

Project Alliancing

Learning from the Australian experience

½ day seminar – Thu 10Dec2009

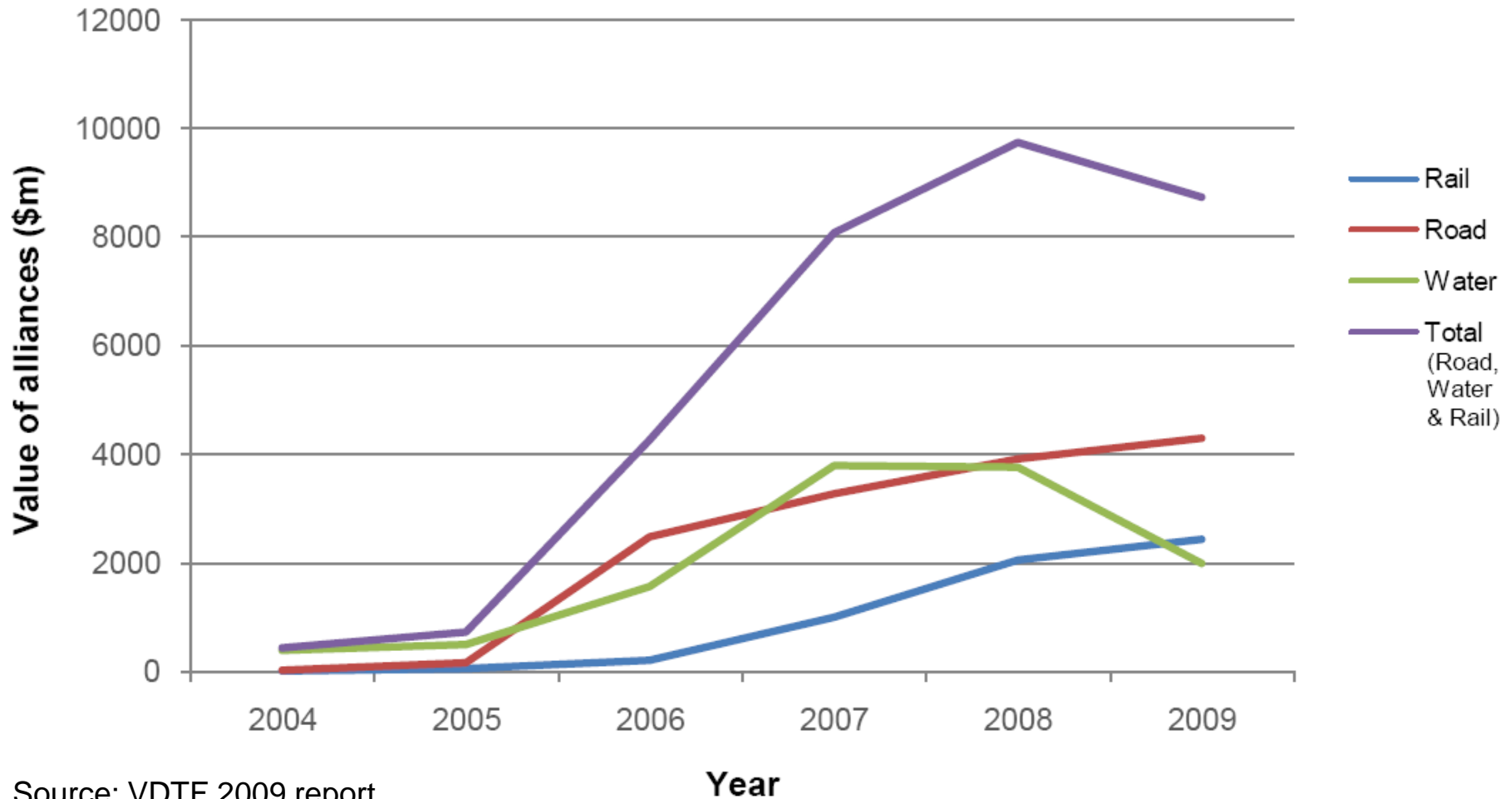
Presented/facilitated by

Jim Ross, Director Advisory Services

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Growth in alliancing (public sector)



Source: VDTF 2009 report
 "In Pursuit of Additional Value"





