessary composite understanding and a new type of professional is needed to understand the complexities involved.
In many of the case studies we saw that organisations

Table 2: Four mechanisms to ensure strategic integrity

Mechanism	What is it?	HR's role
1 Build a collective and common understanding of the collaborative model across all partners	Each part of the network requires a common understanding of the partnership model, its objectives, priorities and requirements.	<ul style="list-style-type: none"> • Develop oversight and boundary-spanning roles between partners to understand their motivations and priorities, and broker conversations where inconsistencies in views emerged. • Create mechanisms to enable partners to problem-solve to discuss inconsistencies of views and come to a collective agreement.
2 Align investment plans across the partnership network	Partners need to agree on how the collaboration's finances and other resources should be invested. This includes developing a common view of how to deal with any potential future savings and investments that are made through collaborating.	<ul style="list-style-type: none"> • Work with HR teams across the network to ascertain the critical resourcing and capability needs of the network. • Establish how shared resources will be invested to develop these capabilities and the responsibilities of each partner. • Build agility into resourcing and organisation design plans to deal with different investment scenarios.
3 Establish partner-in-distress protocols	<p>There needs to be a plan of how to deal with the failure of a partner or supplier whose loss could severely impact other parts of the network.</p> <p>The most common choices of action include: recapitalise and support the partner/supplier, fix and repair them, or integrate and absorb them into your business.</p>	<ul style="list-style-type: none"> • Consider the main people implications of the various protocol scenarios. • Develop a framework to guide HR decision-making in these situations. • Prepare for how HR resource could be flexibly deployed when protocols are activated.
4 Develop common branding and identity	Common branding and identity across the collaboration can unite a diverse range of partners and stakeholders in achievement of a common purpose.	<ul style="list-style-type: none"> • Develop ways of communicating the mutual goals and benefits of the collaboration to the wide range of stakeholders. • Work with partners to examine how individual organisation cultures and values support the achievement of network-level goals. • Consider how staff can be simultaneously engaged with the aims of the home organisation and those of the collaboration.

realised they needed to recruit and develop people who had the same skills and insights that their partner possessed, or they needed to find people who had certain important hybrid or cross-partner business skills that were necessary to make the strategy work. One of the challenges seems to be that

each partner needed to build this composite understanding inside each of their own organisations. In essence they all needed to 'fish in the same pool' and attract those few people who had sufficient insight into the business model to understand: (a) how each partner needed to be 'stitched

together', so that (b) each partner could figure out where everyone else in the partnership was coming from. Trying to clone the skills of a partner is not easy, but in the absence of long-established and trusted reliance on the partner, it was a common practice.

- 2 Relying on formal and informal ‘infilling’ of key relationships, roles and capabilities. For example, by establishing new boundary-spanning jobs – or indeed employing shared professionals – where important and hard-to-fill hybrid-skill jobs were shared across the partnering organisations, to act as a bridge mechanism and pooled resource between the two.
- 3 Partners establishing a strategic decision-making and problem-solving network that acts as a more informal ‘organising mechanism’ – such as a round table or a place in which they could pool all of their various different interests together, and deal with issues and problems with executing the strategy collectively.

A key role for HR professionals is to surface the need for these solutions and to ensure key decision-makers understand the need for them before managers move too far into the collaboration. At that point it can become too late to create these bridges across and within the partnering organisations, as illustrated by the following quote:

What struck us about [the collaboration] was that a number of times the organisations concerned would go into these joint arrangements and then think about some of the practical difficulties afterwards, not

before. One of the things that HR can be is not to try to be in the role of vetoing these sorts of things unnecessarily, although I think they could and should on occasion say, ‘This is just not going to work.’ [But] even if they’re not vetoing it, at least try to get the decision-makers a little less over-enthusiastic, as they sometimes are, and a little bit more thoughtful and practical about what are the things you need to put in place to at least give yourself some degree of success.

2 Alignment of industry investment paths

A second problem that could lead to partners losing their focus on the original strategy occurred when there were differences of view about what we saw police forces calling the ‘collaborative gain’.

Using police forces as an example, there was an overwhelming need to make financial savings. However, they also needed to free up resources to undertake new and important activities. So in essence, any savings that were made needed to be reinvested in new capabilities. Most importantly, there needed to be a clear view of how such gained resources would be invested, and therefore shared across the collaborating forces.

These future goals needed to be made explicit from the very beginning, because if they were

not, then once one partner saw another partner investing in what it saw as less important capabilities, frictions could develop. In short, all parties involved needed to have some confidence that they all understood the best investment path for the collaboration, both in its early days and in its subsequent development. They needed to ensure a common view of, and pathways to, any future savings and investments.

In other contexts ‘collaborative gain’ may concern decisions around how unplanned discoveries are dealt with. For example, when an additional and unplanned product is created or discovered in the course of other activity or, in the pharmaceutical world, when an additional use for a drug is found. There needs to be cross-partner mechanisms in place to deal with such collaborative gains in a way that:

- is congruent to achieving the overarching collaboration goals
- doesn’t undermine the relationships between partners.

Partners also need to be able to resource new, emergent activities. To what extent is agility built into the organisation design and resourcing plans of each partner? And what mechanisms exist for partners to share these plans up front?

Ideas for action: Common understanding of the collaborative model across all partners

- Make the case internally for additions to the current organisation design to enable collaboration, for example oversight and boundary-spanning roles.
- Establish activities to manage the relative speed of learning across all partners, and the development of equal insight into the complexities of the overall collaborative model.
- Consider alternative organisation design solutions to developing mutual insight: cloning the skills and the intellectual understanding of partners, ‘infilling’ of key relationships, roles and capabilities, and round tables.

Ideas for action: Alignment of industry investment paths

- Surface, clarify and align likely investment paths needed for the collaboration to be most successful. How will establishing these industry-level pathways lead to future savings and investments?
- Share resourcing scenario plans between partners and, most importantly, each partner needs to consider how it could free up resources to undertake new and important activities needed in the new collaborative world.

3 Establishing reverse integration or partner-in-distress protocols

A third consideration for retaining strategic integrity was particularly observed in joint ventures. Often two separate 'integration logics' are created. In one direction, a

home organisation – as seen in the Shell or Rolls-Royce case studies – may look to its partners and decide what level of people management support needs to be given to each JV in order to protect their own interests in that venture's performance. A number

of judgements need to be made when deciding on the appropriate level of HR support for the JV (see Box 22). For example, when looking at the relative provisions each partner has to make, does the venture have high or low levels of complexity? Is there need

Box 22: Partner-in-distress thinking at Rolls-Royce

Given the importance of a series of suppliers to Rolls-Royce and the mutual connections between them, they developed a 'distressed supplier' protocol. This protocol would be activated if they were faced with the imminent failure of a supplier whose loss would severely impact other parts of the aircraft engine production process, or a partner who is part of their risk and revenue business model. The choices are, at rapid speed:

- to recapitalise and support a supplier
- fix and repair it, while maintaining its independence
- decide whether the entity should be re-integrated.

Akin to the way regulators might manage a failing school, if a supplier's business suddenly fails, or operational performance can be seen to be unhealthy, a view has to be taken about whether any corrective action needs to be taken:

[It's like] a taskforce that will go in, look to see what are the issues that need resolving and try and get it back on an even keel again. And during that process of understanding the business better than we ... make a decision about whether we'd be looking for whole-scale integration, but still with that dimension of cross-competitiveness, and making sure that from an employee perspective the terms and conditions were fit for purpose, or whether we would actually be looking to get [the supplier] healthy again and then divest it back into the supply chain, because it's not a core business.

