

Ask The Experts

Breakthrough collaboration

Consultants Jonathan Schauder and Joel Gerschman explore how project managers can harness the benefits of formal alliancing in the more traditional contracting environment.

LEADING players in large-scale infrastructure are fast recognising the strategic advantages of formal alliancing on major projects.

Why all the hype about formal project alliances?

There has been a lot of dissatisfaction with traditional contracting in the construction industry. It is no secret that time delays and cost blow-outs are all too common, and many are beginning to view the adversarial set-up of partnerships as a serious factor. That is why the 1990s saw a new breed of partnership emerge – the Project Alliance. Since then, they have been used widely – internationally, within Australia and in the Public Private Partnership (PPP) arena.

The reason for this growth and success was made clear: the very structure of the contract motivates collaborative, innovative, results-driven performance. For one, there is collective sharing of all project risks. Second, there are “no fault”, “no blame” and “no dispute” clauses – meaning that all differences must be worked through together. And finally there is a gainshare/painshare regime, whereby rewards of outstanding performance and the pain of poor performance are shared equitably. Motivation to collaborate is literally “built-in”; the only way to make money is to achieve joint goals.

Is high-performance collaboration realistic in more traditional contexts?

It is realistic. But it certainly will not happen on its own. In fact, experienced observers of large-scale infrastructure often note that the very structure of traditional contracts hinders results-oriented collaboration. As we all know, service providers minimise prices (and margins) to win tenders. But this “loss”, means that they must find ways to shift



CMA's Jonathan Schauder (centre) who steered the VicRoads assignment, meeting with Trevor Boyd (left), project director for Hallam Bypass and Deer Park project.

risk back to the owner, seek out weaknesses in the contract, specifications and scope and potentially exploit change events and delays to maximise profit opportunities. A win-lose, adversarial environment is created from the very outset – hardly a recipe for collaboration.

So how can project managers overcome these barriers to collaboration?

As you may know, some have already tried and failed. The contracting parties jointly crafted a few collaborative, motherhood statements about how the parties should “work together”, “respect each other” and look for “creative ways to resolve differences”. But when conflict arose, those nice ideals went out the window. And so did the parties’ profit margins.

However, recent experience suggests that these barriers can be overcome. It has been done on a number of major projects – and with dramatic results. But it takes more than agreeing on some nice ideals. It requires gen-

uine commitment to answering three key questions:

1. A question of vision

It is easy to underestimate the importance of an ambitious shared vision. As long as we have got a detailed contract in place, checked by our lawyers, we are ok, right? Wrong.

Experienced project managers distinguish between “minimum conditions of satisfaction” and “breakthrough performance”. Without a joint vision that pushes boundaries of innovation, it is hard to inspire anyone to exceed minimum standards set by the contract.

Take the award-winning \$90 million redevelopment of Lyell McEwin Hospital. Their vision statement moved beyond the stock-standard “construction as per specifications and scope”. They encouraged maximum value and quality for capital funds, outstanding community relations, completion on time with outstanding industrial relations and workplace safety as well as minimum disruption to the operating environment and, finally, to innovate and set new standards in all aspects of

the project including the delivery process. When coupled with appropriate incentives and more specific ‘benchmarks’, only this kind of shared vision motivates ‘breakthrough’ outcomes.

2. A question of process

Vision is important. But when controversial change events occur – like scope alterations and delays – a jointly crafted vision won’t resolve differences. That is why the most effective projects go the next step. They explicitly develop agreed processes for working together – particularly in times of conflict and change.

For instance, partners might meet prior to implementation to define protocols around how they will solve problems, deal with conflict, make decisions, clarify roles and communicate more generally. In major successful alliances, like the BHP-Theiss Mt Keith mining alliance in WA, the parties proactively set up a joint leadership committee for this very purpose. They developed protocols to ensure that any conflicts were immediately addressed within the com-

mittee – and without litigation. Non-alliance projects would readily benefit from this approach.

3. A question of skill

If a shared vision and clear processes are in place, the last question is this: are the individuals involved skilful enough to participate productively? Without formal training in collaborative negotiation and problem solving skills, many issues on projects can feel like a test of strength, not innovation. Even well-intentioned team members often lack the tools for resolving problems collaboratively and creatively, especially in a litigious environment where resorting to threats of court is standard.

In contrast, VicRoads recently completed the Hallam Bypass project 17 months early and \$10,000,000 dollars under budget. According to the project director at VicRoads, Trevor Boyd, one of the key reasons for the outstanding result was their commitment to training all staff in collaborative negotiation and problem solving skills. When problems arose, staff resolved those issues efficiently and in ways that created value for both sides.

What is your key message to project managers?

Building real collaboration on major projects is a challenging task, particularly in an adversarial contracting environment. But with genuine commitment to a boundary-pushing joint vision, collaborative processes to deal with change events, and the coal-face skills to innovate high value solutions, breakthrough results are indeed possible.

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