



Book Two

Best Practices

User's Guide for Collaborative Excellence Aligned Construction Enterprise & ISO 44001 Standards Certification

By Annick De Swaef and Robert Porter Lynch

CONTENTS

INTRODUCTION

Understanding the nature of Principles, Processes, & Practices
Purpose of the User Guide
Using this User Guide
Findings from Best Practices Benchmarking
Why Alliances? The Difficulties in Construction Industry
The Trajectory of a Mega-Project
Is there a Better Way?
Defining Alliance Based Construction
When to use Alliance Based Construction
Designing an Alliance
Additional Alliance Characteristics
Distinguishing “Systems Architecture” from Methods & Tools
Robust & Scalable
Best Process Framework
Distinguishing Best Process from Best Practices
Scaling Up or Down
Professional
Best of Breed
Customizable
Why Alliances are Essential
Winning in Today's Competitive Environment
Coopetition
Advantages of Alliances
Distinguishing Joint Ventures from Strategic Alliances
Risk Reduction and Risk/Reward Sharing
Typical Risk Sharing – Reward Sharing Model
Bottom Line: Industry shift
Change in Mindsets
Practical Implications of Shifting from Chains to Networks
Back Loading
Frontloading
Coordination and Systems Integration
Shifting from Vendor to Alliance Partner Perspective
Alliance Mindset and Spirit
The Illusion -- What's Missing?
Secrets of Synergy
The Sources of Alliance Mastery
The Power of Shared Vision
Synergy of Compatible Differences
Commitment to Mutual Benefit
Commitment and Camaraderie
Sharing Expands Possibilities
Conflict Transcendence

- Transformational Flexibility
- Mastery as Alliance Architects
- Teamwork & Human Resources
- Lean Construction Methods

PHASE ONE: STRATEGY

- Alliance Framework -- Strategy
- Overview
- The Collaborative Imperative
- Goals for Phase 1: Strategy
- Critical Success Factors
- Expected Outcomes

Step 1.1 Identify Key Strategic Issues

- Developing a Powerful Strategy
- The Power Myth in Business Strategy
- The Scarcity Myth in Business Strategy
- Why is the Adversarial Strategy Used so Frequently?
- Collaboration as a Competitive Strategy
- Three Strategic Options
- Strategic Alignment
- Planning and participating in alliances – the Australian Experience
- Owner experiences
- Public sector owners
- Individual experiences
- Organisational experiences
- The private sector view
- Choosing an alliance as a delivery method
- Implications of Coopetition
- Where Coopetition Is Used
- The Issue of Control

Step 1.2 Strategic and Commercial Drivers

- What Are Strategic Drivers?
- Be Aware of Driving Forces
- Strategic Drivers Model

Step 1.3 Value Migration/Evolution

- Importance of Value Migration

Step 1.4 Mission Statement and Value Proposition

- Mission Statement
- Importance of the Value Proposition
- Customer Value Proposition
- Partner Value Proposition

Step 1.5 Alliance Stratagems

Step 1.6 Construction Business Models

- Considerations in Selecting a Delivery Method
- Owner's Requirements and Risk Considerations
- Construction Trends

PHASE TWO: COLLABORATIVE CULTURE

Alliance Framework

Overview

Key Factors for Success

Step 2.1 Collaborative Leadership

Role of the Champion and Executive Sponsor

Alliance Success Principle: Alliances Require Champions

What Alliances Champions Must Ensure

Step 2.2 High Performance Culture

Culture and Teams

High performance culture

Defining culture

Viva la difference!

Culture champions

The 'soft' stuff can be challenging

Do not leave culture to chance

High Performance Management Plan

Leadership as a tool in driving the desired team culture

Connectivity and culture

High performance team development – power of connectivity & relationships

The power of positivity

The team connectors – treasure them!

Emotional intelligence and alliancing

I'll have what they're having!

Step 2.3 Building Trust & Teamwork

The Ladder of Trust

Negative Zone of Distrust: Trust Busters

Positive Zone of Trust: Trust Builders

Using the Trust Ladder

Do Not Respond in Kind

Leadership Actions

Step 2.4 Collaborative Innovation

What Is Innovation?