Such arrangements are often initially rudimentary and differ on a case-by-case basis, but the more frequently they are invoked they can serve as a prototype for a way of operating within HR:

Every case turns on its facts as they say ... it can make it quite a complex scenario to deal with, but what's critical and one of my favourite phrases, is around operating within a framework. I think it's important that we give our HR people who are going into these kind of situations a very clear framework. They know what the parameters are, they know where they've got freedom to act. ... If you've got the HR experts who were going into deals on a consultancy basis for specific issues, when they go in they're very clear about the fact that this is a different scenario, not mainstream [to your organisation] and we need to be thinking about the solutions and the problem resolution in a very different way.

Ideas for action: Establishing reverse integration or partner-in-distress protocols

- Develop a framework to guide HR decision-making which outlines the main people implications of activating a supplier/partner-in-distress protocol.
- Are you able to flex HR resource to rapidly deploy project resources if a protocol was activated?
- Build a cadre of HR professionals capable of fulfilling such roles, with in-depth knowledge of how the partnership operates as well as knowledge of partner workforce composition.

for control, and are the levels of competitiveness high or low? What is the relative efficiency of any capital investments that are needed to be made? These all impact on what might or might not be possible in terms of HR support.

However, there can also be a need for reverse logic, which is when a previously distinct entity and JV needs to be brought back in-house and (potentially) more fully integrated. This is something that occasionally happens in Rolls-Royce, given its extensive supply chain and use of a collaborative business model.

4 Common branding and identity

Finally, a fourth mechanism for preserving the integrity of the strategy is through promoting a common sense of identity across the partners.

Despite the complex ownership structure in the nuclear industry, having a sense of common identity was still relatively easy to achieve. Everybody who works in the nuclear decommissioning business

is passionate about doing the right thing, they have all worked together previously under different organisational regimes, and therefore there is a track record and acceptance of the need for there to be a collaborative culture.

In some of the other case studies, it was important for partners to build a sense of identification with the new collaborative model. For example, in East Cheshire NHS, the process of collaborative working began with a need to manage soft issues, such as branding. The clinical commissioning group worked with those involved to come up with the name *Caring Together*.

The change programme had started very softly, with a reliance on a series of engagement meetings and blue-sky thinking. However, it needed to be progressively developed and strengthened throughout the introduction of significant disciplines into the programme. The collaborative relationships had to evolve to a stage where potential operational risks

were first recognised and were then 'de-risked'. The common identification with the higher goals of the collaboration needed to be preserved through this change in the way the programme operated. In the past *Caring Together* had operated more flexibly and informally and it was important to retain people's identity with it when more formality was introduced.

They needed to ensure that before they get to the point where they are ready to transform the whole system, they had gone through the appropriate consultation process, developments in programme methodology and best practice, and could manage any changed political risks or the potential for legal challenge or judicial reviews. Everyone needs to identify with this.

Similarly, in the police forces, despite the strategic importance of the collaborative working, their respective publics saw the need for the maintenance of local police forces as fundamentally important. There was always a need for any collaborative police operations

Ideas for action: Common branding and identity

- Promote a sense of employee identification with the new collaborative model. Invest in education and communication plans to deepen this understanding.
- Think about how people can become more enabled to work across organisations with their counterparts or on cross-organisation project teams. What are the main barriers to working towards a common goal and how can they be broken down?
- Consider longer-term plans to align cultures, values and behaviours across partners to build a sense of trust and authenticity in the collaboration.

‘The importance of thinking about the need to develop some common branding and sense of identity across the organisations cannot be underestimated.’

to operate within a culture and logic of local consent. Maintaining the local identity throughout the collaborations was very important.

Conclusions

HR directors can ensure that their organisations pay attention to a number of problems that are known to impact partnership success, by using the range of mechanisms outlined in this section. These problems are often understated, but they can very quickly lead to collaborative ventures losing their effectiveness.

Ensuring that each part of the network has the same spectrum of understanding is often seen in competitive terms – does our organisation have a monopoly on attracting those few important people who have this overview? While attracting these people to your own organisation is clearly important, it is just as important to check that your partners have actually attempted to develop the same spectrum of

understanding and have the same overall mindfulness about what is important in the collaboration.

Aligning ideas and intentions about the most appropriate industry investment paths tends to be seen as an operational matter, but it is important as part of the forward planning for successful collaborations, with often significant people implications.

Establishing reverse integration or partner-in-distress protocols is a very interesting development. It suggests a more strategic role for HR functions, in that they may have to be able to repair and rescue the operations of partners. This has significant implications for the resources they might need to bring to bear.

Finally, the importance of thinking about the need to develop some common branding and sense of identity across the organisations cannot be underestimated.



4 Operational integrity: ensuring partners are operationalising the strategy in the same way

We label the third aspect of our framework 'operational integrity'. This becomes important in order to ensure that operationally the partners are aligned with the collaborative strategy. It includes ensuring that:

- shared skills become embedded in each partner organisation
- the governance logics used to manage the partnership have some connection to the reality experienced by those working on the front line
- there is some alignment of the important but potentially varying professional and operational logics within each partner
- shifts and adjustments can be made to regulate and performance-manage the partnership and, longer term, there is a realignment of the

professional standards and vocational education and training needs.

So how do you ensure operational integrity? In what ways does this become people-dependent? We saw four important mechanisms for HR to consider to maximise the operational integrity of partnering arrangements. These are summarised in Table 3.

1 Building embedded teams with connections between front-line and governance teams

One of the challenges triggered by collaborative working is the need for employees from different partners to work together. This means that often you need to not just manage your own workforce, but to take responsibility for important groups of employees

in a collaborator's workforce. An important mechanism for maintaining operational integrity in mixed-organisation teams is to create embedded teams, working across but also within partner organisations.

For example, shared technical teams are critical to the risk-sharing partnerships used in the aerospace sector, and have to be increasingly embedded into each organisation to safeguard the overall collaborative process. Rolls-Royce frequently has embedded engineering teams from partners in its own organisation. They are seen as an integral part of its product development activity, as if they were a Rolls-Royce team. The size of these collaborative and embedded teams can vary from having half a dozen engineers from Japan working with a much larger

Ideas for action: Building embedded teams with connections between front-line and governance teams

- Identify employees who sit at, and operate across, the interface between partners and need to work together. Establish formal team structures with shared objectives for these people.
- Performance objectives need to echo collaboration aims as well as the standards and outputs expected by an employee's home organisation. This will help to minimise the potential for confusion around having a dual identity (being employed by your home organisation but working in a host partner organisation).
- Develop strong, two-way connections and shared understanding between governance teams and important groups of 'interface' or 'front-line' employees. For example, establish insight reports whereby governance teams receive information on, and must comment on, problems that exist, and solutions taken, amongst the front-line integration teams.

