



***FIDIC ANNUAL CONFERENCE
COPENHAGEN 2004***

Profit by Partnering Through Alliances

Alan Chappel

Specialist Advisor,

Connell Wagner, Australia

Agenda

1. *Introduction*
2. *Project Delivery Methods*
3. *What is an Alliance?*
4. *When to have an Alliance*
5. *Requirements for an Alliance*
6. *Alliance Agreement*
7. *Risk/Reward Structures*
8. *Project Leadership Team
(Alliance Board)*
9. *Difficulties of
Alliances*
10. *Restrictions on
Alliances*
11. *Points of Difference
(D & B and Alliances)*
12. *Achievements of
Alliances*
13. *The Way Forward*

Project Delivery Methods

- *Document & Design / project manage*
- *Novated design / project manage*
- *Design / build*
- *Design / build / maintain*
- *Boot etc.*
(Build, Own, Operate, Transfer, Finance, Maintain)

- *PPP / PFI*
- *Partnering*
- *Alliance*



What is an Alliance?

- *A Joint Venture with a client*
- *A commitment to common goals*
- *A working relationship with trust, openness and cooperation*
- *A risk / reward sharing approach*
- *Outcomes focussed*
- *A different way of doing business (not merely a way of avoiding disputes)*

When to have an Alliance

- *Large complex projects (>\$50 M)*
- *Fast track approach*
- *Scope of work requires flexibility*
- *Risks are difficult to define / allocate*
- *Opportunity to drive outstanding performance*
- *(some or all of the above)*

Requirements for an Alliance

- *A champion / proponent from the client*
- *Confidence in the other participants*
- *Openness and honesty*
- *“Best for the project” approach*
- *Flexibility and innovative thinking predominates*
- *Authority to act is delegated to leadership team (Alliance Board) from companies*
- *Bureaucratic and political interference is limited*



Alliance Agreement

- *Concise agreement*
- *Alliance principles*
 - *“Best for Project”*
 - *Commit to a “No Blame” culture*
 - *Build a champion team integrated across all disciplines / organizations*
 - *Commit corporately and individually to openness, integrity, trust, cooperation, mutual support, respect, honesty and loyalty to the project*
 - *Use innovation to achieve exceptional results*
 - *Outstanding results give outstanding rewards*
 - *Spread the Alliance culture to all participants*

