

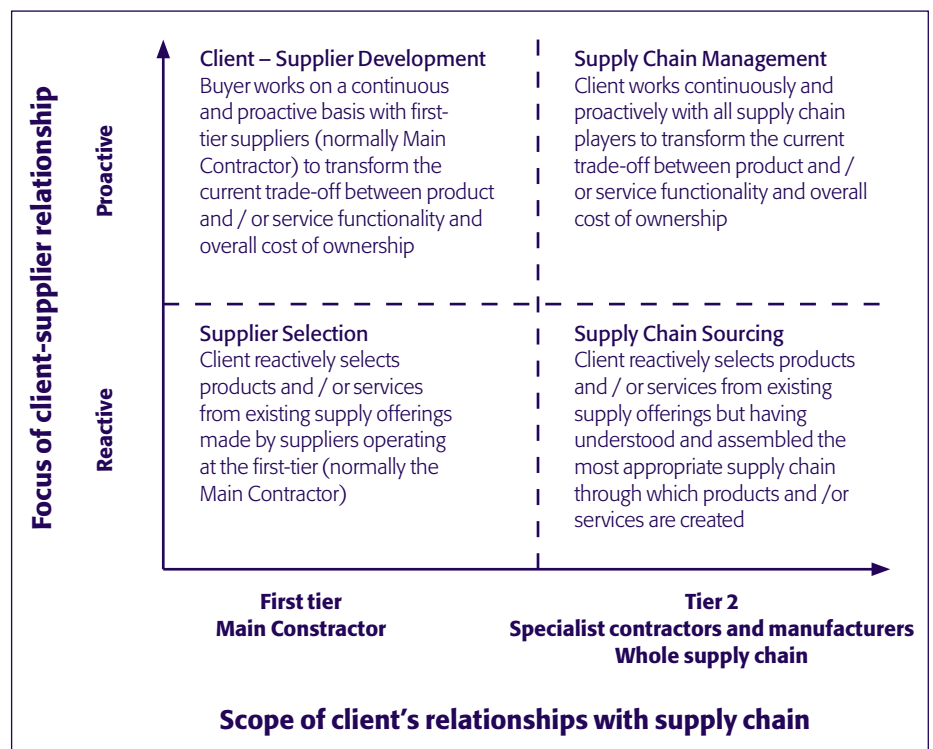


Enlightened Clients' Guide to Project Quality and Compliance Detailed Notes

Procurement – More transformational approaches

We now turn to procurement approaches that offer more radical, transformational options for clients – particularly those with large continuous spend on construction products and services - to achieve their desired outcomes and maximise the functionality and quality of their buildings. The main options and the scope for change are set out in the following 4-Box Positioning Tool.

