VIEW POINT

HOW ENERGY AND RESOURCES FIRMS CAN DRIVE SUCCESSFUL PARTNER OUTCOMES IN THE LONG TERM

Abstract

Energy and resources enterprises must collaborate with multiple partners for various dimensions of their business and operations. A significant amount of rigor goes into shortlisting the required partners and establishing working relationships. Despite their best efforts, over time, many partners do not deliver expected outcomes. This paper discusses the process of engaging with partners, examines why businesses fail to drive expected outcomes from these partners, and provides suggestions for turning around the situation by making partner management more efficient and effective.

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Introduction

The energy and resources industry has its share of program management related problems. A particularly baffling problem that most organizations face is the reluctance to replace suppliers or partners who are no longer delivering promised outcomes.

This is not an easy problem to solve as there are significant complications involving organizational culture, supplier management, and individual personalities intertwined in this. The result is that companies stay with underperforming partners for longer than they should, and in some cases even continue to reward them merely for existing synergies.

Hypothetical Scenario

Let us take a look at how this situation occurs in organizations by walking through a sample scenario.

An energy and resources company creates a high performing project team to evaluate multiple partners for an important initiative. The project team is given complete autonomy to choose the best partner and told that the partner's output will determine the team's success in the organization. All appropriate processes and measures are in place to ensure the success of the project:

- A rigorous evaluation process and scoring mechanism is defined.
- A third-party such as a Big 4 consulting firm or a management consulting advisory agency is recruited to provide advice and monitor the rigor of the process.
- The business case is well-established and expected business outcomes are clearly defined.
- The required executive sponsorship is secured for the initiative.
- Clear service level agreements and key performance indicators (SLAs/KPIs) are defined and a rock-solid contract is drawn out with the partner.

With all this in place, the high-performance team decides to choose a partner from a pool of competing partners. Everything is perfect and it appears to be the perfect recipe for sure-fire success.

Ground reality after two years

For a while, things seem to be working efficiently. As time progresses, there are murmurs of the program not going well across the company. The recipients of the partner's services are complaining of deterioration in service quality and no value being delivered. The program team works with the partner to fix the problem. Since they chose the partner, and they are accountable for the partner's outcomes, it is their job to identify and plug all problems.

Amidst mounting pressure from the business, the program team presents a monthly metric report that shows that all SLAs/KPIs are being met and the program is doing just fine. Executive leadership is not convinced about the outcomes from the program, but they are confused by the positive metrics. They are unable to reconcile the discrepancies between the business complaints on service delivery and the program team's view. No one has clear visibility into whether the initiative is a success or failure, but doubts linger across the organization.

Successful organizations with good process rigor and a highly competent workforce continue to find themselves in such scenarios despite their best efforts.

Root Cause Analysis

Based on our work with several energy and resources companies, Infosys has identified three root causes for the inability of companies to let go of incompetent partners.

- **Fear of failure within the program team**

When a team is given complete autonomy while also being held accountable for the long-term output of their selected vendor, it is a recipe for disaster. When a company tasks a group of high performers to choose a partner, asks them to drive the program, and links their future success to the outcome of the program, they will naturally try to ensure that the program is seen as a success at all times. This is basic human nature. Even when the program is not heading in the right direction, the team will avoid bringing up any gaps or problems for fear of failure. This fear of failure makes the high performers find ways to interpret data to prove that the project is successful, leading to confusion in the organization.

- **Lack of objective and independent performance measurement mechanisms**

Typically, a team that is given full autonomy and tasked with selecting a partner has members who are senior and well-respected in the organization. This makes it difficult for the executive leadership and supplier performance management teams to question the team deeply. There is a lack of transparency and all metrics are tailored to make the program look successful. Organizational performance management teams find it difficult to access data to form their own conclusions about the success of the initiative.

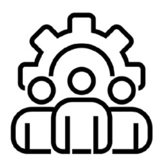
Solutions

We have helped some of our clients in the energy and resources industry figure out how to solve this problem and make the solution an integral part of their organization philosophy and culture. Its key components include:

- **Setting up an evaluation team early in the initiative lifecycle**

The high performing team is responsible only for evaluating the partner, defining SLAs/KPIs, setting up measurement mechanisms, establishing the program foundation, and transitioning the program to steady-state. After this, the team is rewarded for successful evaluation, and rolled off the project. A new high performing team takes over the steady-state execution of the program. There is sufficient overlap between both teams to ensure complete knowledge transfer. This approach helps organizations measure the outcomes of the program (success or failure) objectively while eliminating the fear of failure

- **Establishing independent performance management**



When the program moves into steady-state, an independent corporate performance management team takes over the data/metric pipelines to measure the success of the program. The steady-state team is responsible for running, transforming, and continuous improvement of the program. The responsibility for reporting is not vested in the steady-state team.

- **Making partners/suppliers accountable for outcomes**

The supplier management team must make partners accountable at all times with the help of independent metrics from the performance management team. They must reward partners who perform well and direct more business towards them. Conversely, they must restrict or stop the flow of business to partners that are underperforming and failing to deliver the desired outcomes.

Conclusion

Much like in any other industry, energy and resources businesses struggle to achieve efficient partner identification and management. Regardless of the maturity of the organization, merely putting together a high-performance team to choose the right partner and run the initiative is not a recipe for long-term success. Organizations must look at decoupling the selection and kick-off processes with the steady-state running of the initiative. In addition, it is critical to put in place an independent performance management team to define clear metrics, ensure their visibility, and hold the partners accountable for their outcomes.

About the Author

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Sriram Sundar is the Vice President and Business Head – Energy (Core) at Infosys. He specializes in digital technology, consulting, digital process outsourcing (DPO), sales, and delivery. As a strategic partner, Sriram helps Fortune 500 clients digitalize their core and accelerate transformation to digital and cloud-based platforms.