Purpose & objectives of this seminar

- Overall aim is to provide attendees with insights into the practice of alliancing in Australia. Objectives:
 - how it is structured and practised, how and why it has evolved so rapidly and so far, current/future trends.
 - The rationale for using an alliance
 - The risks, downsides and pitfalls
 - Explore how alliancing, as practised in Australia, might be adapted and applied in other countries – drivers, constraints, ways to achieve success and avoid pitfalls
 - How alliancing might help facilitate the introduction and use of lean construction techniques



Seminar agenda (guide only)

Session	Approx. times			Description /content of conversation
	Start	Finish	Dur.	
	9:00	9:05		Opening day 2 proceedings
1	9:05	9:20	0:15	Preliminaries
2	9:20	10:00	0:40	Alliancing 101 - brief review of the fundamentals
3	10:00	10:45	0:45	Breakout discussion 1
	10:45	11:00	0:15	Mid morning break (tea/coffee)
4	11:00	11:30	0:30	The human dimension - introduction to alliance high performance
5	11:30	12:00	0:30	Breakout discussion 2
6	12:00	12:45	0:45	Open forum question & answer
7	12:45	13:00	0:15	Wrap up seminar



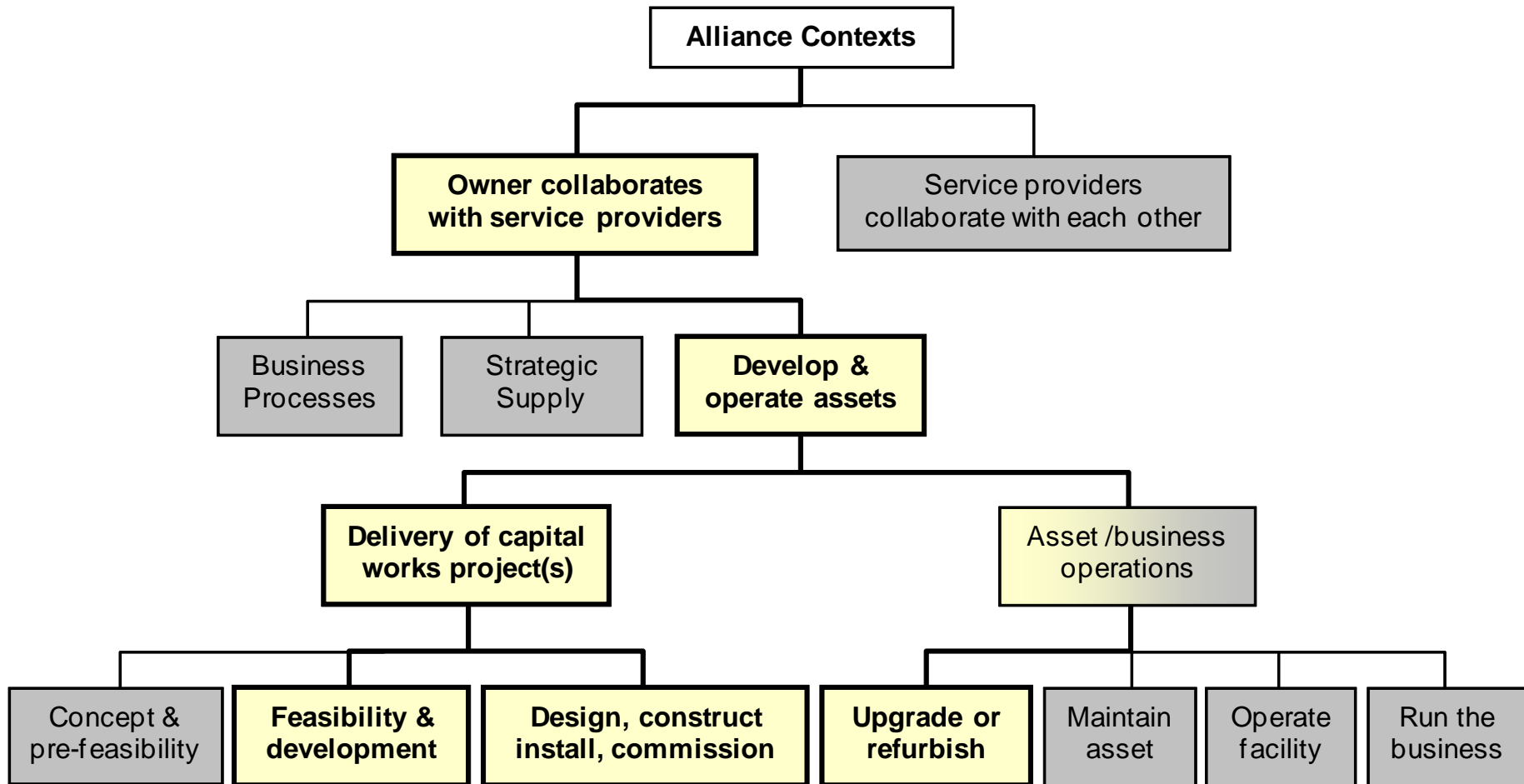
Session 2

Alliancing 101

Brief review of the fundamentals



Project alliance context



Acronyms – just some of the main ones

AAA	Alliancing Association of Australasia
ALT	Alliance Leadership Team
AMT	Alliance Management Team
AOC	Actual Outturn Cost
KPI	Key Performance Indicator
KRA	Key Result Area
MCOS	Minimum condition of satisfaction
NOP	Non-owner Participant
PAA	Project Alliance Agreement
PDP	Project Development Phase
TCE	Target Cost Estimate
TOC	Target Outturn Cost
VFM	Value for Money



Definition of a Project Alliance

A commercial/legal framework between an “owner participant” and one or more NOPs for delivering one or more capital works projects, characterised by:

- collective sharing of (nearly) all project risks
