

The Partnership Scorecard



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Large scale partnerships often live on a “knife edge”. Things can be going well most of the time, with what appears to be a cordial and cooperative partnership. But as soon as something goes wrong the finger pointing and accusations start in earnest. While the intent of the partnership might be well articulated in the terms of the contractual agreement, it is often not the contracted aspects of the partnership that cause the problems, but the softer, more intangible aspects. Often these aspects are particular to an individual role and therefore not captured in the “heads of agreement”. What is missing is a mechanism for assessing the value flows at the individual role level within partnerships. This is what the Partnership Scorecard (PSC) is designed to do.

The concept of the “business partnership” has been fundamental to economic development and success, but the attention it now attracts has never been higher. The number of equity alliances in the USA only numbered in the hundreds throughout the whole of the 1970s, whereas today, such alliances would number in the thousands each year (Pekar & Margulis, 2003). More critically, with the continued flattening of modern organisational structures, the busi-

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ness partnership is also gaining prominence inside the organisation. For the larger multinational corporations, self managed teams, informal networks and peer to peer partnerships are replacing a total reliance on hierarchical control to coordinate business activities. Such mechanisms have become essential for larger organisations to match the flexibility and fast response achieved by smaller and more nimble competitors.

Despite the fundamental importance of the business partnership to business success today, there remains little support for the measurement and management of the business partnership. Unlike business processes, which through their very nature lend themselves to measurement mechanisms contained in TQM, Six Sigma and Lean Manufacturing techniques, partnerships are inherently human centred and intangible. Where measurement mechanisms do exist, they tend to be high level measures like compli-

ance to agreed “codes of conduct” and/or outcome measures like revenues generated from alliance activities. The difficulty with high level measures is that they are framed as applying equally to everyone involved in the partnership. Mechanisms like the Balanced Score Card (Kaplan & Norton, 1996) work at the strategy level. While the intent may be clear, individual accountability for activities that constitute the partnership are not. “Relationship Managers” are often appointed with the responsibility for the partnership, but the lack of high fidelity measurement mechanisms makes it next to impossible to understand the dynamics of a typical partnership at all levels. Therefore the ability to effectively manage and improve partnership performance is limited.

This paper introduces the concept of “The Partnership Score Card” (PSC). PSC is distinguished from other partnership measurement mechanisms in that it works down to the individual or role level. The fundamental process for creation of PSC is value network analysis (VNA). VNA identifies both tangible and intangible value flows between identified roles in the partnership.

PSC identifies for each role the individual value flows that the role is accountable for as well as the value flows that each role is responsible for assessing

Each role is identified with both creating value flows for other roles as well as assessing value from the value flows that it receives. The resulting PSC identifies for each role the individual value flows that the role is accountable for as well as the value flows that each role is responsible for assessing. In this way performance is as-

sessed at the “role” level enabling corrective or enhancement actions to be implemented directly.

Value Network Analysis

A value network can be defined as:

“...any web of relationships that generates tangible and intangible value through complex dynamic exchanges between two or more individuals, groups, or organizations” – Verna Allee

VNA is therefore the business modeling technique for capturing, visualising and then analysing the network of interactions for improvement opportunities, whether they result in an organisational structure change or the implementation of a new IT system. The technique inherits the attributes of a traditional business process mapping technique, with the addition of some unique features for identifying intangible flows (Allee, 2006, 2008).

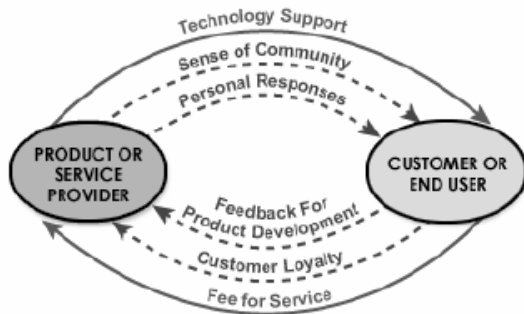


Figure 1 – Basic VNA Components

A VNA map consists of three basic elements. The ovals identify “participants”. Participants can be at the individual or

group level, but at all times represent human decision makers. The arrows identify a flow between participants. They are always uni-directional. Solid lines represent tangible flows, dotted lines are intangible flows. Labels on the arrows are “deliverables” that move from one participant to the next. They can be tangible or intangible. Boundaries are typically drawn to limit the scope of the analysis to a workable level of detail.

