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YEARS
OF LEADING HR
INTO THE FUTURE

Research report
November 2013

in partnership with



CENTRE FOR
PERFORMANCE-LED HR

Beyond the organisation

Part 2 of 2

Organising HR for partnering success



WORK



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Beyond the organisation

Part 2

Organising HR for partnering success

Contents

Introduction	2
The need to reconsider the HR architecture	4
Six main issues for HR	6
1 Understanding the way the whole partnering network operates to inform HR choices	6
2 Supporting partnership arrangements needs to be a core HR capability	7
3 Differentiating the level of strategic HR support between arrangements	9
4 Designing HR to deal with crisis situations	10
5 Developing leadership for the network	11
6 Dealing with the issue of employees' dual identity	13
Summary and what's next	14
Appendix: methodology	15
Glossary	16
References	18

Acknowledgements

The comprehensive literature review underpinning this report was conducted by Professor Paul Sparrow, Director, Centre for Performance-led HR at Lancaster University.

The report was written by Professor Paul Sparrow and Dr Jill Miller, CIPD.

We are very grateful to those who shared their insights and examples of their organisation's practices.

Introduction

The nature of work is changing, with organisations operating in more of a specialised, networked, flexible and organic way. In particular, we are seeing the prevalence of strategic partnering arrangements between organisations increasing (KPMG 2012, PwC 2013, Hughes and Weiss 2007, Roos and Cools 2006), meaning more and more business relationships have to be managed *beyond the organisation*.

This shift in the way we work has significant implications for HR's role and is beginning to shift the function's strategic agenda. In supporting partnership arrangements (for example collaborative business models, joint ventures, outsourcing, strategic alliances, public-private sector commissioning models), HR can find itself not only responsible for the design and delivery of the people agenda in their own organisation, but also across partnership networks. And managers' roles also become more complex, being responsible for managing teams which include those who report directly to them as well as people employed by a partner organisation.

Many aspects of strategic partnering arrangements are people-centric, dependent on

relationships and management behaviour, as well as knowledge-sharing and learning capabilities. Therefore there is significant opportunity for HR to contribute to their effectiveness. However, the function needs to think about how best they can do this, including the appropriate HR architecture and new capabilities required.

The CIPD is collaborating with Professor Paul Sparrow at the Centre for Performance-led HR at Lancaster University on a programme of work, *Beyond the Organisation*, to examine what this shift means for the HR function. We aim 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.

Why is research in this area so important?

Further work in this area is important given the high failure rate of partnership arrangements to achieve their objectives. For example, a 2007 *Harvard Business Review* article (Hughes and Weiss 2007) reports that *'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%'.

Despite high failure rates, partnering arrangements are on the rise, particularly as public sector organisations are entering into more partnerships with both the private and voluntary sectors (PwC 2013). Overall, 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).

The programme of work so far

The first phase of our *Beyond the Organisation* programme of work involved a comprehensive review of recent HR and management literature to examine what we already know about both the business and people-centric challenges and opportunities associated with partnering arrangements. More detail about how we conducted the literature review is included in the Appendix.

We have published the findings from this literature review in two parts. The first report was published in August 2013 and this current report is the second output from this review.

'For many of our people, being able to work in joint ventures will become just a normal part of their delivery of the HR agenda. We have built a cadre of HR business partners who are used to, and experience, the challenges of working outside of the Shell box.' **Paul Kane, VP HR Functional Excellence, Shell**

The first report, *Beyond the Organisation: Understanding the business issues in partnering arrangements*, focused on what's involved in partnering arrangements and how HR and managers can best address the main business issues that affect their success. We found these issues to fall into three main themes:

- managing risk and opportunity
- governance
- building capability for learning and knowledge-sharing.

The focus of this second report

In addition to highlighting the main business issues in partnering arrangements, our review of the management literature also revealed that managing *beyond the organisation* has implications for the HR structure and processes needed. In this report we first look at why we need to evaluate the suitability of existing HR structures and delivery mechanisms for this new way of working.

