



Making the Grade

Avoiding Five Common Pitfalls in Measuring Design Partnerships

"Coming together is a beginning. Keeping together is progress. Working together is success."

-- *Henry Ford*

Pit-fall (noun) 1. a potential disaster or difficulty, often one that is unexpected or cannot be anticipated; 2. a deep hole in the ground disguised in some way, often with a canopy of foliage covering its top opening and sides so steep that escape is impossible.

-- *Microsoft Encarta dictionary*

A California school district recently introduced new standards-based report cards, banishing forever the letter grades you might remember from your own school days. Instead, students receive a two-page evaluation based on Academic and Assessment Rubrics for all grade levels starting in kindergarten. If all goes as planned, the new report cards will do more than instigate parental celebration or dismay. They will become tools to monitor progress and adjust course, ensuring that students are actually learning what's expected of them. The idea is that if you want students to master standards mandated by state and federal guidelines, you should evaluate them on those standards rather than on subjective assessments by individual teachers. You need a system that takes standards into account from the beginning and involves all parties to the education partnership in planning and monitoring.

Whether you agree that this is the wisest course for public education, the concept behind the new report cards offers a useful parallel for companies working to implement design partnerships. As we have noted in previous discussions of metrics, *what gets measured gets done*. If you want design partner relationships to fulfill their expected role in your company's strategy, you need the right kind of report card. Beyond that, you need to create the partner relationship from the beginning *with measurement in mind*.

But measuring business partnerships has its pitfalls. We have identified five common hazards on the road to implementing metrics for design partnerships. Read on to learn how to avoid these hazards and to discover how well-conceived metrics can help design partnerships contribute to the growth of your product portfolio.

The Five Pitfalls of Measuring Partnerships

What's wrong with how companies measure design partnerships today? In a series of recently completed benchmark studies of best-in-class companies¹, patterns emerged that illustrate five major problems:

- 1) Not measuring partnerships at all -- because it's hard or because the need for measurement is unclear.
- 2) Beginning to measure only after the partnership contract has been signed.
- 3) Measuring design partnerships the same way as internal design.
- 4) Trying to measure project progress in a world of multiple truths.
- 5) Believing that partnership means 100 percent alignment of all goals among the partners.

The remainder of this article discusses each problem in more depth and offers solutions to each, describes how to set up partnerships so they can be measured, and identifies the best things to measure.

Design the Partnership to be Measured

Companies often have difficulty implementing metrics around partnerships because, for the most part, such relationships have not been created with metrics in mind.

The key to establishing useful metrics is to create the partnership to be measured in the first place. In the report card example, a teacher who designs a curriculum that includes lots of free-form essays, hands-on projects, and field trips may later find it

¹ In three studies, PDC obtained information from more than 37 leading companies defining their current state of engineering partnerships and outsourcing. The purpose of the studies was to gain deep insights about the metrics, management, obstacles, approaches, and best practices in design partnerships and alliances.

difficult to evaluate students according to numerical rankings. The company that enters into a partner relationship *without considering what it wants to measure* may end up with structures and operations in place that evaluation challenging.

As a foundation for measurement, the partners must clearly define the roles and responsibilities of each organization and the individuals within it. Who will do what, and when? (See Figure 1, below). When you establish these expectations up front and design them into the partnership from the beginning, then you have created a partnership you can measure effectively.

<i>Function</i> \ <i>Phase</i>	<i>Set-up</i>	<i>Execution</i>	<i>Maintenance</i>
<i>Program Management</i>	1) Co-location plan 2) Cost benchmarks	7) Reviews 8) Schedule / resources	14) Margin improvement
<i>Innovation, R&D</i>	3) Core technology identification	9) Technology demonstration /test	15) Platform extension 16) Software upgrades
<i>Marketing</i>	4) Baseline definition 5) Customer needs	10) Market evaluation 11) Channels primed	17) Customer satisfaction inputs
<i>Supply Chain</i>	6) Potential suppliers capability matrix	12) Make vs buy evals. 13) Supplier develop.	18) Obsolescence planning / execution

Figure 1: Design Partnership Function Phase Matrix

This brings us to our next point: measurement should begin *before* you enter into the partner relationship.

