



**Strategic
Marketplace
Initiative**

The Pathway to Collaboration

Best Practices Manual

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SHAPING THE FUTURE OF THE HEALTHCARE SUPPLY CHAIN

About the Authors

The Strategic Marketplace Initiative (SMI) is a consortium of executives representing healthcare providers, medical supply chain companies and other businesses united to reengineer and advance the future of the healthcare marketplace, specifically shaping an improved more efficient healthcare supply chain. Through SMI, members discover an open, non-competitive forum for innovative idea-exchange and the development of collaborative process improvement initiatives. SMI's mission is to establish new standards of supply chain performance for delivering healthcare to patients and their communities throughout the United States. Additionally SMI was formed to act as a change agent for healthcare. SMI provides critical mass representing key industry stakeholders and decision makers within the healthcare supply chain interacting and sharing best practices. Since its inception in 2004, SMI has published and has made available at no charge over twenty resources for healthcare supply chain professionals to use in support of their efforts to improve their programs and processes.

For more information, visit www.smisupplychain.com

About the SMI Collaboration Package

This best practices manual is part of the SMI Collaboration Package which is the culmination of work conducted by a team of SMI members focused on uncovering and creating best practices for supplier/provider collaborations. The SMI Collaboration Package contains the following materials:

- The Pathway to Collaboration: Best Practices Manual & Appendices
- Educational Slide Deck
- Collaboration Case Studies
- Research Briefs

All of the materials are available free of charge on the SMI website at:

www.smisupplychain.com/collaboration. SMI wishes to thank the supply chain industry experts and the many SMI members whose work and contributions made this Collaboration package possible.



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Introduction

It is evident that hospitals, IDNs, and suppliers, must now evolve to meet the new revenue models challenging the healthcare industry. A team of SMI members comprised of supply chain executives who buy, and suppliers who sell and distribute healthcare products and services, chose to explore how collaborations might improve healthcare supply chain efficiencies and improve patient care. Recognizing that health care lags other industries in developing these types of relationships, the hypothesis is that there is tremendous value for both parties.

Within industrial settings, collaborative relationships between buyers and sellers are the norm. Collaborations can drive tremendous value for both parties in varying ways from cost savings, to product development, acceleration of new product introduction, recall programs and quality, and standardization and process improvements. Meaningful collaboration between buyers and sellers are almost unheard of in the healthcare industry. The relationship among healthcare supply chain trading partners is often almost entirely focused on price versus the total value that could be achieved through collaboration.

Effective collaboration is hard work, and takes time for trust and other required attributes to develop. The objective of this project was to review existing research on the topic, and, through the use of pilot projects, determine what best practices could be identified when creating a platform for buyer—seller collaborations in healthcare.

Our research identified a number of best practices from industry literature. These were reviewed and discussed with the overall project team. From this overview, initiative participants were asked to identify projects to pilot and test the collaboration theories. Six pilots were selected to implement.

The pilot projects were very diverse, but it is important to remember that we were examining the collaboration *process* itself – not the actual, realized outcomes of the collaborations.

As the process unfolded it became apparent that there is not one finite ‘recipe’ or process for building buyer—seller collaborative relationships in healthcare. However there were common elements to a successful collaboration regardless of the program scope or complexity.

Staying on course can be challenging, however, organizations can utilize various tools such as a “Relationship Charter” to guide the collaboration. This Charter (see Appendix B) sets the scope and vision for the project and can serve as a guide and reminder in cases of scope creep or misinterpretation. This Charter is as detailed as the partner’s desire, and provides the guiding principles of the project, objectives, scope, deliverables, risks, governance and project milestones.

This manual contains many ideas for building solid collaborative efforts and the benefits that can be realized. The process and steps utilized should be tailored to each collaboration. This manual provides the best practices as tested by 12 leading provider and supplier partners. It takes focus, vision and resolve. It is an investment and experience that can yield great reward.

SMI Initiative Team Process

The SMI Initiative team began with the development of a team mission statement: *To unlock the potential of supplier-provider collaborations by identifying the value propositions for all trading partners and by conducting pilots that make a dramatic impact on cost, quality and outcomes.*

The SMI Initiative Team first reviewed the potential benefits and pitfalls of building collaborative relationships, along with discussion and presentations of what ‘real’ collaborative relationships should look like when they are fully developed. The 50 participants in this initiative were healthcare providers, manufacturers, distributors, and solution providers. In the course of working together, the team identified six pilots.

