



CHANDLERKBS

Constructing Excellence in Wales

Who Shares Wins!

Coed-Y-Mwstwr Hotel
2 February 2010
Simon Lander

Inspired Innovative Individual



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- Some Definitions -
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 - Collaborative approach
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Simon Lander

- A Chartered Civil Engineer
- ICE Wales Regional Member of Council (sitting on several panels)
- Formally ICE Wales Honorary Secretary for 5 years


- 18 years in contracting – Alfred McAlpine, John Laing Construction
 - Engineer - Cwmgwili Bypass, Carmarthen Bypass, A55 NWTR
 - Project Manager – Coryton, Grafham Water, Ashford International Station, Millennium Stadium

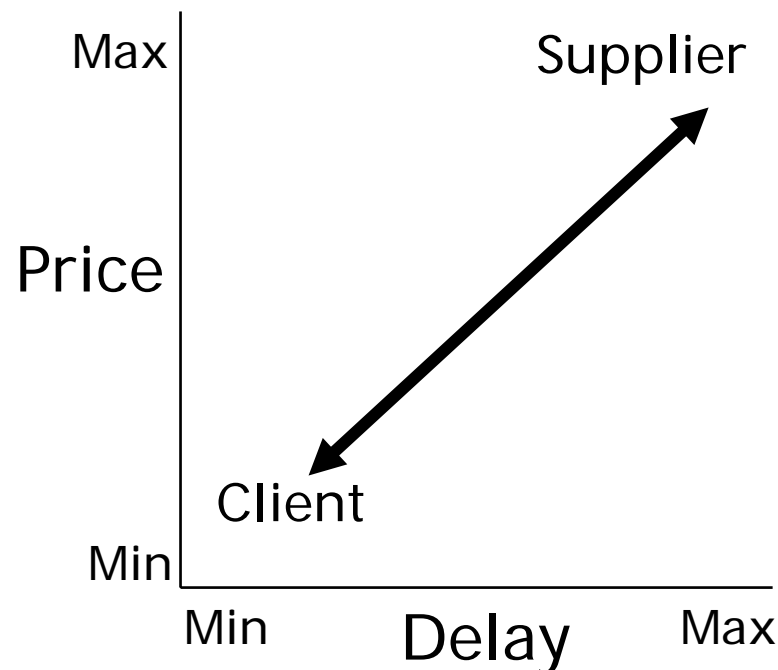
- 11 years in consultancy – ChandlerKBS
 - Welsh Water – Project Manager, Alliance Project Manager, Procurement
 - Magnox – Procurement, Contract Support (NEC3), TSIF
 - WAG – Aberystwyth Development
 - SWW, NGT, DENI and many others!

Definitions - Traditional approach



Traditional approach

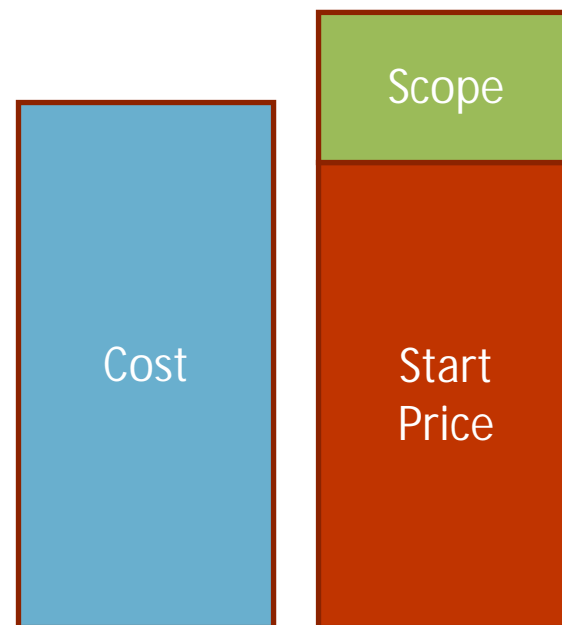
- Lowest Price wins
 - Adversarial – little/no alignment of objectives
 - Contract dominated
 - Claims driven
 - Delays/extension of time
 - Man marking (no trust)
 - Client risk
 - Win – Lose
- 
- Lose - Lose



