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Strategic Theme #5:

Sector Relationships Evolution & Achieving Mutuality

Contents

Strategic theme definition (description and scope)

This theme is focused on how more effective collaboration between partners in a contractual relationship, through application of the principles of 'mutuality', can achieve better outcomes for both the partners themselves and the stakeholders they serve.

Mutuality as a concept has been mooted since the 1960s, and described as follows:

'Mutuality, as a business philosophy, recognises that long-term relationships comprise more than a chain of operational transactions within a contracted framework. Mutuality is true partnering. It is predicated on shared interests, operations and goals, and does not seek to act opportunistically. Mutuality focuses on establishing a relationship based on the exchange of value beyond simple contracting terms. Where mutuality frameworks are applied, business relationships are consistently stronger, more open, more agile, more resilient and significantly more productive.'

Figure 1: Mutuality: Core Principles

Strategic Intent & Alignment	Remember who we are. Create an environment destined for success.
Cultural Alignment	
Stakeholder Attitudes & Behaviours	Create productive relationships. Measure what matters.
Bi-Lateral Value Analysis	
Served-Community Focus	Adapt and evolve. Create shared value. Delight those we serve.
Risk & Reward Sharing	

To date, mutuality has been applied more widely within the private sector, but the introduction of BS11000 and subsequently ISO44001, have recognised the critical nature of effective collaboration in public-private sector partnerships. A number of factors have converged to place the need for better collaboration within traditional contractual relationships at centre stage:

Schedule 1: Convergent Factors Compelling More Effective Collaboration

- **Sustained austerity has left many client organisations very lean and lacking in the key skills and experiences necessary to drive innovation and transformation. There is an ever greater reliance therefore on the capacity of the provider and integrated delivery.**
- **Both private and public sectors are seeking the same, scarce skills. With demand outstripping supply for some roles there is greater need to collaborate and share resource.**
- **The collapse of Carillion has marked a shift in the traditional client-contractor relationship, pushing recognition of the need to give equal weighting to the drivers and objectives of both parties in a relationship.**
- **The cost of major re-procurement exercises, both direct and indirect, is increasingly prohibitive. There is now wider recognition of the economic**

benefit of developing a mutually beneficial, long term relationship with existing providers.
- **Existing private sector providers recognise that their clients are unable to continue to fund services at historic levels and that collaboration and innovation are essential to ensure margins are protected.**

This research option considers the opportunities for more effective collaboration between public and private sector partners. It considers the core principles of the ISO44001 components 'Working Together', 'Staying Together' and 'Value Creation' and seeks to develop a factor set that enables partners to:

Schedule 2: Mutuality Framework Enablers

- **Measure the strength and effectiveness of the current collaborative relationship**
- **Clearly identify the opportunities for improved collaboration and the benefits that will accrue**
- **Measure the impact of improved collaboration, over time, on the value for money achieved through the partnership.**

The factor set being developed and tested to achieve this is set out in Figure 2. A detailed scoring guidance, which will also be tested and further developed as part of the research, has also been developed.

Figure 2: Draft factor set for measuring the effectiveness of collaborative relationships (Mutuality)

600	Mutuality	**Mutuality (Effective Collaboration)**	100
601	Mutuality	Joint Governance Structure	100
602	Mutuality	Joint Executive Sponsorship	100
603	Mutuality	Joint Objectives	100
604	Mutuality	Operational Leadership	100
605	Mutuality	Joint Management Framework	100
606	Mutuality	Joint Communications Strategy	75
607	Mutuality	Joint Knowledge Management Strategy	75
608	Mutuality	Joint Risk Management Strategy	100
609	Mutuality	Joint Issue Resolution Process	75
610	Mutuality	Value Creation	100
611	Mutuality	Identification of Improvements and Setting of Targets	100
612	Mutuality	Utilisation of Learning From Experience	75
613	Mutuality	Measurement of Delivery and Performance	100
614	Mutuality	Monitoring of Behaviours and Trust Indicators	75
615	Mutuality	Joint Exit Strategy	100
616	Mutuality	Joint Relationship Management Plan	100

This strategic theme focuses on the further development, testing and enhancement of this Mutuality factor set and the supporting scoring guidance. It will also explore how the factor set(s) can be developed to both assess and improve existing relationships as well as evaluate and prioritise potential new partners in terms of their likely fit within a mutually beneficial, collaborative relationship.

