



*Best Practices in
Government of Canada
Partnering*



Number 2

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A MODEL FOR SUCCESSFUL PARTNERING ARRANGEMENTS





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A TWO-STEP APPROACH

There are fundamental considerations that underpin every partnering decision. They can be divided into two groups: **strategic value** and **structural elements**.



IS PARTNERING THE RIGHT WAY TO GO? - DETERMINING STRATEGIC VALUE

MANDATE - How does the partnering arrangement serve the mandate and priorities of the organization, department and Government of Canada?

ETHICS - Is it compatible with Public Service values and ethics?

RISKS - What are the risks and the costs of managing these risks?

VALUE - What is the value proposition and how will it be evaluated?



MAKING SURE IT WORKS - STRUCTURAL ELEMENTS

OWNERSHIP AND GOVERNANCE - Is there a primary owner/leader or is the activity equally shared among partners? Who owns or leads the partnering arrangement? That party bears more of the risk, and management and accountability burden than other partners.

ALIGNMENT (of Objectives) - What is the relationship of objectives? The more partners have in common, the more forms of support they can offer each other.

ENGAGEMENT (Degree of) - What is the degree of engagement among partners? Partners may be "silent" and provide only resources, or may be more actively engaged in various ways, bringing more benefits into the relationship but decreased control for the lead organization or owner.

EXCHANGE - What is the proposed exchange of value? The costs and risks for the government include the tangible benefits that partners expect in exchange for their support, unless those partners do not expect a reciprocal exchange.

STRATEGIC VALUE

1. MANDATE AND PRIORITIES

How does the partnering arrangement fit the organization's mandate and current priorities? Here are some useful questions to explore.

- ✓ **Alignment:** How well does the proposed partnering arrangement align with the organization's mandate and priorities, and with those of the Government of Canada? Is it core to this mandate or optional? Is it high- or low-yield in terms of achieving priority results?
- ✓ **Quantitative impact:** What type of quantitative impact would the partnering have on a program or activity, e.g., would the arrangement make it possible to reach more people?
- ✓ **Qualitative impact:** What type of qualitative impact would the partnering have, e.g., would involving partners enhance the credibility of a program or activity?
- ✓ **Horizontality:** Does the proposed partnering relationship cross jurisdictional lines between federal departments? Are there opportunities to work with other government departments?
- ✓ **Value of public property:** Could the partnering distort or diminish the value of public property in your care or reduce public accessibility to it? For example, associating with a partner that has a poor environmental record could diminish the value of an event, facility or initiative.

2. VALUES AND ETHICS

Statement of Partnering Values for Federal Public Servants

The following five values are the core elements of a vision for ethical partnering to help guide federal public servants in their professional partnering activities. The goal is to balance innovation in partnering arrangements with sound stewardship, accountability and governance.

- 1. Public Interest.** We will ensure that the public interest is served and safeguarded in partnering arrangements that are innovative and sustainable.
 - ✓ We will protect the public interest by devising appropriate governance arrangements for our partnered activities.
 - ✓ We will ensure that private interests or private gain — our own or for any partner — associated with a partnering arrangement does not conflict with the public interest and that if a conflict arises, **it will be resolved in favor of the public interest and in a manner that will bear the closest scrutiny.**
- 2. Fairness and Impartiality.** We will design and negotiate partnering arrangements that are fair and mutually beneficial. We will be **impartial** in choosing partners of exemplary reputation and honest in our dealings with them.
- 3. Accountability.** We commit to full accountability within our organization and to the people of Canada via Parliament for our partnered activities. Accordingly, **we will clearly define the accountability structure** of our partnering arrangements and we will collect and issue results information.
- 4. Dialogue.** We value openness and honest communication among partners in order to develop trust, to achieve the results that each partner desires (i.e., win-win), and to solve problems as early as possible. We will strive for an atmosphere of **trust** and **respect** among partners while exercising **prudence** and **due diligence**.

5. Prudence. We will be vigilant with respect to **ethical risks** that may arise in partnering. We will **strive to avoid and prevent all forms of preferential treatment and conflict of interest:**

- ✓ partnering arrangements that could hamper our organization in exercising its regulatory or policing responsibilities;

- ✓ perceptions that the government is endorsing commercial products or services;
- ✓ perceptions that the government is permitting special interests to exercise inappropriate influence.

Developed by partnering practitioners in the Government of Canada (PartnerNet).

3. IDENTIFYING AND MANAGING RISKS

A government organization should assess the risks associated with a proposed partnering arrangement.

Partnering failures can cost a government organization the financial and other resources and inputs that it has committed. (See “Value Proposition” below.)

