

## Detailed notes

### Principles of Procurement

#### Selecting the right people and project structure to unlock quality

Procurement is essentially about selecting the right people from outside your organisation to form an External Team to help you and your Internal Team to design and construct your new building. These are the experts who you are going to entrust to design and construct your new building to the required functionality, quality and any other desired outcomes you may have identified as being important features of your project. Choose the wrong people and it will be unlikely that you will fully achieve your project objectives and desired outcomes.

What do we mean by the right people? Better project outcomes are best achieved by engaging consultants and contractors with the combination of technical knowledge, customer focus, culture, commitment and collaborative behaviours that best match your own culture and your specific project requirements. It has been shown that collaborative behaviours between the members of the External Team and a client's Internal Team are much more likely to deliver the desired project outcomes.

As well as choosing the best people to undertake your project your procurement approach will also determine the organisational structure or operating system in which the people you select will be placed and operate. Alongside this you will also need to choose the most appropriate contractual arrangements that will define and formally recognise the responsibilities and the risks the parties to the contract carry and how they are to be bound together. For information on the main forms of construction contracts follow this link to the GIRI guide to quality.

This guide is primarily about quality and compliance and some procurement approaches and forms of contract encourage greater emphasis on quality than others. On the other hand, some procurement approaches and forms of contract work against quality and compliance by deliberately dividing the parties, as in the Traditional or Design-Bid-Build approach, which separates design from construction.

In choosing the most appropriate strategy for you and your construction projects, you will need to discuss your options with the members of your Internal Team, your client adviser, legal adviser and other stakeholders such as your project funders, governors or board of directors. Given the project-based nature of construction and the transient nature of most relationships, Procurement is hugely important and brings our other Ps together: People, of course, and Product. In addition, a major responsibility you have as the client is to clearly communicate the Purpose of your project and your desired project outcomes to the members of your External Team. And how you Procure your External Team will determine to a large extent the design and construction Process. All of these Ps will influence how you choose the most appropriate procurement approach for your project, satisfy your needs and meet your desired outcomes.

As we have seen, it is important that you bear in mind that procuring a building is different from purchasing other products. The way in which you go about formulating your procurement strategy can have a major impact on the process and project outcomes. You also need to recognise that you have an important role to play in all stages of the design, construction and commissioning of your new building. Remember, you are not a customer but a client, and there are significant differences to take into account.

Here are some overarching guiding principles to bear in mind when formulating your procurement strategy:

- The need for an absolute focus on the end Purpose of the proposed project based and that what constitutes value for you as the Client and the End Users is communicated to all the project participants. Having made clear on the Purpose of the project its progress should then be constantly related to its progress. This means you will need to Intervene where necessary to ensure that your desired project outcomes are achieved by preventing unrealistic cost cutting, substitution and late value engineering that might undermine quality
- Having the most appropriate operating system, organisational structure, project culture and environment that brings project partners and their people into the project at the appropriate time, that they are properly appointed, engaged, recognised, treated fairly and with respect, motivated, incentivised and rewarded for good practice
- Encouraging and supporting collaborative behaviours based on values such as trust, fairness, openness, a no-blame culture, empathy, honesty and transparency. These have been shown to result in better teamwork, joint problem solving, greater creativity and better-quality project outcomes
- Calling for the adoption of processes and tools which support integration and the development of a collaborative culture that delivers benefits for all the participants in your project. These might include for example, information collaboration platforms, open-book costing, the Value Toolkit, Integrated Project Insurance (IPI), the Construction Playbook, lean approaches, and project bank accounts
- Where justified by your pipeline of work, consider having longer-term relationships with a fewer number of your higher-performing consultants and contractors. Such relationships can result in better mutual understanding of each other's values, objectives and desired outcomes and provide a more effective use of resources leading to better project outcomes
- Make sure risks as far as possible are identified and ensure their elimination or mitigation and that the management of any residual risks are allocated to the project participants best able to manage them in terms of their capabilities and financial capacity

CESW's Procurement Theme Group have produced their Top 10 Principles of Procurement. Here's the link:

<https://constructingexcellencesw.org.uk/wp-content/uploads/2021/01/10-Principles-ARTWORK-FINAL.pdf>

An effective procurement strategy needs to strike a balance between the opportunities presented by the project and risks involved. This means there are trade-offs to be considered between the key criteria for project success listed below that are interdependent and often in tension.

- time (speed or certainty of completion date)
- cost (price level or cost certainty)
- quality (functionality and performance)
- safety, health and environment (SHE)
- other specific desired outcomes

For example, quality often requires some compromise in relation to time and cost. Emphasis on only one of the key criteria will almost certainly have a negative effect upon the others. Discussions within your Internal Team and Client Adviser around the business case for a project will help you determine which criteria are most important to you and which could constitute the greatest risk.

Do bear in mind that there is some degree of uncertainty in most construction projects and all projects involve some degree of risk. It is also important to recognise that the more bespoke or customised your project is the greater the opportunities there are to match the design with your specific needs, but also, the greater the inherent risks involved.

The biggest risk of all is completing an expensive building which does not meet your needs. This is a really significant given the important role played by your buildings in supporting your core business. Also, that buildings have long lives with a life expectancy of typically 25 to 75 years, or even longer if properly maintained. That's a long period of time in which to be disappointed with your decision making regarding the final building.

Other construction risks to bear in mind include a project which is delivered late or costs more than you as the Client can pay or fund. Or the risk to safety, health and the working environment of constructors during the process, or the End Users of the building. As recent events have shown, incidents arising from these risks can seriously impact on you as the Client and your reputation.

Thankfully, there is much guidance available on the procurement of construction products and services, including publications from Constructing Excellence South West. A good starting point is their '*Outcome-Led Procurement: A common sense guide to construction procurement*'.

The contents include:

- The need to understand value and what constitutes it for you
- The importance of identifying and communicating your desired project outcomes
- Identifying and managing the risks
- Treating the design and construction as a joined-up process
- Recognising the importance of behaviour
- Making your procurement more effective

Another really useful publication is the chapter on Collaborative procurement in CESW's *Client's Commitments: Best Practice Guide*. Here's the link: <https://constructingexcellencesw.org.uk/wp-content/uploads/2021/02/CESW-Client-Guide-EMAIL-2.pdf>

Constructing Excellence have also produced a fact sheet on procurement for clients who are not regular purchasers of construction work. It recognises that occasional or infrequent clients face a steep learning curve in their role within their construction projects. Here's the link:

<https://constructingexcellence.org.uk/wp-content/uploads/2015/03/procurement.pdf>

Constructing Excellence South West has also produced a guide for Clients and Client Advisers. Here's the link: ??????