- **Objectives**

- *(Cost, Time, Safety, Environment, Community, Quality, Industrial Relations)*

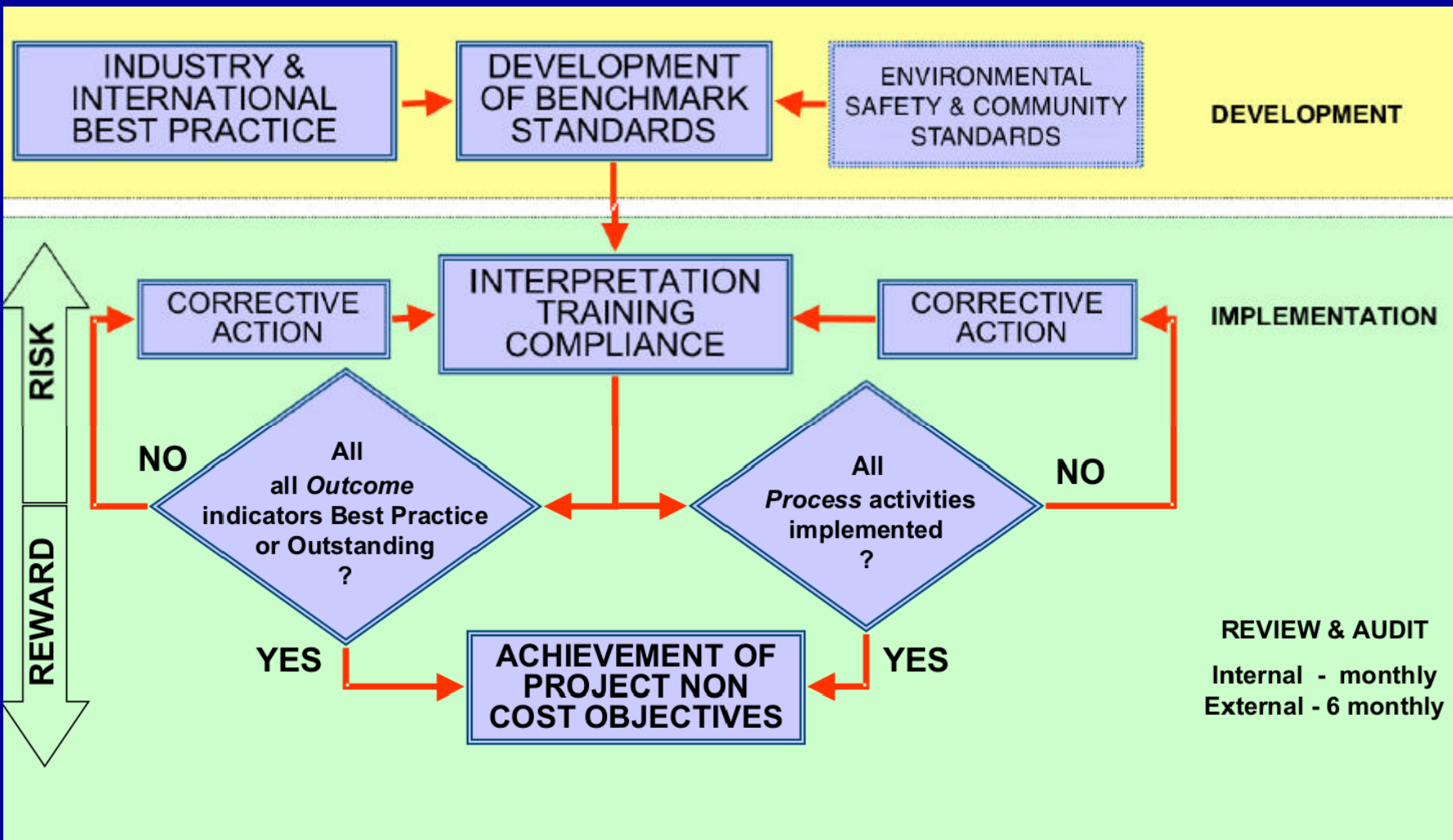
- **Scope (& Extent) Definition**

- *(no variation unless fundamental changes in scope)*

