

# PAS 11000

## Collaborative business relationships

A framework specification



Building business relationships



© BSI November 2006  
ISBN 0-580-49520-5

| Amd. No. | Date | Comments |
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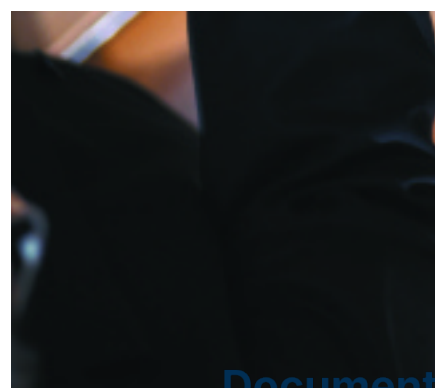
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# Foreword

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This Publicly Available Specification (PAS) has been developed by BSI in association with Partnership Sourcing Limited (PSL) to provide an auditable strategic framework to improve collaborative relationships in organizations of all sizes. Acknowledgement is given to the following organizations which were involved in its development:

**AMEC plc**

**Association of Alliance Managers (AAM)**

**BT Global Services**

**Chartered Institute of Purchasing and Supply (CIPS)**

**Intellect**

**Office of Government Commerce (OGC)**

**TÜV UK (on behalf of the Association of British Certification Bodies)**

***NOTE** Special thanks is given for the extensive participation, expertise and feedback provided by the members of the organizations listed above throughout the development of this PAS.*

Wider comments from other parties were invited by BSI. The expert contributions made by the organizations and individuals consulted in the development of this PAS are gratefully acknowledged.

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This PAS does not purport to include all the necessary provisions of a contract. Users are responsible for its correct application.

The service provider may wish to obtain third-party certification for their product/service.

Please note that a guide for Small and Medium-Sized Enterprises (SMEs), explaining in detail the background, benefits and application of this PAS to small businesses, will be made available by BSI in 2007.

**Compliance with this PAS does not of itself confer immunity from legal obligations.**

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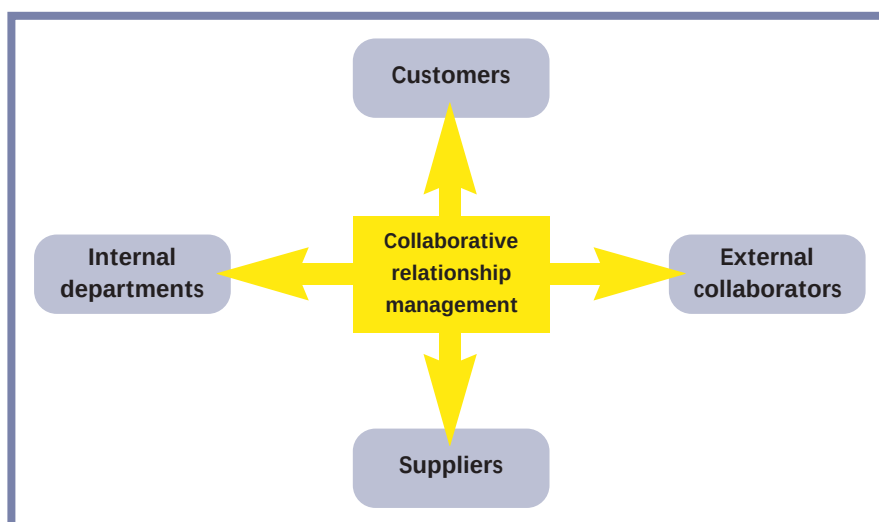


The aim of this PAS is to provide a strategic framework to improve collaborative relationships in organizations of all sizes. It addresses the processes that need to be incorporated into collaborative relationships to ensure they are effective and optimized.

Collaborative approaches have been shown to deliver a wide range of benefits, which enhance competitiveness and performance whilst providing a platform for developing additional value. Compliance with this PAS will enable collaborative partners to effectively share knowledge, skills and resources to meet mutually defined objectives and to provide new levels of value creation.