The team conducted the following major tasks:

- Collected research and presentations from several parties, including Joe Sandor, PhD from Michigan State University’s supply chain management program who presented on the topic of collaborations outside of healthcare
- Engaged John Strong, an independent healthcare consultant and supply chain lecturer at the University of Wisconsin, Milwaukee Development who compiled research briefs that take the reader through the process of identifying a project, execution and outcome metric development
- Reviewed and developed measures that would benchmark pilot participants levels of trust and other factors at the beginning of a pilot project, and again at the conclusion
- Developed a pilot application form to allow the pilot participants to define their project, determine their initial level of a working relationship, and set goals and outcomes, among other factors
- Reviewed the progress of each pilot on a regular basis, usually during scheduled monthly conference calls, and biannual face-to-face meetings (*major emphasis was on the collaboration process, the key behaviors and steps taken by the participants, versus the sales and operational outputs of the pilot projects*)
- Developed a “Pilot Profile Template” that allowed all pilot participants to record their progress and findings

Reasons for More Supplier-Provider Collaborations

There are a wide range of reasons and eventual benefits to foster collaborative relationships between buyers and sellers, however, all trading partners in healthcare can agree to an overriding goal: to improve the quality of care and the patient care experience at a lower cost. It is important to remember that these relationships generally take time to develop.

Here are some benefits of provider-supplier collaborations the SMI team observed:

Benefit	Result
NEW OPPORTUNITIES	Increased communication can uncover new opportunities for both the provider and supplier. In many cases, this can result in an increase in competitive advantage for both parties in their respective markets.
MODEL FOR CHANGE	Both suppliers and providers need to adjust their current relationships to meet the demands of changing revenue models.
INCREASED TRUST	As integration between the buyer and seller grows, trust generally grows with it. This allows the parties to share information resulting in product improvements, improved transactional efficiency (in areas such as order expediting, for example), and a focus on total cost versus the price of products.
SHARED ACCOUNTABILITY	True collaboration will necessitate that all parties are accountable for specific deliverables. When all participants have “skin in the game” accountability increases and drives opportunity for successful outcomes.
IMPROVED PERFORMANCE	Long(er)-term contracts, typical in a collaborative relationship provide security for both the buyer and the seller, and enable them to focus on next generation products and improved operating efficiency creating a culture of continuous improvement. It is important to move the relationship from purely transactional to one where collaboration plays a key role.
STRATEGIC ENABLER	As interactions between the buyer and seller become more strategic and focus on the total value of the relationship, areas such as product development and forecasting can be shared making supply disruptions less likely. Improved products, service and communication can lead to better patient care, a goal shared by both the buyer and seller.
MANAGING BUSINESS CHALLENGES	Both parties have a stake in the resolution of business challenges that can arise in any collaborative effort. The communication streams established through the project facilitate this critical activity.
CHANGE MANAGEMENT	The importance of change management and both internal and collaborative communication streams cannot be underestimated. The SMI team found that even when project teams thought they had communicated a process change thoroughly, there were always gaps in the knowledge transfer.

The Pathway to Collaboration

The SMI Initiative team has created the following pathway as a recommended best practice for executing collaborations in the healthcare supply chain.

Step 1: Before you get started

- Chose a Collaborative Partner

There are many factors that contribute to the success or failure of a collaboration, particularly in the healthcare supply chain. Before a collaboration begins, partners need to ensure that the corporate cultures of both organizations are equipped to make the necessary investment of resources, time, capital and commitment from executive leadership to support a collaboration. Both organizations must determine behavioral factors up front to see if corporate goals and cultures are aligned. It is important that both organizations share common value systems and complementing cultures. The SMI Initiative team developed a checklist to help organizations determine if they are aligned and equipped to begin the collaborative process (see Appendix A).

- Realize it's OK to fail or at least not meet the identified goals fully

Realize early on that not all collaborations are successful and both partners need to accept the development of the project that may be difficult to exit. Understand each partner's pain, challenges and opportunities. Make sure that both parties are driven by and committed to the need for change. Failing to meet identified goals may uncover additional opportunities to improve processes or products that generate a longer-term gain.

"As providers, we have the opportunity to unlock significant value beyond price by collaborating with our suppliers and trading partners."

