

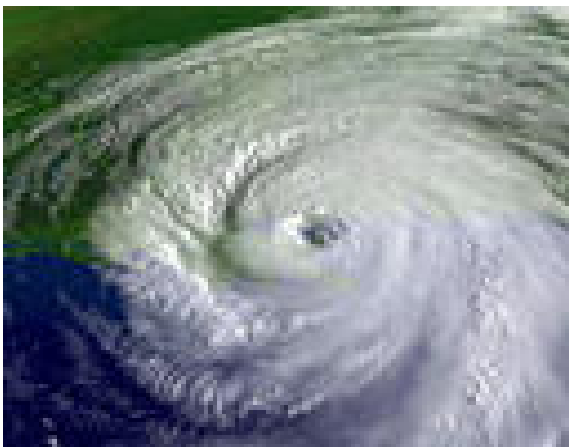
An Industry in Transition Newsletter

FREE Workshop. See p5 for details

Issue No.4

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Standing in the Eye of the Partnering Storm



Consider this:

Your organisation's total annual turnover:

£ _____

Your organisation's annual expenditure on construction related activities:

£ _____

Your organisation's expenditure on Construction departmental overheads:

£ _____

inefficiencies and waste of 30% within your construction system:

£ _____

All multiplied by 15 years (3 framework cycles) £ _____

Our industry is at a crucial transition point.

Everywhere you look there's a crisis in confidence. The successes and failures of Partnering are regularly aired through our trade press. Advocates and pessimists are taking opposing and seemingly hardening attitudes. Far too familiar negative themes include:

- Partnering is an easy option
- Lack of effective client input
- Lack of proper leadership & management
- Lack of trust
- Lack of understanding of partnering arrangements
- Inappropriate partnering arrangements
- Overly bureaucratic systems
- Failure to define expectations and objectives
- Failure to establish meaningful KPI's
- Failure to achieve improvement
- Failure to select the right partners
- Failure to develop a partnering culture
- Failure to control costs
- Poor communication
- Contractors over-recovering

With so many issues, it's no wonder people are confused, anxious, weary and unsure. That's why we believe it's time to make sense of the situation. To step back from the melee and take a birds eye perspective of what's really happening within our industry. Perhaps it's time to realise that this is a system in evolution.

A birds eye perspective

Twice in the 90's construction received a much needed jolt from Latham ('94) and Egan ('98). Back then we typically operated under competitive tender, experiencing escalating costs through claims, variations and extras, a skills crisis, low profitability, fragmented delivery, poor predictability and performance. It was not a good operating climate.

Since then things seem to have improved, but, the gap between those who have "got it" and those still struggling to make the connections, still seems vast.

In fact, as recently as last May, 10 years after his landmark Rethinking Construction report, Sir John Egan revisited the state of the industry. His report was less than glowing:

"In summary, I guess if I were giving marks out of 10 after 10 years I'd probably only give the industry about 4 out of 10 and that's basically for trying, for having its demonstration projects, still being in the game and still having enough there to actually, perhaps with another big heave, get it done the next time around."

What are the real issues holding us back? What does another big heave look like?

Revisiting the partnering philosophy

As partnering is a long-term strategy, now is the time to consider its evolution towards maturity over three cycles or generations.

Fig 1: A simplified long term procurement or framework cycle

Stage 1 Business justification

Stage 2 Supplier selection

Stage 3 Implementation or delivery

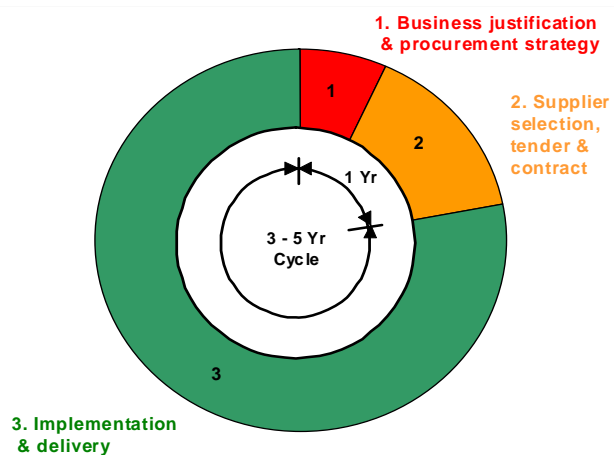
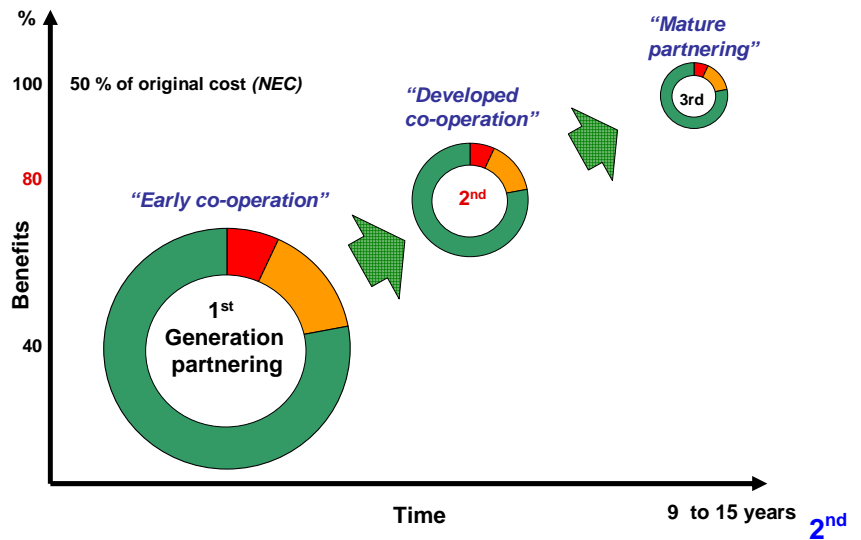


