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Collaborative Working
– *Best Value or Blank Cheque?*

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Outline



- What is collaborative working?
- Benefits
- Drawbacks
- Best Value v Blank Cheque
- Conclusion
- Q & A



What is *Collaborative Working*?

Both parties believe they are likely to achieve a better outcome for themselves if they voluntarily give up some of their freedom of operation, or limit the potential benefits they could otherwise achieve in favour of a mutually beneficial partnership which may provide a more secure, strategic, or long term outcome.



Why Collaborative Working?

Outcome:

- Not necessarily purely financial
- Cultural or behavioural
- Product development
- Not guaranteed
- Long term view



Forms of Collaboration

Common UK forms:

- Strategic Partnering
- Framework Agreements
- Project Partnering
- Alliancing



Strategic Partnering

- High level partnership
- Limited number of partners
- Seek to improve product or delivery
- Board Level agreement - cascaded down
- Medium to long term
- No guarantee to workload



Framework Agreement

- Usually alongside Strategic Partnership
- Address collaborative terms contractually
- May include rates of pay, programme data
- Common to refresh Annually
- Improvements measured by KPIs
- Useful for on going repetitive works



Project Partnering

- Single Project delivery
- Partnering Agreement or Charter
- Partners influence the works of others
- Benefits shared between partners
- Relationship may or may not extend beyond project



Alliancing

- Single integrated management team
- Best man for Job
- Supervisory Board
- Alliance Objectives align partner interests
- All benefits shared between partners
- Reduced interfaces increased delivery capability

Benefits



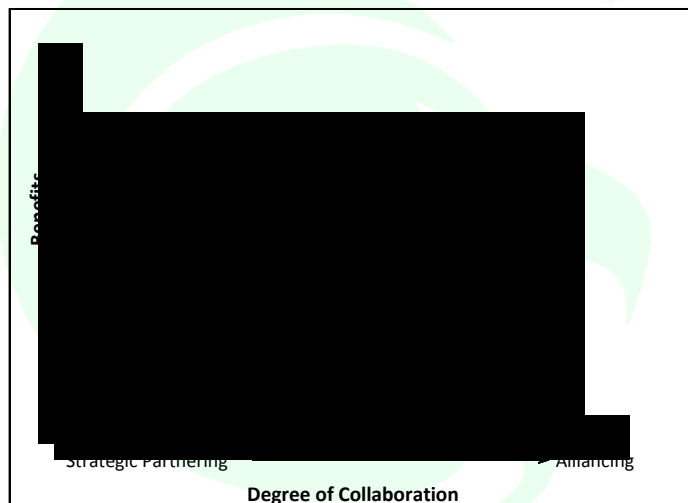
Client

- Select partners early
- Fewer partners to manage
- Speedier procurement
- Better defined cash-flow
- Agreed margins
- Draw focus to key issues
- Monitor performance & demand corrective action
- Greater confidence in delivery ability
- Influence partners management style/capability
- Improved visibility on cost/programme
- Reduced likelihood of costly disputes

Contracting partners

- Supportive client
- Less competition
- More secure (?) workload
- More secure return
- More secure cash-flow
- Opportunity to earn bonus'
- Reduced risk profile
- Client more likely to be sympathetic
- Potential to influence client procurement decision making
- Reduced tendering costs – lower frequency of tendering
- Reduced likelihood of costly disputes

Benefits



Drawbacks



Client

- Reduced supply chain
- Competitive prices?
- Cash-flow commitments
- Reduced flexibility of procurement
- Exposed to partner failings
- Exposed to undue influence from partner
- Need to define risk transfer

Contracting partners

- Single client focus
- Long term security of workload?
- What if partnership is terminated?
- Limited opportunity for increasing margin
- Exposed to partner failings
- Aligning business to suit client could cause internal difficulties
- Possible restrictions on flexibility

Best Value or Blank Cheque?



- Excellent platform for performance improvement
- Success dependent upon commitment
- Success not just financial
- Long term/bigger picture
- Potential is limitless



Best Value or Blank Cheque?

- Success not always obvious to outsider
- Need to measure progress objectively
- Manage change in staff & directors
- Influence of those outside the alliance
- Perception – blank cheque
- Independence



Conclusion

- Potential to achieve something special
- Objectives need to be clear & measurable
- Personal relationships are fundamental
- Reinforce & refresh principles regularly
- Best Value or Blank Cheque? – down to perception



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