VNA is typically conducted in a workshop setting, ideally with the participants representing the identified roles within the partnership.



Once the tangible and intangible flows are identified between the roles, analyses can be conducted to assess the dynamics of the value flows across the partnership as represented by the network. Imbalances in value exchange between roles can be addressed through negotiation to create an agreed overall value network. An extract from an actual value network map is shown below:

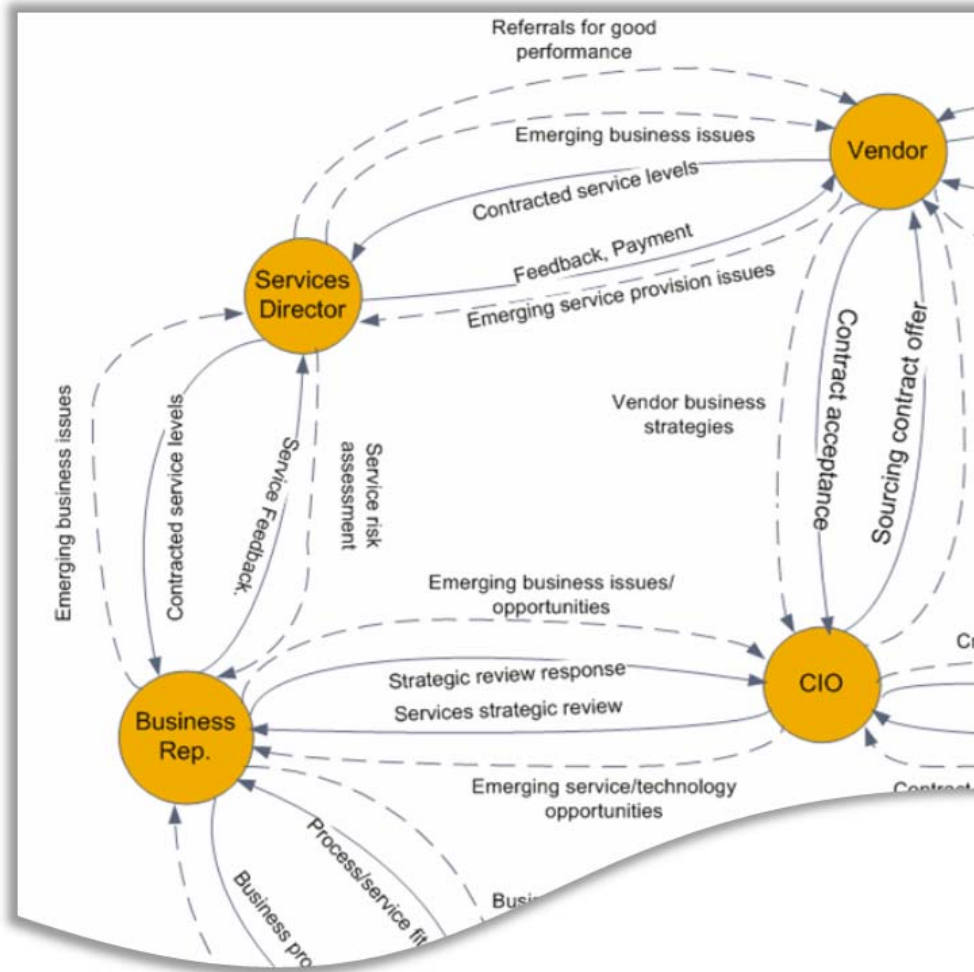


Figure 2 –Value Network Extract

One can see that the above value network has a balance of tangible and intangible value flows, with the levels of reciprocity balanced to ensure a sustainable partnership between roles can be achieved. We are now ready to build the PSC.

those tangible value flows that aren't captured in other service level agreement reporting mechanisms. A short survey is constructed with the identified value flows framed as survey questions, as illustrated in Figure 3.

