

Without openness, mutual confidence and affection, any form of cooperation is doomed

A match built on trust

By Chris Goes



This is the last article in a series of three on the issue of cooperation. In the first article we discussed the necessity of cooperation, the process of cooperation, triggers that may lead to cooperation and the pros and cons of cooperation. In the second article we looked at the objectives of cooperation and different forms of cooperation. Finally, we will look at the phase in which the actual cooperation starts. Trust plays an important role here, as do planning and mutual involvement. In this article we'll also look at how you can control the cooperation venture. In the accompanying textbox, we'll present an example of measuring the success of one type of cooperation: a branch association.

Having selected a partner to work with and appointed a third party for assistance and monitoring, you're now ready to launch your cooperation. By this phase the objectives of each partner should be as transparent as possible, including expectations as to how long the venture is to last and under which circumstances it should be temporized. If employees are involved in the venture, you should also agree on clear rules of engagement. On the whole, it's advisable to start small and build up experience and trust.

To decide where to start, it helps to make a shortlist of possible projects and to establish which of these are most likely to lead to quick results. Then you can install small project teams to implement the project(s). By this stage, more employees will be involved in the venture and you must make sure that key managers are on hand to supervise the discussion and selection of possible projects. It's essential that the managers feel as com-

fortable working together as the directors do. All the mentioned issues seem to be minor details and rather formal. In fact however these issues are essential for successful cooperation, as is the factor of mutual trust.

Three forms of trust

The importance of trust can hardly be over-estimated; in fact, it's a critical success factor. Trust is not something that appears right from the beginning, but it will grow as plans are implemented according to agreement. Being aware of this and communicating openly about it with each other may save you many disappointments. Let's take a look at three forms of trust that will help solidify your partnership:

Initial trust

Depending on background, experience and education, everyone has some degree of initial trust in everyone they come across. It is the basic mindset of

our fundamental group orientation. If you want to work together with other people, you can't do without a basic attitude of trust and esteem for your partner and his interests and input.

Cognitive trust

In partnerships, so-called cognitive trust is important. Cognitive trust means you know enough about your partner, his reputation, values, education, ISO certification and so on to feel confident in him as a partner, before you have even met him in person..

Affective trust

The third form of trust is affective trust. This has to do with the sense that you and your partner are a good match. Affective trust implies feelings of loyalty and affection. Put simply, it's about the question, 'Do I like you or do I not like you?' Having trust in your partner's capacities is essential, but if you add affective trust, the partnership will become fun as

well as functional, and there will probably be fewer conflicts and more space for flexibility and creativity.

Keeping control

Once the cooperation has become effective, it's important that you keep measuring the results and the cooperation itself. As we observed earlier, various factors can trigger cooperation and for each trigger you can formulate objectives (article 2, CBI News Bulletin 299). If you make these objectives as 'smart' as possible, you'll be able to measure results. For instance, the objective of reducing costs by 5% can be measured at the end of a specified period. This shows the importance of clear time frames as well as transparency.

So measuring the success of your cooperation starts with formulating clear, measurable objectives and agreeing on certain points in time at which results are to be measured. If your aim is to reduce costs by 5% in three years, you might agree to measure results every each half year. In that way, you will be able to adapt the process to reality.

The measuring of results can be done by the partners themselves or by an independent monitor. An advantage of hiring an independent monitor is that you're less likely to get inaccurate or false data. In many large and long-lasting cooperations, regular benchmarking is done by an independent organisation who collects information from the participants, puts it all together and then publishes the outcome in a report so that the participants can benchmark their own input.

In addition to measuring results, you should have regular meetings with your partner to discuss progress, to manage ongoing projects and to start new joint initiatives. It's also advisable to invest time in getting to know each other and enabling employees to get to know each other better on a personal level. Again, trust is essential. If the slightest mistrust arises, be open about it instantly, remembering that each partner wants the cooperation to be successful.

Think before you act

A good piece of advice for anyone involved in cross-company projects is to 'think before you act'. Remember that most forms of cooperation are intended to last for a long time and that failures are not only disappointing and costly, but may prevent you from taking new initiatives in the future.



Successful by association

Clarifying the functions of a branch organization simplifies measuring its results

A branch association is one of many forms of cross-company cooperation. This article shows how the effectiveness of a branch association can be measured. In drafting a business plan for a branch association, you have to focus on the issues and functions that the members of the association consider important.

