

MASTER

Cooperation models for project partners in complex business projects

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**Cooperation models for project partners in
complex business projects**

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Abstract of project report

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1. Preface

This abstract has been derived from a confidential report. The report is the result of a project conducted at IBM Nederland, on an assignment defined jointly by both IBM and KPN. The project is the final part of the Master of Science program Industrial Engineering and Management Science at the Eindhoven University of Technology.

The purpose of the research project is to recommend on the cooperation between four companies (KPN, IBM, Baan and Lucent) cooperating in a very complex and challenging business project initiated in September 1999 by KPN. The original report describes and analyzes in detail the developments in the cooperation between the four project partners.

Although the report is confidential, this abstract summarizes the non-confidential part of the report. Generic tools have been developed to be able to analyze cooperation between project partners working jointly on one, complex business project. Conditions required to enable successful cooperation between project partners in complex business projects, such as systems integration and business transformation projects. In addition, a number of cooperation models have been developed.

For permission to read the entire report, please contact IBM and KPN with a formal request:

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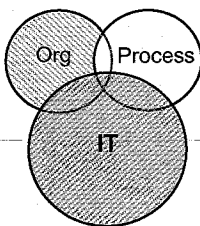
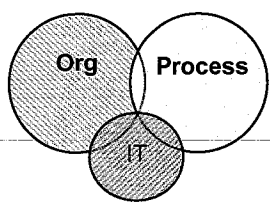
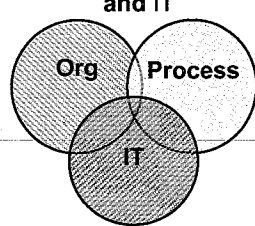
1. Context of the research project

The central topic of the research project is cooperation between project partners in complex business projects. For realization of the objectives of any business project involving two or more project partners, successful cooperation is required. Cooperation between project partners generally starts with the intention to cooperate. Once project partners have reached high-level agreement on the intention to cooperate, the question remains what roles and responsibilities would enable successful cooperation in practice. How can each partners' roles and responsibilities be determined in greater detail than the high-level cooperation roles agreed in the signed letter of intent?

Two dimensions of conditions, required for successful cooperation have been studied. First, dependent on the project in which the partners cooperate, agreement on the character of the project is essential to be able to reach agreement on cooperation. Second, independent of the character of the project, a mutually agreed cooperation model is considered a critical condition for successful cooperation.

2. Complex business projects

Key characteristics of three types of complex business projects have been studied: systems integration, ERP-implementation and business transformation projects:

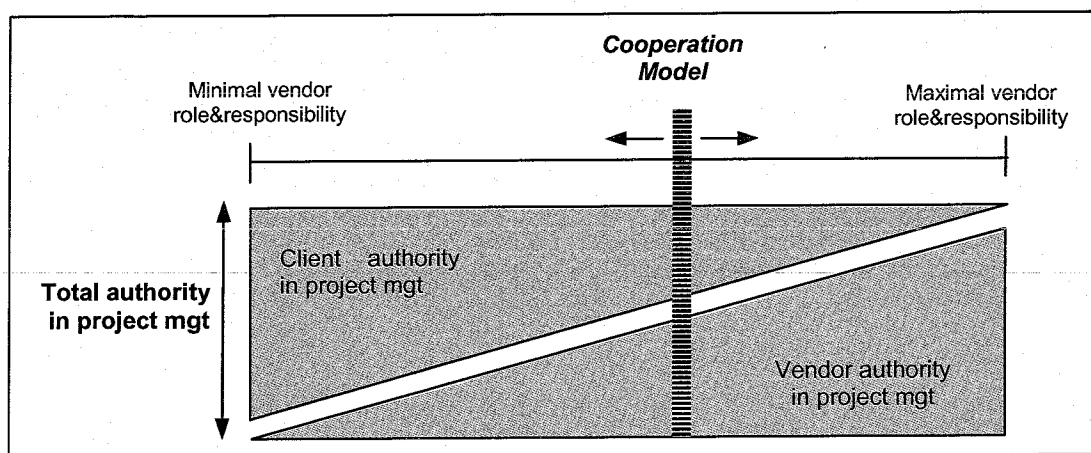
	Systems Integration	ERP Implementation	Business Transformation
<i>Viewed as</i>	IT project	Business project	Business project
<i>Organizational Complexity</i>	Low	High	High
<i>Technical Complexity</i>	High	Low	High
<i>Anticipated benefits mainly from intervention in domain(s):</i>			
<i>Integration required</i>	Within one domain	Within and between two domains	Within and between three domains
<i>Performance measure</i>	System performance	Organizational performance	Organizational performance
<i>Label of external service provider</i>	Systems Integrator	ERP-implementation partner	'Vendor'