The Collaborative Imperative as an Innovation Engine

Collaboration is the key to unlocking Continuous Improvement

Challenge to Traditional Thinking – Key Factor for Success

Implications of this change

Caught Between the Gaps in the Era-Shifts

Old Truths – New Myths

The Challenges to the Future of Business

Step 2.5 Development of People

Power of Trust on Employees

Tactics to be most effective in attracting, retaining and rewarding the best employees over the next 10 years

HR Value Proposition

Human Capital Vision Statement
Critical Objectives of HR Strategic Plan
Leadership and Professional Development
Industry skills development
Conclusion

Step 2.6 Alignment of Metrics & Rewards

Collaboration Metrics
Innovation Metrics
Risk Management

Step 2.7 Building Relationships with Potential Partners

Building relationships with the owner
The owner's organisation
Owner characteristics
Knowing the project
Project needs, drivers and expectations
Owner's team
Trustworthy Relationships
The alliance interface
Knowing the owner's advisors

PHASE THREE: BIDDING AND SELECTION

Alliance Framework
Overview
Purpose
Goals
Success Factors
Expected Outcomes

Step 3.1 Preparation -- Preconditions for Success

Rules of Thumb
Don't Consider an Alliance If These Conditions Exist

Step 3.2 Owner's Guidelines for Selection Process

Project suitability
Differences between Integrated and Traditional Project Delivery

CONCEPTUALIZATION

CRITERIA DESIGN

DETAILED DESIGN

IMPLEMENTATION DOCUMENTS [Construction Documents]

AGENCY REVIEW

BUYOUT

CONSTRUCTION

CLOSEOUT

Project Suitability from AECOM

Owner intentions

Project budget

Preparing for the alliance

Internal approvals

Establishment program

Owner's team
Selection panel
Request For Proposal
Draft Project Alliance Agreement
Compensation model
Participating in the alliance
Principles for participation
Owner's drivers
Quality
Value For Money

Step 3.3 Candidate Research and Preliminary Due Diligence

Preliminary Due Diligence
Critical "Hard Issues"
Critical "Soft Issues"

Step 3.4 Fit Analysis

Three-Dimensional Fit

1. Strategic Fit Core Strategic Assets
2. Operational Fit
3. Chemistry/Culture Fit

Evaluating a Prospective Partner's Strengths and Weaknesses
Assessing Partner Adaptability
Risk-Related Success Factors
Relative Candidate Rankings
Partner Recruitment

Step 3.5 Risk and Business Case Analysis

Why Risk Is So Vital to Success
Business Case Analysis: Examining Risks and Rewards
Evaluate Critical Risks
Definitions: Risk and Uncertainty
Alliances Between Large and Small Companies
The Elephant Looks at the Flea:
The Flea Looks at the Elephant:
What Large Companies Must Do
What Small Companies Must Do
What Both Companies Must Do Together

Step 3.6 Team Selection & Formation

Selection process
Industry considerations
Before the Request For Proposal is issued
Selection process
Selection preference
Systems Integration
Selection panel
Facilitator involvement
Probity (Ethics) advisor
Selection methodology

- Intention
- Criteria
- Evidence required
- Scoring
- Selection process
- Request For Proposals
- Interview
- Workshop
- Selection of the preferred proponent
- Commercial alignment
- Alternative selection strategies
- Multiparty sequential alliance selection process
- Dual Target Outturn Cost

Step 3.7 Teaming Process

- Importance of the team
- Forming the alliance proponent team
- Choosing partner organisations
- Selecting team members
- Beginning team development
- Bidding costs
- Gain share/pain share pre-agreement
- Joint Ventures

Step 3.8 Bidding, Workshopping & Winning

- Maximising success
- Bid management
- Bid team
- The writing room
- The submission
- RFP requirements
- Assessment criteria
- Submission branding
- Team development
- Selection interviews and workshops
- Preparation
- Presentation skills
- Being Trustworthy authentic

Step 3.9 Metrics

- Why Metrics Are Important
- Alliance Strategic Return on Investment
- Market Impact
- Organizational Effectiveness
- Competitive Advantage
- Financial Return
- STROI Scorecard Tools
- Alliance Scorecard Matrix Alliance Scorecard Checklist
- Beginning Value Creating Negotiations

PHASE FOUR: VALUE-CREATING NEGOTIATIONS

Alliance Framework

Overview

Purpose

Goals

Critical Success Factors

Expected Outcomes

What the Experts Say...