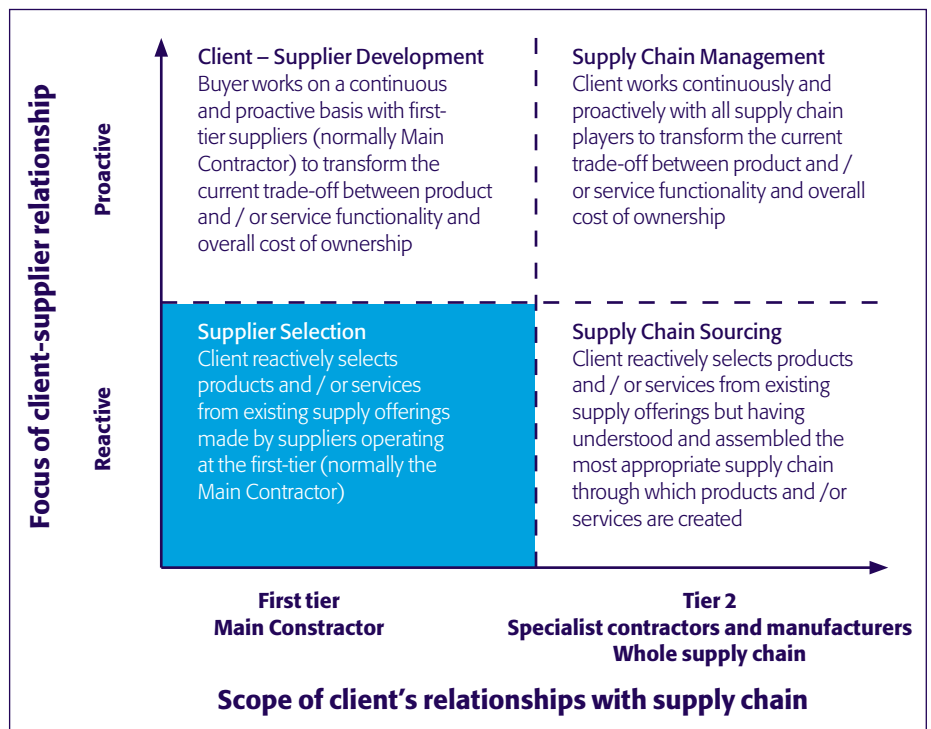
As you will see, the diagram has two axes. The vertical axis invites you to identify the focus of your relationship you currently have with your main contractor and suppliers, or that you aspire to have in the future. It ranges from REACTIVE (in other words taking the value propositions currently and commonly on offer from the industry) to being PROACTIVE and seeking to help shape the value that the industry can specifically add to your building projects and core business. The horizontal axis sets out the SCOPE or REACH of your relationship with construction's supply chains.



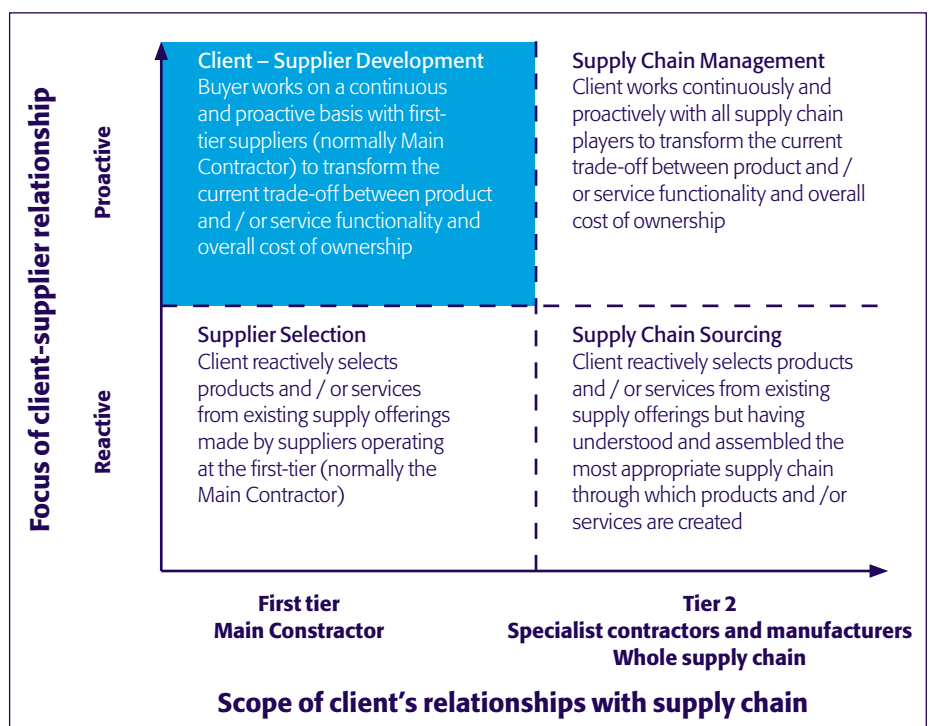


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The procurement options we have examined thus far in these detailed notes are largely located in the bottom lefthand quadrant as shown in the following 4-Box Positioning Tool diagram.