Table 3: Four mechanisms to promote operational integrity

Mechanism	What is it?	HR's role
1 Build cross-organisation teams with connections back to governance teams	<p>Cross-organisation teams with shared objectives help ensure that employees from different partners work together.</p> <p>Communication mechanisms between operational teams and the governance teams are needed to alert them to issues which could hinder the collaboration and threaten the integrity of the strategy.</p>	<ul style="list-style-type: none"> • Consider the compatibility of the different organisation cultures and how this could help or hinder the achievement of shared objectives. • Align the performance objectives of those working in cross-organisation teams to support the collaboration's objectives. • Create mechanisms to enable communication and intelligence-sharing between operational and governance teams.
2 Build flexibility into contractual arrangements to facilitate regular reviews of the collaboration's performance objectives	<p>Throughout the lifecycle of a collaborative arrangement, goals and objectives may shift. It's important to build flexibility into contracts so that performance goals of the collaboration can be modified as needed.</p> <p>Performance objectives and milestones need to be regularly reassessed to ensure they remain aligned to the changing objectives.</p>	<ul style="list-style-type: none"> • Consider how contractual terms can be written to allow for a re-evaluation of performance goals and management at key points in the collaboration. • Build flexibility into the employee performance review process to facilitate regular review and alignment of team- and individual-level objectives. • Develop an agile mindset within the HR team to be able to anticipate and respond to modified collaboration objectives and people-related requirements.
3 Protect the operating core of the network through understanding the degree of alignment between the operating cores of each partner	<p>It's important to first understand the 'operating core' of your partners – how they fundamentally operate and the principles to which its employees work.</p> <p>Then you can judge the appropriateness of any alignment or misalignment of resultant HR policies and approaches.</p>	<ul style="list-style-type: none"> • Understand how a partner's strategy and operating principles affect their HR approach. • Put mechanisms in place to share and co-ordinate HR policy between partners. • Develop formal consultation mechanisms between HR directors of partnering organisations to develop a common understanding and response to operational and employee relations issues that emerge. • Encourage those in cross-organisation roles to shadow their equivalent in the partner organisation, to act as an early warning sign of issues.
4 Redefining vocational education, training and professional syllabuses to facilitate a collaborative way of working	<p>Existing training and education syllabuses within the sector need to be modified to reflect the new reality of work, in particular the need to work across both organisation and professional boundaries.</p>	<ul style="list-style-type: none"> • Identify the knowledge and behaviours required within professional standards and education to facilitate collaborative working. • Work with others in the industry to influence talent supply models and qualifications syllabuses. • Extend existing training and development curriculum to include the knowledge and behaviours required for effective collaboration. • Encourage cross-profession collaboration of existing staff through breaking down vocational silos and encouraging engagement with higher-level collaboration objectives.

team back home, to an engine programme with a thousand engineers involved (several hundred of whom are working in the partner organisation, of which a few dozen will be physically embedded with the UK teams).

All of these people need to work in very integrated ways and the climate in which those teams work (in terms of outcomes such as reinforcement of creativity and engagement) as well as the line of sight they have through to performance objectives needs to be aligned.

It is also important that the governance teams responsible for the health of the collaboration find ways of being connected to the issues and concerns that the embedded teams come across. There have to be strong connections between the governance teams and important groups of employees who work at the interface between two organisations, or who work in the front-line roles that the collaboration relies upon.

2 Performance regulation at key points of the relationship

A second mechanism to maintain the integrity of operations across and within partners is the practice of establishing terms and conditions (T&Cs) which can be modified at key points in the

relationship. This flexibility enables the lead partner to be able to modify T&Cs as the collaboration evolves over time and demand changes, which in turn needs contracts to spell out the key touch points at which the performance goals will be reassessed. Terms and conditions are often stated within the original contracts but sometimes also may be established independently.

This ability to modify the terms and conditions is an important way of being able to regulate the performance of a partner. For example, in the nuclear industry, a modifier process, based around a quarterly scoring system, is used to justify changes in the contractual agreements. This is a quarterly scoring system carried out not only for HR elements, but for all elements in the contract, which establish expectations about how much information has to be given to avoid any future surprises and, based on the data, can lead to subsequent adjustments.

3 Protecting the operating core

A third mechanism to maintain the integrity of operations is the need to first understand how the 'operating core' of a partner works – the professional logics that drive its most important groups of employees – and what the management of such powerful

workgroups means for important areas of HR policy. There might be similar, or competing, operating and professional logics and policy directives across the partners, but the imposition of one over another might create unforeseen risks.

For example, in the nuclear industry, despite changes in ownership structure and management priorities of site owners, at the end of the day there is an over-riding need to ensure safe operations of plants. Engineers have learned systems and protocols that ensure this core way of operating, and it would be hard to change these. Even if the operating core is in need of change, it is difficult for partners to change this with any rapidity.

Therefore, in many forms of partnered working, some aspects of HR, such as the employee relations strategy, are seen as a subset and part of a deeper operations strategy. Moreover, significant changes in employee relations by one partner, or changes in one part of the network, can create moral precedents or impact on the efficiency or quality of operations elsewhere – for example, deciding whether to commit to the principle of the movement for a living wage can have impacts across a system.

Ideas for action: Performance regulation at key points of the relationship

- Ensure that contractual terms allow for a reset and re-evaluation of performance goals and management at key points in the collaboration.
- Signal the likely new expectations, and legitimise the need for future discussion of these, based on analysis of the collaboration as it is expected to evolve over its lifecycle. Create contractual mechanisms that allow for such adjustments.

Similarly, in lean systems, one partner can become very dependent on the impact of policies introduced by another, creating a need to align broad policies:

The employment relation strategy [is framed] as a sub-set of the operation strategy [because] it is informed by the operation strategy ... is inter-dependent ... with lean suppliers we can have single points of failure in the supply chain and we can avoid doing things because some of us know about them ... we have made the mistake or been through it before ... we can trip over stuff that we tripped over before ... I've got somebody who works in my team and the other COEs in [a range of partners] ... who is man-marking that [other] team permanently, and he is responsible to employ policy as well. ... They will look across our policy dimensions and do the due diligence to see what doesn't make sense and what's wrong. They will transition it either into the organisation, or if it's big enough, they may supplement their resource with an HRD, for instance.

Informal sharing and co-ordination of high-level HR policy becomes important. We found three common tactics that organisations relied upon:

- formal consultation between senior executives such as the HR directors on matters of operations and employee relations
- the creation of key integration posts for employment policy across IJVs or M&As
- the use of 'man-marking' (drawing upon a sporting analogy) where experienced operators, provided with dedicated project resource, tag and influence their opposite partners, or act as an early warning indicator.

4 Redefining vocational education, training and professional syllabuses

There is often a need to align the skills development systems, professional syllabuses and vocational education and training arrangements that exist across the sector or across partners to enable the new, collaborative ways of working. The professional or vocational education and training syllabuses often carry traditional assumptions about policy priorities, customers, patients and

technologies, and these generally need to be changed and aligned to the increasing need for cross-profession working.

For example, many of the public sector collaborations that we examined are driven by service models that require the bringing together of different professional traditions. These professional groupings do not always share the same world view of how a collaboration should work or how they can best work together. For example, when health and local governments come together, the way in which a doctor approaches a social care case may be quite different from a social worker. Similarly, take the police and their role in child protection cases as an example. While there are areas where they can work together with health and local government, in the end the police will prosecute a crime. The social worker will protect the child and somebody will confirm the health of the various parties.

How can these different professional groups best work together to achieve common aims? Do they understand each other's standpoints? Are vocational allegiances overriding the desire to achieve collaborative aims?

Ideas for action: Protecting the operating core

- Build detailed insight into the complexities of operations inside each partner to ascertain how such operations across the network can be improved or protected.
- Establish mechanisms to ensure sharing and co-ordination of high-level HR policy.
- Analyse the implications for employee relations policy of the varying professional logics that drive important groups of employees involved in the collaboration.
- Establish mechanisms for consultation and joint problem-solving about potential impacts on the conduct of operations with a wide range of stakeholders.
- Align employee relations and operations management strategies.
- Consider the need for key integration posts to manage these issues.
- Establish early warning mechanisms that enable accurate and transparent insight into the quality and sustainability of joint operations.