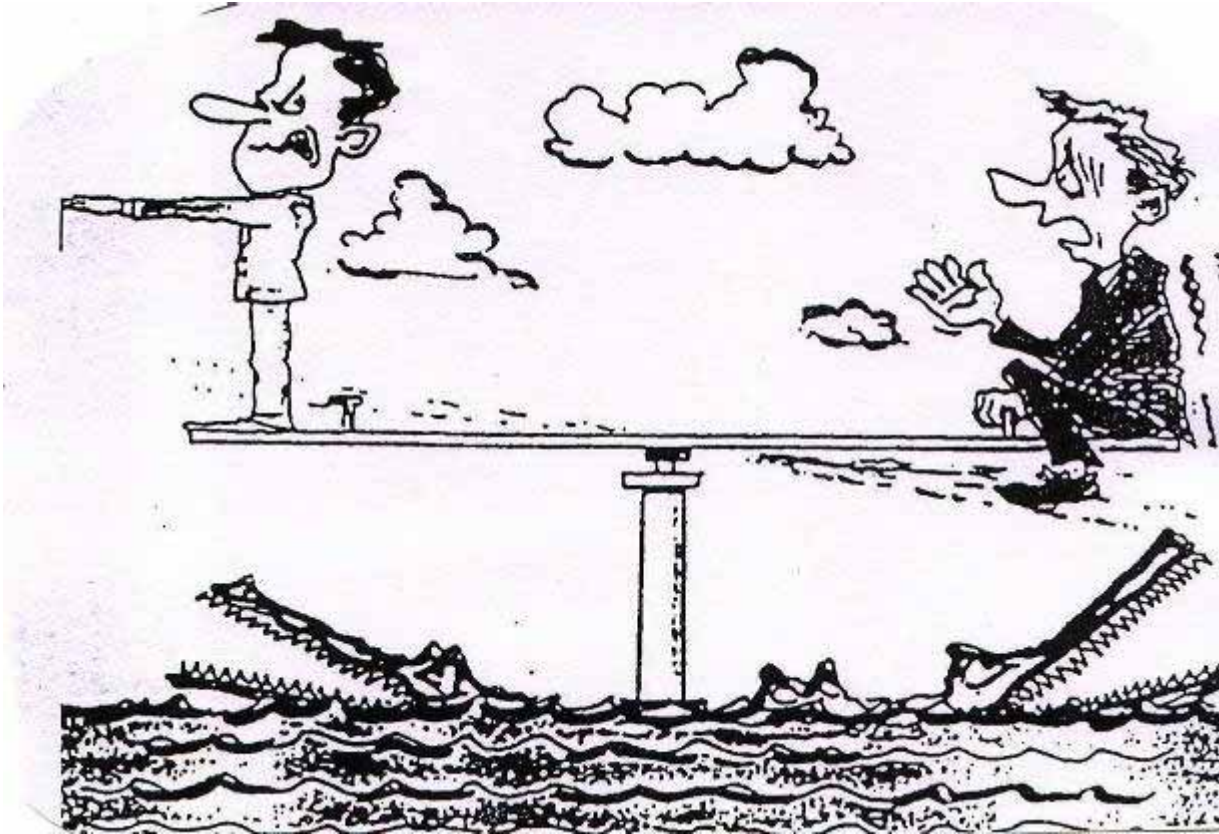


Traditional approach

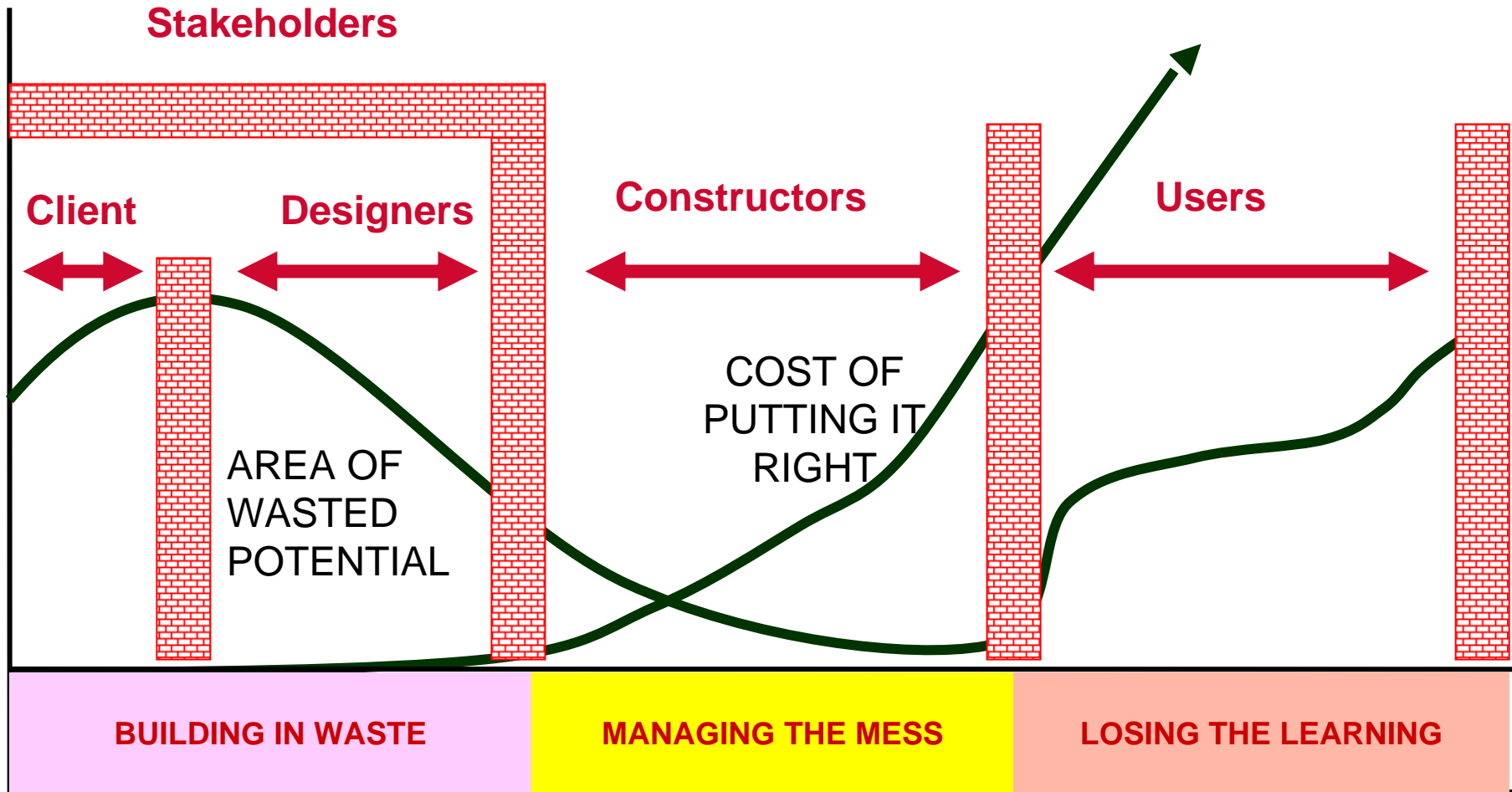
- Starting price can often be less than the cost to deliver
- Supplier's focus will be on scope growth rather than cost reduction and value
- Uncertainty of outturn price, which may bear little resemblance to cost