Through Frameworks and Negotiation some clients – where procurement and commercial arrangements allow – have been making some progress into the top lefthand quadrant of the Positioning Tool as shown below.





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For example, a number of Frameworks are on their fourth iteration or generation. ProCure 23 (P23), which provides a route to market for the provision of design and construction services to NHS capital projects presents a good example of a Framework on its fourth generation.

Here, in the Supplier Development quadrant, clients and their consultants and advisers work with a small number or even one main contractor on a proactive, continuous, collaborative basis to transform project outcomes and improve performance in relation to Time, Quality and Functionality whilst reducing the Cost and increasing the value of the ownership of their built assets.

An approach very popular in the 1990s was Partnering. This was defined by the *Rethinking Construction* Report published in 1998 as "...involving two or more organisations working together to improve performance through agreeing mutual objectives, deriving a way of resolving any disputes and committing themselves to continuous improvement, measuring progress and sharing the gains".

Project and Strategic Partnering

Essentially, Partnering promotes improved performance through collaborative business relationships based on best value rather than lowest cost and mutual competitive advantage. A fundamental aspect of a partnering approach is the development of transparency, openness and trust. This is in stark contrast to the confrontational nature that has increasingly characterised much of the construction industry over recent decades.

Partnering is a management approach used by two or more organisations, in this case usually a client and a main contractor, to achieve specific mutually beneficial business objectives by maximising the effectiveness of each participant's knowledge, experience and resources. It requires that the parties work together in an open and trusting relationship based on mutual objectives, an agreed method of problem resolution and an active search for continuous measurable improvements in product and service.

Partnering can be either Project Specific, where the arrangement is for the duration of an individual project, or Strategic or Long-term where the arrangement is for a specified period of time, normally covering a number of projects. Strategic or Long-term Partnering usually provides greater opportunity for developing mutual understanding, the building of competence trust and transformational improvement. And in the context of this guide, improving quality and ensuring compliance.

Follow this link to the *[Constructing Excellence Factsheet on Partnering](#)*

Alliancing

There is no fixed definition of Alliancing. In broad terms, and in the context of construction projects, an alliance is an agreement that the parties to it will act in a certain way to achieve a common goal. The pure alliance model tends to be a multi-party arrangement including the key stakeholders – client, main contractor and consultants (architect and engineers) and potentially also key specialist contractors. It generally takes the form of bespoke contracts and with no claims generally allowed between parties (save for very strictly limited cases, e.g., wilful misconduct or statutory breach).

There can also be Strategic Alliances, which are based on the same principles as standard alliancing agreements. In these, the participants commit to pool abilities, knowledge, know-how, processes, protocols and technologies, thus establishing joint partnerships and closer cooperation. The goal is to either strengthen and develop their position in a specific sector or industry, or realise several similar projects in these sectors or industries on a long-term basis, instead of limiting their relationship to the completion of a single project.

The essence of an alliance contract is more in the process than in the formal contract. An alliance contract does not solely rest on legal clauses. Non-legal considerations such as good faith, trust, openness and a collaborative and constructive mentality also play an important role. The foundation lies in the approach to co-operation between the parties although a clear and transparent contract can assist to support this. The idea is to align the commercial interest of all the participants. In other words, it is to transform particular interests of each party into a "one-direction" approach, where interests are aligned towards common goals.

The important distinction between Partnering and Alliancing is that where partnering aims and goals are agreed upon and dispute resolution and escalation plans are established, partners still retain their independence and may individually suffer or gain from the relationship. However, in an alliance, the parties form a cohesive entity that jointly shares all risks and rewards based on an agreed formula.



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Project 13

Although Project 13 has been designed for infrastructure projects, it has some principles or 'pillars' of Alliancing that can be applied in the context of building. The five pillars are:

- Capable Owner
- Governance
- Integration
- Organisation
- Digital transformation

It is an industry-led response to rectifying infrastructure delivery models that often fail not just clients and their suppliers, but also the operators and users of infrastructure systems and networks.