The PSC is a direct output from the VNA maps. Each deliverable can be represented on the scorecard with the value creator and value receptor identified. The first step however, is to decide what value flows need to be captured on the scorecard. Typically, all the intangible value flows would be included, together with

The objective of the survey is to assess current performance on intangible value deliverables. It is anticipated that many of the tangible value flows would be assessed by existing contractual scorecards, though tangible value flows could also be included in the survey. The columns for "Value to Role" and "Cost or Risk of Pro-

vision” could have been assessed during the VNA exercise or can be captured here to provide a basis for prioritising high value opportunities, as well as identifying areas of potential over servicing. Changes in the Value/Cost levels identified in the VNA can be adjusted with experience, over time.

ance gaps exist on highly rated value flows and cost of provision is minimal. On the other hand there may be areas that are over-serviced, where the perceived performance and cost of delivery is not matched by the perceived value rating. Some re-prioritisation opportunities would therefore exist.

Intangible Deliverables	Delivered by:	Survey Question	Assessed by:	Assessment ¹	Value to Role ²	Cost/Risk of Provision ³
Service Risk Assessment	Services Director	I feel well informed about potential service delivery risks	Business Rep	-1	3	3
Emerging Business Issues	Services Director	I feel well informed on emerging business issues that might impact demand for our services	Vendors	0	4	2
Emerging Business Issues	Business Reps	I feel well informed in emerging business issues that might impact on us	Services Director	-1	5	2
Emerging Business Issues/ Opportunities	Business Reps	I feel well informed about business issues and opportunities that IT could assist with	CIO	1	5	1
Vendor Business Strategies	Vendors	The vendors keep me well apprised of their business directions and activities	CIO	2	2	5
Business/Budget Forecasts	CIO	We are kept well informed on IT budget forecasts, both long and short term	Vendors	0	4	1
Emerging Service/ Technology Opportunities	CIO	We are well apprised of the major technology trends and risks as well as the opportunities that they may provide	Business Reps	0	4	1

¹ -2: strongly disagree; -1:disagree; 0:neutral; +1:agree; +2:strongly agree

² 1=Little value; 2=Some value; 3=Appreciated; 4=High Value; 5=Critical Value

³ 1=Minimal; 2=Modest; 3=Nominal; 4=High; 5=Very High

Figure 3 - Value Delivery Survey Example

Targets for performance improvement can also then be set along with identified activities required to meet these targets. The completed survey is analysed for relationship improvement opportunities. “Quick wins” can be identified where perform-

Once the survey has been completed by those occupying the identified roles, the PSC can be finalised. For illustrative purposes, an extract from the PSC for the value map shown in Figure 2, is shown in Figure 4:

Deliverables ¹	From	To	Measure	Target
Contract service levels	Services Director	Business Rep	As per contract	As per contract
<i>Service Risk Assessment</i>	Services Director	Business Rep	As per Intangibles Survey	1
Payment for services	Services Director	Vendors	As per contract	As per contract
<i>Emerging Business Issues</i>	Services Director	Vendors	As per Intangibles Survey	1
Formal Services Feedback	Business Reps	Service Director	As per contract	As per contract
<i>Emerging Business Issues</i>	Business Reps	Service Director	As per Intangibles Survey	1
Strategic service review response	Business Reps	CIO	Quarterly workshop	Scheduled & held
<i>Emerging Business Issues/Opportunities</i>	Business Reps	CIO	As per Intangibles Survey	1
Contract Acceptance	Vendors	CIO	Sign-off as required	2 week turnaround
<i>Vendor Business Strategies</i>	Vendors	CIO	As per Intangibles Survey	0
Sourcing Contract Offer	CIO	Vendors	Formal offer	N.A.
<i>Business/Budget Forecasts</i>	CIO	Vendors	As per Intangibles Survey	1
<i>Emerging Service/Technology Opportunities</i>	CIO	Business Reps	As per Intangibles Survey	1

¹Intangible value flows shown in *Italics*

Figure 4 – PSC Extract from VNA Map

One can see from the above scorecard that some important differences exist from traditional performance scorecards. The critical differences are:

- Accountabilities are articulated down to the “role” level. The PSC makes it abundantly clear as to who is responsible for what.
- All role participants in the PSC are both value creators and value assessors. There is no “Us and Them”. “Master-Slave” situations are minimised through the exposed interdependencies of the roles analysed. Partnerships are

by definition, reciprocal arrangements. The PSC simply makes such arrangements explicit.