We then discuss in turn the following six overarching issues, which emerged from our review, for the HR function to consider when deciding on the most appropriate HR architecture (function design, structure and processes):

- 1 understanding the way the whole partnering network operates to inform HR choices
- 2 supporting partnership arrangements needs to be a core HR capability

- 3 differentiating the level of strategic HR support between arrangements
- 4 designing HR to deal with crisis situations
- 5 developing leadership for the network
- 6 dealing with the issue of employees' dual identity.

Each represents a challenge for HR around the design and operation of the function. But given the people-centricity of the main issues associated with partnering arrangements, each also represents an opportunity to significantly increase partnering effectiveness. Some of the issues we address are also likely to be of interest to managers with responsibility for managing cross-organisation teams, in particular the section on developing leadership for the network.

Overall, this first phase of our Beyond the Organisation programme of work has enabled us to better understand the landscape, providing an overview of the main challenges and opportunities for HR in supporting partnering arrangement success. The review also enabled us to identify gaps in our current knowledge about this area, where more research is needed. At the end of this report we outline our plans for the next phase in this programme of work.

'The nature of work is changing, with organisations operating in more of a specialised, networked, flexible and organic way.'

The need to reconsider the HR architecture

In an HR world previously driven by standardisation and simplification, these new organisational forms raise the need to reconsider the HR architecture needed. By HR architecture we mean the combination of systems, practices, competencies and employee performance behaviours that must be used in order to develop and manage the organisation's strategic human capital.

HR directors have to ask:

- Can we ensure alignment of HR across the partners involved by continuing to both standardise our HR processes and align our standardisation with those of our partners?
- How different are other partners' requirements from those of our previous internal customers?
- What are the cost and capability investments involved in differentiating the HR provision?
- What are the resource needs and challenges associated with the governance, management of relationships, capability-building and the flows of talent that might be involved?

Historically it has been assumed that when working *beyond the organisation*, organisations could maintain their competitive position without substantially altering their internal organisational structures and service delivery mechanisms (which includes HR). This assumption is increasingly being questioned. The importance and level of external interdependencies of organisations are increasing the pressure to adapt the internal organisation design.

Furthermore, in partnering arrangements employees are from different home organisations, meaning they are exposed to different HR approaches. In fact, members are often drawn from multiple organisations, professions and countries, with some members co-located and others geographically dispersed (Harvey and Novicevic 2002). Team leaders have to manage expert, highly autonomous team members, and they have the unenviable task of having to align networks and 'counterpart' teams. And HR has to keep on top of employing, deploying and supporting teams of workers across partnering

There is a need to evaluate the suitability of the existing HR delivery model...

'...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. Relationships with external bodies which were previously characterized as adversarial at best are suddenly having to be redesigned under a partnership model, as long-term contracts are developed with other organizations in the same value web.' Sparrow et al 2010, p272

arrangements. How should HR be designed to do this most effectively?

The overarching message from the literature is that HR not only has a role in advising on the people and organisational issues that must be served in collaborative arrangements, but – to best support the new organisation forms – it also has to adapt its HR delivery model. This creates the practical challenge of having

to drive through another set of business-led changes in HR. But it also creates an opportunity to redesign internal systems more strategically and to make HR central to discussions about the new business relationships.

Within the next sections of this report we address in turn each of the six overarching issues HR needs to think about when deciding on the most appropriate structure and processes needed.

‘The overarching message from the literature is that HR not only has a role in advising on the people and organisational issues that must be served in collaborative arrangements, but ... it also has to adapt its HR delivery model.’