Fig 2: The nature of each partnering generation

1st Generation. Concerned with procurement led changes. With a move to frameworks, efficiency savings predominantly come from reduced tender costs.

2nd Generation. Concerned with culture, attitude, skill, process, and greater integration. Efficiencies come from less interaction, streamlined processes and better operational performances.

3rd Generation. Concerned with reaping the rewards from earlier investments in skills and training.



Generation partnering changes culture, processes, & attitudes. This is difficult and requires strong leadership.

Often there is a merging of generation themes at each stage of development.

Today, many parts of our industry are approaching the transition towards 2nd Generation and for most the bigger picture and next steps are unclear.

Patchy 1st Generation results have disheartened and confused many organisations that have lost the context of the long-term approach. Given our industry is undergoing a significant transition in working practices, inconsistent results and anxieties are to be expected.

So now is the time for steadfast leadership to emerge and hold the vision for the next big heave.

Partnering is not a quick fix strategy. Success is based on changing the entire culture and operational system within the client organisation and its supply chain. This requires the active involvement of all parties, far-sighted leadership and appropriate supporting investment in time, skill and resources.

Get it right and the long-term benefits are significant. Especially when you consider that Local Authorities, Housing Associations and their contractors commonly identify 30% inefficiencies and wasted effort across the construction system.

So why do we so often experience strategic drift and failure?

The simple answer is that the problem lies in our cultures.

Culture is a combination of what we perceive, our behaviours, patterns of thinking, management processes and attitudes.

Research shows that the greatest force acting against successful partnering is failure to achieve culture change.

Common cultural inhibitors include:

- Poor executive clarity regarding strategic opportunities & risks associated with partnering
- Organisational inefficiencies & procurement related to construction delivery
- No over-arching Improvement Plan
- Absence of informed strategic thinking and planning with regard to construction related procurement & improvement
- Reluctance to engage consultants to support the strategic thinking process
- Inappropriate support for the construction department
- Over simplification of organisation & management understanding regarding construction related activities
- Overwhelming short-term cost focus
- Entrenched traditional delivery mindsets
- Decisions based on inappropriate and traditional perceptions
- Loss of direction & confidence during the first term
- Inconsistent expectations and lack of clarity
- Over-reliance on contractors
- Task driven approach with insufficient attention to the relationships
- Too little celebration of successes



Adding unique value

1st Generation partnering efficiencies are typically generated through procurement restructuring. Now the game is moving on.

Partnering may not always be the most appropriate means of project delivery, but the benefits and risks are often poorly explored. This is usually due to a lack of insight, skill and expertise to engage the cultural transition necessary to realise the benefits of 2nd Generation partnering.

Impart links recognises that there is no 'one solution fits all' approaches to procurement. Every client has their own unique operating environment, culture, aspirations and challenges.



That's why we always strive to develop the bespoke solution that best fits our client's aspirations. To achieve this, we bring an informed, holistic and systemic perspective to explore the construction operating system and organisational culture. This integrated, intelligent and joined-up approach is our hallmark and way of adding unique value.



Make the transition with our FREE Half-Day Workshop.

Our informative, informal workshop will help you manage the complexities of construction-based procurement decisions and the associated strategic risks and cultural challenges.

Designed for Executive Boards and Senior Managers, it is a unique chance to explore the main issues surrounding strategic procurement, partnering and achieving efficiencies.

Our aim is to support our clients to achieve an informed bird's eye perspective of the partnering and transitional storms affecting our industry.

In particular, we hope to leave you with a far clearer understanding of the construction system, help you align executive support to the procurement strategy, create more realistic expectations and reduce strategic risk.

For further information on Partnering, or if you would like us to facilitate a workshop, please contact:
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