It seeks to develop a new business model – based on an enterprise, not on traditional transactional arrangements – to boost certainty and productivity in delivery, improve whole life outcomes in operation and support a more sustainable, innovative, highly skilled industry.

The most significant changes in such an enterprise are:

- The asset owner (or client) is central to the change and establishing the Enterprise
- Enterprises are brought together to deliver Outcomes for the ultimate customer
- The Owner ensures a focus on long-term system performance and future operation
- Enterprises are made up of integrated and collaborative delivery teams, drawing on the capability within participating organisations
- An emphasis on Integration brings together partner (and owner) capabilities, processes and information to provide effective production systems for delivery
- Enterprises include an ecosystem of partners and suppliers, with more integrated relationships providing the opportunity for early engagement
- Reward in an enterprise is based on value added to the overall outcomes including quality, not on time or volume
- Risk is allocated to align with capability and not transferred through tiers of the supply chain
- Establishing these conditions to enable a high performing enterprise requires a fundamental shift in leadership, governance and behaviours

Here's the link to the **Project 13 website** which includes a video setting out the key features of Project 13 and the important role to be played by a 'Capable Owner', or in our case an Enlightened Client.



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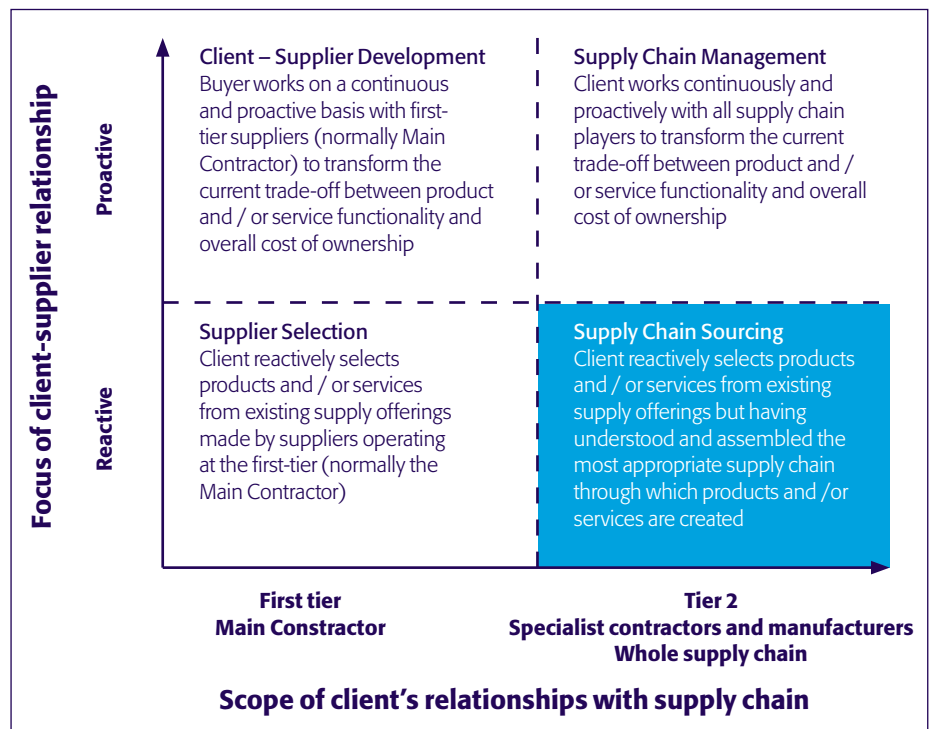
Another option for you as a client in our Positioning Tool is Supply Chain Sourcing as shown in the bottom right hand quadrant in the diagram below.