Strategic and political rationale

Whilst the political hue of a local authority may determine the preference or otherwise for private-public partnerships, logic suggests all sides of the political spectrum would wish to see effective collaboration in extant relationships as the better outcomes these deliver should be reflected in the ballot box.

FHRC members have identified with a common set of strategic objectives as set out in Figure 3. This diagram also suggests the alignment and contribution best practice effective collaboration may offer to the achievement of each objective.

Figure 3: FHRC Strategic Drivers: Option Alignment & Contribution[1]

FHRC Standard Factors	Weighting	Alignment & Contribution
Ensure Network Availability	100	H
Deliver Affordable & Sustainable Services	100	H
Attract Inward Investment & Economic Stimulation	80	H
Provide Comprehensive Value for Money Assurance	90	H
Implement Tangible Service Improvements	100	H
Services & Asset Plan Aligned with Customer Needs & Political Priorities	80	M
Deliver Environment Protection Polices	70	L
Ensure Public Security & Safety	100	M

Interestingly, for a truly collaborative relationship where equal weighting is given to the strategic objectives of both parties, this list may need revisiting. For example, our early research suggests 'Return on Investment' is a legitimate strategic objective for providers; as such this should be highly weighted by both parties as it acts as incentive and motivation to collaboration more widely.

As we continue our research through this Option, we will seek to develop a 'strawman' set of strategic objectives that properly recognises and weights the joint and separate strategic objectives of both client and contractor. Our draft factor set recognises excellence in this regard as:

'There is clear and transparent agreement on the desired outcomes and objectives of the relationship. This agreement also reflects joint ownership of the principles that will govern the behaviours of those involved. Joint objectives have been articulated which encompass the specific needs and drivers of the individual organisations. The joint objectives are reviewed on a periodic basis and amended only when there is a consensus between the parties. Prompt and effective remedial action is undertaken when objectives or milestones are not being achieved.

The partners have reviewed the practices of other organisations in establishing mechanisms for setting, monitoring and implementing joint objectives and have adopted any best practice identified.'

Structural changes and enablers

The majority of change needed to affect a more collaborative relationship is cultural rather than structural. The critical enabler is the belief by both parties in the concept of mutuality; that is a recognition that better collaboration will achieve better outcomes for all parties.

However, there are some key structural changes that research has suggested helps facilitate the cultural change and 'forces' better collaboration. These are primarily concerned with bringing together previously disparate systems; for example, moving to joint risk management, knowledge management and communication systems.

The following stages are typically required for moving an existing relationship to a truly collaborative relationship that embraces the principles of mutuality and employs them in practice:

Schedule 2: Key Steps & Considerations

1. **Setting our joint vision and commitment to a collaborative relationship.**
    a. Articulating how added value will be created and measured for both parties.
2. **Establishing the behavioural and cultural competencies that will define the relationship.**
    a. Setting out how the required behaviours will be 'coached' and instilled.
    b. Establishing the trust and other indicators that will be used to measure adherence to behavioural competences
3. **Reviewing existing governance arrangements and executive sponsorship.**
    a. Ensure these are conducive to the type of relationship sought.
4. **Reviewing existing, disparate systems and processes to merge these into joint processes wherever possible. These may include:**
    a. Knowledge management systems.
    b. Communication systems.
    c. Issue resolution systems.
    d. Risk management systems.
5. **Establishing the Joint Relationship Management Plan.**
    a. Giving clarity on when and how this will be reviewed and updated to reflect the continuous evolution of the relationship

Through the development and application of our Mutuality factor set, we will test the robustness of authorities' approaches to structural and cultural shift to facilitate more collaborative relationships so as to identify and share good practice.

People, processes and systems changes

Effective collaboration is people led; it is critical that the leadership of both parties are experienced advocates of collaborative working and visibly exhibit the behaviours that are expected of the workforce. Key to ensuring the requisite people, process and system changes are affected are:

Schedule 3: Mutuality Prerequisites

- **A comprehensive joint governance structure is in place which oversees all aspects of the contract and relationship.** The structure is robust, effective and clearly understood at all levels within both organisations.
- **Each party has a clearly defined Executive Sponsor.** The Executive Sponsors are highly visible and act in a manner that is demonstrably collaborative such that joint direction is clear and unambiguous.
- **The Executive Sponsors have ensured there are clearly defined management systems, authorities and expectations in place** (see 'Structural changes and enablers' above for examples of which disparate systems may usefully be merged). They have made explicit the behavioural principles that will underpin the relationship and exemplify these in their own behaviour.
- **The partners have appointed competent leaders to deliver the required outcomes.** The assessment and appointment process covered individual

capabilities and the interaction between individuals in each organisation. The assessment included:

