Building effective relationships

This roadmap is one of two 'tool-kits' that accompany the publication **"Tomorrow's Relationships: Unlocking value"**.

It is not intended to be prescriptive or lay down a series of hurdles for organisations to clear. Rather, it is designed as an aid to boards and senior management to make an assessment of how mature their organisation's approach is to building effective relationships. We expect that it will be a guide and a prompt for discussion and each organisation will need to tailor its approach to its own specific needs.
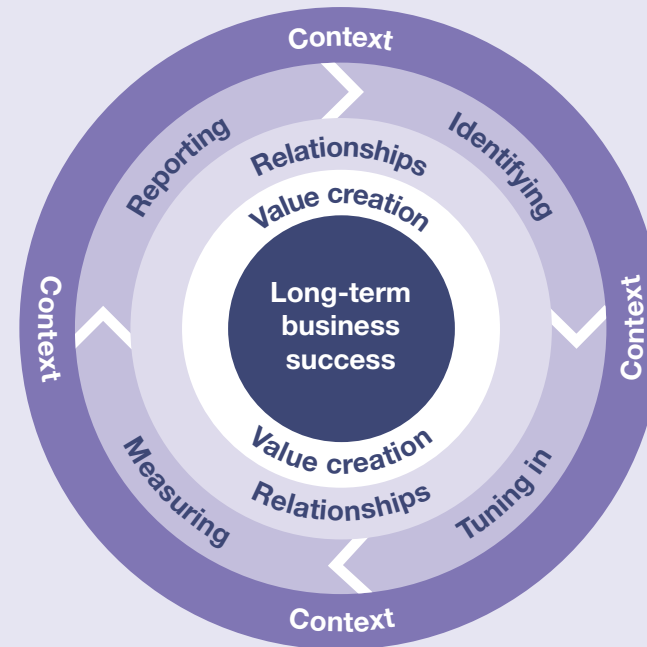
The roadmap shows three levels to enable a review to be undertaken as to where the organisation is now and determine where it should be. The three levels and their indicators are drawn from our research.

Each level is described by reference to general indicators together with some specific points. These points are not exhaustive. They merely show the kind of activity that might be expected.

The top level (level 2) is not intended to be a description of the end of the journey, but more an indication that the organisation is performing above average and has a strong basis on which to build effective relationships. Each board will and should prioritise differently and it may not be appropriate for every organisation and every relationship to be at the top level.

We believe there are four aspects to creating effective relationships:

- **identifying key relationships**
- **tuning in to relationships**
- **measuring the effectiveness of relationships**
- **reporting on the effectiveness of relationships.**

Identifying key relationships

Foundation	Level 1	Level 2
The board indicates that relationships are important but only considers them on an ad hoc basis and leaves senior management to consider them in more detail. Relationships are mainly dealt with on an ad hoc basis. The board and management discuss key 'stakeholders' on a general basis. 'Stakeholders' are managed by broad categories and on a functional basis.	The board views relationships as important because they allow the business to achieve its aims e.g. "We must keep close to our customers so they don't go to the competitor". The board discusses and reviews reports on key relationships from time to time. 'Stakeholders' are categorised by a broad range of types and can be discussed using general information available. The board has ensured that specific systems are in place to manage particular relationships with goals, responsibilities and objectives e.g. CRM.	The board gives relationships the same priority as other business-critical issues e.g. regular discussions are held at board about what relationships are important and how these might change. It is clear from the values, behaviours and tone from the top that relationships are at the heart of how value is created e.g. sector collaborations are explored to create industry standards. Board members have specific responsibilities for understanding and deepening critical relationships. Systems are in place to monitor, measure, report and reward on the effectiveness of relationships.

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Building effective relationships:
A roadmap for boards and senior management

Tuning in to relationships

Foundation	Level 1	Level 2
Gaining an understanding from 'stakeholders' of their needs and wants is dealt with on an ad hoc basis. Specific studies are conducted to help the board understand particular issues e.g. focus groups with customers are held when a new product/service is being considered. The board/senior management team hold annual roadshows with staff and visit a selection of premises from time to time. Contracts with suppliers are reviewed on renewal of terms and conditions or when major changes are required.	One-directional systematic mechanisms exist to get feedback and summaries are given to the board e.g. annual staff surveys. Two-way feedback is sought in relation to some key relationships. The board is equipped to understand a range of views and perspectives through having a diverse range of backgrounds and skills in its makeup. The potential impact of each 'stakeholder' group is assessed on an impact and likelihood basis e.g. how likely is new regulation and what will its impacts be? The organisation's values include relationally important matters e.g. transparency, consistency.	A range of mechanisms exist to enable anyone to feed back to the organisation and, where appropriate, direct to the board/senior management. Systems also exist to seek and address informal feedback. The board ensures that the relational values are being implemented in the organisation's processes and systems. The board actively engages with critical relationships to gain an understanding of their issues e.g. they are invited to speak to the board. The board has in-depth discussions about the influence and two-way effectiveness of different relationships e.g. how will a new procurement policy affect suppliers' business?

Measuring the effectiveness of relationships

Foundation	Level 1	Level 2
'Stakeholder' satisfaction is the primary indicator and is measured annually and discussed at board. Anecdotal, qualitative evidence forms the basis for actions taken on relationships. Some systems exist for collating ad hoc feedback from 'stakeholders'.	A 'stakeholder engagement' strategy is in place and reviewed by the board. Functional heads have goals around 'stakeholder' satisfaction. Quantitative, regular 'stakeholder' measures are in place and reviewed at least annually. Board members hold each other accountable for the effectiveness of relationships in their area of responsibility. Independent challenge and engagement takes place in terms of how effective the organisation is at building relationships.	A range of tools and processes is in place to evaluate how effective relationships are from the perspective of both the organisation and the other parties. Quantitative and qualitative measures are made of each relationship on an appropriate frequency. A member of senior management has overall responsibility for the effectiveness of all relationships. Independent assessments are undertaken on a regular basis and outcomes discussed at the board.

Reporting on the effectiveness of relationships

Foundation	Level 1	Level 2
Communication routes exist to pass key messages to 'stakeholders' e.g. roadshows, marketing. 'Stakeholder' perspectives and/or case studies are included in the annual report and other publicly available material. Reporting includes sections for each key 'stakeholder' group. 'Stakeholder' engagement is listed as one of the activities of the organisation.	Satisfaction indices are reported internally and externally and problems are acknowledged along with successes. Actions being taken to improve relationships generally are reported and commitments made to do so. There is a commentary in reporting on how the board is responsible for 'stakeholder' relationships.	Relationships are given the same priority as other business-critical issues in all internal and external reporting. Reporting integrates financial and non-financial factors and explains how relationships create value. Data on the effectiveness of relationships is widely communicated along with the actions being taken. A wide variety of communication channels are used for reporting purposes and reviewed to ensure they stay relevant to different audiences e.g. social media. Reporting is done in a way that permits feedback from internal and external sources.

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