Begin the measurement process *before* establishing the partnership

The very first thing you need to measure about any partnership is whether the partnership is the right one. One of the most powerful ways to do this is to measure the total percentage of preexisting intellectual property that will be available when the two companies begin working together. For example, if your software development company wants to create a new cell phone application, you might seek a partnership with a company that specializes in cell phone hardware. Between your company's leadership in user interface design and the partner's leadership in hardware technology, you have 100 percent of the capability you need to get to market quickly, without either company having to do extensive training or hiring or mounting a steep learning curve for an unfamiliar area.

The measurement process must begin at the evaluation stage.

Measure partnerships differently than the way you measure internal operations

By attempting to measure design partnerships same way they measure internal design, companies invite a number of problems that can slow the design process --or possibly derail it completely. The things that go wrong inside a company are not always the same things that go wrong in a partnership. What wrecks partnerships usually has to do with verbal and technical communications: one group knows something that other groups don't; the two partners have different assumptions; CAD systems don't work together.

Resource management can become a particular challenge in a partnership. You need to measure staffing levels to know how well you're supporting both the project and the partnership. Companies ought to measure these things internally, but partner relationships make such measurements even more crucial.

Establish a single version of the truth across the partnership

Partnerships are the stress case for configuration management. Disaster follows when people work from different versions of drawings, specs, or product definitions.

Numerous versions of "the truth" exist even within a single company. There are iterations of schematics, team members who miss meetings and are not brought up to speed, and new technical data that makes the rounds slowly through the engineering department. These challenges multiply many times when groups from different companies try to work together. Configuration management may be a nice-to-have within to company, but it's a must-have for partnerships. You must establish some way to capture a single version of the most up-to-date truth such as a database or change management system. Further, you must insist that all communications reference this central repository of data. For example, if an engineer walks into the VP of development's office to discuss a design change, the engineer must put away the paper schematic in her hand and pull up the schematic from the central database. Only with good systems in place for change and configuration

management will you know whether someone else might just have made an alteration to the diagram you're about to view.

Once you have a single version of the truth, you can measure the number of changes to it over time, who accesses it, and other crucial pieces of data. These can become key metrics for monitoring the partnership's effectiveness.

Recognize that sharing a design project doesn't mean your agenda is the same as your partner's

You often hear partnership arrangements described as win-win situations. The problem is that your company may define winning differently from your partner. If you don't define both shared and differentiated metrics at each company, you end up with -- a mess. Team members may complain that colleagues from the partner company don't care about the same things they do, eroding morale. That's why it's so important to establish up front both the intersecting and diverging interests of each partner. Some companies go so far as to establish a mutual but distinct identity for the partnership, with specific metrics related only to the goals of the design project rather than to broader company goals.

In the report card example, teachers and students are aligned on the big goal of having the students receive a good education, but each also has individual goals. Teachers may strive to have a certain percentage of students in each class meeting standards while an individual student may have a goal to perform to a certain level in language arts. Similarly, sharing a design project does not mean that all partners will share 100 percent of one another's goals. Some will overlap while others are necessarily unique.

Using metrics to guide action

Putting metrics in place establishes a set of unspoken expectations. The incentives implicit in a metrics system have implications for partnering relationships. Suppose you're working with a design partner toward the goal of introducing a profitable new product. If your metrics to assess progress resemble old-style report card metrics and award an A, B, or C based on a subjective sense that the partnership is headed in the right direction, you may or may not reach your goal. If the partnership gets an

A, everybody feels great and you can pat each other on the back for a job well done. But if the grade is less than satisfactory -- well, too bad, because the damage is already done. A failing grade tells you *only after the fact* that you weren't doing the things you should have been doing.

Take a look at *your* company's partnership report card. Are the metrics your company uses to evaluate design partnerships loose and subjective like the As and Bs of old? Or do the metrics consist of concrete, objective criteria explicitly describing where each member of the partnership should be at a given time?

With the right approach to evaluating design partnerships, you can not only sidestep the pitfalls of measurement but can use metrics to ensure a more effective partnering relationship.

Find out more about PDC's new book, [*Value Innovation Portfolio Management: Achieving Double-Digit Growth Through Customer Value.*](#)

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