Relationships impact every aspect of business operations. In developing any form of relationship management programme, it is important that organizations target their activities to ensure there is a clear direction for investment. The timescale for the relationship building process will vary, depending on the nature and complexity of the relationship. It may range from three months to achieve incremental changes through to two years to achieve full potential.

**Figure 1 - Multidimensional relationships**





Collaborative relationships in the context of this PAS can be multidimensional (see Figure 1). It is important that organizations also evaluate and prioritize the scope of their programmes considering the multidimensional nature of these relationships across their operations. In specific cases it may be appropriate to consider the interaction between one or more of these dimensions where benefits may be obtained by linking various organizations, activities or processes.

The overall process as defined within this PAS has been established to provide a framework that will allow organizations to incorporate their existing best practice approaches. It is also recognized that given the diversity, complexity and size of organizations covered by this PAS the degree of application will by necessity vary within the overall framework. This is particularly important when considering the potential of collaboration between organizations of differing sizes, such as large multinationals dealing with smaller organizations.

The intent of this PAS is not to create a single one-size solution but to establish a consistent framework that can be applied by organizations of all sizes. The process and applications within this PAS highlights the key areas, which all organizations should address. However, it must be recognized that within the overall intent the degree of application will by necessity be tailored to the size, capability and resources of the individual organizations involved. The checklist contained in Annex A provides a guide to the key issues and forms the foundation for those organizations seeking to be accredited against this PAS.

The structure of this PAS has been based on best practice approaches and follows the eight-phases as defined in the scope. The first three phases, Awareness, Knowledge and Internal Assessment, provide the strategic foundation that links collaborative approaches to the overall business operation. These sections include the evaluation and benchmarking of collaborative approaches within the industry sectors or across industry in general, as well as focusing on the capability of an organization to collaborate.

When the strategic elements of collaboration have been addressed, the organization will be ready to engage with others. The Partner Selection phase should be utilized to identify potential new partners or to validate existing relationships while the Working Relationship sets out how the collaboration will function in practice.

The management of the relationship is covered by the Additional Value Creation, Staying Together and Exit Strategy phases, which focus on an individual relationship. However, organizations should consider these stages more broadly when addressing internal processes that may need to be adapted or developed when implementing this PAS.

Collaborative relationship management is a complex area where the specific demands of organizations will provide a wide range of customization in order to build towards the most effective outcome. This PAS has been specifically developed to highlight the key elements for success, provide a common route map for ease of integration and a measurable platform to monitor progress.



# Scope

This PAS specifies requirements for the effective management of collaborative business relationships between discrete organizations. It is applicable to organizations of all sizes from large multinational corporations to micro/small businesses.

The application of this PAS has to be tailored to the size of the organizations involved.

Application of and/or compliance with this PAS can be on four different levels:

- ▮ a single relationship;
- ▮ an individual type of relationship;
- ▮ multiple types of relationships;
- ▮ full application to all types of relationships.