Professor Juani Swart, Professor in Human Capital and Director, Work and Employment Research Centre at the University of Bath, summarises the main challenges for HR in effectively supporting collaborations:

‘First, understand that the firm does not have strategic freedom over its HR strategy and practices, but needs to consider the formulation of its strategy and practices in the context of the network. You are including several other network stakeholders in the design and delivery of HR practices. Second, the competitive advantage of the firm is often based on the development of firm-specific human capital. However, to operate at the level of the network, more generalist transferable human capital needs to be developed and this presents the firm with a retention challenge – it may lose its human capital to other firms in the network. Third, the firm is investing its human capital in innovation at the level of the network – but this can become very expensive if the firm cannot leverage these networked innovations back into the firm.’

Six main issues for HR

Our review of the literature uncovered six overarching issues for the HR function to consider when deciding on the most appropriate HR architecture structure (function, design, structure, processes and capabilities). We will address each issue in turn.

1 Understanding the way the whole partnering network operates to inform HR choices

'With many of the common issues faced in partnering being people-centric, HR has the opportunity to make a significant contribution to their success.'

To best understand what HR support is required to support partnering arrangements, HR specialists need to not only have business insight into, and be able to analyse, the overall partnership objectives, but also:

- how the whole value chain for the business sector works
- how the arrangement may be tying together existing networks/ webs of organisations, and future webs that may get involved
- what value can be added to the strategic performance of the whole network by each organisation that becomes involved
- how the corporate performance drivers of the network – which are often about creating new organisational capabilities – will start to reshape performance management within their own organisation

- how the HR functions of different organisations need to work together and co-ordinate their people approaches, and the new interdependencies between the HR systems of the various network partners
- what internal information flows, skills and capabilities, mindsets, decision-making authorities, accountabilities and responsibilities are required of each HR team to manage the people agenda across partnering organisations.

The HR function understanding how the broader value chain operates is vital to inform HR choices around their functional architecture and the capabilities that need to be developed. With many of the common issues faced in partnering being people-centric, HR has the opportunity to make a significant contribution to their success.

'Before you start doing the deal, you need to say where does HR play into this space, what level of engagement is there, what do we need to be thinking about doing, what is the basis of what we can offer into the deal? Sometimes this offering can be part of making the deal work.'

'There is recognition in all of our business leadership teams that the people resource dimension is a critical part of any form of business delivery, or of risk exposure. Equally the HR person within the team has to understand the business, where the money is in the business, how it is generated, what the risk factors are.' **Paul Kane, VP HR Functional Excellence, Shell**

2 Supporting partnership arrangements needs to be a core HR capability

Rather than seeing each new arrangement as a one-off project and unique challenge, HR needs to consider partnering as a new way of working that is likely to increase in prevalence. Therefore they need to build the internal capability of the function to deal with the common challenges involved, while constantly learning from direct experience of managing partnering arrangements.

HR directors need to look at these business arrangements and think about the combination of systems, practices, competencies and employee performance behaviours that must be used in order to develop and manage the organisation's strategic human capital.

The chosen HR architecture needs to:

- suit teams with highly specialised skill sets
- support strategies for team maintenance and co-location of talent
- cope with challenges of multi-country support
- ensure personnel safety, performance management and control, compensation and training
- manage career trajectories and job security, locking in good employees
- encourage self-management of careers, including skills development
- manage important patterns of communication flow and harvest experiential knowledge.

'In the high-value capital programmes and the service provision environments in which we work, partnering is commonly a feature of business. Our HR teams have become used to seeing the business boundary as flexible and reaching out to partner organisations. From organisation design to promoting effective partnering behaviours and gain-sharing, we seek to find win-wins and deliver greater value to the customer and ultimately the taxpayer. Increasingly, our HR leads are working within the partnering structure and learning to balance the interests of the parties and optimise the overall output. This is a delicate balancing act requiring sophisticated commercial and relationships skills.' **John Whelan, HR Director, Programmes & Support, BAE Systems**

‘HR needs to consider partnering as a new way of working that is likely to increase in prevalence.’

Box 1 outlines some of the ways HR may want to create a ‘blueprint’ of structures and practices, institutionalising their approach and capabilities to support both current and future partnering arrangements.