CONCEPTUALIZATION [Programming] .[this coincides with Phase 3]

Step 4.1 The Shift to Co-Creative Negotiations

Win-Win: Critical Point for Negotiations

Ultimate Goals

Complete Negotiations

Thoughts on Cocreative Synergistic Negotiations

Far Beyond Win-Win

Negotiation Tips

Great Negotiators

Step 4.2 Building the Integrated Team

Alliance establishment

Structure, accountabilities and systems

Developing the alliance DNA

Distinguishing Between Alliance Champions and Alliance Managers

Assembling the Negotiation Team

Why a Negotiation Team?

Operational and Commercial Responsibilities

Executive Support and Mapping

Legal Support

What Frustrates Lawyers and Alliance Professionals

Step 4.3 Aligning Expectations

Critical Points for Negotiations Agenda

Vision & Value

Collaboration & Innovation

Clarification of Ambiguities & Uncertainties

Step 4.4 Foundations of Trust

Chemistry

Teamwork

Action Values

Commitment

Creating Operating Principles

Why Operating Principles Are Important

IPD ESSENTIAL PRINCIPLES IPD BUSINESS MODELS

Rules of Engagement

The Critical Importance of Trust in Coopetition

Protocols

Consequences for Breach of Trust

Those who make Poor Partners

Step 4.5 Creating Mutual Value

- The Issue of Value
- Value For Money (VFM)
- Value in the alliancing context
- Benchmarking Value For Money
- Value For Money as a Key Result Area
- Joint Value Proposition
- Metrics of Winning for each Partner
- Innovations Required
- Joint Alignments of Success
- Key Factors for Success
- Key Results Areas
- Alliance Charter
- Measuring the Power of Alignment

Step 4.6 Target Cost/Time Estimate

- Reaching commercial alignment
- Finalising the Project Draft Alliance Agreement
- Scoping the works
- Estimation of the target cost
- Team integration
- Implementing agreed plans
- Design development and scope definition
- Cost estimation process
- Approach to construction
- Determining the Target Cost Estimate
- Managing expectations of the Owner's budget
- Dealing with risks and opportunities
- Does the Target Cost Estimate deliver Value For Money?
- Documenting the outcome
- Robustness of the estimate
- The agreed price

Step 4.7 Commercial Terms & Risk/Reward Framework

- Commercial framework
- Limb 1 (direct costs and project-specific overheads)
- Audit of direct costs
- Constructor direct costs
- Designer direct costs
- Limb 2 (corporate overhead and profit)
- Fixed versus Variable Limb 2
- Limb 3 (gain share and pain share)
- Non-Owner Participant share
- Key Result Areas
- Measuring performance
- Setting targets

Step 4.8 Draft Alliance Agreement

- Purpose

- Form (Structure) Follows Function
- What Is the Draft Alliance Agreement?
- What It Does
- How It Works
- Implementation of the Draft Alliance Agreement
- Special Considerations for Cooperative Agreements
- Draft Project Alliance Agreement
- Collective responsibility
- Behavioural commitments
- Leadership and governance
- Target Cost Estimate phase
- Owner's expectations
- Access and stakeholder management
- Insurances
- Default, suspension and termination
- Schedules
- Risk and opportunity framework
- What is risk?
- The need for a consistent approach
- Application in an alliance
- Some practical examples
- Insurance
- A Final Word on Negotiation
- Provide Flexibility for Changing Business Cycles and Conditions

PHASE FIVE: OPERATIONAL PLANNING

- Overview
- Purpose
- Goals
- Critical Success Factors
- Expected Outcomes
- DETAILED DESIGN