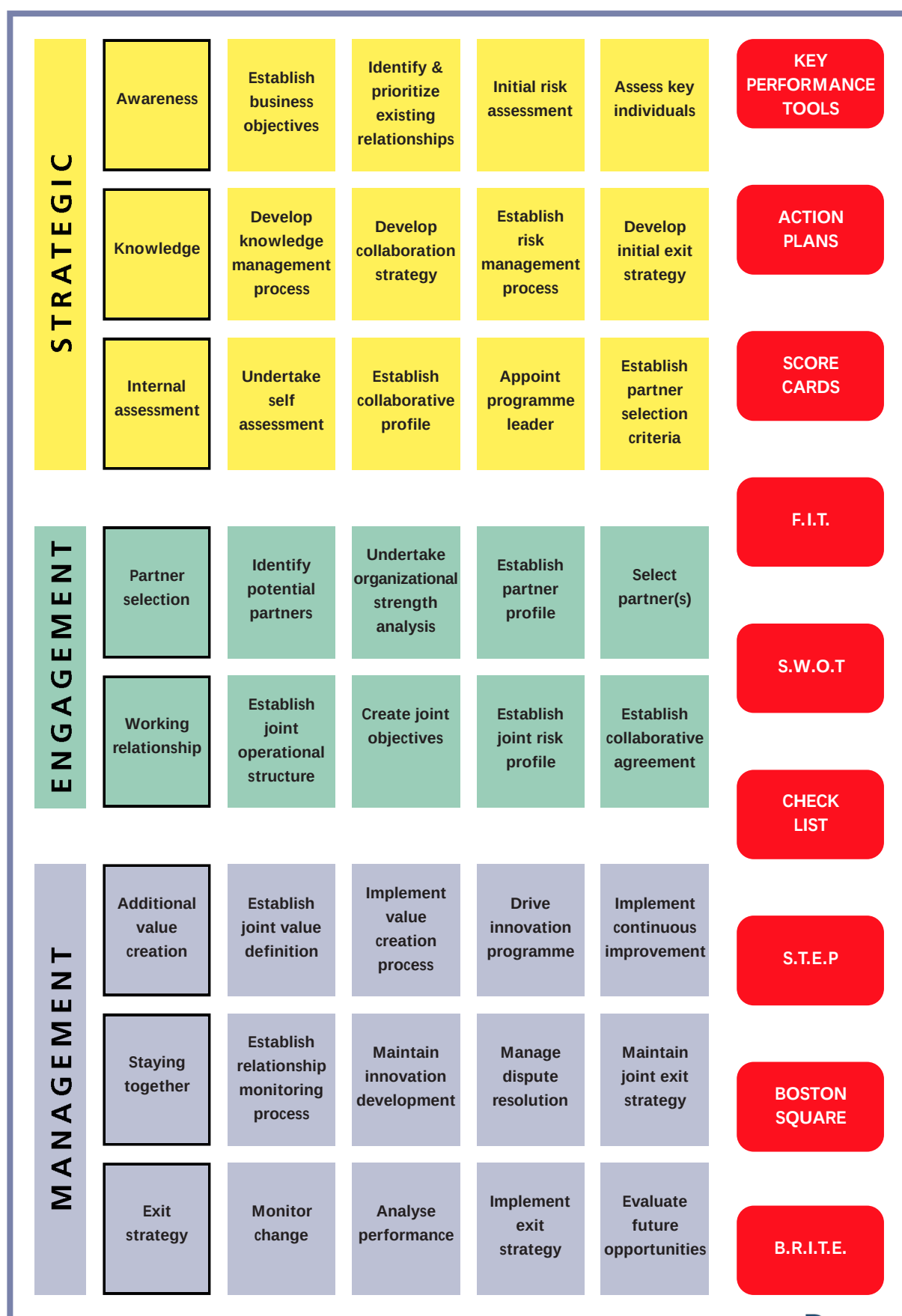
This PAS does not cover Business-to-Consumer relationships, employer/employee relationships or IT systems which support business relationships.

The eight-stage framework specified in this PAS assists organizations to assess and develop their own particular profile and approach to collaborative business relationships (see Figure 2). The key eight phases are as follows:

- ▮ awareness: understanding where relationship management fits with your business objectives (see Clause 1);
- ▮ knowledge: understanding how others have progressed and developing your approach (see Clause 2);
- ▮ internal assessment: evaluating how your own organization is positioned to collaborate (see Clause 3);
- ▮ partner selection: finding the right partner relationship to complement your objectives (see Clause 4);
- ▮ working relationship: building a joint approach focused on mutual benefit (see Clause 5);
- ▮ additional value creation: developing additional value from the relationship (see Clause 6);
- ▮ staying together: ensuring that you measure and maintain maximum benefit (see Clause 7);
- ▮ exit strategy: recognizing the changes, both internal and external, and preparing for disengagement (see Clause 8).

