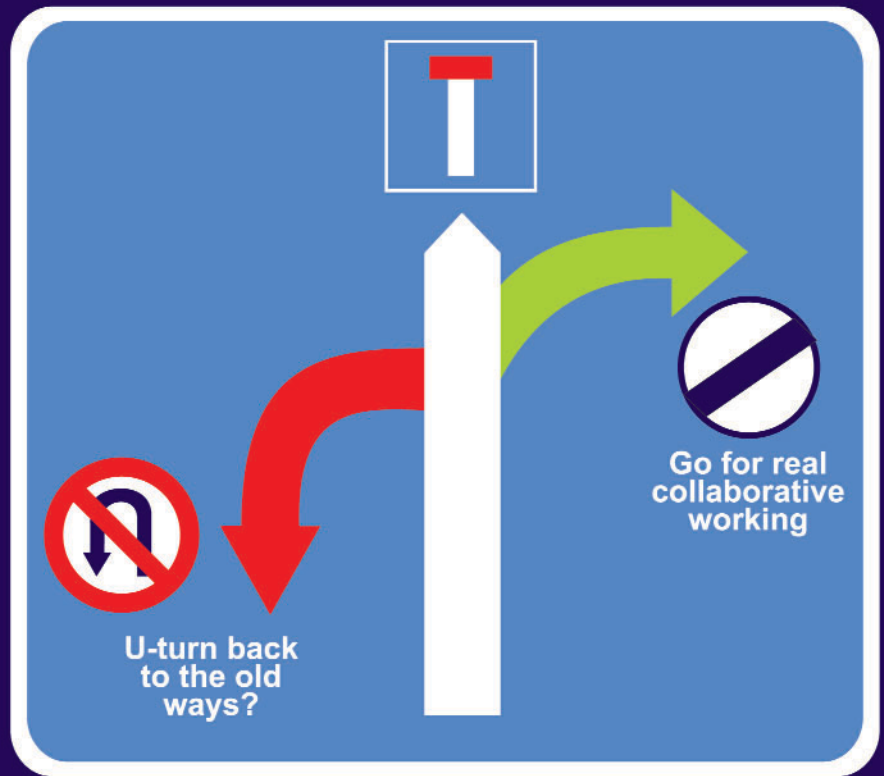


Survival Guide

Working out of an industry downturn



Which way will **your** organisation go?

The Challenge

Economic Climate Change

Since the Latham and Egan reports of the 1990s, the industry has been on a journey of improvement. The Constructing Excellence Key Performance Indicators show that the industry performs around 30% better today than it did ten years ago. Collaborative Working has been at the heart of this improvement, although there is a long way to go.

However, construction is always one of the prime casualties of a recession. The last one cost the industry over 300,000 jobs. What experiences do we have that can help organisations not only survive, but come out stronger when the economic environment improves, and at the same time avoid throwing away all the improvement of the last ten years?

In general it is those organisations that remain true to their values which fare better during and after a severe financial downturn. Those that plan recovery through maintaining a culture of delivering improved value for money and continually providing suitable quality of service, stand the best chance of survival. Those that focus on short-term actions based around cost cutting and following an obsession with lowest price are most likely to end up vulnerable.

A2 A282 Dartford Improvement & M25 J1b-3 Widening



Congestion was a real issue at the A2/M25 junction with over 200,000 vehicles a day using the route. The Highways Agency procured the scheme using the Early Contractor Involvement (ECI) target cost method, which encouraged a collaborative and innovative working environment. Engineering solutions such as a Quick Moveable Barrier machine enabled them to reduce traffic management on the A2 by around 6 months leading to huge time and cost savings. ECI also enabled more focus on sustainability issues, resulting in reduced waste and vehicle movements.

St Paul's Square



Shepherd Construction was employed by English Cities Fund to construct three buildings at St Paul's Square, Liverpool. They found the programme required 105 weeks and two tower cranes, meaning the project would hand over late and over budget. Through collaboration with their supply chain partner, a solution was proposed to use a new product, bi-steel cores. This led to major savings on programme (84 weeks) and craneage, which brought the project back within the client's budget and completion date.