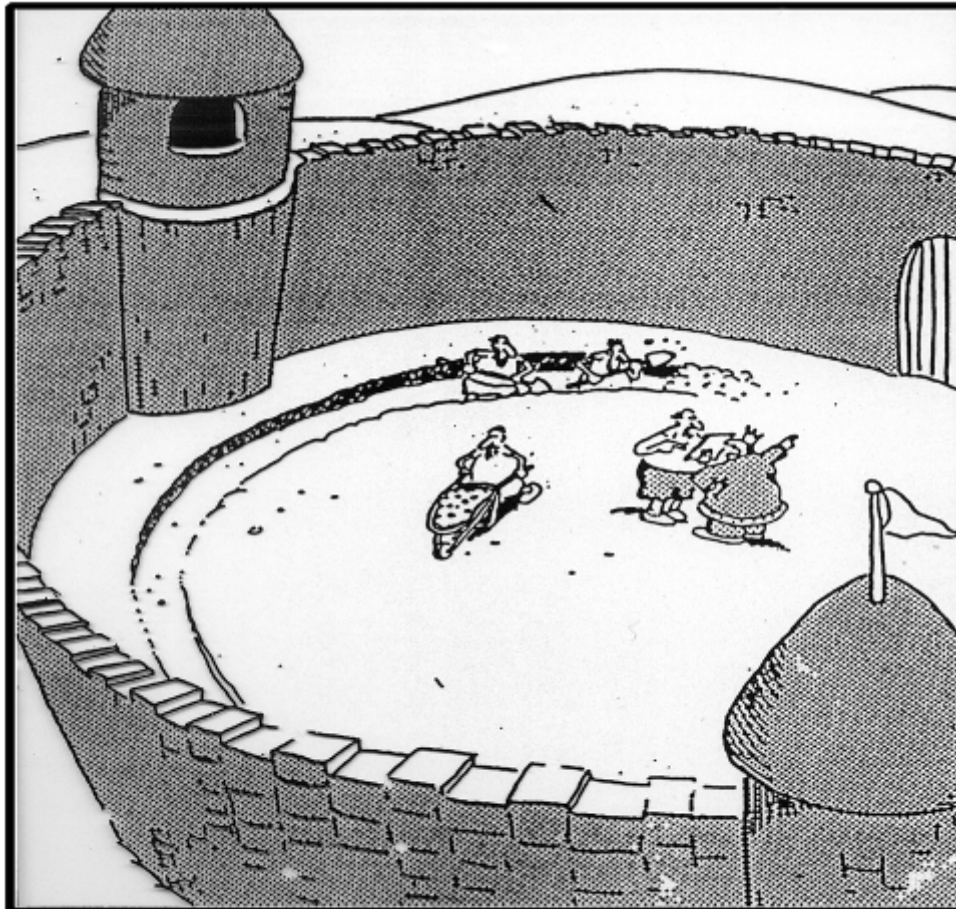


No - Win



Traditional approach

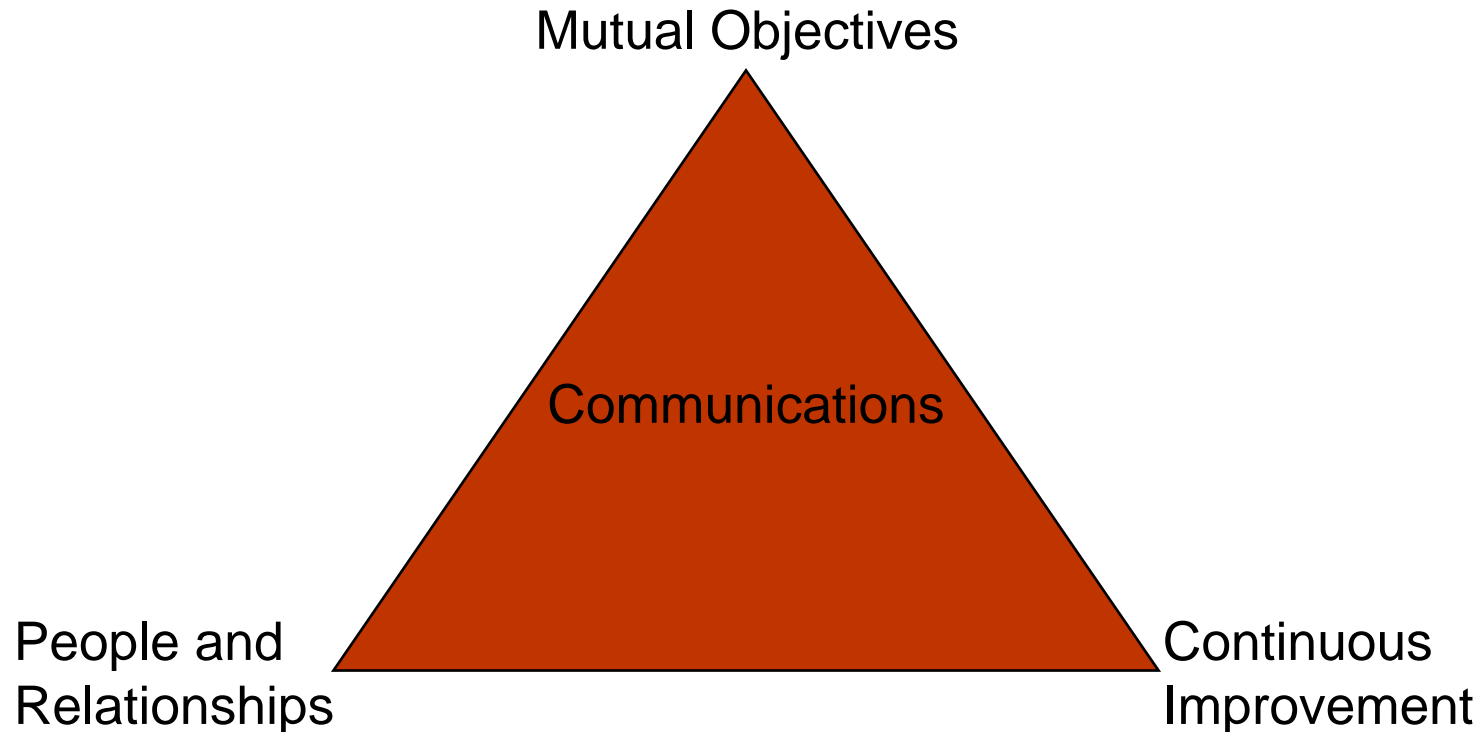




Suddenly, a heated exchange took place between the king and the moat contractor

Definitions - Collaborative approach

Collaborative approach



“Put simply, Partnering is all about the client and contractor coming to a realisation that if they work together from the start the result will be better than if they don’t”

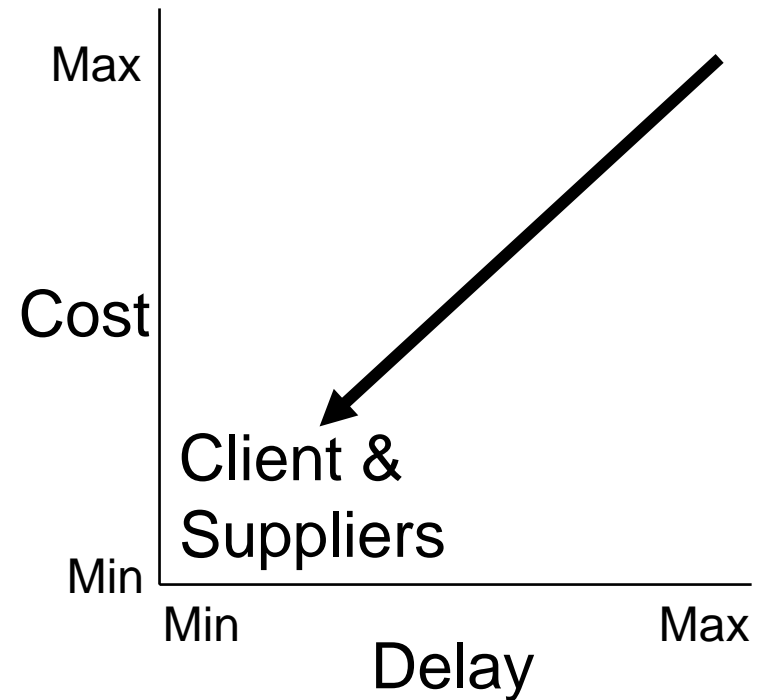
Sir Michael Latham



Collaborative approach

- Relationship based
 - Performance driven
 - Optimising supply chain
 - Sharing best practice
 - Shared risk
- 