*-Joe Walsh, Intermountain HealthCare
SMI Team Leader*

Step 2: Establish a Baseline

- Define the vision, goals and scope of the collaboration

- Build a mutual "Statement of Work" (SOW) – the SOW must be tightly defined and clearly measurable with timelines.
- Identify the initial level of trust

- This is an important step for both collaborators to disclose their initial level of trust to determine a working strategy based on limited trust, performance-based trust, commitment based trust or collaborative trust.
- Identify risks
 - Identify areas of risk within the SOW and understand that unrestricted access reduces risk.
- Identify mutual benefit
 - Agree on mutually beneficial outcomes that are realistic, clearly defined, widely understood and capable of delivering breakthrough results.
 - Identify the financial and operational benefits to ensure alignment of incentives for both partners.
- Establish teams
 - Identify the key stakeholders, both upstream and downstream for each organization.
 - Identify all necessary decision making and functional resources needed to conceptualize the collaborative solutions and then support the implementation. This team should be disciplined, yet synergistic, creative and willing to innovate.
 - Include a single point of contact for both provider and supplier. Engage the nursing and clinical staff in projects that have direct impact on the delivery of care.
- Investigate potential technology and tools
 - There are many collaboration tools that can be used to help the collaborative process. One such tool is the Net Promoter Score (NPS) which focuses on one goal of treating customers so well they become loyal promoters. Several healthcare and non-healthcare companies have adopted this loyalty index to measure the likelihood that customers are promoting them to other customers.
- Obtain commitment from executive leadership
 - This commitment needs to be mutual and at the highest level in the organization as possible. Without executive commitment, potential



roadblocks related to trust and transparency may sabotage the collaboration.

Step 3: Develop Relationship Guidelines

- Create a Relationship Charter
 - A Relationship Charter helps identify principles and relationship metrics (see Appendix B for a template).
- Identify communication methods and establish a meeting schedule
 - Face-to-face meetings are beneficial for building both relationship and organizational accountability.
 - A scheduled communication plan with a platform for handling challenges and issues was a foundational component that supported these pilots.
- Create a change management process
 - The change management process is critical as is the assessment to the impact to an organization. Engage internal or partner resources to create and manage to a change management plan, especially if the project impacts multiple areas or represents an overall organizational shift in behavior.
 - Be prepared to communicate change frequently and consistently. Work with the personnel that are impacted by the change early to identify challenges. Their input can alert you to operational issues you may not have anticipated in the original SOW.

Step 4: Build Trust and Transparency

- Share Corporate Strategy
 - Both parties should share their corporate vision, strategy, and overall direction. Differences between both organizations should be recognized and discussed depending on their perceived impact on the overall project.
 - Sign appropriate legal documentation, as needed, depending on the structure of the relationship and level of information that will be shared – specifically a Non-Disclosure Agreement (NDA).



- Change old sales models

- Be prepared to talk about process and solutions and the changing business environment, not products and price. We are now in the era of changing the status quo – the SMI Initiative team also found that having the provider partners set the agenda helped bring a new focus and perspective to the collaboration. Have both parties develop the agenda.

“Our industry needs to change the antiquated sales models of yesterday and look for truly innovative, contemporary collaboration models that reflect the changes healthcare is experiencing.”

*-Randy Hayas, Orlando Health
SMI Team Member*

- Establish transparency

- Transparency is a foundational piece for both parties in an effective collaboration along with building trust. Having an NDA in place allows each organization to share more – including sensitive materials.

- Measure trust

- To gauge progress, establish a baseline of the trust the organizations share. Part of the review plan should include a revisit to the level of trust at 6-9 month intervals. Trust does not fully happen in a short period of time and may take more than a single collaboration project to continue to build trust.

