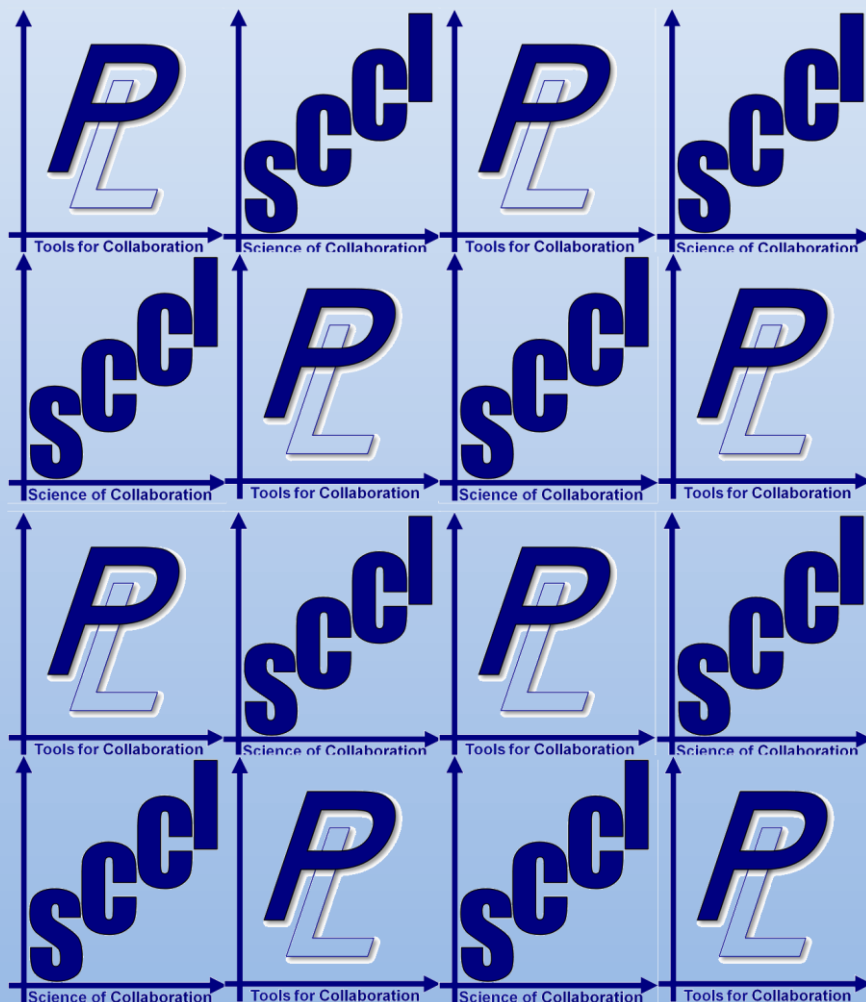


Case Study: Construction Industry 'We'll worry about the money later!'



Andrew Humphries & Linda McComie



Second Edition 2022

First published in Great Britain in 2018 by Humphries and McComie.

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Published by

SCCI Ltd
Milton Keynes,
England

Case Study – 'We'll worry about the money later!'

By Andrew Humphries & Linda McComie

10 Year old Supplier & Customer Relationship – current project value £68m:

- Customer – Global Civil Engineering Company
- Supplier (client) – Major Civil Engineering Design Company

Objectives:

- To impress a government agency responsible for letting major contracts
- To benchmark a long-standing, mixed fortune relationship
- To identify collaboration improvements so that the team could compete more effectively

Issues Revealed:

- Internal and external culture gaps undermined trust and caused communication difficulties
- Conflicting priorities caused process mismatches, increased costs and delays
- Traditional working level practices shut out collaborative working

“We could have been more pedantic with the contract over changes but this would have been detrimental to the project and team spirit”

Note

There is free-flow, multi-level communications involving partners, agents and clients. This ensures a dynamic working environment aimed at achieving objectives