At West Sussex County Council there was a recognition that at a more strategic level there needed to be a cross-pollination of skills and a need to develop and modify a number of specialisms. But professional groups can be very proud of their specialism and like to continue specialised professional development. In reality, each professional group has their own professional responsibilities which they have to enact, however much a partnership model and trying to do something in a more holistic way might appeal to them. They established intelligent client roles in HR to give an expert view on the delivery of the contract to oversee what is being delivered meets expectations and requirements. To start with, Capita HR was transferred county council staff, working for their new employer. When the contract was outsourced, some of the remaining HR staff in West Sussex County Council were designated into the 'intelligent client' roles with specific subject areas to oversee. This far better informs the specialist contract management team on the quality of the Capita HR contract delivery.

One way of getting over some of these difficulties is to try to encourage a sense of 'customer first' behaviour – people needing to put their customers first and their professional logics

second. However, there is the need for changes in behavioural expectations to still be aligned to professional rules so as to avoid the ire of professional bodies.

Another way of encouraging cross-profession collaboration towards common goals is to create enterprise-first behaviours, where an organisation tries to get their own staff to be more corporate and less functionally or locationally siloed.

Of course, when trying to create collaboration-wide behaviours the challenges are more complex. Key professionals or organisational functions in the business may be trying to do things that in practice are very different. The partnership model might infer:

- the need to move to and from different professional, occupational or technical standards
- the need to build a different professional understanding of what the job is about
- different behaviours and cultures.

The key parties therefore often need to become involved in making important decisions about new professional standards. HR needs to become involved if such changes also require changes to the resourcing and development practices.

'The professional or vocational education and training syllabuses often carry traditional assumptions about policy priorities, customers, patients and technologies, and these generally need to be changed and aligned to the increasing need for cross-profession working.'

Ideas for action: Redefining vocational education, training and professional syllabuses

- Move beyond the need to identify collaboration-wide behaviours into the deeper implications for professional standards and education.
- Initiate early plans and actions to address the need for future alignment of the skills development systems, professional syllabuses and vocational education and training arrangements.
- Address the supply side of professional skills through involving formal institutional bodies, professional groups and important networks for recognised disciplines in discussions about development of appropriate standards and skills.
- Explore the opportunity to enrich, upskill and engage workforces, rather than deskill. And identify the arguments to demonstrate that new service needs in reality do represent upskilled delivery.

‘It is important that attention is given to the need to regulate the performance of partners at key points in the relationship.’

Some of this is quite fundamental. ... The difficulty is that the points of intersection [are] important for those people who are engaged in it. There are vast numbers of people on both sides who are not engaged in that interaction at all and might seriously object to their training, their professional development being altered in order to reflect what they might see as a particular minority interest.

If people feel their skills are being diluted, or are moved into posts without clear expectations, roles and responsibilities, they can become demotivated and feel there is a strategy to deskill them.

Conclusions

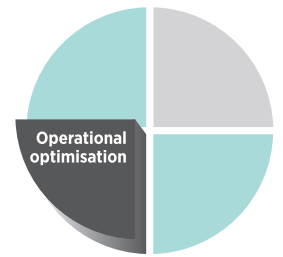
HR directors need to attend to important issues of job design and consider how key groups of employees who sit across the interface between partnered organisations, such as embedded teams, are managed and aligned. They also need to ensure that there are sound and effective feedback mechanisms from these teams, or important front-line teams, back to the governance teams. It is generally the people

who sit at the operational interface between partnered organisations who know what is working well and what needs to be modified.

It is important that attention is given to the need to regulate the performance of partners at key points in the relationship, but that this regulation is seen in organisation development terms, rather than in just transactional and punitive ways.

In many partnered organisations there is a powerful group of employees at the operating core, or there are strong operating and professional logics at play. These logics need to be analysed, assessed for their continued relevance or mitigated. The management of this through integrated HR policies can often be important.

Finally, although the need to redefine vocational education, training and professional syllabuses might seem to be a far-away problem to be handled down the line, these issues often have to be addressed from the very beginning of an arrangement, as they can take years to change.



5 Operational optimisation: optimising the collaboration as the partnership evolves

The fourth and final challenge is how to optimise the collaboration as the partnership evolves. In order to ensure continual improvement in the way that each partner's operations are managed, the partners need to see value in reviewing and improving their relationship on an ongoing basis.

Our case studies were keen to optimise the benefits of collaboration for both their own organisation and the benefit of the partnership arrangement. This includes having mechanisms

in place to surface insights and learning from the relationships and feed them back into the operations. For example, using insights to adjust the existing skills and talent systems and develop new forms of recruitment or training.

In addition, there needs to be a review and mutual alignment in how the partners manage people and business. This means that partners should share the values they are working to and that people in both organisations

should be clear on and engaged with the strategy to ensure effective operations. And finally – the topic of the final section after this – HR directors have to align their HR delivery model (for example their use of HR business partners, centres of expertise or service centres) so as to best support the partnership model.

The two mechanisms that are open to organisations to ensure sufficient operational optimisation are detailed in Table 4.

Table 4: Mechanisms for sharing insight and problem-solving

Mechanism	What is it?	HR's role
1 Enhance HR systems to enable partners to share people-related insight	Common or compatible HR systems enable information about current capabilities and resourcing requirements to be easily shared.	<ul style="list-style-type: none"> • Harmonise job codes, evaluation systems and competence models across partners, developing a common language by which people-related insight can be shared. • Use this common language when developing new boundary-spanning roles, ensuring partners have the same understanding of the role requirements. • Map out the talent pool across the network to enable cross-organisation transfers of skills and capabilities. • Understand capability needs across the network to enable shared learning and development initiatives.
2 Develop common employee and customer engagement models across the collaboration	<p>To provide a seamless service to the customer, all partners need to be operating to the same customer-focused principles and values.</p> <p>This way of working first requires employee engagement with the purpose and aims of the collaboration.</p>	<ul style="list-style-type: none"> • Examine the extent to which the employee engagement models of all partners are aligned to the aims of the collaboration. This is particularly important in cross-organisation teams where organisation-level and collaboration goals may conflict. • Work with your partners to develop a shared customer engagement model. • Develop a cross-organisation education and communication programme about customer requirements and expectations.

‘In order to ensure continual improvement in the way that each partner’s operations are managed, the partners need to see value in reviewing and improving their relationship on an ongoing basis.’

1 Specification and equal calibration of capability across partners to enable effective resourcing and transfer of learning

Often the existing HR systems have to be enhanced to enable the partners to leverage the people-related learning and insight that is developed within the partnership and feed it back into their resourcing approach.

For example, in the nuclear sector it became apparent that it was important to align job codes and categories across organisations to enable partners to leverage shared capabilities. Equal calibration is important for subsequent learning and development because key jobs or roles from which people might be moved (from inside any one partner) do not really mean the same thing, or in practice have different levels of complexity, and so no one partner can guarantee that they are sending people of equal insight and training. Without equal insight, you cannot then guarantee that the learning has really taken place or will be applied usefully.