- no fault, no blame and no dispute between the alliance participants (except for wilful default)
- payment of NOPs for their services under a “3-limb” compensation model (see below)
- unanimous principle-based decision-making issues
- an integrated project team selected on the basis of best person for each position.



5 key features of a “pure” alliance

1. Collective responsibility
2. No blame (corporate)
3. “3-limb” open-book compensation model
4. Unanimous principled-based decision-making
5. Fully integrated alliance team

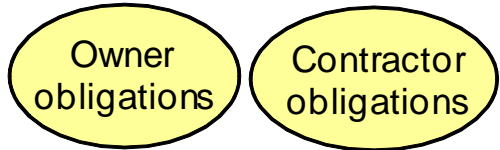


Traditional forms of contract

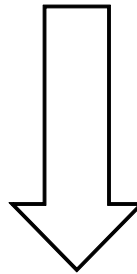
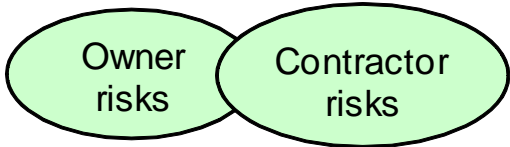
Transfer risk



Each party has and must fulfil its own separate /individual obligations



Specific risks allocated to each party with perhaps some shared risks

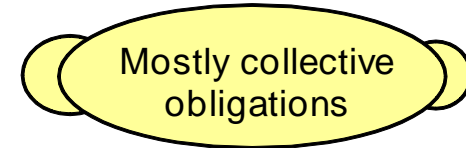


Fundamental shift in the way risk (and opportunity) is dealt with under the contract

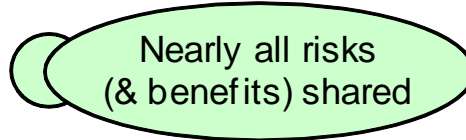
Project Alliance approach

Share & jointly manage risk

Nearly all obligations are collective. Some individual obligations (eg. owner's obligation to pay)



Preferably all risks shared. However some unique risks may be retained by the owner (noting that it is not appropriate under an alliance for any risks to be borne solely by the NOPs)





No fault intention – reflected in PAA language

Traditional

The Contractor shall execute and complete the work under the Contract in accordance with the requirements of the Contract.

The Contractor acknowledges and agrees..... that **the Contractor** will bear and continue to bear full responsibility in accordance with the Contract for the execution and completion of the work under the Contract....

Pure alliance

We will work together in an innovative, cooperative and open manner so as to produce outstanding results.....