Step 5: Create Metrics and Measurements

- Create metrics

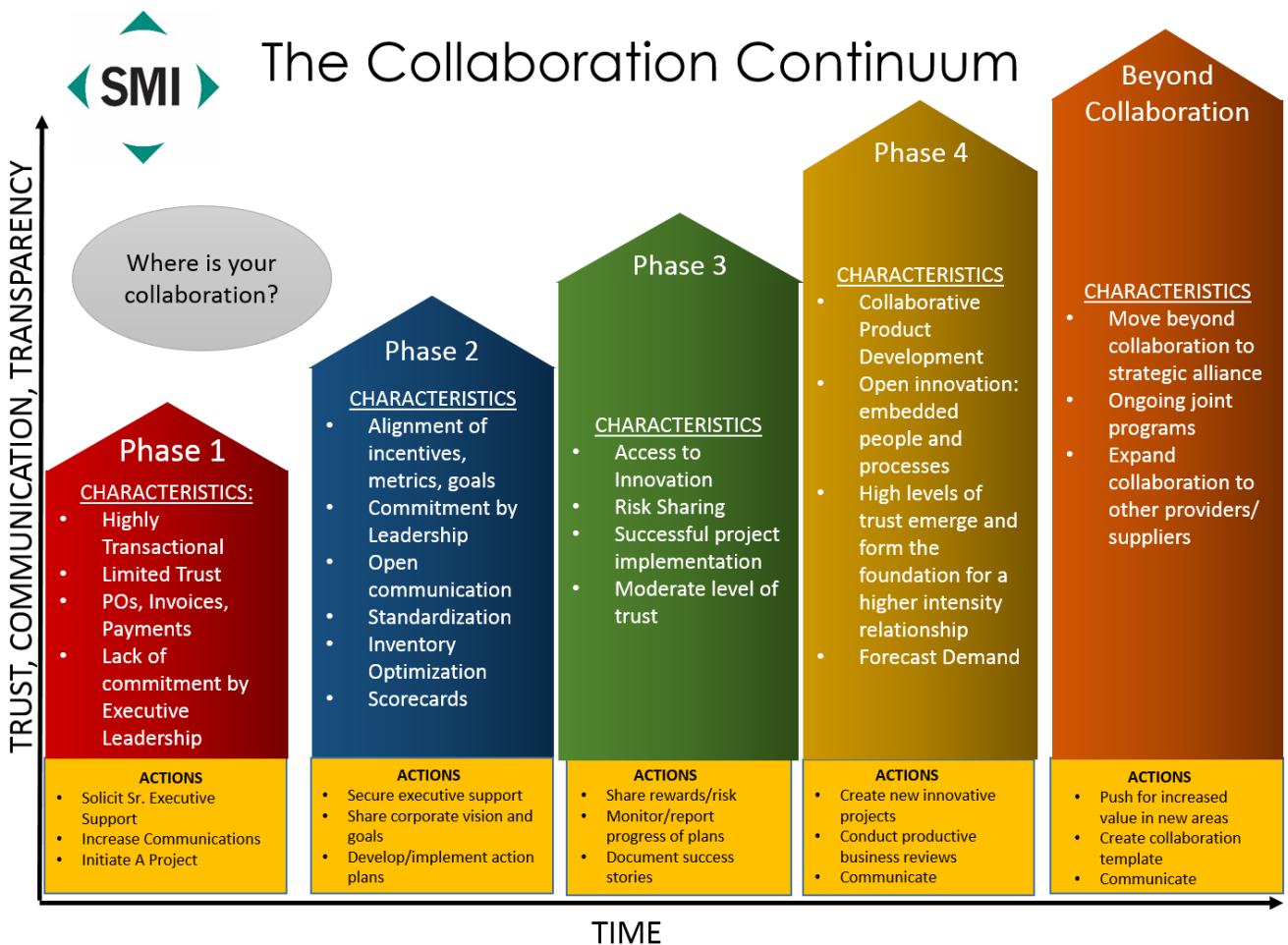
- Establish a clear set of metrics and measurements from which both parties can achieve success such as financial results; improved customer service, business operations, and patient care; innovations and knowledge transfer.
- Create a process improvement road map that uses methodology and timeframes for gathering and interpreting metrics to gauge progress to the goals.
- Utilize Business Review Guidelines to guide performance (see Appendix C).



Step 6: Beyond Collaboration

- Focus on the long-term
 - The first attempt at collaboration may not yield 100% of the targeted outcomes. However, this does not immediately translate into failure. It may be a start to lay the foundation for a longer term effort that will yield full results. Alternatively it may provide a template for other engagements. Sharing initial successes with likeminded partners may open up greater opportunities.
 - Identifying the participants of future collaborations is a challenge for both the provider and supplier communities. Build upon your experiences and successes to help identify true opportunities.

The "Collaboration Continuum" below is an assessment tool created to help providers and suppliers determine where they would place on this maturity curve model. This provides insights into the cultural acceptance of a collaborative project.



Collaboration Pilots

The SMI Initiative Team decided that to truly test collaboration best practices, it would be necessary to conduct pilots to determine critical success factors and key behaviors. Six teams consisting of one provider organization and one supplier organization volunteered to conduct pilots as outlined below:

Pilot 1: The primary goal of this lean effort was to voluntarily reduce the number of Stock Keeping Units (SKUs) for two supplier product lines currently utilized by the health system partner. The desired end-result was to reduce unnecessary clinical variation and to provide operational effectiveness for the healthcare provider. These partners did have an existing business relationship to leverage.

Pilot 2: This project was a Patient per Day Utilization pilot. This team also conducted a secondary pilot focused on the provider's self-distribution strategy to put models and infrastructure in place that were mutually beneficial with aligned incentives. These partners did have an existing business relationship to leverage.

Pilot 3: The focus of this pilot was to build and operate a more reliable, cost effective and efficient transportation network that would become a strategic enabler for the provider partner by optimizing the movement of patient specimens and physical items throughout the health system via an integrated, scalable transportation network. These partners did not have an existing business relationship.

Pilot 4: The goal of this pilot was to standardize key protocols for surgical pre-op/intra-op of patient prepping and other defined targets within the surgical environment, to minimize the variability in processes and educate provider personnel in support of the OR's HAI performance improvement objectives. The partners did have an existing business relationship.