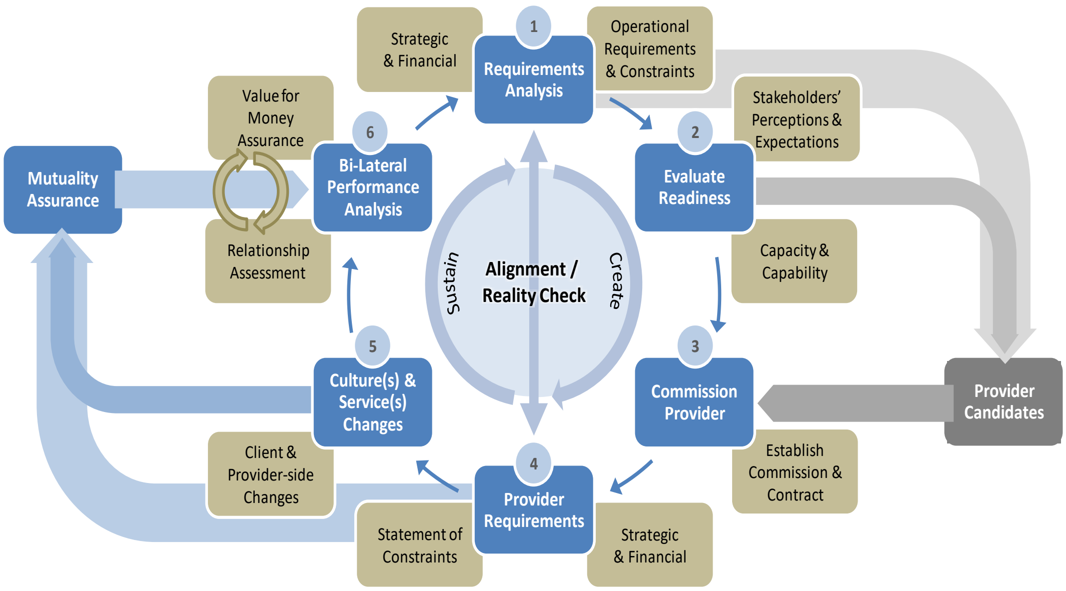
- Collaborative capability and experience.
- Individual appreciation of collaborative approaches and aptitude for collaboration.
- Commitment to collaborative working.
- Identification of appropriate training and development needs.
- Collaborative behaviour.

This Option will evaluate, through development of the methodology and factor set, the efficacy of the arrangements in place to ensure the right people, process and system changes are affected to support effective collaboration.

External partner engagement

Partner selection is critical. Whether evaluating the scope to move existing partnerships to a more collaborative relationship, or selecting a new partner, the client needs to ensure the partner's commitment to mutuality is genuine and proven. The process of partner selection, and sustaining the collaborative relationship subsequently, is illustrated in Figure 4.

Figure 4: Selecting and sustaining the right partnership



Historically, not least because the public sector has lacked imagination in procurement, private sector providers have focused on cost reduction; largely driven by reducing budgets. This has resulted in lean, operationally-focused provider-side teams and a deficit in innovative thinking and strategic change. Often, providers have morphed into low-cost, outsourced teams and many of the benefits of private sector engagement have been undervalued and lost.

The purpose of moving existing contracts to a more collaborative relationship, or entering new collaborative relationships, is to initiate a step change in culture and mindset across the partnership; a shared commitment to the identification and creation of added value and better outcomes for both parties, underpinned by a fundamentally different set of behaviours to those traditionally observed.

Whole life costs

Our provisional assumption for this research option is that the Whole Life Costs (WLC) of either entering a new collaborative relationship or moving an existing relationship onto a more collaborative footing will not be significant relative to the status quo. As such, WLC is not a significant consideration for this option. Indeed, certain aspects of collaborative relationships, such as a clearly defined exit strategy, are likely to reduce WLC.

We will reflect on the validity of this provisional assumption as our research unfolds.

Cashable business benefits

Best practice collaborative relationships properly articulate how value will be created for all parties. Our developing factor set defines excellence in this respect as:

'The Joint Executive Sponsors have clearly defined what value means for both partners.

There is an established, joint approach to innovation that ensures targeted support and encourages new ideas. This structured approach underpins the sustainable engagement, provides a measure of integration and ensures a continual focus on driving greater value from the relationship.