Similarly, at West Sussex County Council, the initial need to recruit a range of specialisms such as contract officers and quality assurance officers led to a subsequent understanding that it needed to recruit staff with different skills and competencies. Heads of services were looking for multi-skilled professionals who could bring transferrable skills into their roles, requiring an understanding of the principles of one specialism – such as contract management – but also knowledge of the political arena in which the council operated. HR had to assist line managers in creating job specifications and person specifications that had not previously existed inside the organisation.

2 The development of cost-effective but responsive customer interfaces and common L&D and engagement models

Rolls-Royce’s business strategy, which is based on a process of value co-creation, shifts the points at which HR as a function can add value to this business strategy. As customers become more reliant on

Ideas for action: Specification and equal calibration of capability across partners to enable effective resourcing and transfer of learning

- Decide whether it will be necessary to align job codes, categories and establish point-for-point grades in third-party arrangements in order to leverage shared capabilities.
- Establish market mapping and market intelligence teams within the operations, talent management or HR function to assist operations in recruiting or building new or novel multi-disciplinary roles.

Ideas for action: The development of cost-effective but responsive customer interfaces and common L&D and engagement models

- Establish knowledge and practice exchange forums (team visits, mutual education, advice and feedback opportunities) to ensure your partner’s environment is understood deep inside your organisation.
- Align or develop common learning and development models, employee engagement and commitment models across partnering organisations where this is of mutual (and customer) benefit.

Rolls-Royce for service delivery, in order to create mutual operational benefits, it has to ensure and develop a responsive interface with its customers. But in order to be responsive, people working in these interface teams need also to understand the issues of all partners. In the case of long-term collaborative arrangements associated with engine-life deals, in practice the work of interface teams combines the interests of the manufacturer, supply chain and customer. This then raises the question of whether all partners wish to encourage more integrated cultures and skills across these teams. In addition, two (on the surface unrelated) issues need to be thought about: do the teams need common learning and development models, common technical standards or competence models; and do they need common models of customer or employee engagement?

For example, Rolls-Royce participates in *Voice of the Customer* team visits in order to ensure their environment is understood deep inside the Rolls-Royce organisation. Similarly, as the way pilots fly aircraft and manage thrust affects efficiency and fuel costs, Rolls-Royce flight operations advisers go to airlines and spend time with pilots advising them on more efficient and safe flying methods.

As partnered working becomes more established and mature, the boundaries between organisations can start to blur. But this in turn often requires the development of common learning and development models, or employee engagement and commitment models, in order to make sure that such blurring is not noticed by the customer!

Conclusions

Longer term, as partners develop a track record of operating together, HR directors need to think about those mechanisms that will enable smooth movement of people and more effective learning across the various partnered organisations. The talent systems might need to converge and it is often important to be able to specify the nature of important roles or hybrid skills groups that both partners draw upon.

Consideration might need to be given to the need to ensure some equal calibration of capability across partners, so that plans for resourcing and subsequent transfers of learning between the two become easier to ensure.

Attention has to be given to the development of cost-effective but responsive bridges across important customer interfaces and this may call for the development of common L&D and commitment models.

‘HR directors need to think about those mechanisms that will enable smooth movement of people and more effective learning across the various partnered organisations.’

6 The impact on HR delivery systems and HR capability requirements

In this section we address one of the key opening questions – what does all this mean for the way that organisations should think about the HR capabilities needed and, of course, HR structure and delivery systems? One of the interviewees summed up our dilemma nicely:

We have a tendency to value the high-level, strategic, embedded-in-the-business type of HR, often manifested through the senior HR business partner type of job. Where I think we don't do ourselves any favours is in really building the value of some of the other parts of the traditional HR model ... the transactional work or the implementation of big project activity [which internal or cross-organisation projects are] the foundation of the reputation of any HR [function]. We can do all the strategic stuff we like but if we don't get those basics right then we haven't got much hope.

HR can then be part of the solution, but might also be part of the problem. As one of the clinical leaders in the East Cheshire NHS Trust case study noted:

The [whole programme] will fail dramatically if we don't recognise the importance of the human factors and the role therefore good HR plays in changing. You know, we're not [just] talking about changing services or changing work patterns or changing responsibilities, we're talking about changing attitudes

and behaviours towards care. ... Unless you empower your front-line staff to make recommendations and be instrumental in that change for the better, then it will just recreate a different system with a different name. So HR has to embrace this cultural change, it has to embrace the managers and middle managers [and] has to allow staff to completely change the way they work. ... We visited Sweden [to look] at a model of care that they had up. Everyone who worked in health and social care in this particular organisation had two jobs. 90% of that job was their direct job as a physio or pharmacist or a health care assistant, but 10% of their role was being empowered to change the system.

Not surprisingly, many of the case studies we looked at showed the need for there to be a very strong link from HR into the operations side of the organisation. But in addition to close connections with its own operations function, HR needs to forge connection with its partners' operations functions as well. In many cases this integrative role seemed to fall upon a handful of HR business partners. But it can be unfair to rely too much on business partners:

- There is a truism that business partners only succeed in so far as the function they are embedded in as a whole succeeds. If the rest of the organisation is not succeeding,

the business partner gets drawn into those areas of failure.

- To be best equipped to do this they need to have the generalist capabilities that this report lays out.

Similarly, the HR directors who are appointed to manage, or become responsible within their portfolio for, collaborative arrangements find themselves working in a unique environment, combining skills of entrepreneurialism, business acumen, legalities, contracts and organisation design, in addition to their functional toolkit of 'HR' and their strategic role in their own organisation.

The implications for HR capability

It's clear that a more networked and hence complex way of operating requires particular capabilities of HR. Box 23 highlights the main requirements that were revealed by our case study work.

In most of the case studies, and especially where there was a move to a commissioning model where delivering services becomes more complex, there were implications for the capabilities needed in the HR function. A number of skills became particularly relevant. In nearly all cases HR directors reported the need for much greater capability around organisation development. For example, at West Sussex County Council the relationship with

contractors led to a need for a better management information and advice function, mutually informed and intelligent client-led transactions in terms of workforce change, learning

about payroll and pensions and developing the community of remaining HR business partners. However, the capability gap was considered to be the need for organisation development skills.

In practice, in addition to the need for legislative and change management skills, there needed to be a greater understanding of the organisation's direction of travel and its workforce strategy

Box 23: Core HR capabilities needed in this more complex way of operating

We use a number of quotes to capture the debates that our interviewees raised about the core HR capabilities required:

- understanding not just how your own organisation works, but also how partnering arrangements operate
- being comfortable with ambiguity and change
- the need for HR to be seen as a credible influencer by the rest of the organisation
- how HR can best demonstrate their current capability as well as their potential further contribution to partnership success.

Two things strike me. First, [the thing] we always say about HR is 'Does HR understand the business sufficiently?' I think that becomes more pertinent still when you're into new organisational forms because it's challenging your understanding about what each particular bit of the organisation does. How does it link to other organisations outside, but also how does it link to bits inside the organisation? Second ... it gets into quite complex employment law ... and into quite difficult areas of what rights employees might have, what responsibilities the organisation might have. There's something about business knowledge, something about entrepreneurialism and something about legalism which comes together in these sorts of cases. That is different from what your average HR person would have to understand. It's quite a steep learning curve. What it also means, already true but could no doubt be improved, is working collaboratively with other functions.

HR professionals need to be very mindful of the dynamics of change, in what can be relatively unstable entities. ... Not only have they got to be tolerant of ambiguity, but also tolerant of the degree of change that throws everything up in the air again, for reasons completely outside of their control.