Step 5.1 Operational Business Plan

- Why Create the Operational Plan?
- Why an Operational Business Plan Is Important
- Delivering the Value Proposition
- Operational Team
- Operational Metrics
- Reporting Systems

Step 5.2 Management Issues

- Control by Collaboration, Coordination, and Communication
- The Alliance Manager's Problem-Solving Role
- Clear Policies and Values
- Alliance Management and Control
- Contingency Planning

Step 5.3 Customer Relationships

- Customer Satisfaction

Rules of Engagement

Step 5.4 Integration, Empowerment, and Control

Integration Issues

Responsibility Charting

Sample Responsibility Chart: RACI

Alliance Launch Planning

Creating Action and Support

PHASE SIX: GOVERNANCE AND STRUCTURE

Overview

Purpose

Goals

Critical Success Factors

Expected Outcomes

IMPLEMENTATION DOCUMENTS [Construction Documents][RPL: Include in Phase 6]

BUYOUT [RPL: Include in Phase 6]

AGENCY REVIEW [RPL: include in Phase 6]

Step 6.1 Structure & Governance, Integration & Control

Alliance Governance Structure

Alliance Leadership Team (ALT)/ Executive Council(AEC)

Empowerment or Dominance

Alliance Governance Roles & Responsibilities

Alliance Leadership Team

Characteristics

Accountabilities

Commitment

Challenges

Alliance Manager

Characteristics

Accountabilities

Challenges

Characteristics

Accountabilities

Challenges

Wider Project Team

Independent advisors

Alliance facilitators

Financial auditor

Legal advisor

Independent estimator

Independent verifier

Insurance advisor

Step 6.2 Organizational Structure and Support

Organizational Structure/Resource Allocations

Corporate Relationship Management

Build Relationships at Several Management Levels Within and Across Organizations

Establish a Joint Management Team

Peer-to-Peer Relationship

Risk Management & Risk Allocation

Compounded Risk

Options for Reducing Compounding Risks

Step 6.3 Win-Win Business Analysis

Balancing the “Five R’s”

The Valuation Issue

Financial Analysis and Final Metrics

Step 6.4 Commercial Terms & Legal Agreements

Formalizing the Agreement

Conflict Resolution

Exit Strategy

Legal Counsel

Final Review and Approval

Review the draft contract with the joint Alliance

Alliance and contract types

Dual TOC alliances - Are two TOCs better than one?

Contracted alliance

Program alliances

Services alliances

Early contractor involvement contracts

International contracts – An NEC3 perspective

Small hybrid contracts

Alliancing in Public Private Partnerships

PHASE SEVEN: MANAGING HIGH PERFORMANCE

Overview

Purpose

Goals

Critical Success Factors

Expected Outcomes

CONSTRUCTION

Step 7.1 Alliance Launch

Specific Steps:

Checklist 7.1b

Communications Plan

Step 7.2 Leadership and Management

Manage and Support Executive Sponsor Involvement

Champions

Alliance Management

The Alliance Manager’s Problem-Solving Role

Control and Empowerment Mechanisms

Step 7.3 Operational Team

Team Building

Establishing Multidisciplinary Teams
Map Peer-to-Peer Relationships Between Organizations

Step 7.4 Alliance Governance

Alliance Executive Council
Other Governance Mechanisms
Clarify Expectations
Consensus Decision Making

Step 7.5 Creating a Collaborative Culture

Why a Collaborative Culture Is Important
Positive Use of Power:
Leverage Points for a Collaborative Culture
Diversity: The Alliance's Hidden Asset
Creating an Alliance Team Charter
Creating the "Synergy of Compatible Differences"
Example of a Team Charter

Step 7.6 Regional and International Cultural Considerations

Listening for Cultural Sensitivities
Developing Teams to Recognize and Understand Cultural Differences
Considerations When Forming or Evolving Alliance Teams
France and Japan: Cross-Cultural Awareness and Understanding
Defining Cultural Issues of Locations Where the Alliance or Collaboration Is Operating
Creating Value from Diversity
Strategic Alliances from a Chinese Perspective