Pilot 5: The goals of this pilot were to develop a product expiry mitigation process targeting Cardiology and Peripheral Interventions/Vascular product stored in the hospital labs. The project focused on process change. The partners did not have existing relationship to leverage.

Pilot 6: The primary focus of this pilot was to reduce catheter-associated hospital-acquired urinary tract infections (CAUTI). This project used NPC Institutional CAUTI rates as the metric to measure performance. The partners did have an existing business relationship to leverage.

To learn more about these various pilots including metrics and measurements, see the Collaboration Case Studies at: www.smisupplychain.com



Key Findings, Challenges & Best Practices

KEY FINDINGS

While each pilot project was different, each one also yielded interesting findings and best practices for consideration around the process of creating a collaborative relationship. Although different outcomes were measured, there were key common “critical success factors” for a collaboration that resonated across these projects:

1. **Communication:** the SMI pilots showed there needs to be a commitment by both parties to have open and honest dialogue to establish regularly scheduled meetings for project updates with a working document that clarifies the progress and action steps to ensure clear expectations for both parties. Taking the time to establish a formal relationship charter to set guidelines and governance that drove communication and open dialogue and having a single point of contact is key. Within many of the pilots expanded access led to deep and wider communication between organizations.
2. **Trust:** pilot participants agreed that trust can be accomplished through transparency, establishing clear guidelines and an action plan, including specific metrics to measure progress, with input from both parties. In some pilots, the provider offered clinicians with both clinical content expertise and technical skills to ensure that the goals of the project were met.
3. **Transparency:** pilot participants decided very early in the process that all findings and information should be evidence based and communicated through shared documents. There must be no hidden agendas or bias.
4. **Alignment of Goals:** when both pilot participants were able to align goals and review metrics of success for both organizations, mutual value was achieved which helped to build trust and enable more transparency between the organizations.
5. **Executive Sponsorship:** all of the six SMI pilots obtained executive sponsorship to ensure the project had the required support and did not conflict with other organizational goals. Having a culture where the collaboration is supported from the top down eliminates barriers, manages risks, and allows for more efficient and effective resource allocation.

“In order to have a successful collaboration, trading partners need to share their vision, strategy and future goals. Transparency that leads to increased trust is the key to developing a long-lasting and rewarding provider-supplier relationship.”

*-Gail Nelson, MedSpeed
SMI Team Member*



CHALLENGES

While the teams may have had different experiences and outcomes there were some specific challenges experienced in all of the pilots:

- **Trust Barriers:** the pilot participants needed to acknowledge at the beginning of the project, that the purpose of these pilots was not to sell products but rather to establish a collaboration to positively impact patient care.
- **Managing Risk:** one pilot participant experienced a merger early on in the process, however, the issue was addressed with open communication and a commitment to complete the pilot without distraction or interruption.
- **Incentive realignment:** utilizing metrics and measurements allowed the pilots to react quickly when goals became misaligned
- **Talent management:** some of the pilot participants experienced significant staffing challenges and the teams needed to work closely to make accommodations with scheduling and resources allocations to achieve a positive solution.

BEST PRACTICES

1. Conduct pre-planning to establish guidelines and metrics
 - Create a relationship charter
 - Establish a governance structure to align goals, review progress, mitigate roadblocks
 - Discuss spin off opportunities that arise, be willing to reset the project when milestones or goals are not being achieved
2. Establish a communication strategy
 - Early and often communication, balanced meetings, open and honest dialogue is key
 - Establish support from key MD, nursing, and executive leadership
 - Create an ad hoc committee to be the governing board for the project
3. Share the strategic vision, mission, and future plans of both organizations
 - Spend time becoming familiar with each other's businesses and strategic goals in the beginning of the collaboration
4. Measure the level of trust



- Continuously revisit metrics and measure the partnership trust level in order to identify next steps toward achieving goals
 - Focus on building the operational foundation for collaboration first, then build upon it strategically
5. Establish a change management process/plan for change
- Key stakeholders should be identified at each of the hospitals to be the champion for the project

Conclusion

There were a number of surprises as the pilot projects began to emerge. For example, the team leaders may have had a high degree of trust in one another, but realized they needed to develop that same level of trust up and down their respective organizations. In most cases there was an established vendor-buyer relationship, in a few, participants were working together for the first time.

Involving the right senior executives was identified in 90% of the projects as a critical success factor. In these projects it became necessary to go further up the ranks than originally planned to obtain the needed support.