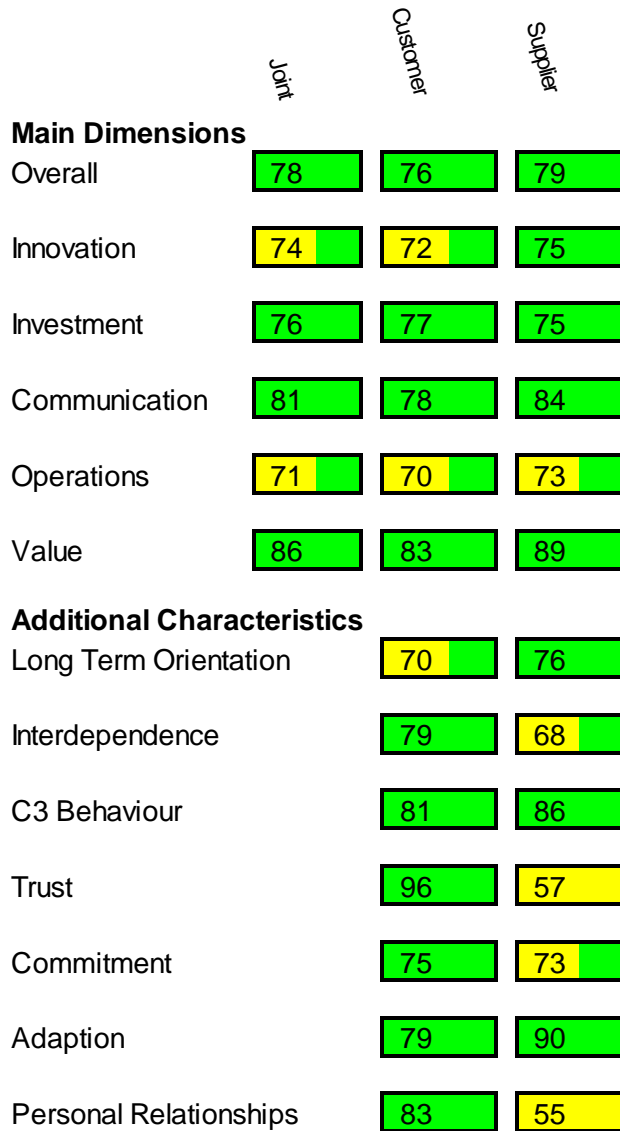
Joint post-project review workshops are carried out. These acknowledged extremely difficult issues and agreed learning action points resulting in a more positive and enjoyable working environment and new working practices.

The partners were committed to changing industry based culture and working more closely together in the future.

Having survived a very testing experience they used this strength to continue to build their relationship.

However, at the initial meeting it was evident that the Relationship Managers and their teams had not met each other and the Supplier's KAM team was on the point of disbandment. Overall management was geographically scattered which made control and co-ordination problematic.

Performance at a glance



- **Innovation** – the leap of faith, being creative, flexible and resilient
- **Investment** – Alignment of objectives, investment in people, know-how, infrastructure and management effort and, long-term vision
- **Communication** – open and transparent, frequent and extensive, learning, planning and anticipating
- **Operations** – focusing on service and product delivery, lowering joint costs and risks, building trust
- **Value** – perceived and actual benefits, satisfaction
- **Long-term Orientation** – encouraging stability, continuity, predictability and long-term, joint gains
- **Interdependence** – loss in autonomy is compensated through the expected gains
- **C3 Behaviour** – Collaboration, Co-operation, Co-ordination, joint resourcing to achieve effective operations
- **Trust** – richer interaction between parties to create goodwill and the incentive to go the extra mile
- **Commitment** – the relationship is so important that it warrants maximum effort to maintain it
- **Adaption** – willingness to adapt products, procedures, inventory, management, attitudes, values and goals to the needs of the relationship
- **Personal Relationships** – generating trust and openness through personal interaction

Bandings	Colour	Response
0-49%	Red	Urgent Action Required
50-59%	Amber	Corrective Action Required
60-74%	Amber Green	Corrective Action Recommended
75-100%	Green	OK Unless High Priority

These traffic lights show that the relationship is good. Nevertheless it is clear that there are a number of difficult issues present, particularly around Trust, Personal Relationships and Interdependence. These are having an impact on Operations.

“We couldn't see how they were spending the money even though we had a profit/loss sharing agreement”

Findings

- **Culture**
 - Two cultures - a partnership approach at the higher levels and a more traditional 'engineering' attitude at the lower levels
 - Incomplete understanding of the respective roles and responsibilities of designers and construction staff generated interpersonal and operational friction
 - Some undermining of trust increased communication problems both internally and between the companies
- **Process**
 - Process interaction mismatches still create difficulties at all levels
 - Lack of sufficient emphasis on the early design phase results in the customer being inundated with the volume of review work, later the supplier is frustrated by the amount of re-work needed in very short timescales and, both sides realise this practice has cost, time and quality penalties to the project
 - During the construction phase, traditional work practices undermine project control, for instance:
 - site staff wanting changes to the design without regard to the cost
 - by-passing the change control process in order to expedite changes
 - 'blinking' of site staff in order to prevent them from 'subverting' the designs
 - project control not being joint causing perception gaps
- **Enterprise Relationship Management**
 - There needs to be an overall Joint Change Programme to encompass all relationship building activities including planning, co-ordination and communication

Outcomes

- Industry Rating improved by 25%
- The Supplier's Key Account Management organisation was saved from closure
- The Customer reorganised to improve customer service at local, regional, global, sector and project levels
- As a result of surviving a very testing experience they have built a more resilient relationship
- The partners have gained a reputation for making partnerships work

"The old ways are behind us now and partnership, not the traditional engineering relationship is the future"

Notes

Although the organisations learned sound lessons about how to collaborate the project was £7m over budget.

In a misguided effort to free up innovation and create a 'can-do' attitude the senior managers loosened the reins on change control and financial governance. Moreover there was a lack of joint management of these critical functions. They had not realised that effective collaboration is a combination of standard governance and teamwork.



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