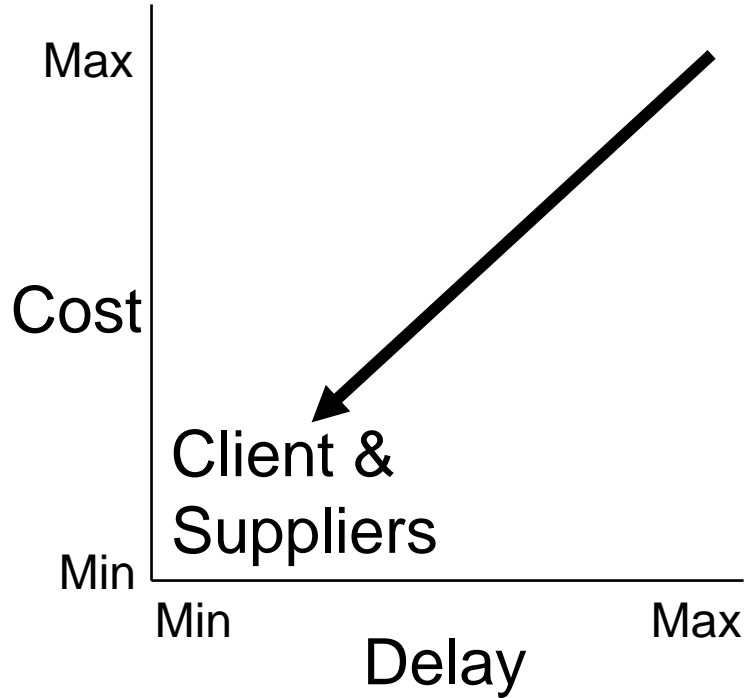
- Managed risk
 - Reduced risk for all



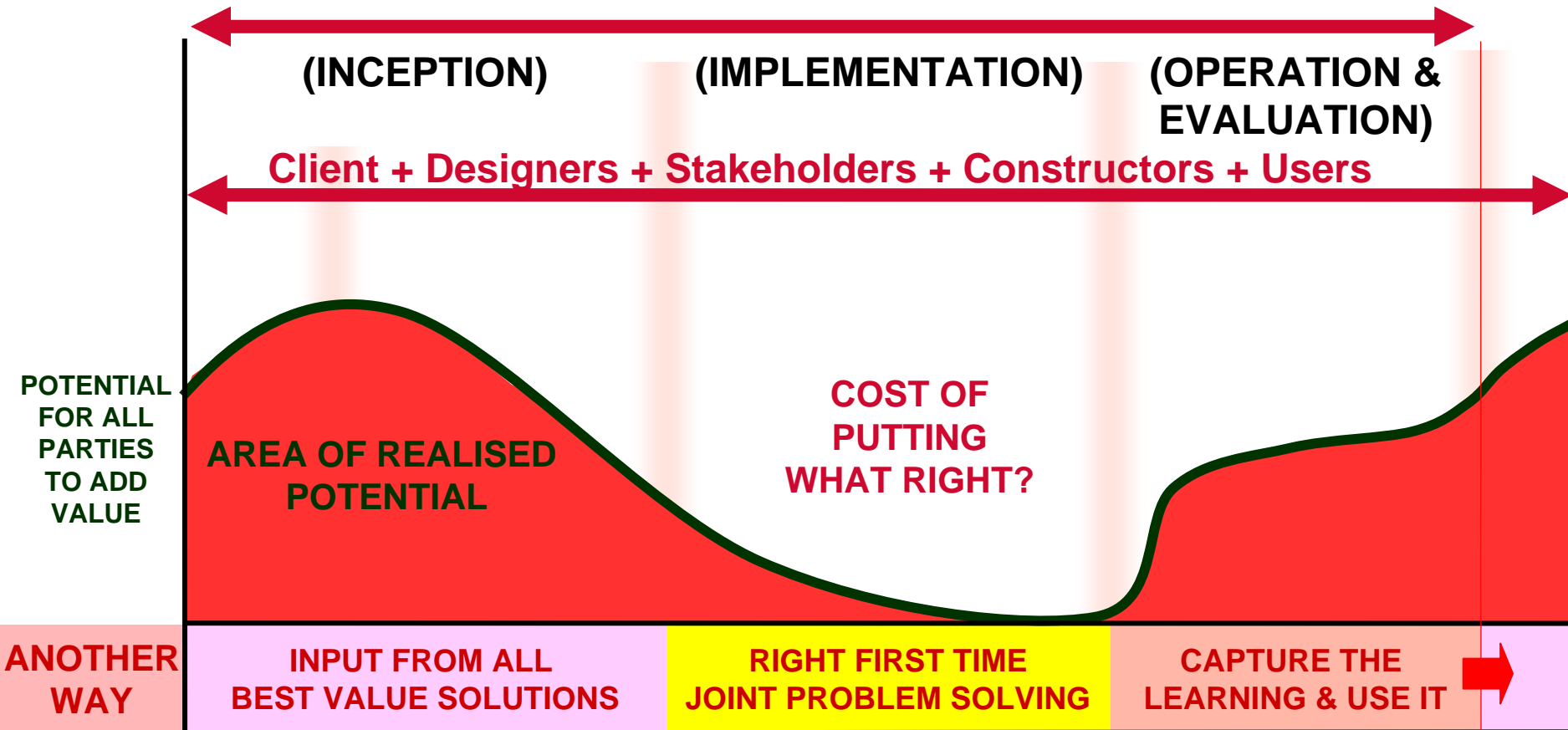


Collaborative approach

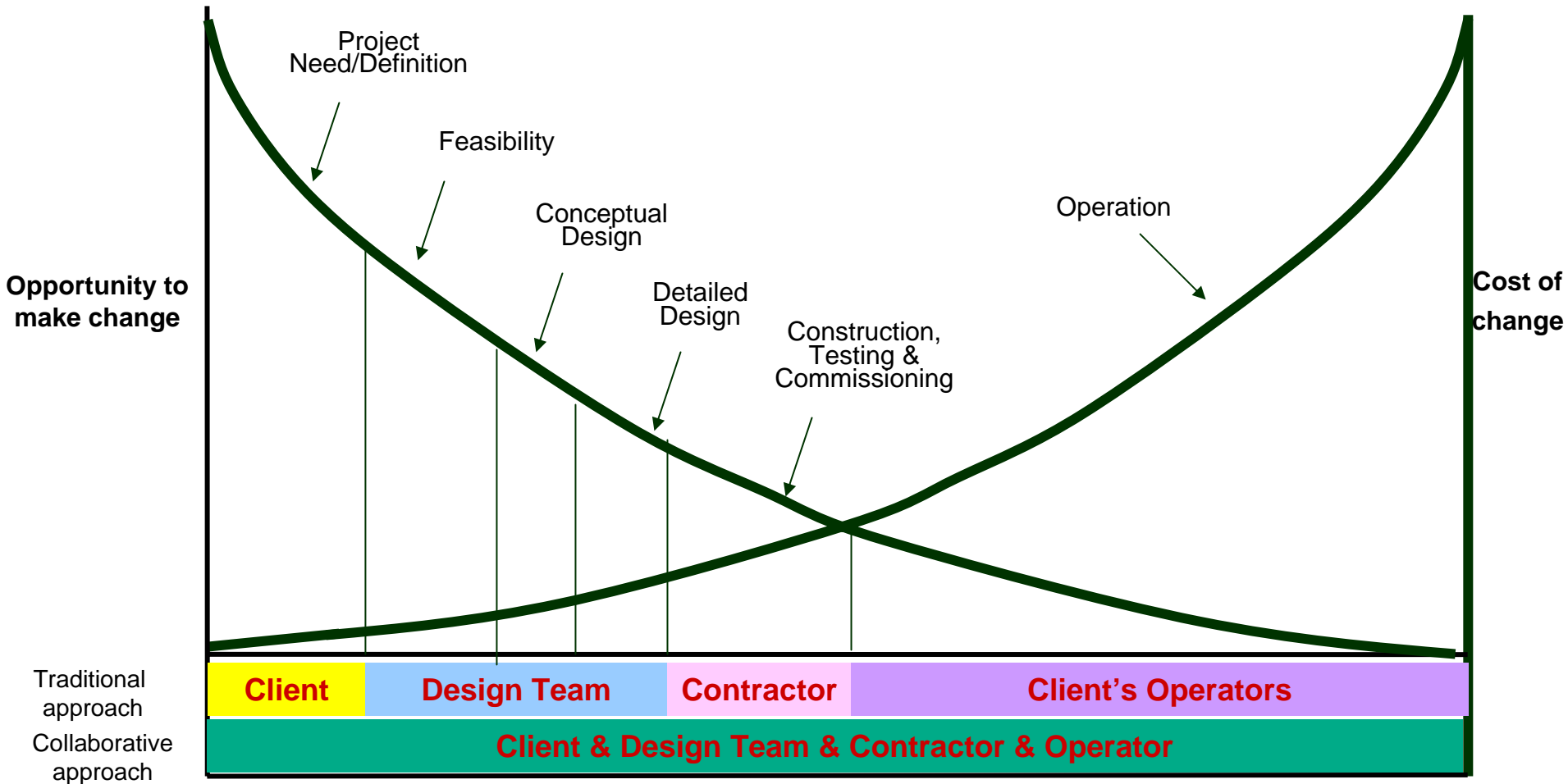
- Building teams
- Relationships
- Personal buy-in
- Trust, openness, honesty
- Commitment