In 60% of the pilots, getting the project launched and underway took more time than originally estimated. Because of the diversity of the projects and the scope of operational and clinical areas involved, any number or combination of factors could impact the initial project plan. This highlighted the importance of communication, both internal to the partner organizations as well as between the partner organizations. It seems the maxim “you can never have too much good communication” held true in these pilot projects.

Clearly, there is no single set of pre-project considerations that can be used in every circumstance. Every company and healthcare provider is different—and the goals and desired outcomes are different as well. Generally, the research that was used to build these pilots identified many of the issues and challenges that each pilot faced. In some cases “trying to skip ahead” and beyond the level of trust or structure that was put in place required participants to take a step back, and revisit some of the items that had been suggested. In others, it was possible to move ahead a bit more quickly than originally expected.

Taking the time to plan, strategize, and use a charter for the project can pay significant dividends at the end of the day. These are not necessarily easy relationships to establish, manage or drive and can be relatively fragile in the early stages. However, the gains can outweigh the lost opportunity of not trying – once, twice, many times. In this context, failure IS an option. It is the combination of good leadership, trust, timing, resource commitment, resolve and vision that resulted in actioned pilots. We encourage you to be brave, be bold and seize the opportunity to create your own collaborations.



Appendices

There are three appendices to this best practices manual. These appendices are designed as supporting materials to this manual outlined as follows:

Appendix A: Checklist – Choosing a Collaboration Partner

Appendix B: Relationship Charter

Appendix C: Business Review Guidelines

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Appendix A:

Checklist: Choosing a Collaboration Partner

When embarking on a collaborative project, there are some key points that should be considered prior to initiating a relationship that will help in choosing a collaborative partner:

- [] Is the project large enough to justify the investment in time, talent and capital that may be required?
- [] Does this project relate in areas where both partners have core expertise? Are we building on real strengths of the parties?
- [] Do both parties have the organizational capacity to develop the project together?
- [] Do both partners have the right infrastructure to achieve the goals that have been identified?
- [] Are both parties willing to invest the resources to make the collaboration a reality? Will both parties contribute capital to the project if required?
- [] Does the project serve the common strategic interests of both parties?
- [] Will the proposed outcome benefits be divided roughly equal between the partners?
- [] Are the goals realistic and achievable in the time period allotted for the project?
- [] Will senior management from both partners participate in the project, and be kept informed of the progress over the life of the project?
- [] Is it possible to develop a charter for this project with input from both parties, and everyone on each team?
- [] Have both partners identified and fully briefed the 'right' team from both sides? Are incentives aligned?
- [] Do both organizations have a culture to support collaborations?
- [] Are both organizations willing to share their corporate vision, strategy and goals?
- [] Are both organizations willing to fail?



Appendix B:

Relationship Charter (Example Template)

This relationship charter is designed to define and outline the shared direction and goals of both parties and the process by which they have agreed to achieve these goals. This charter is not a legal document; however, it does reflect a commitment between both parties, providing a concise, summary of how the parties agree to work together and a basis for ongoing performance review. A relationship charter is often used in conjunction with other documents including partnering or relationship agreements and/or ongoing performance review. As two parties enter into a provider/supplier collaborative partnership, they will work to complete the below information and revisit/update the document as needed.

1. Overview

Provide a high level overview of the current relationship, the history, and the potential for collaboration. This is the appropriate section to detail the “why” of the collaborative relationship.

Example: The purpose of this Charter is to build a long term, collaborative, and innovative relationship between Company A and Company B in which both companies can work on and identify solutions that benefit both companies. The initiatives will focus on improving cost, quality, and outcomes. Projects will be created based on shared goals and objectives.

2. Guiding Principles

This section outlines the rules of engagement for the two companies. This should include meetings, frequency, team norms, and other relevant information that may address regulatory or legal concerns.

2.1 Rules of Conduct

Example:

- Initiatives and solutions will have an aligned goal of better serving patients
- Trust and Integrity will guide all interactions and communications between our organizations
- Solutions will have focus on driving Population Health management
- Company A will be viewed as an extension of Company B’s team and capabilities
- This relationship will have a long term focus
- We will be risk conscious versus risk adverse in our interactions and activities
- We will be risk conscious not risk adverse



2.2 Invitations and Gifts

Example: insert company policy for invitations and gifts.

2.3 Meetings and Correspondence

Example: include meeting frequency and communication methods.

3. Expectations

3.1 Goals and Objectives

Describe mutual goals and objectives for the two organization. This should be an outcome of a mutually agreed upon framework for identifying what is important to both companies and what goals and objectives are agreeable by both companies.