Whilst these phases are shown as a linear process it is recognized that in many cases this will be an iterative process. Similarly, it is probable that, in some cases, existing relationships may start from differing points in the process. It is recommended that in these cases organizations should address the earlier phases to establish a firm platform before moving forward.

**Figure 2 - Overview of the principle components of successful collaborative business relationships**



# Terms and definitions

For the purposes of this PAS, the following terms and definitions apply.

**action plan**

process by which an organization identifies and monitors required actions to achieve stated objectives

**BRITE ideas**

model to ensure that innovative ideas are tested using the following parameters: benefits (tangible), realistic (achievable), investment (financial, time and resource), training (skills assessment), economic (cost benefit analysis)

**business objectives**

targets set for specific operations within the organization

**business drivers**

fundamental focus which the business operations have to satisfy or address

**collaborative opportunities**

processes or activities which can be improved through collaboration

**collaborative partner**

organization which conducts a business relationship with the initiating organization

**customer relationship management**

interaction between buyer and seller

***NOTE** This is not the same as Customer Relationship Management (CRM) systems which refers to a process used to track customer information.*

**discrete organizations**

organizations with separate management structures, internal or external

**extended enterprise**

extended enterprise arrangement whereby independent organizations collaborate to create a product or service which they could not provide independently, whilst remaining as separate business entities

**initiating organization**

group initiating the potential relationship

**organization**

government, industry or societal organization or an internal group within one of these specifically assigned for a particular operation or initiative

**organizational strength analysis (OSA)**

process to establish the key criteria required to evaluate a potential partner's overall match to principal values of the collaboration

**supply chain**

linking interfaces between a series of entities through which product(s)/service(s) are supplied by one entity to the other entity within each link

***NOTE** Each link has a relationship which needs to be managed appropriately.*

**value chain**

concept of delivering value by looking beyond the traditional vertical one-to-one trading relationship of customer and supplier and linking multiple elements of the supply chain to optimize processes, costs and resources through effective business relationships creating cumulative benefit



# 1.0 Awareness

The initial phase of the collaborative business relationship programme creates awareness within the initiating organization in order to establish the basis for proceeding. The rationale behind adoption is clearly defined in order to ensure that it is consistent with the overall business objectives of the initiating organization.

## 1.1 Senior executive

The organization shall appoint a senior executive responsible (SER) for developing and implementing a collaborative business relationship programme. The SER shall, as appropriate, appoint a programme team (see Annex B).

## 1.2 Identify business objectives

In order to integrate collaborative business relationships with the objectives, the organization shall identify and document its own key business objectives and economic goals.

*The business relationships important to the organization may include for example other businesses, government, suppliers, customers or internal departments of an organization.*

## 1.3 Identification of existing business relationships

The organization shall identify all significant business relationships, both internal and external. The aims, drivers, objectives and benefits of each business relationship shall be clear and documented.

## 1.4 Segmentation of business relationship

The organization shall segment all significant relationships according to the required business focus. This shall include:

- a) specific individual relationships;
- b) market propositions;
- c) sectors of the business activity;
- d) customer types (e.g. public or private);
- e) geographic segments;
- f) other appropriate designations where collaborative relationships offer a business opportunity.

## 1.5 Prioritize business relationships

Each significant business relationship identified shall be considered and prioritized in terms of the organization's strategic business objectives and its potential for improvement. The organization shall target areas where collaboration can open new strategic opportunities and prepare an action plan.

Each action plan shall include, as a minimum, the following items:

- a) key objectives;
- b) potential benefits and opportunities;
- c) identified risks;
- d) market analysis;
- e) key resource requirements;
- f) identification of programme team leader;
- g) exit strategy parameters.

*This is the first crucial step to exploit the potential benefits of working in a more integrated way. The more effort put into relationship management, the greater the prospect of success.*

*Many strategic initiatives do not succeed because they focus on internal perceptions and fail to recognize the external influences that could aid or constrain the programme.*

*The objective is to provide a structured framework against which to focus the strategic development process.*

Areas where it is anticipated that collaborative relationships can improve and add value to the current operations shall be identified and documented by the organization.