The Choice

For most people and organisations there are two or perhaps three choices available:

1. U-turn Back to the Old Ways



Do more tendering against increasing numbers of competitors. Those who win in this environment will usually have to compromise on profit or service or both. If the project life is short, you might get away with it, but ultimately you will end up in a recovering market with economically unsustainable projects and, experience shows, cost and time overruns, claims, broken relationships and a damaged reputation to look forward to.

2. Maintain Direction



This may be attractive, providing that it remains a realistic option. Just keep working the way you have been with the clients and suppliers you have been working with. Unfortunately, business-as-usual will not be an option for many, the market has changed and not everyone you work with will adopt the same strategy. Unless you proactively focus and manage the situation you can find your organisation drawn into old ways without even realising it. Of course you may already have collaborative relationships in place in which case you are already in a position to move to full Collaborative Working.

3. Go for Real Collaborative Working



Collaborative Working enables you and your partners to create more value by being more efficient and effective without the need to reduce profit margins, increase payment periods or look for claims. It does this because collaborative behaviours are all about working together earlier and smarter for mutual benefit. By eliminating waste and inefficiency in methods, processes and transactions between you, your clients and your suppliers, risks can be reduced (or eliminated) whilst predictability and suitability of outcomes are significantly increased.

How is Collaborative Working the Answer?



MoD Andover North Site

The site covers 35 acres and includes offices, tank maintenance facilities, live-in quarters and sport facilities. Rider Levett Bucknall led a team of specialist designers, three constructors and their supply chains in a virtual company which offered a complete design, build, operate and maintain service. Success was attributed to collaborative processes including staff co-location, a shared project server and a project bank account. Since completion, the project has saved £500,000 (44%) compared with the target whole life costs.

Collaborative Working fundamentally changes the way in which some of the key challenges of this economic recession are resolved.

Cash Flow

At the heart of Collaborative Working are more open and transparent mechanisms for payments. You may not make more money, but you know what you are entitled to and when it will be paid, and so do your suppliers. Collaborative Working leads to early identification of problems and right-first-time solutions eliminating at source many of the reasons for claims and withheld payments. Streamlined payment procedures allow the vital flow of cash to the supply chain that is critical to an organisation's own quality of service and future reputation.

Efficiency: Information and Technology

To improve efficiency you need to look at all methods, processes and procedures. Most of these are about engagement with others, including clients and suppliers. By consulting with all those involved, duplication and wasteful activities can be identified, stripped out and savings made. Collaborative Information and Communication Technology (ICT) has much to offer, for example through shared common platforms. Collaboration allows best practice to be shared from one organisation to another for the benefit of both. Most of Egan's identified '30%' waste is still there waiting for those adopting Collaborative Working to implement lean processes and practices.

Winning Work

Key to this is the value placed on the quality of the offer, rather than on the tender price alone. Most big clients are still looking for added value, even if their budgets are lower. Those who can demonstrate added value through Collaborative Working and have the evidence to prove it are held in higher esteem by those clients and are more likely to secure work. Those who revert to suicidally-low bids which invite claims later on will harm their hard-won reputation and be poorly placed for business in the upturn.

Project Performance

Collaborative teams fully understand the needs of the project and the business priorities which it is required to satisfy. With the team involved from the start inappropriate and unnecessarily complex or expensive components can be eliminated and funds targeted to the activities and elements which will deliver the most beneficial outcomes. Collaborative teams are much better at managing risk and speedy problem solving, they are more inclined to measure ongoing performance and as a result outcomes are more predictable and mutually beneficial.