Example: Company B and, Company A have had a history of strong collaboration. Both have organizations agree to identify, define and pilot innovative strategies, solutions and programs that are designed to meet the following goals and objectives:

- Improved Patient Outcomes
- Lowering the Cost of Healthcare Delivery
- Movement towards ACO or Population Health Management
- New product/solution introduction
- Preferred Access

3.2 Measures of Success

Describe or list how the above goals will be measured.

Example:

- Executed project plans with aligned goals, timelines and resource allocation
- Preferred access



4. Risk Management

4.1 Risk Management Approach

Describe the process by which Risk will be managed between the two companies. This should follow best practices in Risk Management.

Example: The project team will proactively anticipate, identify, manage, and mitigate Risks. A Risk is defined as – Something that has yet to occur and we are actively trying to reduce the impact if it occurs. We will use standard risk management best practices to identify, track, mitigate and manage risk related to this relationship. The following template can be used to manage risks:

Risk ID	Risk Description	Likelihood	Impact	Management Strategy
R1	Identify Risks	High/Med/Low	High/Med/Low	Comments
R2				

4.2 Risks

Insert a table documenting each risk. The data elements could include – title, descriptions, probability of accordance, mitigation plan, and status.

Example:

- Legal practices from either party
- Acceptance of concepts
- Failed execution or negative project outcomes
- Resource allocation
- Changing priorities

4.3 Constraints

Describe limitations or restrictions that may impact the team's ability to execute on the above plan.

Example:

- Time
- Resources
- Funding (if applicable)
- Legal/Regulatory
- Organizational alignment

5. Governance

5.1 Purpose of the Governance Model

Provide a detailed model for how decisions will be made. Having a specific, strong, document governance model is critical to the success of any relationship. The model - who and how decisions are made and what to do when a decision has to be escalated – is does not need to be complex but it does need to be consistent and enforceable.

Example: The purpose of the governance model is to define interactions and boundaries between Company A and Company B, the governance roles and responsibilities (individuals and teams), team compositions, executive interaction and meetings.

5.2 Objective of the Governance Team

Describe the goal (or role) of the governance team for this project.

Example: The objective of the governance team is to develop and execute mutually beneficial solutions to improving patient outcomes, lowering the cost of healthcare delivery and move toward population health management.

5.3 Evolution of the Governance Model

Describe any carve outs, exceptions, and or potential changes to the governance model. It is important to recognize that people and companies change. It is best practice to discussion and document how change will be dealt with prior to the start of the project.

Example: The governance model may change as the customers focus changes and as the relationship matures. This governance model will be reviewed and revised from time to time to incorporate these changes, pursuant to the change control process. The membership of the Executive Steering Committee may be expanded or contracted by approval of the members of the executive steering committee

5.4 Management of the Customer and Supplier Relationship

This section describes key features of the governance model.



Example: The governance model incorporates a structure for the management of the Company B and Company A relationship that includes executive management.

Executive Steering Committee (ESC)

General responsibilities include:

- Monitoring and manage the overall relationship performance
- Reviewing new project opportunities
- Reviewing strategic direction
- Focusing on creating value from the business relationship.
- Identify and mitigate internal barriers related to resources and priorities
- Approve any and all changes to the relationship charter
- The ESC will meet no less than every 6 months

6. Key Performance Indicators

6.1 Key Milestones

Describe key milestones for the project. Project Milestones represent a point in time in the project. It is critical for the project team to agree on both the major components of the project (or engagement) and when those activities should be completed.

Milestone	Due Date
Example: Establish Relationship Charter	Click here to enter a date.
Example: Approval of 3 pilot projects	Click here to enter a date.
Example: Hold first Executive Steering Committee	Click here to enter a date.
Example: Kick of 1 of 3 projects	Click here to enter a date.



Appendix C:

Business Review Guidelines

Guideline Overview

This guideline, a companion document to the SMI Collaboration Package, contains voluntary recommendations for conducting supply chain business reviews between two trading partners. The intent is to increase the collaboration between the trading partners in order to maximize the relationships value for all involved.

For trading relationships, an effective business review can help bring structure and guide a trading relationship as it matures. Business reviews that follow these guidelines should not only focus on the reporting of progress and the alignment of objectives, but should also promote greater trust and future collaborative efforts between the two trading partner organizations.