**NOTE 1** *If no improvements or added value are identified for a potential collaborative relationship then the organization should consider whether it is appropriate to proceed with the investment of resources.*

*This could be focused on internal interfaces to optimize the existing activities, consolidate rationalizations, and speed the process of integration in respect to acquisitions and mergers.*

*Externally, any activity that involves two or more organizations working in an integrated manner provides an opportunity to improve performance, reliability and value through a joint focus on value and risk. Such activity might include:*

- | *outsourcing programmes;*
- | *off shoring operations;*
- | *business process outsourcing;*
- | *ICT programmes;*
- | *facilities management;*
- | *supply chain development;*
- | *public, private partnerships and procurement;*
- | *innovation development programmes;*
- | *knowledge transfer.*

**NOTE 2** *Further requirements on strategy development are specified in 2.4.*

## 1.6 New ways of working

Improvements shall be considered in order to add value to collaborative partnerships, including new ways of working. These shall be documented.

## 1.7 Initial assessment of risk

The organization shall conduct a risk assessment to identify and document specific risks, including change management associated with each significant business relationship.

*In every business venture there is always an element of risk. Effective risk management enables collaborative partners to pool knowledge skills and resources towards joint identification, mitigation, sharing and assigning risk to those best placed to manage it. Additionally, effective risk management can realize the potential rewards of competitive advantage created by integrated risk strategies. Collaboration and partnering offers many opportunities to develop approaches that can mitigate some risks for both customer and suppliers throughout the value chain. At the same time it can introduce new risks that might not have been considered.*

## 1.8 Formal and informal relationships

The organization shall identify and document the key individuals involved in collaborative programmes and assess the risk implications. This shall take into account all stakeholders and the implications of both formal and informal relationships (see Annex C). This document shall be maintained and updated at regular intervals and when there is a change of personnel.

Where training needs are identified these shall be addressed.



## 2.0 Knowledge

Having assessed the potential benefits of collaborative business relationships this phase establishes a platform of knowledge on which to develop the programme for individual collaborative opportunities.

### 2.1 Developing a knowledge strategy

Each new collaborative opportunity identified and prioritized shall be evaluated and documented to determine key drivers for the relationships to evaluate if collaboration is appropriate. The organization shall undertake research and benchmark good existing practices where appropriate.

An assessment of the skill base shall be carried out and any deficiencies addressed, e.g. through recruitment or training of employees.

*Building a profile of what has already been achieved within successful organizations not only provides potential ideas but also creates a platform on which to generate approaches that might fit the required business case.*

### 2.2 Knowledge creation and management

The organization shall ensure a process is in place to capture and manage knowledge within collaborative relationships.

**NOTE 1** This should include, where appropriate, designating areas which should be protected from unintended knowledge transfer to collaborative partners.

**NOTE 2** Attention is drawn to PAS 2001, Knowledge management - A guide to good practice for guidance on how to manage knowledge.

*A key benefit of collaborative relationships is that it increases the knowledge pool and provides an environment for knowledge creation.*

### 2.3 Knowledge sharing

Clear guidelines and objectives shall be established for sharing knowledge between organizations.

This can be between:

- a) individuals;
- b) groups;
- c) divisions of the organization;
- d) collaborative partners.

The strategic positioning of knowledge sharing shall be integrated at every appropriate level of the organization.

**NOTE 1** Attention is drawn to Freedom of Information Act [1].

**NOTE 2** This can be achieved by ensuring that individuals recognize the importance of sharing knowledge and can be linked with the business objectives of the organization.