Collaborative approach



Project Life Cycle



Definitions - Value for money



Value for money

A term used to assess whether or not an organisation has obtained the maximum benefit from the goods and services it both acquires and provides, within the resources available to it. Some elements may be subjective, difficult to measure, intangible and misunderstood.

Judgement is therefore required when considering whether VFM has been satisfactorily achieved or not. It not only measures the cost of goods and services, but also takes account of the mix of quality, cost, resource use, fitness for purpose, timeliness, and convenience to judge whether or not, together, they constitute good value.



Value for money

Achieving VFM is often described in terms of the 'three Es' -

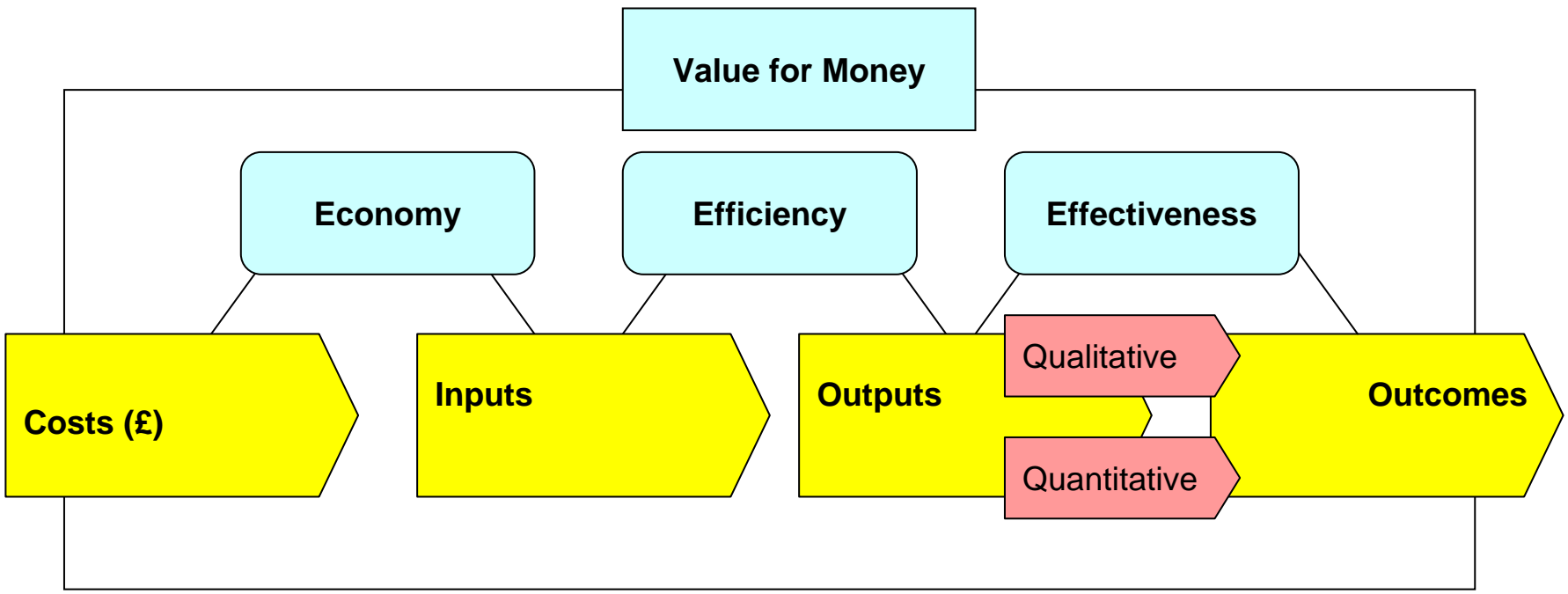
Economy - careful use of resources to save expense, time or effort.

Efficiency - delivering the same level of service for less cost, time or effort.

Effectiveness - delivering a better service or getting a better return for the same amount of expense, time or effort.



Value for money



Some Current Issues



Some Current Issues

Frameworks

- Often used to establish strategic, long-term supply chains, but
- Challenges from disgruntled suppliers becoming more frequent
- Several recent court cases are setting new challenges
- Becoming harder to establish under Public (Classic) Directives
- Easier under Utilities Directives – Negotiated route
- Can be expensive and time consuming to successfully set up, yet restricted to 4 years duration under Public Directives



Some Current Issues

Economy

- Many clients starting to wonder whether the collaborative approach is delivering VFM?
- Spot buying can generally undercut long term deals.
- Current market conditions appear to be offering good deals, but are they too good – will they last the course?
- Auditors and accountants questioning whether priced based competitions might deliver better VFM – easier to demonstrate VFM through competition than through benchmarking and continuous improvement.
- Clients who have been following the collaborative approach are starting to use more competitive processes whilst trying to retain long-term relationships – something has to give!