Partnering failures can also cost the government something far more difficult to put a price on — its reputation, and its relationship of trust with citizens and with potential partners. So identifying risks and managing them are extremely important.

Identifying partnering risks

These are the more critical risk considerations involved in partnering:

- ✓ **Good character of partners:** Is it feasible to check the ethical record and other reputation factors of potential partners thoroughly? Can we be assured that our direct partner and its associated partners are trustworthy? How might our organization’s reputation be damaged if difficulties arise with any outside partners?
- ✓ **Public environment and public image:** Can we portray the partnering relationship in such a way that the public will understand it properly, or is the relationship likely to be misunderstood to the detriment of our organization and the Public Service? Can we manage our public image in this partnering relationship?
- ✓ **Delivery of support:** What would be the consequences if a partner failed to live up to the exact terms of the agreement? How could our organization recover from this difficulty and at what cost?

- ✓ **Co-ordination and problem solving among partners:** Can partners maintain the close and ongoing communication needed to co-ordinate their operations properly? Can they detect problems quickly and deal with them before they become serious?
- ✓ **Impartiality:** Do we have the necessary procedures to make fair and impartial partnering decisions? Or could legitimate complaints arise from potential partners that feel excluded?
- ✓ **Commercial neutrality:** The Government of Canada must not endorse (nor be perceived to endorse) a commercial partner’s products or services. Endorsement could lead to liability problems. It could also be seen as unfair to competitors.

Managing partnering risks

The four keys to managing partnering risk are:

1. Careful **processes to find good-fit** partners that bring the right attributes to the relationship and have an excellent ethical and environmental record.
2. A **detailed, comprehensive, signed agreement** with every partner that clearly sets out the expected deliverables, responsibilities and public communications considerations.
3. **Tools for managing the partnered activity**, including timetables, mechanisms for sharing information, and dispute resolution provisions.
4. **Constant communication** among partners.

4. VALUE PROPOSITION

The value proposition is a claim about the value of the benefits of the proposed partnering arrangement in relation to its costs and potential risks.

Ideally, there are several ways — partnered and non-partnered — to achieve an organization's desired results. The value proposition compares the benefits, costs and risks of each, and presents decision-makers with choices rather than a single take-it-or-leave-it proposition. This section highlights some special issues regarding partnered and non-partnered ways of working. In addition to conducting its standard cost-benefit analysis, an organization should consider these issues when determining the value of a partnering arrangement.

Partnered alternative: Partnering-in

"Partnering-in" means that the government organization owns or leads the activity to be partnered. (See "Ownership" below.)

The value proposition for the partnering-in option(s) should take into account:

- ✓ **costs of developing the arrangement**, finding and checking partners, negotiating agreements, and maintaining relationships in the longer term (one-off partnering is less cost effective compared to amortizing initial costs over a longer relationship);
- ✓ **management costs** may be significant because the organization is leading a multi-party joint effort, which may mean more meetings, internal communication, information gathering and information sharing;
- ✓ **operational salaries**, O&M for consumables and maintenance, and depreciation. These costs will depend on the nature of the partnered activity and the organization's share in it. Note that the partnered alternative may decrease operational costs compared to the non-partnered alternative;
- ✓ **insurance** may be needed to cover other parties;
- ✓ **costs of the benefits** that the government will provide to partners;
- ✓ **benefits** (note that the partnered alternative may enhance results or increase reach compared to the non-partnered alternative);
- ✓ **risks** associated with partnering (see "Identifying and Managing Risks" above).

Partnered alternative: Partnering-out

“Partnering-out” means that the government organization joins in an activity owned or led by another organization. (See “Ownership” below.)

The value proposition for partnering-out is similar to the partnering-in proposition except that:

- ✓ **initial costs** (up to the signed agreement) will be lower, but the process of checking partners may be more complex; and

- ✓ **management costs** should be much lower, and any insurance requirements that might arise would be the responsibility of the organization leading the project.

Note that there may not even be a non-partnered alternative. For example, a federal organization might not be permitted to act alone in a certain area because it is a provincial jurisdiction.

Non-partnered alternative

The value proposition for the non-partnered option(s) should take into account:

- ✓ **costs** (management and operational salaries; O&M for consumables and maintenance; and depreciation, if required);
- ✓ **benefits in terms of results** (i.e., expected outputs and outcomes, and their value) and reach in relation to the organization’s mandate and priorities;
- ✓ **risks** associated with going it alone.

Note that some non-partnered alternatives include special revenue provisions (fee for service, revenue generation) that carry their own implementation costs and risks.