And of course HR needs to consider the degree of alignment between their HR choices and those of their partners:

- How will the home and partner organisations’ HR systems be regulated, ensuring they perform in line with the overall goals of both individual organisations and the collective?
- Will the emphasis placed on external networks require new

centres of expertise, think tanks and networks to manage the HR expertise necessary to develop the required capabilities – such as strategic competence, innovation, consumer insight, productivity and partnership learning?

When designing systems, policies and processes for a partnership arrangement, it can be useful to adopt a lifecycle model. At different stages throughout a project or partnering lifecycle, different people issues come to the fore, requiring unique HR activities – from project inception, preparation, supplier selection, through to delivery and end transition to new project activities.

Box 1: Mechanisms by which managing partnering arrangements becomes a core, institutionalised HR capability

- 1 **Creating a suite of tools and processes:** developing best practice guidelines, toolkits, detailed checklists for analysis and negotiations, internal contracts, sample letters of intent, contracts, and internal and external case examples.
- 2 **Creating lean, expert units:** establishing small corporate groups to take on the necessary specialist support roles for partnerships, such as: internal consulting, training, structuring of business arrangements, co-ordinating relationships across business units, and managing partnerships from day to day.
- 3 **Communications platforms:** internal tracking of partnership activities through establishing cross-organisation intranet sites, and open discussion about partnerships, including forums to capture and share expertise and internal virtual networks.
- 4 **Human resources policies to support partnership outcomes:** including specific performance measures devised for managers charged with negotiating, or for strategic units managing in these partnerships.

3 Differentiating the level of strategic HR support between arrangements

Although we have talked about developing a suite of HR processes and mechanisms to manage partnering arrangements, there is a need to retain a degree of flexibility in the way they are implemented. With each partnering arrangement HR must think about whether – or how – to differentiate the level of HR support and resource they provide. Some arrangements may be more strategically important than others, require a different level of support for line managers or a different range of HR services.

For example, Xerox categorised its joint ventures into fundamental business-shaping joint ventures (such as its relationship with Fuji); strategic alliances with

companies it sells to, through or with; and supplier and outsourcing relationships, with top-tier partners being entitled to their own dedicated alliance manager (Bamford et al 2004).

'We have gone through a process of saying that there are different types of joint ventures, and against those archetypes you can see different levels of HR offering to the joint venture partner, with different levels of involvement. In each instance, things will be different along the spectrum of HR engagement with the partner or not.' **Paul Kane, VP HR Functional Excellence, Shell**

Essentially, the choice that HR directors and their functions face in supporting these collaborations is whether a 'light touch' HR architecture might be adopted, or whether stronger oversight is needed. Box 2 outlines some strategic questions to consider.

These business arrangements are in practice a very complex and dynamic phenomenon. The number of questions to consider in Box 2 points to the number of ways to differentiate the strategic support and services that HR might offer, and signals the potential dangers of adopting too simple or static a typology to capture and manage the different forms of partnership.

Box 2: Strategic questions to ask to determine the level of HR support and integration across the network required for each arrangement

- Does the long-term strategic intent of the collaborators remain *competitive*, is it *co-operative* or is it now *complementary*?
- What is the importance of the collaboration to your organisation relative to other strategic activities in the *overall business portfolio*?
- What is the degree of desired control over your organisation's *strategic resources*?
- What is the strategic purpose of the collaboration: is it a consolidation arrangement (where the value comes from a deep combination of existing businesses), skills transfer (where the value comes from the transfer of some critical skills across partners), a co-ordination arrangement (where the value comes from leveraging the complementary capabilities of both partners) or a new business arrangement (where the value comes from combining existing capabilities, not businesses, to create new growth)?
- Is there a need for immediate and *tight control* of joint operations or can they be controlled through an 'arm's length' strategy of *risk management*?
- To what extent does the partnering arrangement require the *exploitation of current resources* (for example cost reduction, short-term HR expertise or resourcing needs) versus the need for the function to build new collaborative capabilities?
- Does either the initial collaboration, or a *future evolution* of it, involve the *creation of new knowledge and capabilities* (and the desire to leverage these capabilities) where the management of learning and network capability will be more important?
- What is the *strategic permanence* of the business arrangement? Is the arrangement based on an ongoing business concept, requiring permanent provision of support and resources, renegotiated co-operative agreements over time and jointly owned assets and liabilities? Or is it a looser project-based co-operative network?