Some Current Issues

The impacts of more competition

- Potential exposure to health & safety performance (CDM)
- Potential exposure to environmental performance
- Corner cutting in capital costs lead to higher operating costs
- Less investment in resources
- Less innovation and sharing of best practice
- Focus moving away from cost reduction towards price increases
- Negative impact on sustainability (society, economic, environmental)
- Increased commercial risk
- The cost of more procurement may outweigh the savings

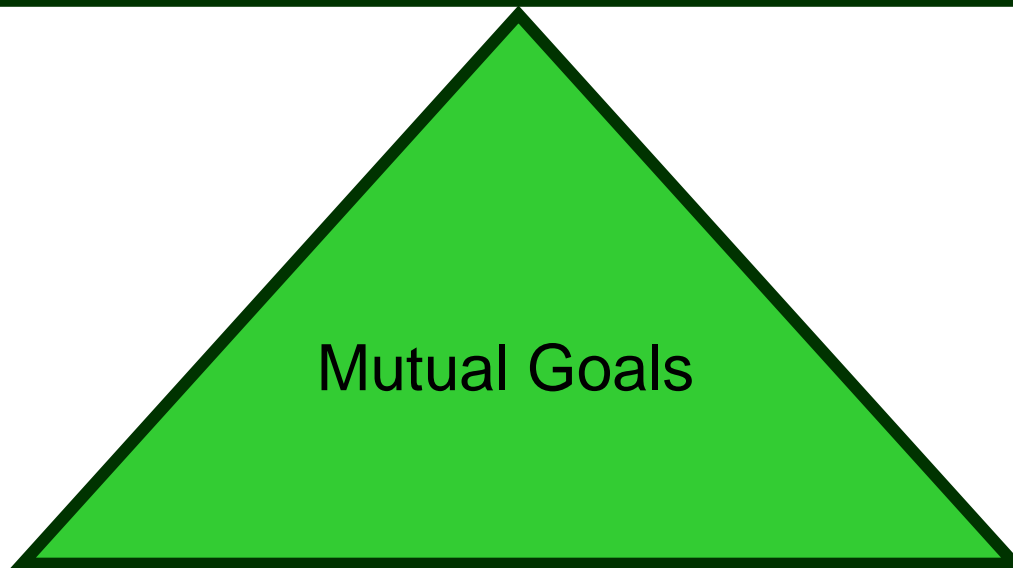
Collaborative Working in Practice

A simple model

Maintaining a balance through strong leadership working to an agreed strategy

People &
Relationships

Continuous
Improvement



A simple model

- **Mutual Goals**
 - **Common Terms and Conditions – e.g. NEC Suite**
 - **Open Book**
 - **Target Prices / Actual Costs**
 - **Shared Risks**
 - **Dispute Resolution Mechanism**
 - **Incentivisation – an equitable balance**
 - **Fee**
 - **Share Mechanisms (pain/gain)**
 - **KPIs**



A simple model

- People & Relationships
 - Safe environment
 - Innovation & challenging
 - Openness, honesty & trust
 - Respect for people
 - Team working
 - Celebration of success
 - A learning, not a blame culture
 - Effective communications
 - Ownership



A simple model

- Continuous Improvement
 - KPIs
 - Common processes
 - Non man marking
 - Realistic targets
 - Business improvement teams
 - Supply chain management
 - Shared risks
 - Shared best practice
 - Investment in people development



A simple model

- **Leadership**
 - **Visible buy-in from the top for all parties**
 - **Establish leadership and management teams at appropriate levels**
 - **Steering Group – leadership**
 - **Core Team – management**
 - **Build relationships whilst times are good in order to have the strength to deal with difficulties**
 - **Agree on the strategy and measure delivery**
 - **Invest in behavioural development**



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Audience Participation

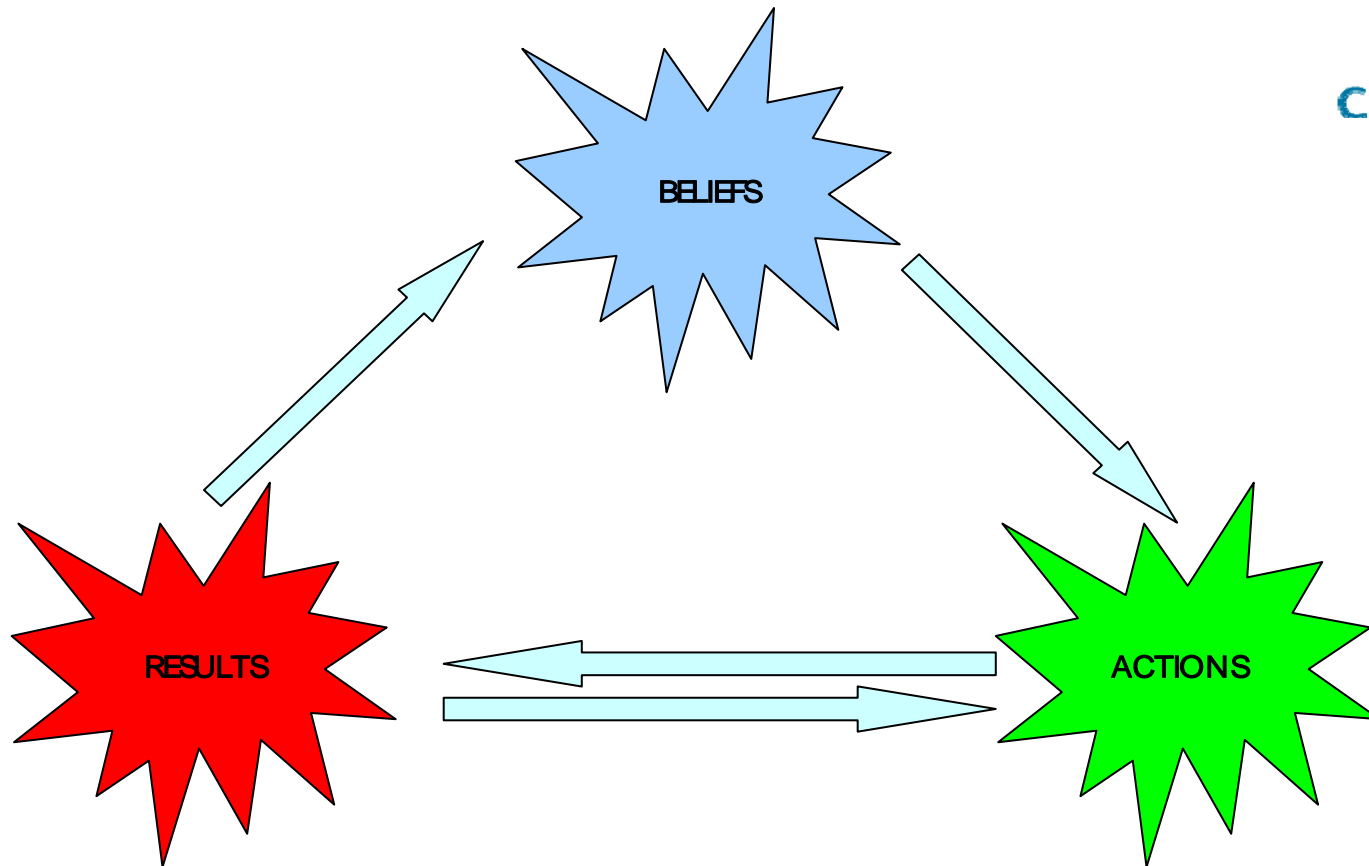
Inspired Innovative Individual



The F Card Exercise

- The checking process passes failures and fails passes!
- Those who got it right will be somewhat smug!
- Those who got it wrong may feel stupid and exposed!
- Errors caused by pressure, lack of attention and blame!
- Competition from each other and some peer pressure!
- Competition to be first, or at least not to be last!
- No sharing – inhibits innovation and creativity
- Focused on the longer words – small words insignificant
- Making assumptions about the test
- No trust (in instructions)

So what's going on?