On the basis of those, you can formulate 'smart' (see lead story) objectives, which you can then periodically monitor. Successful branch associations achieve the right balance between how they spend their time and what their members consider important.

Five basic functions

A branch association usually has one, several or all of the following five basic functions: lobbying; negotiations; consultancy; a guild function; a club function. Let's look at each more closely.

Lobbying

The lobbying function of an association is to influence decision makers in the interest of its members. Through the association, members can join forces or hire a specialist (lobbyist). Another

advantage is that as a group they can be represented by one spokesperson. In some cases associations face the difficulty of not being able to publish results for political reasons. Silent diplomacy may often be very successful. A disadvantage is that so-called 'free riders', or non-members, benefit from the association's efforts without contributing. When a stakeholder analysis is made, the lobbying activities may begin.

Negotiations

When it comes to negotiations, an association can make profitable agreements on behalf of its members, due to its scale. Also, an association offers the negotiator on the other side of the table the economic advantage of only having to make one agreement rather than dealing with each company individually. One of the

difficulties is that individual members can have trouble keeping joint agreements.

Consultancy

Consultancy is one of the services an association can offer its members. The advantage is that they can hire a specialist for a low price, while the specialist himself enjoys the advantage of access to a whole group of companies, although differences between members can make this complicated.

Here are some of the possible areas an association can cover:

- Legal consultancy (contracts, arbitration, general terms & conditions of delivery, payments);
- Technological consultancy (lab testing, hiring specialists);
- Knowledge and company support (export promotion, business processes, marketing, consumer behaviour, economic issues, individual consultancy, benchmarking);

Guild

Functioning as a guild, an association can make internal agreements between members, for instance on behaviour, quality standards or image. The main

advantage for members is image; the advantage for third parties is that they can do business with the best companies in the branch.

Club

The club function of an association is to provide a meeting point for people with the same interests.

Members can benefit from exchanging views and belonging to a group of like-minded entrepreneurs as well as from social aspects. This function can be diffi-

cult to manage, as meetings will often only take place if there is a special – and usually sudden – reason.

Measuring success

Having agreed on its functions and formulated clear objectives, measuring the success of an association is a matter of regularly assessing whether or not the objectives are being met and the association is doing what its members want it to do (for an example, see the table below).

Function	Importance	Spent time	Difference
Lobbying	27%	25%	-2%
Consulting	25%	43%	+17%
Club	21%	7%	-14%
Negotiating	17%	15%	-2%
Guild	10%	10%	0%

Table 1: time versus activity – an example of how to measure the effectiveness of an association.

A recent survey among 1,150 Dutch branch associations showed that they're failing to invest in functions considered important by their member: they spend too much time and money on providing consultancy services (+17%) and too little on stimulating the club function of the association (-14%).

An example of a promising branch association with clear objectives:

The Society of Papermakers Inc.

In the Philippines a new branch association for handmade paper producers was launched this year: the Society of Papermakers, Inc. (SPI). It's a good example of a promising form of cooperation.

The CBI performed a workshop on successful branch associations at the founding of the SPI. The members had many reasons for wanting an association. They were split into two groups, in which they discussed which functions they felt would be most important in the coming years. The outcome is shown in the table below. The general conclusion was that the SPI should invest in organizing meetings about technical issues, for instance, so as to help the members develop quality standards (guild function), combined with social events (club function) aimed at creating trust and willingness among members. One of the first objectives of the SPI is to establish standards for the

industry. The members formulated several clear reasons for this:

- Quality and price transparency are the talk of the industry;
- Buyers need quality continuity;
- Members want to produce more and

more effectively;

- Members want to pass beyond the stage of arguing quality and price;
- The image of the industry needs improving and the SPI can become a standard mark;
- Members need to find affordable independent labs for testing and qualification.

The Philippine government already runs a laboratory that fits the picture, so by joining forces the papermakers will be able to make an agreement with the laboratory for testing and qualifying (negotiating). After one year the results of the SPI will be measured and each individual member will be invited to reflect on whether the association has done what it was expected to do.

Function	Group A	Group B	Total	Ranking
Lobbying	4	4	8	4
Negotiations	5	5	10	5
Consultancy	3	3	6	3
Guild	2	1	3	1-2
Club	1	2	3	1-2

Table 2. The functions of the Philippines' Society of Papermakers, Inc. (SPI) in order of preference, as expressed by its members (1 = most important, 5 = less important).