STRUCTURAL ELEMENTS

5. OWNERSHIP AND GOVERNANCE

Who has the lead? Whose activity is it? Is there a primary owner/leader or is the activity equally shared among partners?

If the government organization owns the activity or has the lead for it, then it will be inviting others to collaborate in some way, or perhaps responding to offers of assistance from others.

If another organization owns the activity or has the lead for it, then the government will be responding to an invitation to collaborate in some way, or perhaps offering its assistance.

Sometimes partnering involves both of these elements.

In all cases, accountability is jointly shared and it will be necessary to negotiate a governance structure with partners.

Why does ownership matter?

Ownership makes several differences, the chief one being that the lead organization inevitably bears significant management costs and public relations risks. It speaks and reports for the overall joint effort.

In other words, the lead organization bears overall program accountability, as well as accountability for its own inputs and reputation. The other partners have the latter accountabilities alone.

Ownership implies a link to mandate. If the federal partner owns the partnered activity, the activity has been “pre-selected” as appropriate for federal involvement. It is not necessary to ask “Why are we getting involved in this area at all?”

But if an entity outside the federal government owns the partnered activity, then it will be important to decide whether or not it is the federal government’s role to contribute to or assist in this area. Federal government involvement must produce public-good results commensurate with its expenditures, and without running undue risks owing to the capacity or reputation of the outside partners.

6. ALIGNMENT OF OBJECTIVES

A relationship is closer if objectives are shared, not merely associated.

Do the activity owner and the partner have shared objectives - the same or closely related objectives - regarding the activity OR are the two sets of objectives merely associated - related only coincidentally or peripherally?

Suppose an environmental NGO and a bank get involved in a federal “green” activity. The NGO shares the federal organization’s green objectives, and the organization might regard the NGO as its partner in carrying out the activity. On the other hand, the bank’s objective is to create a positive

impression with a particular segment of clients. The green outcomes of the activity are peripheral to its motives for getting involved. The bank would probably be listed as a supporter, benefactor or corporate sponsor.

Why does the relationship of objectives matter?

Partners with shared objectives will tend to have more in common (including general knowledge and values) than partners without shared objectives. This will probably influence the sort of inputs that the partners can provide. For example, partners with similar objectives could assist in strategy setting, but partners with no understanding of a federal organization’s work could not, no matter how well intentioned they may be. (See “Degree of Engagement” below.)

Objectives also play a part in public perception. If something goes wrong in a partnered relationship — for instance, an embarrassing revelation about some senior executives in the partner organization — the question will be “Why did you get together with that partner in the first place?” Having the same or closely related objectives is part of a strong rationale for partnership. That rationale is less solid if the partners’ objectives are only associated.

7. DEGREE OF ENGAGEMENT

Does the activity owner want “silent partners,” passive supporters that provide resources only and otherwise stay behind the scenes? Or should the partners be actively involved?

There are many forms and degrees of engagement. If a party contributes more than resources, it is actively engaged.

- ✓ An actively engaged partner can participate in one or more stages of an activity — planning, securing resources, operations, management, evaluation and learning.
- ✓ A passive supporter provides resources only. And if a party contributes nothing at all, it is not part of the picture except as a bystander or a beneficiary.

There should be a documented agreement between partners, whether they are actively involved or silent.

- ✓ It can take a variety of forms, such as a letter of agreement, memorandum of understanding or contract.
- ✓ The agreement sets out what each party commits to. Without a documented agreement, one or both parties may be engaging in “wishful thinking” and will be embarrassed if, as sometimes happens, their wishes are not fulfilled.
- ✓ A documented agreement can help to ensure that the federal partner also delivers what it has promised, despite pressure from various quarters to divert effort and resources to something else.

Why does degree of engagement matter?

Degree of engagement has an important impact on benefits. Partnering gives the government access to immense resources, as inputs, that would be either too expensive or simply not feasible to generate itself — resources of knowledge, community networks, value-driven volunteer commitment, and so on. This leads to shared governance in a very rich sense, in which public-interest results are generated by individuals and organizations throughout society rather than by government alone.

On the other hand, degree of engagement has an impact on the risks associated with control. By engaging other partners as participants, the owner of the activity has less direct control than if it carried out the activity with staff and suppliers alone.

8. PROPOSED EXCHANGE

Will tangible benefits flow one way or two ways?

Two ways

Reciprocal exchange is as essential to partnering as it is to a normal business venture: both sides want to receive the equivalent in value for what they contribute.

Corporations usually take a business approach to partnering. They typically expect benefits in the form of marketing opportunities that are as valuable as the support that they provide.

Where partners share objectives, the exchange of benefits may be in the form of complementary inputs that achieve results of interest to both of them.