*Organizations increasingly accept that knowledge of markets, competition, technology, skills and experience are key to success. Effective collaborative relationships provide the catalyst and platform for organizations, both internally and externally, to create an environment which encourages the sharing of knowledge and the creation of new thinking for mutual benefit. Through effective collaborative relationships, organizations can capitalize on the wider knowledge pool that may otherwise be constrained by systems, perceptions and risk concerns.*

*Knowledge creation will not be effective without implementing a structured approach to sharing knowledge between the collaborators. As with any change process it requires more than just a desire for change. At an executive level the leadership needs to be both focused and realistic about the need for cultural change and the potential constraints that exist which will likely deflect progress.*

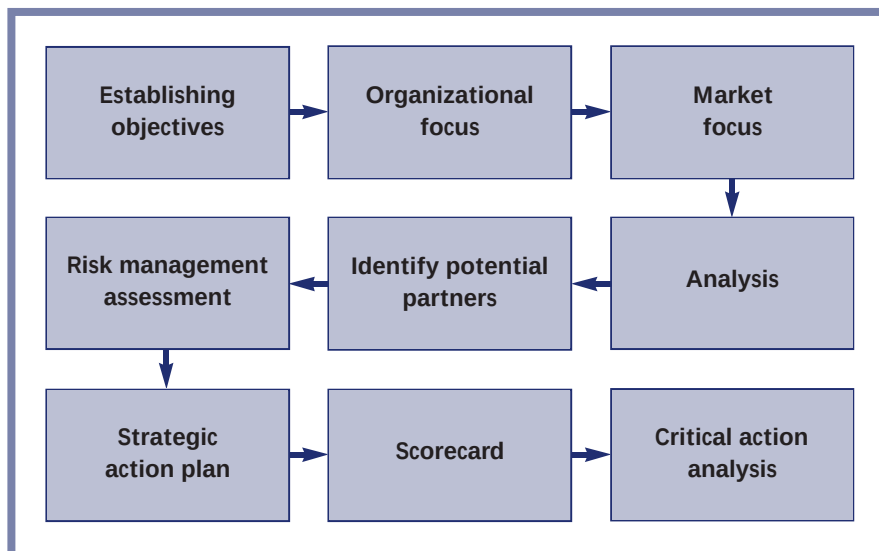
## 2.4 Strategy development process

Each new collaborative opportunity identified shall be evaluated in accordance with the process specified in Figure 3.

*The four key areas that are crucial to an effective strategic approach are as follows:*

- | *business environment;*
- | *organization;*
- | *people;*
- | *processes.*

**Figure 3 - Strategy development flow chart**



### 2.4.1 Establishing objectives

Objectives of each collaborative relationship shall be identified and documented and shall be compatible with the visions and values of the organization.

An assessment shall be made to identify what can realistically be achieved. As a minimum the assessment shall include:

- a) resource;
- b) manpower;
- c) customer value;
- d) capability.

Goals and objectives shall then be identified and set.

**NOTE** The SMART approach ensures that each objective is tested to validate its practicality. Each objective should be:

- | *Specific;*
- | *Measurable;*
- | *Achievable;*
- | *Realistic; and*
- | *Time bound.*

*In many cases the failure of external relationships can be directly attributed to organizations failing to understand or define their own direction. For an organization to be successful it should first identify and understand its requirements before trying to develop those of an external organization. It is only when there is a clear understanding of what the organization hopes to accomplish that relevant objectives can be set.*

#### 2.4.2 Organizational focus

Agreement of the collaborative relationship strategy shall be obtained from the SER. It shall also be communicated within the organization to ensure common understanding.

*A successful strategy rests heavily on the nature and culture of the organizations it serves. Changing the nature of how organizations interact will place strains on the eventual outcome. People make these programmes work and even those outside the direct collaboration activity have an impact on how it is viewed.*

#### 2.4.3 Market focus

The strategy shall include an analysis of the direct implications of improving the business relationship on the market sector and customer base. Consideration shall be given to the broader economic and political changes in the market that may not only affect the market sector but also introduce pressures on the collaborative arrangement through impacts on the collaborating organizations. This shall include a focus on business continuity (see 2.5.3.5).

**NOTE** This may be particularly relevant when working with overseas organizations, which may influence the performance of the relationship.