I think the challenge is twofold and circular. There's questionable capability with the HR function generally within the public sector, to be able to bring these things to the attention of senior managers in such a way as they can be heard and listened to and their views taken account of. I think there is also a reluctance on the part of the senior leadership to legitimise HR's role in that sort of activity. Which is chicken and which is egg? Is it the capability that means that managers are reluctant to get them involved or is it that because they don't get involved they don't develop the capability, or they don't develop the confidence? ... They were talking about redundancy terms and overtime premium and stuff like that, just really the weeds – but so minute and really missing the big point of what this change process would be. I think there is a question about the positioning of HR in the sector and the capability to be able to do that.

I am doing a piece of work where it's quite evident the business partners are spending most of their time in disciplinary, grievance, dispute stuff because the line managers are either not capable or not prepared to do the line management activity, and the junior staff of the HR function aren't capable of picking this up and dealing with it, so it all gets pushed up. The business partners are essentially expensive advisers, HR advisers not business partners in any meaningful sense. If that's how they're perceived inside the organisation, and that's how they perform, then when they come along and say, 'Ah, I'd like to help redesign your service function,' [managers] look askance and say 'Sorry, I thought you only did disciplinaries.'

over the next five years, its new business services requirements that would have to be supported, and its plans for the next service developments. Then comes the need to use this knowledge to develop workforce capabilities and establish new critical roles, as well as consider the potential implications of such changes. Such implications could include restructuring, significant reductions through redundancies, and an impact on morale.

The implications for the HR structure and delivery model

What kind of structures and functions will be necessary in order to provide the requisite HR support to help organisations work effectively themselves, with their partners, customers and across organisations down the supply chain?

One of the challenges often faced by professionals taking a lead in collaborative work is that when they face back to their HR function and say, 'What resource can you give me to help me do this?' HR functions often struggle to answer. Should this be our business partners? Do we need a cadre of high-level organisation design and development people, or a cadre of programmes and project experts that we can flexibly allocate across partnered projects or businesses?

The questions run deep, and will have implications for HR as a vocation, as well as how they will have to organise themselves to do this.

Questions about professional boundaries apply just as much to HR as they do to other vocations. For example, to some in areas such as healthcare, prison services or local governments, there is an unhelpful split between OD

and HR. Often transformation or organisation development directorates are a separate function. This can be unfortunate for HR functions, because a lot of what they need to do is very much in the OD area, but this might be in the functional territory of somebody else who is not from an HR/OD background:

The extent to which organisations are able to look at issues on a cross-functional basis in the first place ... it makes me wonder whether or not the organisation as a whole is able to do this, let alone who is given the challenge. Are these issues being thought about? The strong suspicion I have is that an awful lot of decision-making is done on a fairly siloed basis.

But, without the necessary management process trying to integrate solutions or look at them holistically across the whole organisation, the lack of corporatism is a real weakness for HR. Because that's the important card they have to play, isn't it? They have to look at the organisation as a whole and for the future, rather than its individual bits. ... I don't know that HR gets sufficiently engaged early enough in service redesign, even at the more operational end. You've got a better chance of doing that than doing it at the corporate level.

What are the possible design solutions?

Across the organisations we studied, we found three broad responses:

- 1 creating dedicated project resources within the HR function that can be assigned to the more strategic activity triggered by working beyond your own organisation; this also involves re-aligning the culture

and relationships between the different areas or divisions of HR, all of whom will be required to work together to deliver on partnership goals. For example, is the cadre of dedicated HR professionals specifically assigned to the partnership adequately supported by the centre of excellence and the different country-level HR teams?

- 2 partitioning the HR function between those roles that maintain an inward and own-organisation focus and those roles that have duties across broader partners
- 3 creating strategic integrator roles that operate across internal and external businesses, and bringing together dedicated expertise under their leadership.

Before we go on to discuss each option in more detail, it's important to flag the key questions to consider, whichever design solutions you adopt. Namely:

- Do these developments start to change the types of skills or capabilities that organisations need, either in that programme part of the HR structure or within the HR function in general (so returning to the first part of this section about HR capabilities needed in these networked and hence more complex organisation forms)?
- Do these developments bring to the fore particular issues such as organisation design, skills or leadership development, employer relations or engagement?
- Do these developments change the role of business partners and the way they have to work?
- Do these developments place tensions on a traditional HR structure, and if so, how do you resolve that or deal with those sorts of issues?

1 Creating dedicated HR project resources that can be assigned to the more strategic activity triggered by working beyond your own organisation

The case study discussions about the commissioning and bid processes revealed that managing these processes puts a stress on the HR delivery model of each bidder. They need to have a cadre of dedicated and skilled project resource and organisational development capability (rather than try to release expertise from within existing structures). Importantly, these individuals need to be able to draw on and ask questions of specific experts without having to pull them all into the team.

The discussion of supplier-in-distress protocols showed that HR functions have to make a decision as to whether:

- the call on the HR structure is effectively a business-as-usual type activity (that is, the demands are understood by the HR team, but are just on a bigger scale than usual)
- or if it represents a new type of demand (with a decision as to whether this demand will be a one-off or will form the basis of a new and re-occurring type of activity)
- or is so significant (in terms of risk, reach and reputation) that it qualifies as a discrete and significant project in its own right.

In the case of the former, activity is safely directed into a service operations team working closely with senior business partners and HR directors who make sure the issue is being executed in the right way. In the case of the latter, it is handled via a programme management office, through a formal process that brings together sector business and

regional HR directors and examines the whole pot of potential activity, determines which activities must have a call on what is a finite amount of project resource, and what needs to be dealt with in a different and more creative way.

This often requires the creation of arrangements to manage a strategic portfolio of projects. This portfolio requires prioritised resources to be directed at both internal projects or external and collaborative projects. These resources also need to be allocated against some of the issues that we have outlined throughout this report. These issues must be managed and added to the collaborative working list of demands, whether the parties involved have had the foresight to identify them or not.

Though few would argue that more collaboration across the existing HR delivery mechanisms is a bad thing, they often understate the scale and complexity of work involved. In practice:

- stakeholder management becomes more complex
- business partners can struggle in areas where it's less clear who has accountability with whom and upon what they have to be collaborating
- potential cost savings might therefore be difficult to achieve.

Pooling HR resources across partners can lessen the 'collaborative burden' faced by each organisation. Given a need for more cross-organisation collaborative working, should partners not pool or share their HR resources with other partners? Then each partner has to deliver strategic project work by moving HR resources from internal projects and businesses to the external relationships or collaborative businesses.

This involves creating generic project management structures of HR professionals with the necessary capabilities to work in a project-led way (Box 24). These project management structures can be aligned to significant internal projects or to cross-organisational work and therefore give HR the flexibility to adapt to changing business needs.

2 Partitioning the HR function into inward- and outward-facing structures

From an organisation design perspective, often single points of contact are important in managing complex relationships – knowing who to talk to, to get things done, or to ask questions of. The NDA designed their HR function by splitting the roles into those that face inwards to the NDA itself and those that face outwards to the broader nuclear estate and the need for collaborative activity. The two separate arms – the inward-facing and outward-facing (to contractors) structures – each face very different issues (Box 25).

3 Creating strategic integrator roles that operate across internal and external businesses, and bringing together dedicated expertise under their leadership

A third HR function design option is for HR organisations to address potential holes in their delivery model through the creation of new strategic integrator roles – into which they can concentrate dedicated expertise. This expertise might be aligned to different challenges.

In Shell these integration roles have been established and aligned to the management of international joint ventures, which have a particular importance in their upstream business (Box 26).