4 Designing HR to deal with crisis situations

Even the best-made organisation designs can fall apart. To endure, collaborations must survive the rare but critical incidents that place a strain on them. When making choices around the appropriate HR architecture and approaches, HR needs to consider how these decisions could assist or hinder them in crisis situations.

Our review of the literature highlighted some of the main causes of the crises typically encountered in partnering arrangements. In summary, arrangements have often been found to:

- be designed in such a way as to exacerbate rather than solve the problems of collaboration (Bryson et al 2006)
- be perceived to produce limited improvements to performance and not achieve the goals set for them (Jamali and Keshishian 2009, Takahashi and Smutny 2002, Wettenhall 2003)
- bring together members who have contrasting goals and approaches (Selsky and Parker 2005)
- run on norms that, in seeking to build trust, can end up creating

a culture of non-confrontation and conflict avoidance (Pouncelet 2001)

- be prone to gridlock and fragmentation of the people/communities involved (Gray 2000).

Often the failure of arrangements only becomes apparent when the accident, or business crisis, happens, so a plan needs to be in place to enable a quick response. An organisation design is required that enables rapid situation awareness and a focus on sustainability, and delivers speed of action in crises. HR therefore has a vital role to play in designing cross-organisation processes that foster joint problem-solving, pooled resources, co-ordination of efforts and common interpretation of information. These all help avoid collaborations fragmenting into 'isolated islands' of effective operation, and ultimately failing, when disaster hits (Janssen et al 2010).

And, not surprisingly, in crisis situations organisations often fall back upon a small number of important individual relationships to try to resolve issues in the first instance. HR needs to

support the development of key relationships, promoting trust and the importance of good-quality communication because, when a crisis occurs, within a short timeframe teams from different organisations have to:

- collect and exchange relevant information from multiple sources
- verify the information for accuracy and distribute to those actors coming together from across the partnering organisations to mitigate and resolve the issue.

Overall, attending to disaster and risk management from the outset of an arrangement includes planning for mitigation, preparedness, response and recovery (National Research Council 2007). Setting positive expectations for quick dispute resolution also heightens the importance of prevention, early signal detection, intervention and after-crisis care and evaluation.

5 Developing leadership for the network

Leading partnerships is not merely about connecting interested parties, nor can performance be achieved through the usual levers of control, markets, resource flows and hierarchy. Studies that have looked at social partnerships in public administration, public–private partnerships, business–community partnerships, business or government non-profit partnerships and the implementation of corporate social responsibility partnerships all show the importance of reassessing and changing an organisation’s underlying leadership model to support partnership effectiveness.

Specialist skills are required of leaders, with implications for HR’s approach to recruiting and developing them. Leaders need to be able to do the following:

Balance the competing demands placed on them from their ‘home’ organisation and the goals of the network

Leadership development needs to address the dual identity experienced within the partnership. The way leaders balance this tension will affect the level of trust within the partnership and perceptions of the leaders’ (and their organisation’s) dedication to the arrangement.

‘We did an awful lot of coaching ... you can see a marked difference in the performance in acting as a team.... The culture we are trying to drive is very much leave your [home organisation] pressures at the gate; you’re here to manage this business.’

**David McNerney,
HR Director, Sellafield Ltd**

‘Specialist skills are required of leaders, with implications for HR’s approach to recruiting and developing them.’