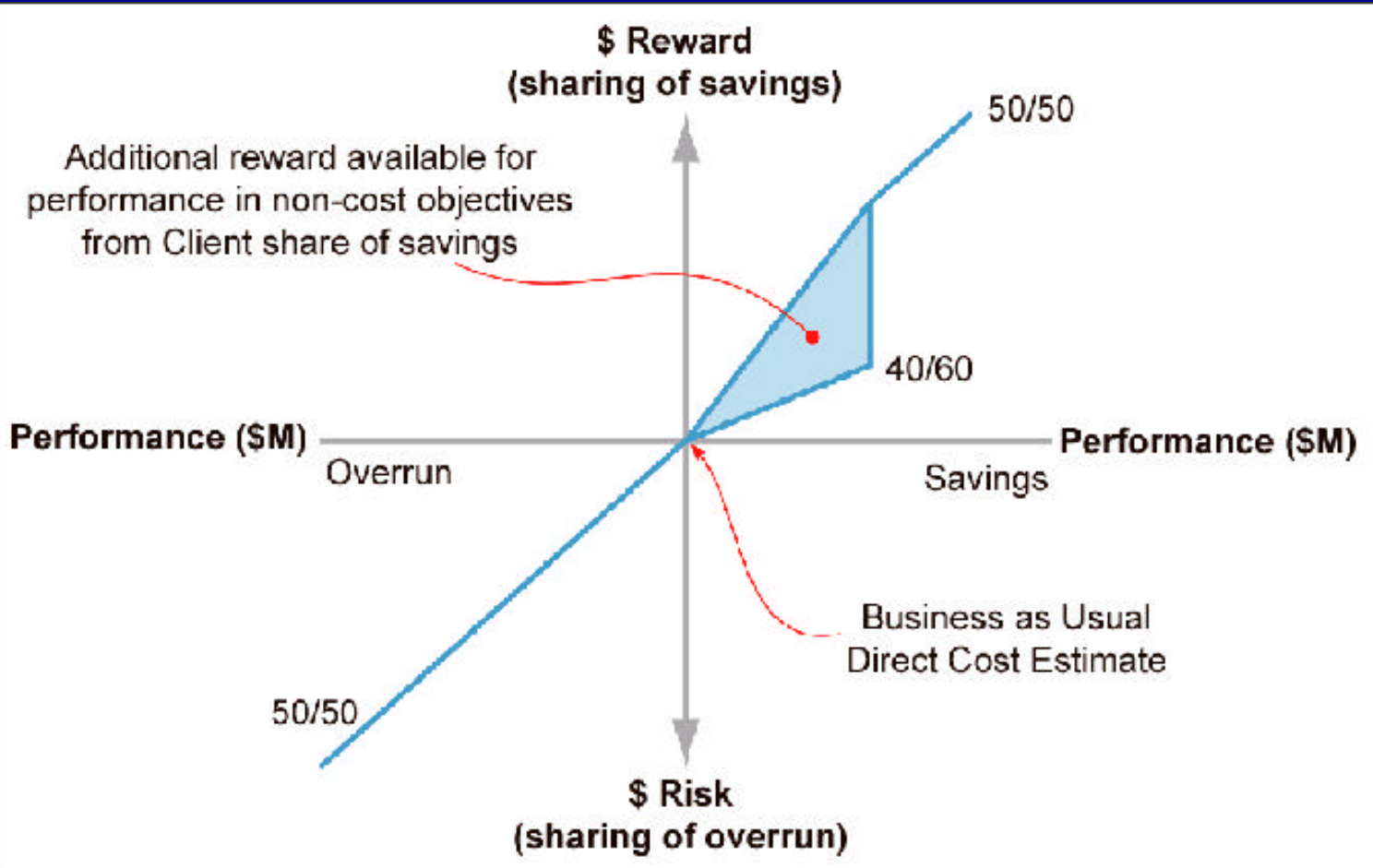
- **Payment Basis**

- *Cost*
- *Overheads*
- *Profit*
- *Key Performance Indicators*

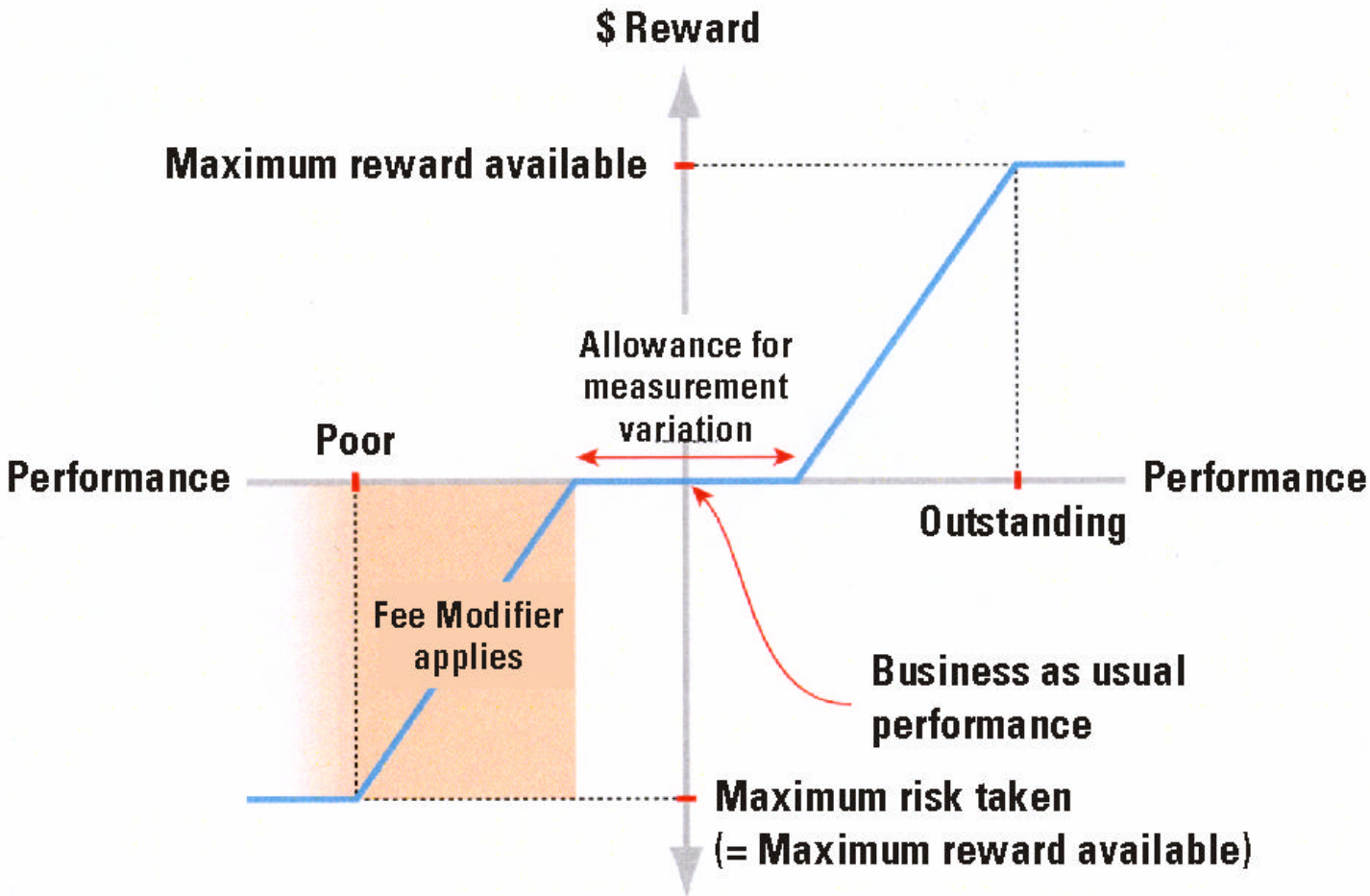
- *Process for establishing performance measures*
 - *By whom*
 - *When*
 - *Audit / check*
 - *“Business as Usual” performance*
 - *Project Insurance*
- *Client retains right to suspend / terminate*
- *Right to recover losses in event of wilful default by Alliance partner*