Components of a Business Review

Business Review Component	Description
Frequency	Frequency should ultimately be determined by the leadership of the two trading partners, factoring issues such as availability, commitment, value of information shared, and the volume of trading activities. It is recommended that at a minimum business review take place annually.
Scheduling	Six month advance scheduling is recommended.
Communication	Business review agendas and a list of required participants should be defined and communicated 45-90 days in advance.
Review Venue	A face-to-face meeting is recommended. While the use of technology to connect trading partners may be required, the value of face-to-face interaction cannot be underestimated.
Length	Depending on the scope of the business relationship and the agenda, 1- 2 hours should be allocated to this meeting.
Documentation	Business reviews should be documented in the form of minutes and shared with all participants in a timely manner.
Review Enhancements	Enhancements to the review process should be considered by trading partners. Examples of enhancements include walking tours of facilities,



	observing products in-use, and observing the manufacturing process.
Review Tools	<p><u>Scorecards</u>: It is recommended that a business scorecard system be developed and utilized as part of a Business review.</p> <p><u>Measuring Effective Relationship Tool</u>: A Business review can be strategic in nature and sometimes is not designed to manage the tactical aspects of the business. It is recommended that the SMI tool Measuring Effective Relationships be utilized to assist trading partners in identifying and measuring the tactical effectiveness of the two organizations' relationship. This tool is available on the SMI web site (www.smisupplychain.com)</p>

Recommended Business Review Agenda and Detail

I. Welcome/Introductions

All review participants/titles should be introduced and current organizational charts distributed.

II. Meeting Objectives

Senior leadership and executives should communicate their meeting objectives to all participants.

III. Key Announcements (if any)

Examples include media stories, reorganizations, acquisitions, divestitures, and major events.

IV. Executive Update - Progress on Established Goals

This update is a summary snapshot, assembled collaboratively in advance by both trading partners, of the status of mutual goals using a red, yellow, green indicator along with brief summary comments. An example of an executive update is provided on the next page. The intent of the executive update at this stage of the meeting is to make efficient use of executive time, keep the discussion focused on the agreed upon goals, and to provide an easy to understand format.

V. Trading Partner Report Outs – Short and Long Term Objectives

At this stage of the business review, the information becomes more granular in nature.

Both customer and supplier should provide information pertinent to affecting a beneficial business relationship, such as immediate objectives, strategic initiatives, important trends, and challenges. This item also reviews the future landscape of their business, along with plans to address expected changes.

VI. Trading Analysis

The supplier should provide:

Exhibit 1 – Chart of Company / Product Line Relationships



Exhibit 2 – Total System Volume per Company, w/ Product Line Detail

Total Volume per Customer Facility

Company Volume per Customer Facility

Exhibit 3 - Update on specific initiatives, objectives and challenges

(1) Brief Sales Analysis

- a. What has worked and not worked from the supplier's perspective?
- b. What are the opportunities from the supplier's perspective?

(2) New technology on the horizon

(3) Collaborative discussion between vendor and provider

For multi-divisional suppliers, each business unit should provide a power point presentation that addresses the above points. The presentation should be kept to 4-6 slides followed by discussion.

VII. Operational Update

While business reviews are strategic, it is recommended that trading partners utilize the SMI Measuring Effective Relationships Tool to seek improvements in the operational aspects of their business relationships. Summary reports from this collaborative quality improvement tool should be reviewed.

VIII. Next Steps / Meeting Assessment

The documentation of "next steps" is a critical component in maintaining accountability in a relationship. Partners should conclude each business review by assessing what went well and what could be improved in the next business review. It is recommended that trading partners document specific follow up actions, agreed-to initiatives, and collaboration opportunities. It is also recommended that the provider have responsibility for the action register. See the included example of an Action Register.

Business Review

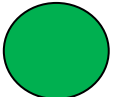
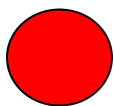
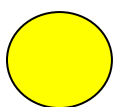
Executive Update – Progress on Goals

Example Only

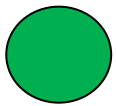
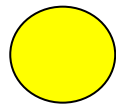
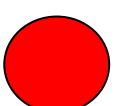
Business Review Date: Month, day, year

Provider Partner: Example General Hospital

Supplier Partner: Example Manufacturing Co.

Agreed to Goals	Description and Actions	Status	Indicator
To reduce the rate of infection by 50% in surgical patients through the use of _____ products.	Baseline of 13% established (date)	Actions complete.	
	Staff training in aseptic technique conducted	New measurement of 7% for month.	
	Inventory levels reviewed/adjusted		
	Continuing monitoring		
To establish vendor managed inventory system for automatic Replenishment system in OR.	Re-design of ordering processes and integration of IT systems is needed.	First meeting scheduled for next week.	
To expand the number of SKUs traded by 25% by end of year.	Conversion of five separate product lines has been identified.	One product line converted. User resistance reported on 2 nd product line.	

Indicator Key:

goal has been met = 	work on goal is underway = 	work on goal has not started yet = 
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Action Register Example

From Business Review Conducted on: _____

Action Item	Sponsors	Target Completion Date	Meeting Time Required	Comments	Actual Completion Date

Note: The Action Register should be included in all minutes and documentation.