Plan for the smooth transition of key players (including themselves) in and out of the network

Governance networks and forums are fragile, subject to destruction by the inevitable movement of important members into and out of the network. These people leaving a partnering arrangement without passing on their insights about how the arrangement operates is a risk to the arrangement’s culture. Therefore processes and approaches need to be in place to enable the smooth transition of leaders and managers in and out of the arrangements.

‘It is relationships that make partnerships work well. The only way you can do that is to build trust over time.’ **Jim McLaughlin, HR Director, Nuclear Decommissioning Authority**

Set the behavioural standards and shape the culture of the network

The skills and behaviours required of leaders need to be taken into account in leadership development and assignment processes. It may be that some managers in an organisation's talent pool may not be suited to leading the governance aspects of partnering arrangements.

'Leaders' behaviour and attitudes critically affect an organisation's ability to build and repair trust. They also set the standard for the rest of the organisation.' CIPD 2012, p16

Substantially influence the strategic dialogue and the key leaders of other organisations through establishing trusting relationships and having good-quality conversations

Being able to influence the strategic dialogue and the key leaders of other organisations is another leadership imperative that requires specific skills around communication and establishing trusted relationships.

'Valuable partnerships do not develop simply by having the right people in the room; how people interact is at least as important.' Koschmann et al 2012, p338

Key messages from the literature include:

- The culture gets established through what are called 'localised conversations' (informal, open and honest conversations between managers and leaders at key nodes or connections in the partnership).

- 'Localised conversations' must be used to create more aligned management, depending on the manager/leader's ability to persuade others both inside and outside the forum's boundaries to accept a given definition of the situation, an agenda for problem-solving, the rules and the preferred method of decision-making.
- The quality of these localised conversations then sets the tone for the overall governance system, with effective relationships helping to solve problems arising in the partnership.

Drive collective action by encouraging all partners to engage with the network as a whole

Overall, managers and leaders can really add value to the partnering arrangement by creating the capacity for collective action within governance forums.

David McNerney, HR Director, Sellafield Ltd, talks about what enables governance forums to be effective:

'The terms of reference for these meetings, structures, entities, interactions have to be really clear and robust... It's about education of those individuals ... getting as much knowledge into them as is beneficial without it becoming damaging ... keeping communication lines open, expanding roles to work strategically, and avoiding getting into the tactical situations.'

The potential for collective action is created through the ability of managers across the network to do five things:

- 1 Don't just engage in dialogue (ends-orientated talk) but have more meaningful participation across the whole distribution of members, avoiding premature closure of conversations.
- 2 Communicate the value of the partnership across the network, as well as the performance demands it creates.
- 3 Influence the efforts of not just the network members, but also home organisations and other external constituencies.
- 4 Rather than just pulling on home organisation capital, develop the network's own capital, that is, build its ability to capture the necessary economic, social, cultural and political resources.
- 5 Then marshal the willing consent of relevant parties so that the network is given licence to continue to appropriate and deploy that capital.

From our brief discussion of the skills required of leaders involved in partnership arrangements, it is clear that there are significant implications for HR's approach to recruiting and developing leaders. And the challenge becomes even more complex when an organisation is simultaneously engaging in different types of partnering models. A cadre of leaders and managers is required who are able to effectively operate within multiple, competing types of relationship.

6 Dealing with the issue of employees' dual identity

All those working within a partnering arrangement will each be experiencing and 'feeling' the HR practices and approaches from their 'home' organisation as well as working within the approaches set out for the partnership arrangement.

Studies that have looked at multi-employer networks – such as management consultants, corporate accountants, agency or supply workers – show that the employment relationship is in effect managed across two firms (for example Marchington et al 2011). Difficulties can arise in the arrangement because of the different 'felt HR' experienced by staff who are directly employed by different organisations (Marchington et al 2009).