One way

On the other hand, volunteers and donors do not expect this sort of exchange. While they may value their experience highly, the benefits that volunteers and donors receive must not have a market value.

The rules for charitable giving, in cases where the recipient organization is a registered charity, state that the donor is eligible for a tax receipt but not for other benefits of tangible commercial value.

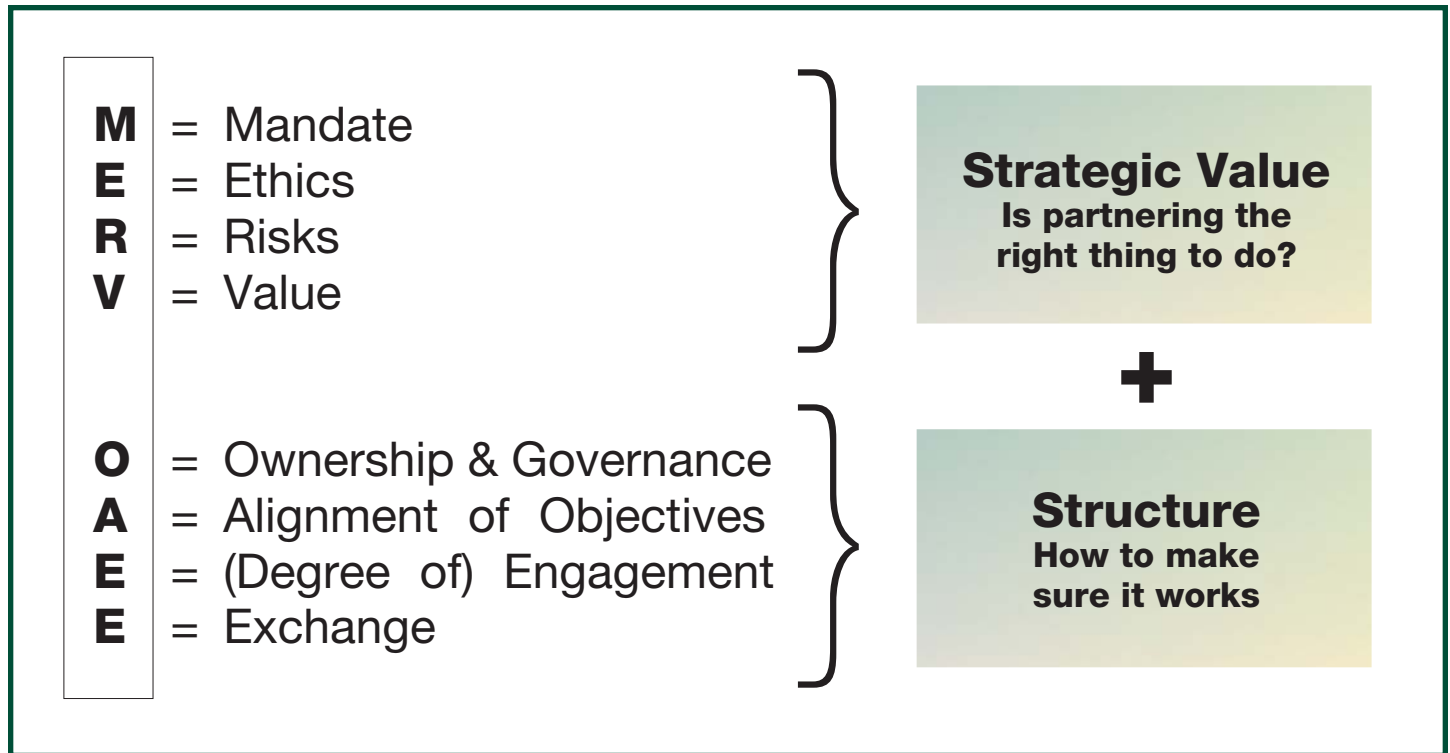
Why does exchange matter?

There are three basic differences between reciprocal exchange and one-way benefits.

First, the costs to the federal side will be lower — but not zero — if the other party does not want equivalent tangible benefits in return. (The cost will not be zero because there are expenses involved in managing volunteer and donor relationships.)

Second, if the other partner expects a commensurate tangible benefit in return for what it provides, the federal partner must decide which benefits it may legitimately offer and determine their value.

Third, in the case of reciprocal exchange, the federal side is increasing its overall level of risk because it has put more value on the table in the form of tangible benefits.



For information or comments contact:

Doug Davidge
Advertising Coordination and Partnerships Directorate
Consulting Information and Shared Services Branch
Public Works and Government Services Canada

doug.davidge@pwgsc.gc.ca