Box 24: Implications of developing a project management structure to support strategic, cross-organisation work

Operating a project management structure to support strategic projects both internally and across partnering arrangements requires:

- the addition of substantive project management skills and generalist business acumen
- the ability to ensure that where decisions have to be made in relation to a project, the HR resource assigned to the projects is able to make the right connections, to draw in the right people to the project, and at the right time
- a different culture and set of relationships within HR and a more collegiate and sharing teamworking approach, both within and across the main arms of other HR work (centres of expertise, business partners and service operations)
- a more collaborative set of skills and analysis capability, including influencing and relationship-building skills and an ability to learn from interventions through sound evaluation of performance outcomes
- a governance regime (or framework) and formal structures to manage the prioritisation and alignment of project activity – a formally guided approach will help articulate the business reasons for HR behaving differently as well as HR's strategic contribution.

Ultimately, a question debated by many organisations is whether the leadership of, and indeed substantial staffing of, these cross-organisational project management structures should reside within a cadre of what have typically been called 'senior' business partners. If so, does their role require a redefinition?

Box 25: Inward- and outward-facing HR roles at the NDA

The NDA deals with tensions created by a complex collaborative context by splitting up the HR function into different elements, calling out the need for outward management. The organisation as a whole has a site-facing team, with a director facing off to nuclear management partners, and the HR structure echoes this.

Some people in the function are purely tasked with making sure that the NDA works well – that people get paid on time and that the training and development supports the organisation's direction. Then they have more of an OD-type perspective, which is outward-facing and gives people the chance to go and work with their equivalents in one of the contractor organisations. This practice is designed to increase people's understanding of how their partners operate, ensure that the NDA asks the right questions of partners and, from an HR perspective, gets the assurance that the appropriate people policies are in place in each of the sites.

The NDA also recognised that high-level organisation development capability was going to be necessary both within their own organisation – the 300 people or so who work in its own business – but also in adding value in their support for the people working across the estate. They recruited an ex-HR director from outside the sector who had some OD experience and put them in charge of a number of change programmes. They did not believe there was a right answer for their HR structure, or that they could pull a structure off the shelf – it had to be fit for the context they were putting the design into. But they needed skills of appreciative enquiry, to be able to ask questions around how people understood the relationships, complexities and how people worked across the estate, before they put their own organisational design in place.

In Rolls-Royce strategic integration roles have also been created, but have been aligned to the management of mergers and acquisitions, which are critical to their business (Box 27). Some of these considerations become important because things often happen more quickly and have implications on a larger scale in a collaboration. But the shift to longer-term integration has become important because this way of working has now become business-as-usual.

Those organisations that are actively working within collaborative arrangements, be they IJVs, mergers or looser forms of partnership, still believe that there is often a missing role which HR needs to fill:

- There is often insufficient attention paid to questions of organisation effectiveness, particularly around the organisation design and organisation development role, questions about skills and

capabilities, talent management, leadership development and employee engagement.

- Key integration roles can sometimes appear like a ‘dark art’ to the rest of the organisation, and indeed to others in the HR function. The individuals involved are often having to work cross-sector, in both their business relationships and the way they interface with parts of the formal structures (see Box 28).

Box 26: Strategic integration roles at Shell

Each of Shell’s joint ventures has its own governance, which typically brings together government representatives, other industrial organisations, senior managers from the venture in hand and Shell. In HR terms there may be questions about talent development for the venture itself, or indeed for broader issues of talent, culture and capability development in the country or labour market a venture operates in.

This means that HR has to be more thoughtful on the policy side, developing different solutions for different ventures. In many instances they are not in a position to be able to enforce Shell’s policy position to another partner, so their own policy stance and offer of support to any collaboration has to be clear. For Shell the solution has been to build a cadre of HR business partners who are used to, and have experienced, the challenges of working outside of the Shell box. Given the nature of Shell’s operations, they believe that for many of its people, being able to work in joint ventures will become just a normal part of their delivery of the HR agendas.

There are *three* prominent needs that HR must be able to manage to support Shell’s long-term business direction and requirements.

The first need is about how to manage innovation. They carry out their own technology development and innovation in areas where they need to be the technology leader, and their intellectual property is an attraction to others. But they also see that most innovations today are open, carried out as joint industry projects.

In the energy sector, joint venture companies are very interested in the management of innovation across partners. Different models might apply as innovation might be managed through collaborative industry projects or directly with governments. Shell needs to think how it can use its technology and development as a way of creating mutual benefits and mutual wins across various collaborations, and in many different parts of the world. They need to think about innovation as more than just business development, but also in terms of social development and in terms of building local capability.

For HR, this overarching need to think about future innovation means establishing longer-term succession plans. Collaborative ventures are often working on a ten-year technical journey. This involves reviewing the status of where Shell is at the moment (which it maps out through other processes) but then also discussing (with colleagues and the HR directors sitting in the joint ventures) where everyone wants to be ten years from now and how Shell can support them on that journey. The HR oversight role across its joint

Box 26: (continued)

ventures in the upstream part of the business therefore requires more strategic discussions about where and what Shell, as a partner, needs to inject and support activities, and with what HR capability, both at this moment and five years from now.

The second need that HR must be able to manage concerns questions about organisational effectiveness and organisational capability. The HR oversight role has to look at Shell's contribution from a 'JV business performance' point of view. That JV performance also has to then be put into Shell's broader organisational context. Before Shell makes choices about the structures for the JV, it has to make judgements about what is needed to support any JVs, and what is the right type of performance management and culture that is needed for the existing operations and future development that the JV will need to go through.

The third need is how to build future talent across all categories of employee, both in terms of leadership development as well as in terms of technical and commercial development.

These questions inevitably impact back on the broader Shell HR environment. Traditionally, HR professionals come from a mindset where they like to be the primary operator, be in charge, have control, provide high levels of leadership and responsibility. However, from a commercial mindset, rather than being a primary operator, Shell may need to partner with the right people in partner organisations who will make a difference and add value, but this way of operating may not necessarily make them the leader.

Overall, as Shell HR continues to transition to an organisational effectiveness role, success revolves around having people that are client or customer orientated, listening and understanding the needs of others, rather than being marketers of Shell systems and processes.

Box 27: Building dedicated HR expertise within M&A integration teams at Rolls-Royce

Rolls-Royce has many different legal entities operating across multiple countries. All together it operates in over fifty countries, but the bulk of its footprint is concentrated in around ten of these. A number of considerations have led to a shift from the management of immediate to longer-term integration issues taking place:

- A complex web of contractual and support arrangements exist across operations.
- Business arrangements must now be established at a faster pace, which in turn creates pressure to source the opportunities, close deals and integrate organisations quickly.
- Given the breadth and scale of operations, at any one time there might be five to six different mergers, acquisitions, joint ventures, setting up of new companies or divestments running in parallel. HR can end up being involved in 20 M&A projects in a year.
- There is a need to consider longer-term integration issues: technical capabilities, innovation, the handling of intellectual property across organisations, and the risk portfolio involved in the development of value from each business.

This shift from the management of immediate to longer-term integration issues earlier in the formation of new entities creates its own challenges for HR:

- As the organisation makes important decisions, how do you ensure the spread of important learning across partners, and also ensure that such learning continues to take place?
- How do you hand over the insight that any HR expertise dedicated to the collaboration has created or arrived at, and then ensure that such insight is subsequently acted upon by others if needed?