- The tangible measures are the expected “contracted” deliverables. If they do not exist within a formal contract, the opportunity exists to add them.
- The intangible measures are nearly always perception, and perception often becomes reality. A monthly assessment survey for intangibles is an effective means for gaining a quick “temperature check” for how these value deliveries are progressing.

The Partnership Scorecard in Action

Mike is the CIO of a medium sized industrial firm. His firm had outsourced the provision of IT services to a major multi-national outsourcing firm. The outsourcing arrangement had now been in place for seven years and therefore his own internal IS team and the outsourced providers had had ample time to learn how to work with each other. To Mike, however, the relationship always appeared on a “knife edge”. For 90% of the time the relationship was cordial, with each side of the partnership appearing to work well together. However it was the other 10%, when something had gone wrong, when the relationship deteriorated into finger pointing and accusations.

The providers were always somewhat puzzled by this as their performance to contracted service levels had always been reasonably good. They could not understand how unhappy their client could be when their contracted performance was always more than adequate.

Mike had been introduced to Value Network Analysis at a recent seminar. The added focus on intangibles really resonated with Mike and he was convinced that the source of his ills were in the intangible, rather than the tangible aspects of his relationship with the outsourcer. With agreement with his outsourcing provider he invited consultants in to run a VNA workshop across the partnership with the intent of developing a better mechanism for measuring, monitoring and improving the partnership performance. The mechanism would incorporate the intangible aspects of the partnership. Participants were drawn from both sides of the partnership, representing the key roles. It quickly became apparent that little conflict existed on the tangible value flows. Both sides were able to easily identify the tangible contractual flows for the VNA map and were anxious to get on to identifying the important intangible value flows.



At this stage the facilitators felt it wise to break up the participants into organisational teams so they could separately identify the intangible value flows that they both generated and expected from the other roles. On bringing the groups back together again they were able to compare each others’ perceptions as to what was important or not to each other. Interestingly enough there was not a lot of commonality in perceptions. As Mike had suspected, it was the intangible value flows that proved to be the area where the largest disconnect occurred between his team and the outsource providers.

When assessing the perceived performance against intangible value flows, it was not surprising to find some very low scores, therefore exposing where the real issues were in the partnership.

By way of illustration a particular intangible flow that the outsourcing vendor had scored

poorly on was the “visibility of its desktop support staff in the field”. Mike’s team had set a requirement for the provider to keep them informed of the whereabouts of each field staff member on a day to day basis. The provider was puzzled by this as they felt that their help desk processes were such that if there was a problem they would be able to have staff on site as contracted. They felt that Mike wanted to meddle in their business and therefore they were resistant. For Mike however, the critical intangible was how he was perceived by his own business clients. The desktop support staff were the most visible “face” of the IT function to his client base. Even small glitches in service had the potential to have large reputational impacts on himself and his staff. The issue was not so much wanting to know where all the field staff were, but one of protecting his hard won reputation with his own business clients.

On the other side of the partnership one outsourcing provider role identified an intangible flow related to “having confidence to let them get on with the job”. This issue appeared to be that some of Mike’s team were micro-managing and not being consistent with their provision of business priorities. Like Mike’s need to protect his reputation, the provider had a need also to have his reputation for professionalism respected. In both situations failures in process, be it a field service process or an IT request process exposed sensitivities around intangibles and often misguided remedies. However, by framing the intangible value flows in terms of the real intangibles like reputation protection/enhancement or confidence in doing the job, the right measures can be put in place and corrective actions for process issues more accurately focused.

Mike was happy with the outcome and the new insights it provided about the partnership. He moved quickly to bed down the progress made in the form of a new Partnership Scorecard for himself and his outsourcing partners.

Analysing the PSC for Performance Improvement

Traditional transactional economics identifies tangible exchanges where goods and services are exchanged for monetary payment. In reality however, value exchanges between tangible and intangibles occur continually. A vendor may provide a lower price for a product or service in return for repeat business. A buyer of goods or services may pay a premium price due to a perceived reliability that the vendor displays. While tangible deliverables can be finan-

cially analysed for costs and benefits, intangible deliverables often prove difficult to assess financially. For example, a simple intangible aimed at improving a relationship is

open book accounting. That is, the partners open their accounts to each other to demonstrate open and honest behaviour. The tangible cost could be quite low, but the perceived risk in doing so may be quite high. We therefore need to be able to match costs and benefits at

both a perceptive, as well as financial level, when assessing PSC performance.