Here the you, the client, probably working with a main Contractor, reactively assembles suppliers and their products and services from existing supply offerings that are considered to be most appropriate in meeting your objectives and delivering your desired outcomes. An example of this approach is presented by clients, consultants and main contractors who are increasingly looking at the possible advantages of moving more of the building process away from the physical site and into more controlled factory environments.

Offsite Production and Package Deals

With the increasing use of offsite construction there is a resurgence in the use of Package Deals. Here the main contractor or offsite manufacturer provides an off-the-shelf components or even whole buildings (such as a new house or a classroom), constructed mainly in the factory.

An obvious advantage is that the factory offers a far more predictable setting than the physical construction site, by reducing the impact of site variables such as weather and visibility, particularly during the winter months. This can provide quality and efficiency benefits too. Having the production conditions being the same every time in factory environments makes errors and defects much less likely.



There are environmental benefits too as constructing offsite requires less heavy machinery and less energy, and transporting of the finished product to the site also reduces vehicle movements. Wastage of time and materials is minimised, as material requirements can be more accurately calculated and controlled.

There are advantages too for the local community living close to your proposed building. Building works can severely test the patience of those unfortunate enough to live or work in the vicinity. Apart from the noise and air pollution of heavy machinery and equipment, construction and delivery vehicles travelling to and from the site can cause traffic delays and block parking spaces and access routes. This is a particular problem in constrained, heavily populated urban areas.

But there are some disadvantages for you as client and your advisers to consider. Off-site construction can reduce the opportunities to customise the design to your specific needs. It also requires you to make early and firm design decisions as designs need to be locked down in order to be integrated into production runs in the factory.

Once the design is locked down or frozen there is no flexibility with regard to any subsequent design changes. And although moving much of the construction from the site to the factory means a project spends less time actually at the construction site this of course may reduce the opportunity to employ local firms and labour and add social value for communities.



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Another approach that can help you and your suppliers to operate in this Supply Chain Sourcing quadrant is Integrated Project Insurance (IPI).

Integrated Project Insurance (IPI)

The Integrated Project Insurance Model (IPI) offers a more proactive way for you as a client to create a holistic and integrated project team within the flexibility of Supply Chain Sourcing. It can help unlock the potential of integrated collaborative working to deliver better project outcomes whilst creating greater certainty, quality and value for all the stakeholders.

In this guide we have seen that there have been many attempts to get to fully integrated collaborative working in the context and culture of construction. To date this has been held back by the methods, contracts and insurances which have grown up to support traditional procurement approaches. But these approaches have created silos, professional compartments and governance models that can act as a brake on change and performance improvement.

Most organisations in construction projects believe they have all the insurance cover they need because they and their suppliers have insurances across a range of risks. But each of these policies cover the risks differently with different levels of excess and exclusion. The result is you as the client and individual organisations in your projects are probably paying for duplicate cover you will never need. Or, you may be under insured but will only find this out when you try to make a claim, whereas IPI covers all the risks once and for everyone.

But there is more to this approach than insurance. To work it requires high levels of competence trust between the project and supply chain partners. It offers you as a client the opportunity to create a holistic and integrated project team (called an 'Alliance Board') to eliminate the 'blame / claim' culture which has so dominated construction in the past. The IPI package limits the risk for the individual members of the team, fosters joint ownership of the project, and thereby reduces the likelihood of overrunning in terms of cost and time. It also helps to focus the whole project team and supply chain on identifying and meeting your objectives, quality criteria and desired project outcomes.

Constructing Excellence has produced ***Project Procurement and Delivery Guidance on the IPI Model.***

But, a word of warning. IPI isn't for everyone, and has as yet only been shown to work in a limited number of exemplar projects where the members of a project team and supply chain genuinely wished to work collaboratively.