Joint cross-functional teams challenge traditional thinking and address specific challenges, bringing fresh ideas to the table which are properly tested and implemented to ensure continuous improvement.

The partners have considered how other, similar partnerships create value and have adopted any best practice identified.'

The term 'value' covers both cashable and non-cashable business benefits, but it is a reasonable assumption that effective collaboration will deliver at least some cashable business benefits. These are likely to include:

Schedule 4: Cashable Benefits

- **A cashable productivity gain through the merging of disparate systems and processes and clarity over respective roles and responsibilities.**
- **Sharing of scarce resource.**
- **Pooling of skills and resource to enable a wider range of new revenue generation opportunities to be pursued.**
- **A shared a focused commitment to innovation and continuous value for money assurance.**

As our research continues, we will seek to validate the assumptions above and identify and share further cashable benefits being realised by collaborative partnerships.

Non-cashable business benefits

The non-cashable benefits (social, reputational, environmental and political) will vary according to the nature and objectives of each relationship. It is probable however that political and reputational benefits will accrue through the better outcomes that are generally achieved through collaborative working.

Dis-benefits and operational implications

There are no obvious financial dis-benefits (relative to the status quo) of moving an existing relationship onto a more collaborative footing. The most significant challenges are cultural rather than operational, as set out in the following section.

Implementation and operational risks

The implementation and operational risks of this option are primarily cultural. If the requisite behaviours are not adhered to by all partners, the partnership itself will fail to create the value and realise the benefits the collaboration was intended to deliver.

To mitigate these risks, our developing factor set defines excellence in this area as:

'The Joint Management Team has implemented a defined process for the ongoing monitoring of behaviour and has developed a series of trust indicators within the collaboration. These indicators are mostly achieved, and prompt and effective action is taken when they are not.

The partners have considered how other, similar partnerships measure and drive behaviours and trust and have adopted any best practice identified.'

Impacts on stakeholders and communities

There is a broad, working assumption that an effective collaboration will have a positive impact on most groups of stakeholders. There may be exceptions however; for example, political persuasion may influence views on the desirability of some forms of collaboration and certain staff groups may feel threatened if the success of a collaboration leads to greater productivity and a reduction in roles.

Schedule 5: Stakeholder Impact Assessment: Key Stakeholders

- **Politicians**
- **Other Councils**
- **Districts**
- **Parishes and Town Councils**
- **Neighbouring Authorities**
- **Officers**
- **Partners (Delivery / Value Chain)**
- **Public / Asset & Service Users**
- **Regulators & Other Agencies**
- **Blue Light Services**
- **Special Interest Groups**

High-level stakeholder impact assessments can be completed using Value Analyser™.

Readiness and barriers to success

In terms of mutuality and effective collaboration, the potential barriers to success are primarily behavioural. These barriers can be mitigated where:

Schedule 6: Overcoming Barriers to Success

- **A comprehensive joint governance structure is in place which oversees all aspects of the contract and relationship.** The structure is robust, effective and clearly understood at all levels within both organisations.
- **The Executive Sponsors have ensured there are clearly defined management systems, authorities and expectations in place.** They have made explicit the behavioural principles that will underpin the relationship and exemplify these in their own behaviour.
- **Joint objectives have been articulated which encompass the specific needs and drivers of the individual organisations.**
- **The partners have implemented a defined process for the ongoing monitoring of behaviour** and has developed a series of trust indicators within the collaboration, ensuring that where these indicators are not achieved, prompt and effective action is taken.
- **The performance management framework in place includes the process of continual improvement** to enhance the effectiveness of the collaborative business relationship and measures of the strength of the relationship.
- **A Joint Relationship Management Plan is in place** which evolves over time to reflect different levels of maturity within the relationship.

This Option will evaluate, through development of the methodology and factor set, the efficacy of the arrangements in place to mitigate common barriers to success.

Retreat options

All effective collaborations will have a comprehensive and well understood joint exit strategy in place that:

Schedule 7: Exit & Retreat Plan

- **Sets out clearly how the parties plan to disengage** when necessary and ensure effective business continuity and customer support.
- **Evaluates the potential impact on stakeholders** and all relevant asset, financial and commercial implications.
- **Identifies and addresses potential areas of conflict**.
- **Is the subject of regular evaluation for changes in the organisations, business environment, personnel, performance and market** to assess their impact on the business relationship and updated as necessary.

This option will assess the strength and efficacy of the joint exist strategies put in place by partners and will look to identify and share best practice.