The following chart is an example analysis of intangible value delivery performance, shown against the perceived cost/benefit comparisons:

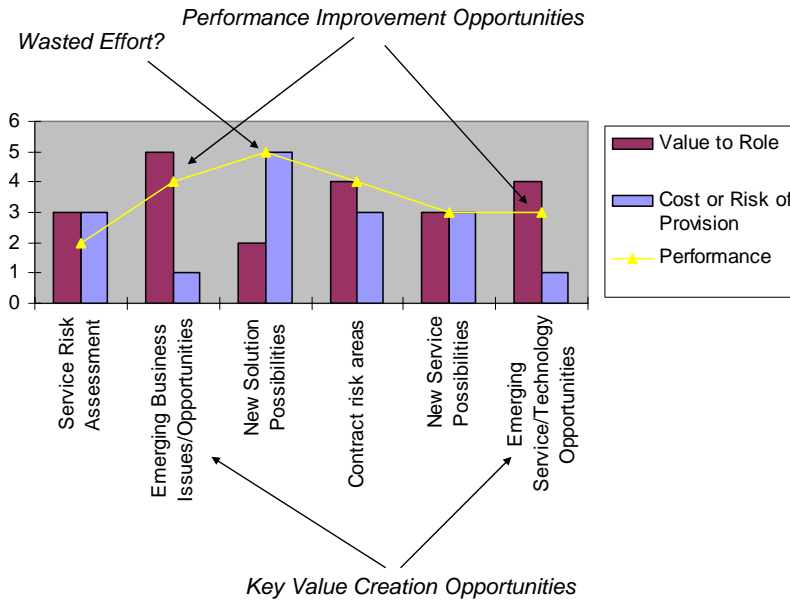


Figure 5 – PSC Analysis

The PSC analysis provides the opportunity to assess where the critical value creation opportunities are, and therefore to target partnership improvement activities precisely where they are needed. Performance targets can be established that can be measured and assessed at regular intervals.

Using PSC to Improve Overall Organisational Effectiveness

The PSC has been developed to fill a gap in the organisational effectiveness toolkit. At the organisational level, measurement mechanisms like the “Balanced Scorecard” (BSC) have provided a facility to align the organisation’s overall activities with its strategies. Critically, the balanced scorecard is designed around the identification of non-

financial, often intangible attributes, as well as the financial targets required to successfully execute the organisation’s strategy. The PSC, like the BSC, also deals with intangibles, but takes the application down to the operational level, where accountabilities can be defined down to the “role” level. In this way, individuals can know what particular deliverables that they are responsible for and to whom. They will also have the opportunity to assess value deliverables that they receive from others. In this way, the PSC takes organisational objectives and converts them to personal ones.

Of course on its own, or even in combination with the BSC, the PSC is not the total answer for achieving superior organisational effectiveness.

The roles identified in the PSC are invariably filled by people. For people to collaborate effectively there will be an underpinning organisational culture dimension that can either help or hinder value delivery. As indicated earlier, the assessment of intangible value delivery is more often than not, one of perception. A negative perception can be biased by the mode of value delivery, as much as it’s content. For example, a piece of business intelligence may be perceived more highly in a partnership environment of trust and cooperation, than one of antagonism and mistrust. Organisational culture is beyond the scope of this paper, but is identified as a key enabler for the successful use of the PSC, in that it focuses on the “how” of value delivery at a personal level.

There also exists another linkage to a complementary analytical technique to VNA,

called Organisational or Social Network Analysis (ONA/SNA). Unlike VNA, ONA works at the personal level. The technique identifies the strength of “trust” relationships that exists between individuals, independent of their particular roles. Trust relationships tend to build up over time as individuals identify who in their work environment they can rely on. By mapping these personal relationships, ONA is able to identify critically connected individuals in the organisation. In a partnership situation, ONA can identify

those individuals who might have most influence over their peers, either as sought after advisors or brokers to other human resources. In terms of VNA and the PSC, ONA can identify those individuals who are best placed to occupy some of the critical roles in the partnership environment, either because they are trusted on both sides of the partnership, or they bring new value to the partnership through their linkages to external human resources.