*The collaborative approach can be developed to meet potential challenges and are often developed as a response to certain aspects of the market.*

#### 2.4.4 Customer focus

The requirements of customers shall be clearly identified and incorporated in to the overall strategic approach. The customer could either be serviced by a collaborative partnership or be part of the collaboration itself.

**NOTE** This can be focused by using the STEP and SWOT analysis (see E.1 and E.2). This in turn provides a valuable foundation for long-term operational opportunities.

#### 2.4.5 Value analysis

At every stage of the strategic development process the potential value of the relationship shall be evaluated for each collaborative venture and demonstrated in the context of the overall business profile and targeted objectives (see 2.4.1) utilizing cost benefit analysis approaches.

**NOTE** This can be done by the use of the Boston square (see E.3).

#### 2.4.6 Product and service analysis

An analysis shall be undertaken and documented in order to assess whether a collaborative concept is appropriate.

**NOTE** This can be as simple as a series of Boston Squares (see E.3) appropriate to the product or service application and warrants the investment in business relationship being developed, i.e. new products or services as a result of new business relationships or development of existing relationships.

For example, the analysis may address the following:

- | cost versus availability of supply;
- | risk versus need for information flow;
- | effort versus complexity;
- | buy versus build;
- | price versus overall impact on performance.

#### 2.4.7 Identifying potential collaborative partners

When an organization is looking for potential new collaborative partners, they shall be identified against the strategic opportunities set out in 1.4.

#### 2.4.8 Exit strategy

The final phase for any relationship strategy shall be the development of an initial exit strategy (see Clause 8 for the complete exit strategy development).

#### 2.4.9 Strategic action plan

For every business relationship the following shall be established:

- a) ownership;
- b) what has to be done;
- c) time frames for what has to be done.

#### 2.4.10 Strategic scorecard

For each business relationship a strategic scorecard shall be established to enable the organization to assess it. This shall:

- a) set measurable outcomes or deliverables for the relationship;
- b) keep an up-to-date record of these, i.e. the scorecard;
- c) ensure that executive management can access the scorecard;
- d) ensure that executive management can identify which outcomes/deliverables are being targeted.

*Creating an idea is only the first stage in the process of bringing additional value to the relationship. In the development stage it is equally important to address and plan the practical implementation of the approach. The danger in many initiatives is that they are forced onto today's activity without appreciating the implications and impact they may have. The implementation and validation process that monitors its progress should be clearly documented by the team.*

### 2.5 Risk management process

The way in which risk is to be managed within a relationship shall be initially determined by the initiating organization. The assessment shall be documented and formally agreed with the SER.

*When dealing with any aspect of relationship management there needs to be a good understanding of risk management.*

*Introducing the concept of risk helps to build a comfort zone around which organizations can create new thinking both to mitigate risk and where practical exploit it.*

*Effective relationships can address many of the challenges introduced by risk but in doing so they may also introduce new risks. Many of the impacts of risk will affect the integrated venture in the same way as it affects a single organization. The essence of effectively managing risk is the ability to distinguish between assumption and actuality. This is amplified when the parties involved are focusing from within separate organizations.*

*What is often more difficult to establish is the risk management culture that accepts the principle that risk is a joint responsibility, and not simply ignore risks on the basis that it is another's problem.*

*The advantage that can be derived from a collaborative relationship is that many risks are caused by interfaces between organizations, and once opened to the joint assessment can often prove to be unfounded or better managed.*

#### 2.5.1 Risk manager

A risk management resource shall be appointed from employees with the relevant skills and experience.

#### 2.5.2 Identification of risks

There are many aspects of risk and each aspect shall be identified and addressed and applied to all partners within the business relationship. Effective approaches shall be developed in order to minimize the risk and as a minimum the risk resource shall assess the risk in the following areas, where applicable:

- a) health and safety;
- b) reputational risk;
- c) performance;
- d) supply risk;
- e) global risk;
- f) relationship risk;
- g) environmental risk;