Here is a link to a ***review of the IPI approach in a project.***



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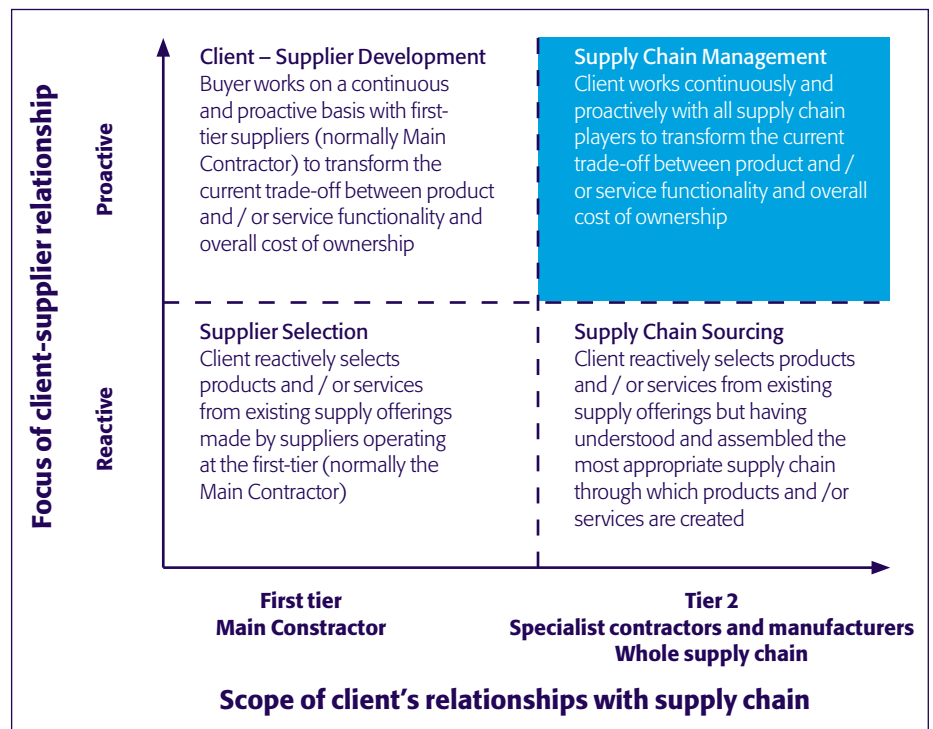
Let's now move to the option available in the top righthand quadrant, Supply Chain Management (SCM)

Supply Chain Management (SCM)

This is where clients with the necessary large and frequent demand for construction products and services work proactively, continuously and collaboratively with all key supply chain members to transform project and program outcomes and change the current trade-off between product and / or service functionality and overall cost of ownership of building assets.

SCM is the management of relationships and processes between organisations, including customers and suppliers, both upstream and downstream in supply chains. It can be seen as a set of practices and behaviours in leading, managing, coordinating and integrating the whole supply chain from material and component manufacturers through contractors and designers to you as a commissioning client enabling you to deliver the best possible outcomes for the end users of your buildings.

The main objective is to develop greater synergy and creativity throughout the whole network of suppliers through better flows of information and products and services through the integration of upstream and downstream processes. It is strongly dependent on the development of effective, long-term relationships between buyers and suppliers based on openness, trust and commitment.



It's about adopting a more holistic approach in order to optimise the activities of individual partners to build greater mutual competitive advantage and greater customer focus.

Effective SCM requires a high level of joint strategy development where the members of the supply chain collectively agree a common purpose and jointly set strategic goals, including quality, that are mutually beneficial.

If appropriately implemented, SCM can offer a way of improving construction's inter-organisational relationships and processes and increase the focus both on internal customers and the needs of clients and end users. The benefits to all the participants include improvements in quality and delivery, more repeat work, reduction in the cost of tendering and obtaining work, increased and more stable profits, and the acquisition, unlocking and sharing of new specialist knowledge, skills and creative capacity.