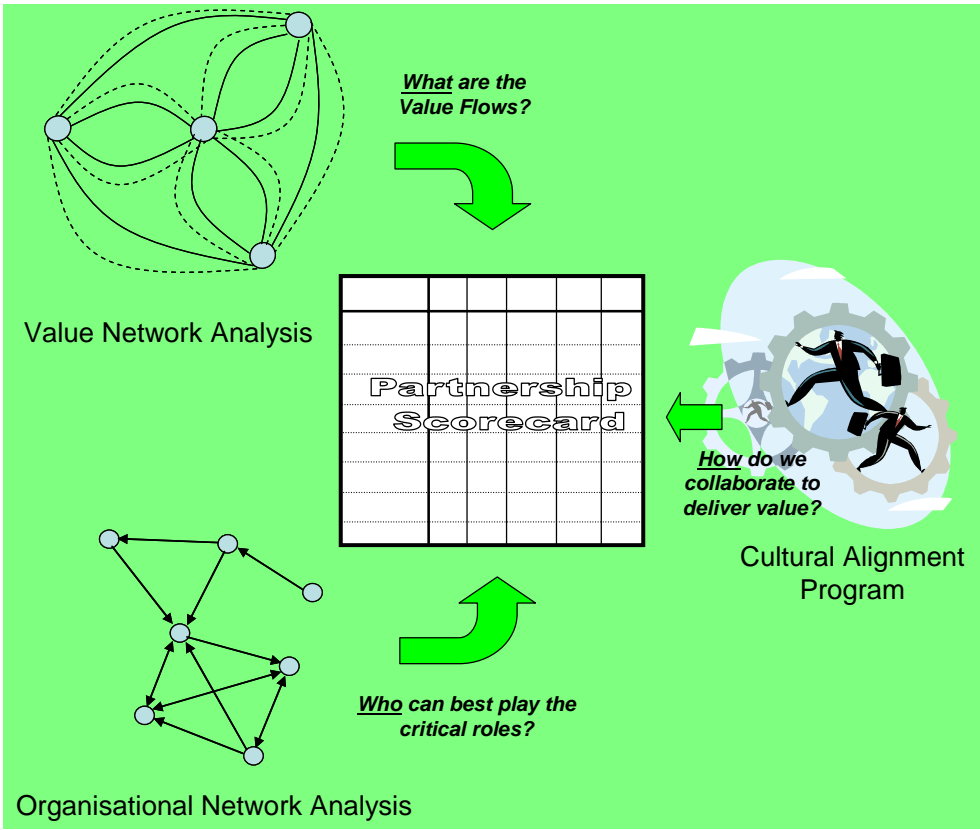


Figure 6 – The PSC and Overall Organisational Effectiveness

In summary, the PSC provides a missing piece for the organisational performance jig-saw, by providing a mechanism for the measurement and assessment of both tangible and intangible value flows at an operational role level. Without PSC, organisations have often struggled to operationalise their strategic plans. VNA is identified as a critical enabler for the generation of an effective PSC. VNA identifies agreed tangible and intangible value flows between roles in a partnership. The ensuing PSC clearly articulates both value creation and value assessment responsibilities for each role. Uniquely, the PSC demonstrates

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the shared nature of a partnership, whether external or internal to an organisation, by creating interdependent accountabilities. By working at the individual level, individual accountabilities can be articulated, providing a stronger linkage between organisational level objectives and operational performance, than has previously been possible. In combination with strategic alignment tools, organisational culture alignment programs and organisational / social network tools, PSC can provide the organisational effectiveness toolkit that organisations are searching for today.

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About Optimice Pty Ltd

Optimice's objective is to help our clients optimise their internal and external business relationships. Optimice has extensive experience in researching, analysing and facilitating improved business relationships. In particular, Optimice aims to assist its clients successfully navigate their way through the growing complexity of alliance networks, multiple sourcing contracts, off-shore relationships, organisational restructures and the like, as well as help their staff to become more astute networkers.