HR needs to consider the potential for the HR approach that employees experience to impact on the partnership's effectiveness, including:

- Will there be a loss of control and authority resulting from employees experiencing the HR practices and approaches from their home organisations?
- Is it important that employees across the network perceive consistency in their treatment?
- Will employee behaviours in another part of the network damage the individual organisations?
- How could HR practices and approaches be aligned with the competing business objectives across the network of employers?

Summary and what's next

'...knowledge and expertise about the challenges and opportunities typically faced in partnering arrangements are vital for competitive advantage.'

The two reports we have produced from our review of the literature on various forms of partnering and collaboration have highlighted essential areas of focus for HR. The first report examined how HR can help address the main business issues faced in partnering arrangements. This report has looked at some of the main questions HR needs to consider when deciding on the most appropriate HR architecture to best support partnership effectiveness.

As we have seen, many of the issues faced in partnering arrangements have a strong people dimension to them, providing the opportunity for HR to make a significant contribution to their success. Someone needs to oversee all the parties involved in the people-related aspects of the collaborative business model. Will these people be sourced from HR, or will they be people-savvy business generalists? For customers, or regulators, the answer might not matter; they will just need to be assured that someone is managing the issues involved. But for HR directors, the answer might have a profound

impact on the development of their function. Therefore, with this new way of working set to become more prevalent, knowledge and expertise about the challenges and opportunities typically faced in partnering arrangements is vital for competitive advantage.

Although both parts of our literature review have enabled us to identify many of the main people-related issues that have to be dealt with in inter-organisation business arrangements, we feel more work is now needed to examine how we address these in practice.

Therefore, building on this initial *scoping the territory* phase of work, the CIPD will be continuing to work with Professor Paul Sparrow from the Centre for Performance-led HR at Lancaster University on a further phase of case study research.

We will work with organisations engaging in a range of partnering arrangements to try to shed more light on how, in practice, HR can manage some of the challenges and opportunities we have highlighted in our review.

Appendix: methodology

This review summarises the emerging lessons from the *inter-organisational studies* field of general management research. This research field provides us with some interesting insights into the issues involved when managing *beyond the organisation*.

Articles were initially sourced through a first stage search of the *ABI Inform* database, using search phrases of 'inter-organisation management', 'inter-organisational integration' and 'inter-organisation'. We examined past studies which have focused on a range of collaborative business arrangements, including (see glossary for definitions of each arrangement):

- joint ventures and strategic alliances
- multi-employer networks
- collaborative business models
- cross-sector social partnerships
- public sector partnering with private and voluntary sector organisations
- supply chains.

The second stage of the search focused in on the overarching themes which had emerged from the first stage. We searched for the three phrases above, in combination with the terms 'risk', 'governance', 'relationship management' and 'capability-building'. We have

focused on papers published since 2000, and have drawn upon some of the key papers that these studies in turn have relied upon. We have also examined management and consulting reports that attest to the importance of the business challenges involved.

In the report itself we have referenced the papers we have drawn directly from, but our review included many more, and all helped to uncover the main themes we discuss.

Why is this type of literature review important?

- 1 First, if HR functions are to speak the language of business, and contribute to strategic agendas, they need to consider the messages from general management research into these sorts of business relationships.
- 2 Second, the research shows that there is already a useful understanding of the sorts of organisational behaviours and people management issues that are involved in the strategic management of these sorts of business relationships which can inform our programme of work in this area.

Glossary

Here we provide definitions of key terms used within this report.

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.

Knowledge-based inter-organisational collaborations: Where organisations combine competences across customers, competitors, suppliers, sub-contractors and partners, share resources and distribute risks for either minor incremental or radical innovations.

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.

Open innovation: The sharing of internal ideas, and internal and external paths to market, as the firms advance a technology, involving the buying or licensing of processes or inventions, such as patents, from other companies. Internal inventions that are not used in an organisation's business may be taken outside the organisation through licensing, joint ventures or spin-offs.

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 and 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, by-passing intermediaries, and creating new business models or ways of improving the value system.

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