One of the reasons that business relationships often yield disappointing results is unrealistic expectations on the part of one or both of the parties. To be successful, business-to-business relationships require that both sides clarify their expectations and mutually agree on goals for the relationship. Once this has been accomplished, it is necessary to prioritize action items, assign responsibilities, establish timelines, and determine the metrics that define success. The next step is to document these action items and performance measures in a formal product and service agreement (PSA) so that the goals for the relationship are clear to all of those involved. The PSA specifies levels of performance, provides direction for joint improvement efforts and includes operational aspects of the relationships. Regular business reviews are required to ensure that the business goals for each side are met.

The Collaboration Meeting Overview
The collaboration meeting is a one-day session in which expectations are set, action plans are developed, and responsibilities are assigned as shown in the shaded boxes in Figure 1. Specific details related to the meeting are described next: 1) introduction and expectation setting session; 2) drivers session; 3) alignment session; 4) action plans; and, 5) the wrap-up session.

Introduction and Expectation Setting Session
The collaboration meeting should begin with an introduction that reinforces each side’s motivations for the meeting, a review of the framework, and a discussion about the expectations for the session. For example, in one meeting, the vice president of the supplier organization stated that the motivation for using the framework was to achieve a structured and consistent approach to developing a PSA with the customer.

Drivers Assessment Session
It is important in the drivers assessment session that managers feel comfortable to express their opinions whatever they might be. This comfort level would be difficult to achieve without unbiased meeting facilitators. The drivers fall into four categories:

- **Asset/Cost Efficiencies** include the potential for better utilization of assets and/or for cost reductions that might occur in areas such as transportation costs, handling costs, packaging costs, information costs, product costs, or managerial efficiencies.

- **Customer Service** improvements can lead to increased sales when customers experience benefits such as reduced inventory, improved availability (which leads to sales increases), and more timely and accurate information.

- **Marketing Advantages** can be achieved by: 1) an enhancement of an organization’s marketing mix through joint programs; 2) entry into new markets; and 3) better access to technology and innovation.

- **Profit Stability/Growth** is the potential for stabilizing profit. Strengthening a relationship often leads to long-term volume
commitments, reduced variability in sales, joint use of assets, and other improvements that reduce variability of profits.

For each team, the participants should identify specific bullet-point descriptions for each driver category with goals (including metrics and targets) and priorities. Representatives of the two firms should evaluate drivers separately and the evaluation must be from a selfish perspective.

**Align Expectations Session**

Once each side has scored their drivers, the next step is to come together and present their drivers to each other. It is important to explain why the drivers were selected. This represents an expectations-setting session that is critical for success. One of the reasons that business relationships often yield disappointing results is unrealistic expectations on the part of one or both of the parties. The thinking behind the drivers needs to be understood by both sides of the relationship. If the representatives of the other firm indicate that they cannot or will not help achieve a particular driver, the driver should be reevaluated. If no one in the session objects to the other side’s drivers, then management is obligated to help the other firm achieve its drivers.

**Develop Action Plan Session**

In the final session, the mutually agreed upon drivers are prioritized and translated into an action plan. Action items should include a brief description (what), the individuals from each organization that will have responsibility for achieving the driver (who) and a timeline for implementation (when). When developing the action plan, management needs to balance workload and separate short-term opportunities from those that are longer-term.

**Develop Product and Service Agreement**

The PSA is a document that matches the requirements of the customer with the capabilities of the supplier. The PSA specifies levels of performance and provides direction for joint improvement efforts. The PSA documents business goals of the customer and supplier so that the expectations of each organization are realistic and understood by both sides. It is necessary to take the action plan, responsibilities, and timelines developed during the collaboration meeting and include them in the PSA.

**Review Performance**

Regular business reviews should be conducted so that management can determine if satisfactory progress is being made toward the goals established in the action plan and to measure the degree to which the commitments made in the product and service agreement are being fulfilled. The team should review the action plan on a regular basis to determine if the action plan and PSA are adequately resourced and remain relevant.

**Periodically Reexamine Drivers**

It is necessary to periodically reexamine the drivers for a number of reasons. First, the PSAs should be updated annually which requires a new session. Second, changes in the business environment may require a reassessment of the drivers on a shorter cycle. Third, a performance review may reveal that the drivers have been achieved and it is time for another session.

**An Example of a Collaboration Session Using the Framework**

One example of the use of the Collaboration Framework is a US-based company (ABC Corporation) and a Chinese supplier (XYZ Company). While the organizations had a history of working together, a very successful new product line had increased the volume of business substantially and the management of ABC Corporation believed that the potential for even greater growth was high. A primary reason for demand for ABC’s new product significantly exceeding forecast was a large volume of purchases from ABC’s largest customer who was becoming increasingly upset at ABC’s inability to ship on time and in full. XYZ was caught by the unexpected increase in demand at a time when the economic crisis was causing its suppliers in China to not manufacture until orders were received which was increasing lead times for the components they were purchasing. Management of XYZ wanted to provide the volume now required by ABC but needed its customer’s help in order to be successful.

**Conclusions**

The collaboration meeting is only a first step in a challenging but rewarding long-term effort to tailor a business-to-business relationship so that both parties achieve enhanced results. The idea of building collaborative, win-win, business-to-business relationships is well received by most managers. However, replicating success and avoiding failures is difficult. Since companies do not compete in isolation but rather with some degree of integration with key customers and key suppliers, building high-performance business relationships becomes a competitive advantage difficult to replicate.