People and Skills Development

Working collaboratively enables learning and development to happen at a faster pace allowing organisations to evolve rapidly ahead of the competition. The learning from success and failure can be quickly shared, integrated into organisational and project performance and applied within the supply chain. Practitioners who are not traditionally involved early on are encouraged to share experiences, thus providing a learning opportunity for the whole team and leading to a more stimulating and rewarding environment. Collaborative Working partners can offer opportunities to retain skills by staff exchange or secondment, keeping them available and engaged even when the workload is uncertain.

Innovation

Buildings are ever more complex, and demand a high degree of collaboration to ensure success. Those closest to the problem often have a better grasp of the potential solutions than those who are remote. In addition those who manufacture and install every day, but rarely have the opportunity to specify, are frequently a source of innovation which is largely untapped by traditional methods and rarely available to all stakeholders. Working collaboratively can lead to collective development of new business opportunities not available to a single organisation.

Environmental

The built environment sector faces enormous environmental challenges, which cannot be solved in the historic silos of the industry. Only through Collaborative Working can we begin to address the holistic nature of these issues, but we cannot afford to wait, these challenges will still be there when the economic crisis is over. Any compromises made now will produce buildings unfit for purpose when the upturn comes.

Redlands Primary School



The Redlands project involved the construction of a primary school extension worth £1.7m and a table tennis centre worth £300,000. Phase 2 was a £1.1m conversion of a c.1915 infant school building, external landscaping and playing fields. The project involved a collaborative working relationship between the client, the school, Nottinghamshire County Council design services, Willmott Dixon and the external funding organisation. Due to the integrated approach of the team, the school was brought in on time and on budget.

Collaborative Working Dos and Don'ts

Do

- Be proactive in communicating with your clients and suppliers
- Work with people and organisations that you trust
- Collaborate more – get together even earlier
- Manage [not hand off] risk
- Be more efficient – strip out waste
- Look for innovation – especially inside your organisation
- Identify opportunities – seek out new business streams
- Use information and communications technology as a driver of collaboration
- Maintain margins at sustainable levels
- Keep focussed on differentiation and offer ideas which will help the customer
- To others as you would have done to you
- Plan for the future up turn
- Remain positive – recovery is all about confidence

Do Not

- Move away from what you know is right
- Ditch your good people; staff, suppliers and subcontractors
- Stop marketing
- Allow staff to revert to old adversarial practices
- Revert to 'hard dollar' contracting and the associated claims game
- Adopt lowest-price tendering for selection of suppliers
- Stop paying on time
- Submit bids with negative margins
- Buy work
- Stop training, now is the time to take advantage of training opportunities and grants

Where to Go Next

Constructing Excellence Collaborative Working Champions

This group of practitioners meet regularly to share experiences and to mentor those looking for support. Many of them have been implementing and promoting collaborative principles for well over ten years, and collectively they draw on some 500 years of construction industry experience.

www.cecwchampions.co.uk

The Collaborative Working Champions have created an online network for people interested in learning about and promoting integrated Collaborative Working in the built environment. It is an open group, welcoming industry participants from all backgrounds including client organisations, contractors, consultants, materials suppliers and manufacturers, facilities managers, academics and students. Whatever your starting point, this is your place to contribute to the future of Collaborative Working.

www.constructingexcellence.org.uk

The Constructing Excellence website is an excellent source of guidance and case studies from over ten years of practical application of Collaborative Working techniques. Members of Constructing Excellence have privileged access to a full set of how-to tools and training packages to support a change programme.

Constructing Excellence Regional Network and local Best Practice Clubs

This network is a valuable source of regional information and knowledge as well as networking opportunities with like-minded people from the sector who wish to explore Collaborative Working opportunities.

Visit: www.constructingexcellence.org.uk/regionsclubs.jsp

Constructing Excellence is the leading think tank and best practice organisation in the UK built environment sector.

Its core funding members include clients, contractors, consultants, specialists and suppliers across the buildings and estates, infrastructure and housing sectors. Our core themes include collaborative working, sustainability and value, and our evidence-based approach uses action research, innovation, demonstration, measurement, networking, guidance and influence.