Beliefs influence what we do and how we behave – actions.

Actions produce results.

Results reinforce our beliefs.

What happens if results don't agree with beliefs?

We change our actions until we get the results we expect!

If we want to change our behaviour we need to start with our beliefs.



Belief
Window



Experiences
Knowledge
Emotions

R
E
A
L
W
O
R
L
D

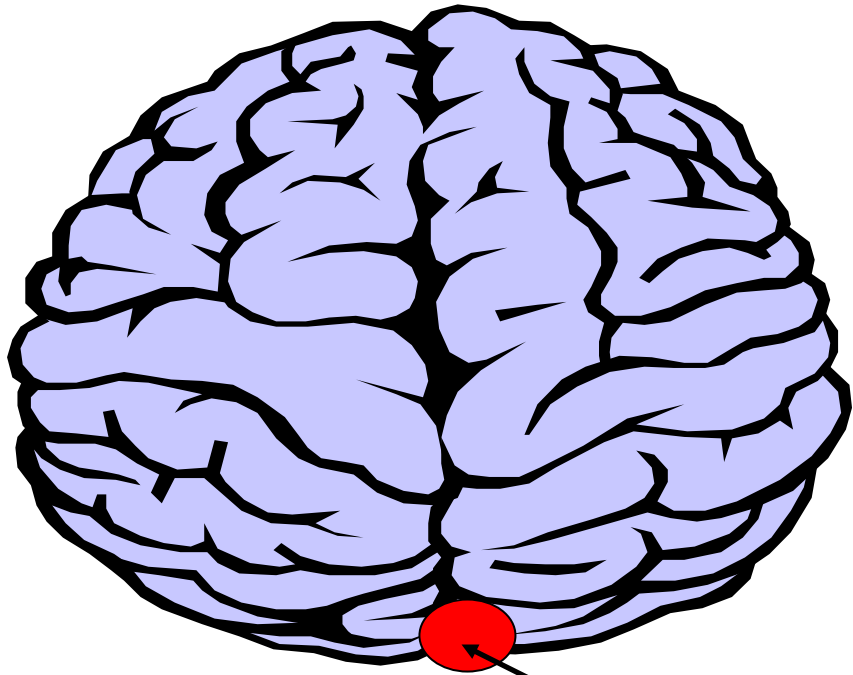
TRY TO SEE THINGS FROM THE OTHER PERSONS PERSPECTIVE



Our brain

ANALYTICAL

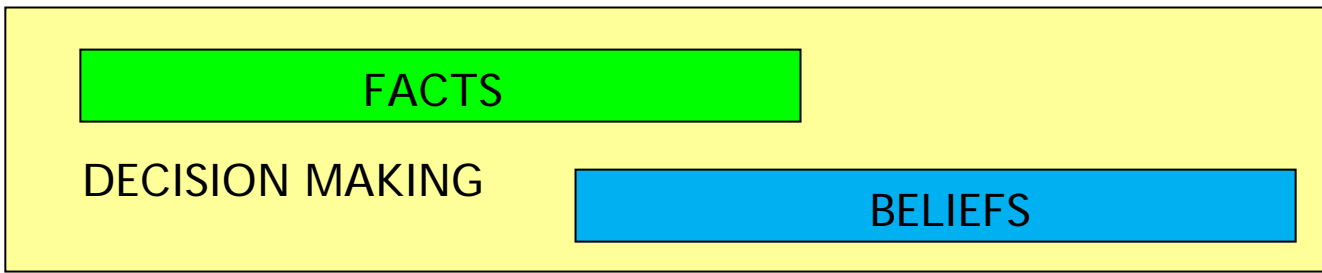
Speech, processing
analysis controls
right side of body



CREATIVE

Patterns, special
awareness controls
left side of body

RAS – reticular activating system





Some simple rules

1. **Be nice:** cooperate, never be the first to defect.
2. **Be provokable:** return defection for defection, cooperation for cooperation.
3. **Don't be envious:** be fair with your *partner* (be foregiving)
4. **Don't be too clever:** or, don't try to be tricky (be consistent).

Robert Axelrod

Managing Risks in a Collaborative Process

- Open book accounting
- Value engineering/best practice
- All experts around table
- Shared risk analysis & register
- Dispute resolution process
- Focus on outturn cost not tender price
- Incentivisation (pain/gain mechanisms & KPIs)