Box 27: (continued)

- When important decisions were arrived at during the early or planning stages of a collaboration, how do you hand over the insights arrived at during the initial planning activity, or any decisions, judgements or sensitivities that were arrived at in assessing the pace of actual versus desired integration, to those people in HR who might subsequently become involved in operational matters? Or how do you justify subsequent changes in this assessment?

The executive leadership team responsible for corporate development responded by bringing in a specialist integration team. Mergers and integration specialists have programme responsibility, but rather than having to seek sponsorship within the business, formal reporting lines have been established.

HR now sits on this team, and the reporting line out is to the HR director of the involved business. At a corporate level, the HR function, traditionally involved in mergers late in the process, has now started to become involved at earlier stages. The team takes each case as it comes but tries to standardise where it can.

While HR tends to be an interested observer of discussions around innovation, the retention and development of key people and technical skill sets is a primary concern. The degree of integration with the rest of the business differs between arrangement and decisions are driven by consideration of issues such as leadership capability requirements, cultural fit, pensions, retention of the skills and knowledge capital within a partner, and the cost and support implications of choosing one organisational form over another.

At a corporate level HR has increased the resources available within the structure to manage this type of work, developed an end-to-end M&A framework, and defined the responsibilities of this role.

Box 28: Managing and surviving in an HR integration role

Integrators have triangular relationships with their three main customers: their senior HR sponsor; the business collaboration or integration teams; and operations lower down the organisation. Each customer is typically driven by different considerations:

- HR wants to get to the neatest, simplest, standardised integration around the people issues across the partnering organisations that doesn't cause a disruption in the HR model. Ideally, this is an integration solution that they can service from the existing model without any customisation, without raising the costs and with a positive effect on productivity.
- The business collaboration teams have a very simple agenda. They want to close the business arrangements and negotiations, and quickly move through any conflicting agendas between businesses or functions.
- The operations teams within the business are those who ultimately carry the can for delivery of successful collaborative working. They are responsible for collaborator integration and are seen to own the new arrangements. However, they tend not to understand the operational details of what they are taking on, either because they are new to the arrangements or they tend to go in blind, yet they want to understand the risks.

All three stakeholders compete, and integrators have to decide where they want 'to play', where their core loyalties must lie, and when they must step out of these three sets of relationships and go above them, whether there is a 'corporate consciousness' that sits above the three primary stakeholders, and, importantly, who (for it is generally a trusted individual) can act as their ultimate sounding board and conscience.

Summary

In this report we have demonstrated, based on insights into six separate case study contexts, that collaborative arrangements are becoming more central in several public and private organisations and sectors. We have identified important areas of business policy to which HR can contribute, and have developed a framework to help HR manage four overarching responsibilities within this:

- 1 oversight of the intended strategy
- 2 ensuring the integrity of the strategy as it is executed
- 3 ensuring the integrity of the operations
- 4 optimising the operations as the partnership evolves.

In turn, we have broken down these four areas of policy into 18 different mechanisms that HR might wish to establish. Each mechanism is based on people-related insights from our case study organisations. For each of these 18 mechanisms we have suggested actions that could be undertaken.

Finally, we have examined the implications that operating in this new or evolving business context will have on the HR delivery model, and have indicated some of the professional debates taking place and considerations that should be borne in mind in designing HR for *Beyond the Organisation*.

Looking across the different HR delivery models that might be employed, it is clear that:

- HR professionals have to see themselves as a business person first and an HR person second. They represent their organisation, as well as being part of a wider collaboration.
- They can act in these roles as the 'corporate conscience'. Because they have the chance to see the 'total system', they also have the opportunity to ensure that that whole system behaves appropriately.
- Many managers in collaborative organisations, and also in HR, can get siloed into either one business or the specialisation that they have. In the collaborative contexts that we examined, HR has to have a true generalist role. They end up needing a bit of knowledge about absolutely everything to effectively identify and understand where and what the people-related risks are, and to manage relationships accordingly.
- Integrated HR roles that sit across multiple business sectors are fast-paced and very project-based.
- Most organisations believe that, in terms of refining their HR structures, they are not yet well enough established in the way they manage the process.
- New roles often tend to get created, either because there

is a burning platform, seen at the outset of a collaboration, or because a problem subsequently arises as the organisation goes forward and realises that it has to fix it. However, HR functions have the opportunity, we believe, to become much more proactive and put new structures in place.

- To do so, they need to address any gaps in terms of their own capability, or their ability to deploy their own resources, shaping their function in ways that will help make collaborations work better.

Glossary

Business model: The rationale or performance or design logic that enables an organisation (or group of collaborating organisations) to pursue a business opportunity. The model is used to explain how an organisation creates, delivers and captures economic, social or cultural value. In articulating how the performance logic works, managers have to explain how a number of aspects of the organisation have to be structured and aligned, including its purpose, offerings, strategies, infrastructure, formal structure, management practices, and operational processes and policies. They also have to explain how financial and non-financial resources have to flow through different parts of the organisation, and how the value of these resources must be interpreted and acted upon at each stage.

Collaboration: A business arrangement in which two or more parties that may or may not have had a previous relationship have to work jointly towards a common goal.

Inter-firm network: A group of organisations that partner and/or co-operate with each other in order to provide expanded products and services. It could be an alliance of related organisations that own a stake in each other in order to protect mutual interests and must share knowledge and co-operate to control its sector of the business. Such networks, such as the *keiretsu* arrangement in Japan, typically include large manufacturers, their suppliers of raw materials and components, and banks.

Inter-organisational relationships: Transactions between organisations that involve the flow of products, services, money, information or communications from one to another. The relationships may be formalised, based on written contracts or semi-formal.

Joint venture: An association of two or more individuals or companies engaged in a solitary business enterprise for profit without actual partnership or incorporation. A contractual arrangement that joins together the parties for the purpose of executing a particular business undertaking. All parties agree a share of the profits or losses of the undertaking. A new and distinct business unit may be set up to execute the business transactions involved.

Multi-employer networks: Situations where organisations collaborate across boundaries to jointly produce goods or provide services and the employment experiences of workers are shaped by more than one employer.

Outsourcing: A contracting-out arrangement in which one organisation provides services for another that could also be, or usually have been, provided in-house. The arrangement can apply to any task, operation, job or process that could be performed by employees within an organisation, but is instead contracted to a third party for a significant period of time.

Social partnerships: Partnerships in complex social areas – such as economic development, healthcare,

crime or poverty – where no one single entity or organisation can perform alone but has to work and collaborate with multiple organisations and stakeholders.

Strategic alliance: A strategic mode of integration that is achieved through a formalised collaboration, whereby two or more organisations co-operate on part(s) or all stages of a business venture, from the initial phase of research to marketing, production and distribution.

Strategic network: A set of connections between organisations with the objective to establish a relationship between firms and partners (such as competitors, customers or suppliers).

Supply chain: Networks of organisations that are linked through upstream (supply sources) or downstream (distribution channels) processes and activities, in ways that are necessary to produce value in the products and services for the ultimate consumers.

Value chain: The chain of activities that exists in a specific industry through which products or services have to pass in order to gain in value. Any one organisation or business unit has to be able to perform a range of these activities in order to deliver a valuable product or service. A value chain may extend beyond a firm and be thought about across whole supply chains, distribution networks and even across previously distinct industrial sectors. This is called a *value system*. Strategists often try to see how an organisation can capture the value that is generated along the value chain by exploiting the upstream or downstream resources or information that flow along the chain, bypassing intermediaries and creating new business models or ways of improving the value system.

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