However, beware, as there are significant and systemic barriers to the adoption of SCM in construction, which explains its current low take up. These include:

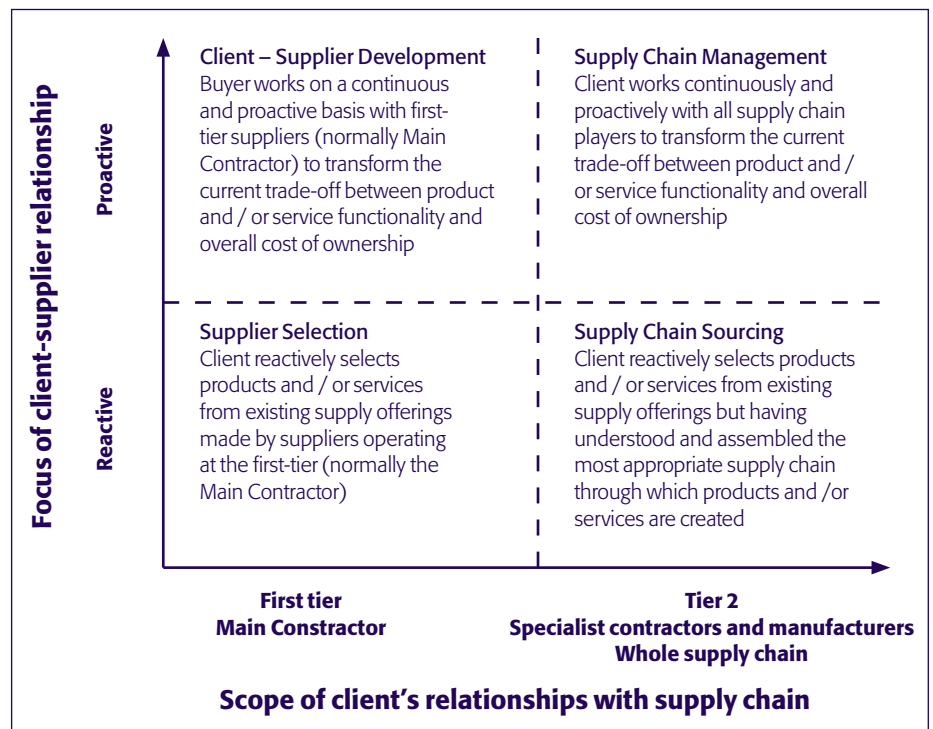


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- The diversity of construction clients and their building needs, and their infrequent demand for construction products and services. In other words, the lack of flow in construction in comparison with other industries such as manufacturing where SCM has been successful over many years
- Many of construction's clients procure one-off projects and will have little opportunity or indeed motivation to rationalise their supplier base and work with suppliers to improve performance
- Construction's deeply embedded opportunistic, even adversarial, behaviours and blame culture. This is in part attributable to Professional Indemnity Insurance (see earlier in the detailed notes, the role that Integrated Project Insurance (IPI) may play in circumventing this barrier)

However, there is a growing number of examples of where some aspects of SCM are being successfully implemented in construction, but these have been primarily downstream of main contractors who have rationalised their supplier base and are working more collaboratively with a smaller number of their key specialist and trade Contractors. And, with the greater use of Modern Methods of Construction (MMC), working more collaboratively with material and component manufacturers.

This means that even if your flow of construction projects does not justify adopting SCM as a client you can of course select main contractors who have demonstrated their commitment to the main principles of SCM in working with their suppliers.



So, where does your current construction procurement strategy sit in our 4-Box Positioning Diagram?

What is your current and future procurement strategy?

Are you content with the effectiveness of your current procurement strategy? Is it delivering the quality outcomes that you are seeking on time and within budget? Have you thought about shifting to a new, perhaps more enlightened, procurement approach? If you are currently a Reactive Client, have you considered becoming more Proactive? Have you thought about using more offsite construction?

Why not plot your current procurement approach on the 4-Box Positioning Tool provided above?

And if you are not satisfied with your current position why not plot your preferred position? And then draw a line between the two points and think about what you might need to do to shift to the new position.