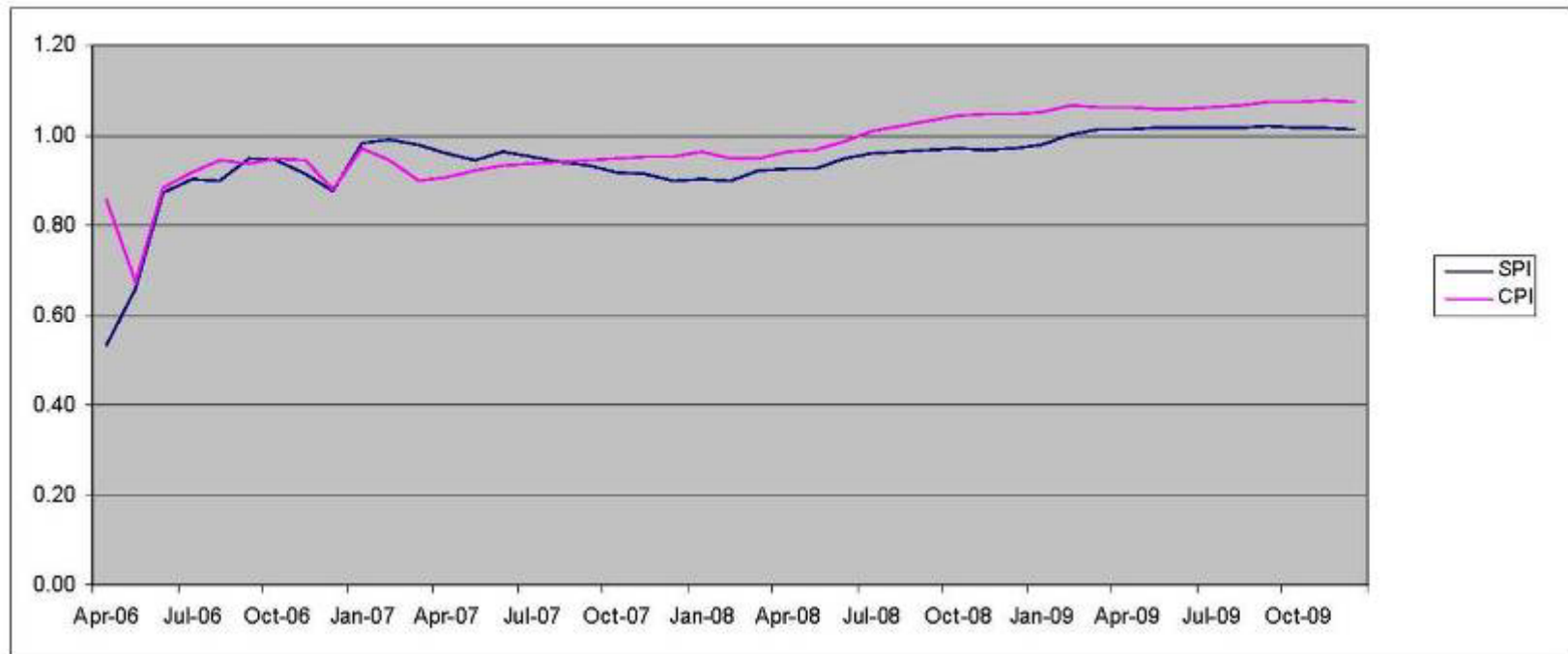


Role of the Independent Advisor

- Governance
- Auditable procurement process
- Market testing
- Benchmarking
- Monitoring actual costs - driving out waste
- Measurement and reporting
- Risk management
- Value management
- Whole life costing
- Contract management
- Change control management
- Independent honest broker

Investment time

- Performance often dips at the start of a collaborative arrangement whilst continuous improvement processes start and behaviours develop
- The more parties and therefore cultures involved, the longer it will take to overtake previous performance



Performance improvement and measurement

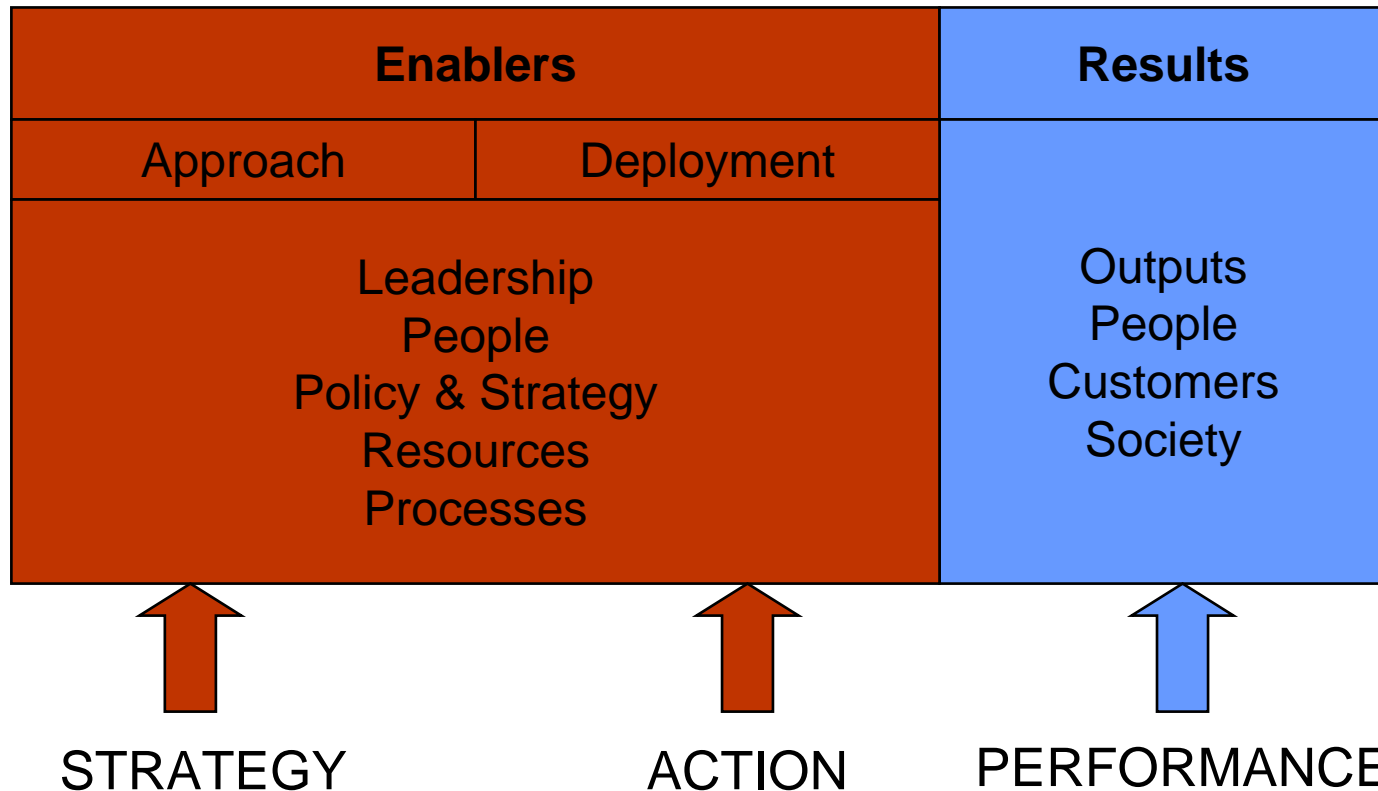
The Business Excellence Model

- The Model is a tool to:
 - identify key strengths and weaknesses
 - plan and prioritise improvements
 - measure progress towards the objective
 - capture and utilise best practice
- It identifies the linkages between the things we do (enablers) and what we get (results)
- The Enablers part of the Model deals with the key approaches to achieve Results
- The Results deals with all the things we need to achieve to be successful



Performance improvement and measurement

Business Excellence Model



The Future – Some Challenges



The Future – Some Challenges

The Traditional approach

- Haven't we been here before – and most suppliers survived – doesn't this suggest that, on average, clients must have lost?!
- Are we prepared for potential increased health, safety and environmental risk when corners might be cut – surely the rules now increase everyone's exposure?
- Is it the sustainable way?
- Will we drive the skilled resource away and ruin a future upturn with uncertainty of supply?



The Future – Some Challenges

The Collaborative approach

- We have to continue to demonstrate all the benefits of the collaborative approach – Constructing Excellence has a key role to play
- Main suppliers have to act like informed clients with their supply chains, demonstrating consistent leadership
- We have to accept that a degree of competition, even in long term arrangements, can be good, provided its at an appropriate level – getting this right will be testing.
- Provided we continue to deliver continuous improvement I believe that informed clients will continue with a collaborative approach.



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Questions

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