Risk / Reward Structures

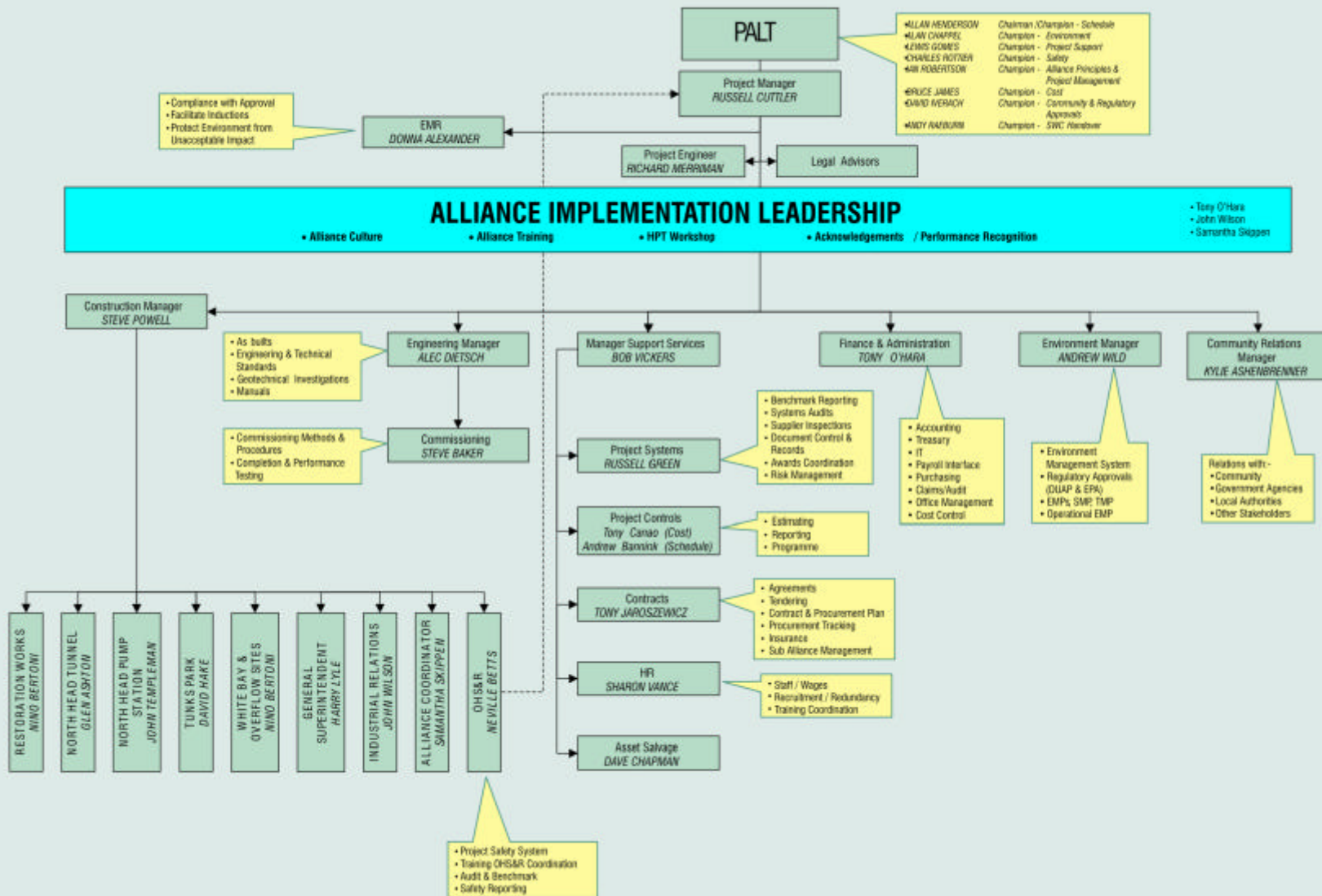


Environment, Community & Safety Risk/Reward Model



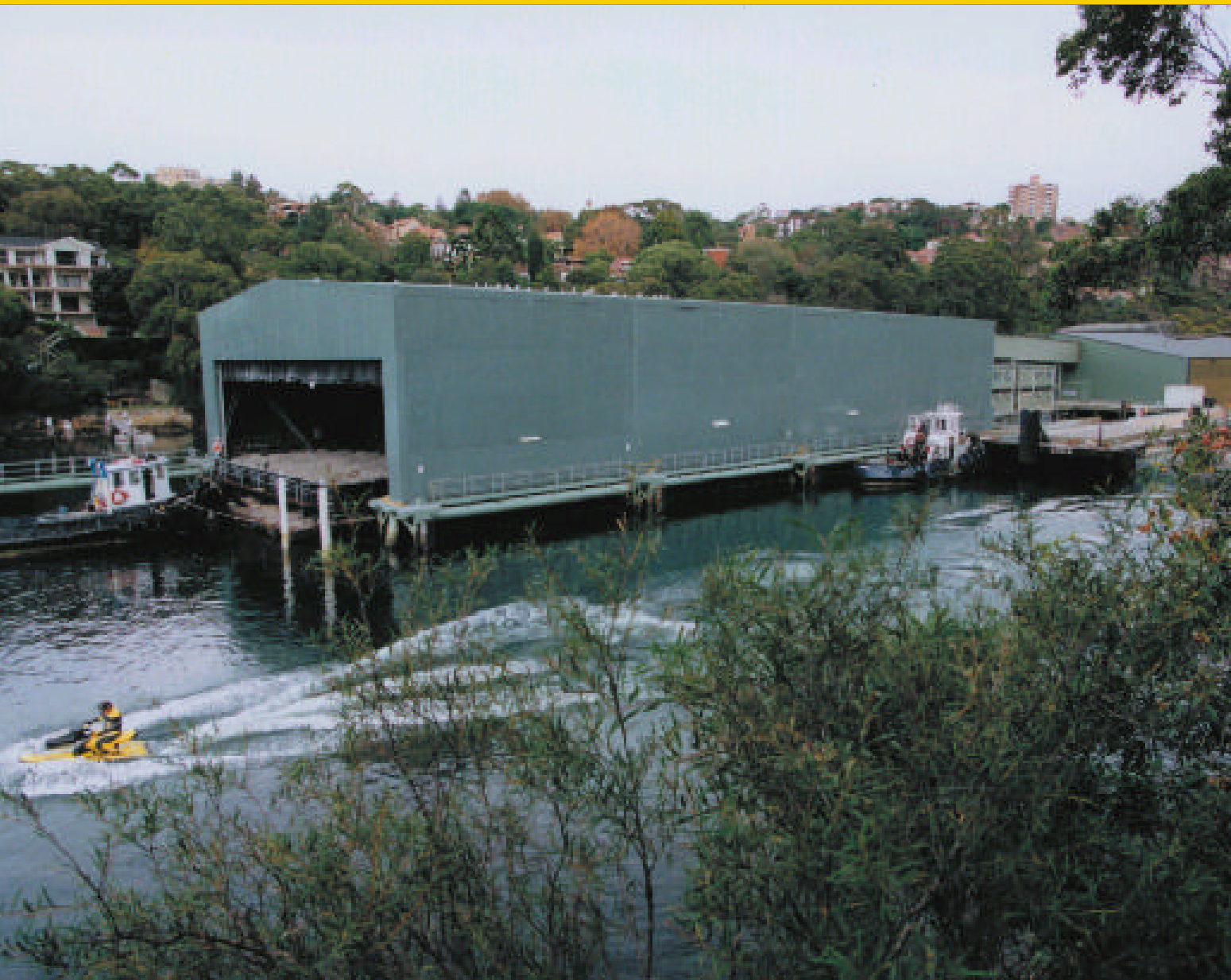
Project Leadership Team (Alliance Board)

- *Representative(s) from each participant*
- *Unanimous decisions*
- *No dispute culture*
- *Open book approach*
- *Delegation of many decisions to integrated project team*
- *Create and project the alliance vision*



Difficulties of Alliances

- *Setting realistic expectations for the project*
- *Establishing systems early*
- *Setting up organization structure and defining roles and responsibilities promptly*
- *Making the quantum leap away from existing cultures for both management and staff*
- *Continuing the culture*



Restraints on Alliances

- *Perceived*
 - *Probity*
 - *Culture*
 - *Value for money*
 - *Open tender*
 - *Rewards for non cost objectives*

- *Real*
 - *Resistance to total commitment
(by client management / participant staff
suppliers / sub contractors)*
 - *Delegation from leadership team
(Alliance Board) to project team*
 - *Limited role of lawyers*



Alliances

- *Common objectives*
- *Cooperation, trust, openness*
- *No blame culture*
- *Sharing of risks (pain / gain)*
- *No owner's representative team overseeing project*
- *Selection criteria*

Achievements of Alliances

- *Completion on or before time on most projects*
- *Avoided legal disputes*
- *Resulted in innovation*
- *Delivered a quality standard appropriate for project*
- *United team to overcome problems*
- *Integrated approach to design / build*