Agreement among the project partners on the character of the project is required. This can be very difficult to achieve in case the project possesses a mix of characteristics of the three project types identified. Once agreement is reached on the character of the project, the design of the project determines whether successful cooperation is either stimulated or inhibited by it. Four key characteristics of proven successful business transformation projects are presented:

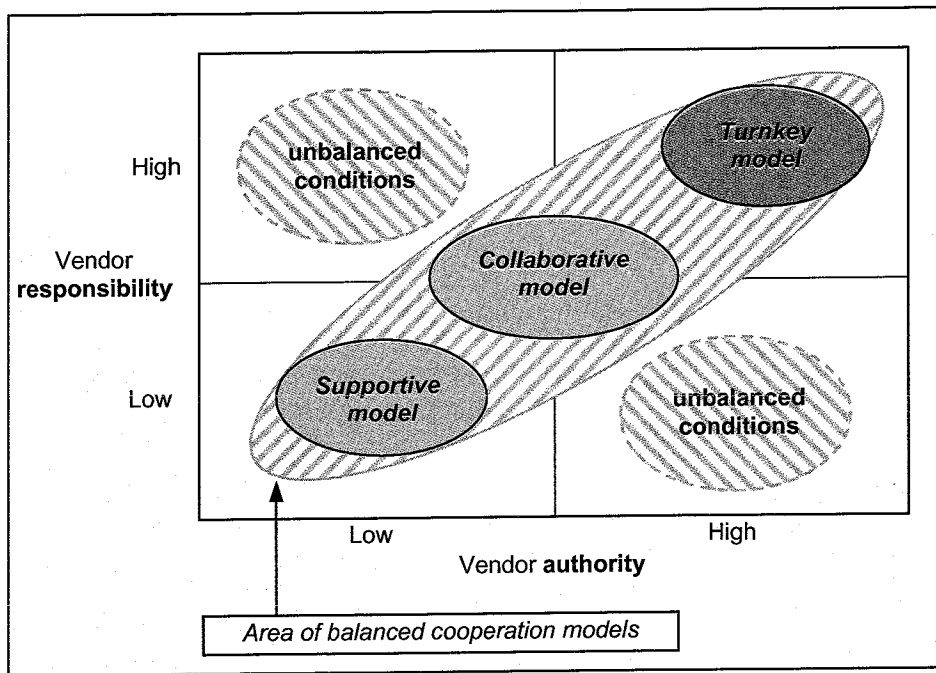
1. Program design; an approach and timing that is balanced with the company's capabilities
2. Governance model; which ensures clear, internal governance of the project
3. Program organization structure; providing a strong link between design and implementation of the solution
4. Resource plan; guidelines what resources can and should best be obtained externally.

3. Cooperation models

Independent from the project in which project partners cooperate, a mutually agreed cooperation model is critical for successful cooperation. A cooperation model provides a formal and concrete division of power (authority) over the two main project partners: client and vendor (external service provider).



Once the level of authority has been determined, the responsibilities can be derived, keeping in mind a balance that is required between authority and responsibility. Based on how authority is divided over client and vendor, three discrete cooperation models have been developed.



- Supportive cooperation model, with low vendor authority and hence responsibility.
- Collaborative cooperation model, with a balanced division of authority over client and vendor
- Turnkey cooperation model, in which the vendor has a very high level of authority and consequently a very high level of responsibility for the success of the project.

The suitability of each of the three cooperation models for the identified project types is briefly discussed. A turnkey cooperation model is proposed for a technical systems integration project. This cooperation model is neither very suitable for business transformation, nor for ERP-implementation projects. The high organizational complexity of these projects makes it impossible for the vendor to bear a very high level of responsibility for the business outcome (organizational performance) of the project. A collaborative model is proposed for these types of projects. A supportive cooperation model is applicable for any of the three project types, but the client must be aware that this consequently implies very little responsibility of the vendor for the outcome of the project.

		Project characterization		
		Systems Integration	ERP Implementation	Business Transformation
Cooperation Model	Turnkey Cooperation Model	++	+/-	-
	Collaborative Cooperation Model	+/-	++	++
	Supportive Cooperation Model	Applicable to any project type		