Step 7.7 Performance Measurement and Diagnostics

Create an Empowering Measurement System
Measurements for the Elements of Victory
Alliance Diagnostics
Example of Survey Items Used in Alliance Diagnostics
How the Health Check Helps

Step 7.8 Systems Integration & Network Management

PHASE EIGHT: PROJECT COMPLETION & EVOLUTION

Purpose
Goals
Critical Success Factors
Expected Outcomes
CLOSEOUT [Include in Phase 8]

Step 8.1 Assess the Current Alliance Condition

Step 8.2 Recognize Signs of Problems

Step 8.3: Determine the Type of Change Required

Shifts in Dimensions of Fit
When Change Is Likely to Be Needed
Options for Alliance Change
Transform
Innovate

Exit Gracefully

Step 8.4 Take Action

Option One: Transforming an Alliance

The importance of legacy

Community and stakeholder benefits

Option Two: Innovating an Alliance

What Is Innovation?

How to Start the Innovation Process

From Environmental Compliance to Sustainability

Continual Innovation

Option Three: Exiting Gracefully

Reasons and Considerations for Exiting Gracefully

Root Causes

Exit Strategy and Plans

Avoid Litigation

Ongoing Dialogue/Exiting Behaviors

Exit Strategy, Objectives, and Provisions

Perform an Alliance Postmortem

Option 4: Restructure Option

Checklist 8.4a

Steps for Exiting

Developing the Exiting Strategy

Termination Provisions

Exit Plans

Contingency Plan

Communication Plan

Work Plan

Keeping Future Options Open

ARTICLES ON COLLABORATION, TRUST, AND ALLIANCES

Introduction to the Best Practices Section

Understanding the nature of Principles, Processes, & Practices

While the User's Guide is entitled "Best Practices", it actually is a compilation of Best Principles, Best Processes, and Best Practices. Here's what the terms mean:

- **Principles** are underlying truths that don't change over time or space. Principles guide decision-making. Usually a cluster of principles are applied to a real situation to give guidance on how to view or address a circumstance. Seldom should only one principle be the sole determinant of what to do, as that principle might skew the realities of a situation. For example, Adolph Hitler used the principle of the greater good to annihilate innocent people. Principles are high-order directives, and should be considered ranking above Processes.
- **Processes** are the application of principles to a particular situation, consisting of a series of stages of actions that are used to improve, change, add value, or transform something. Processes are sequenced into a flow from one stage to the next. The end of one process is marked by a major event, accomplishment, or result, which sets the stage for the kick-off of the next process.
 - o **Core Processes** are those that create the primary value of a business, such as the Processes used to construct a building.
 - o **Guiding Processes** set the direction or governance of an organization, such as strategic planning, or corporate governance. (In Book Two, we will be focusing on Core and Guiding Processes.)
 - o **Support Processes** are assist the functioning of the Core, such as recruiting of people or accounting.
- **Practices** : Each Process step is composed of a set of Practices, which are work tasks used to accomplish the process. As people innovate, they tend to create better practices that save time, energy, or eliminate redundancy or bureaucracy. Thus Practices tend to be more *malleable, more adaptable, and more fluid than Processes*.

Changing Practices involves a natural evolution of learning and innovation. Changing a Process tends to be more revolutionary, in that the whole manner of thinking and acting begins to change. Changing Principles is extraordinary because it means shifting the entire belief systems that underlie how things operate.

Often, however, Principles have been based on false or sub-optimal beliefs, such as the principles that underlay racism, intolerance, or sexism. However, even when ragged belief systems are challenged with overwhelming evidence and logic, they are still highly impervious to rapid change as people cling to outmoded beliefs and their supporting principles long after proven obsolete.

It is for this reason that books like this are written, to help the mind and language shift from an old frame of reference to a new one.

Practices can and should differ as you move from one environment to the next, and they also change as a situation evolves.

Most importantly, a vigorous adherence to Best Principles, Processes, and Practices *typically*