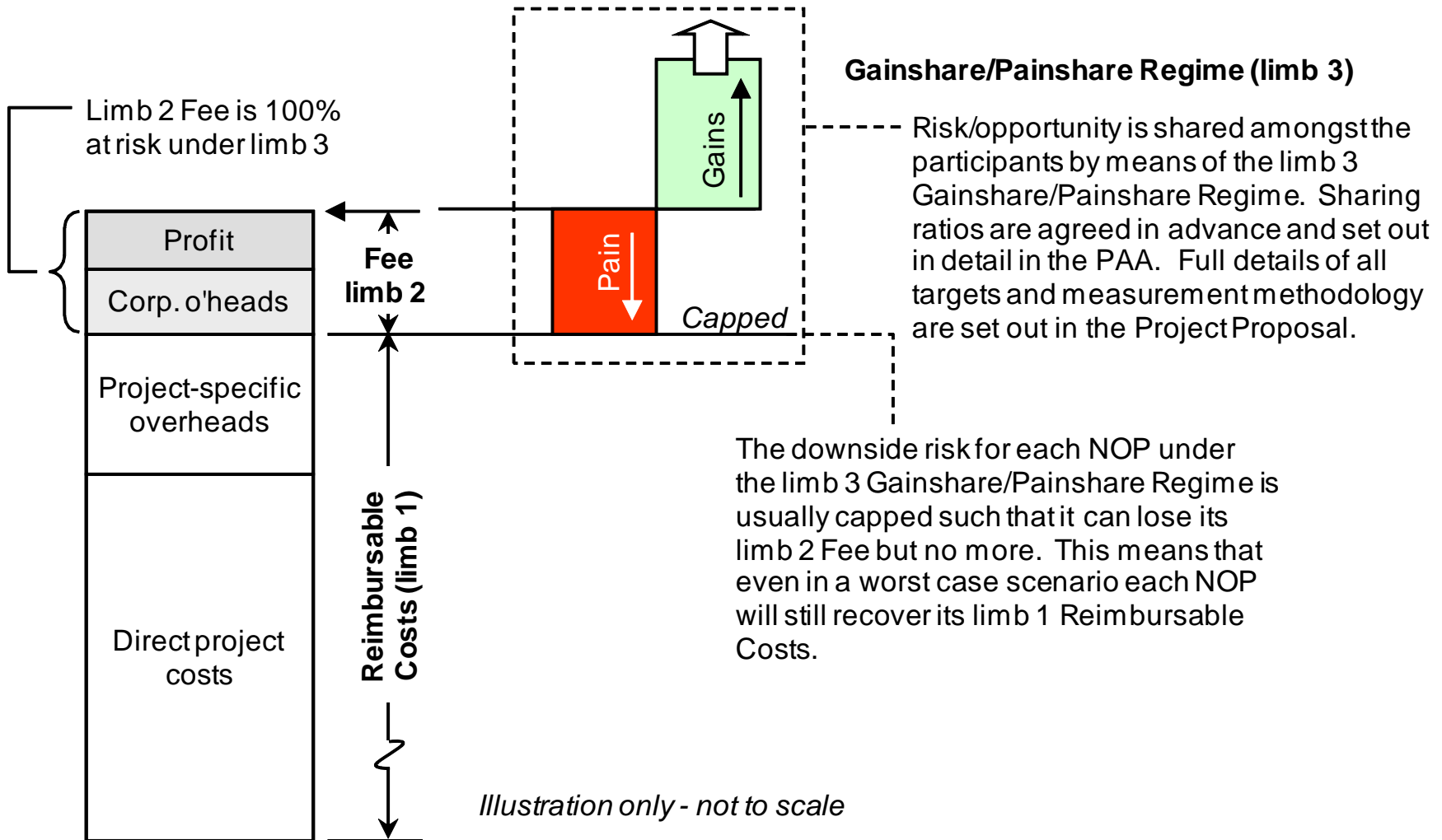
We will share all risks and opportunities associated with the delivery of the Program except those which we have specifically agreed will be retained solely by the Owner.....

We will collectively do all things necessary to deliver the Work under the Alliance in accordance with our commitments....





The “3-limb” NOP compensation model



Reimbursable Costs (limb 1)

- Schedule defining (limb 1) reimbursable costs
- Financial audits (independent)
 - Establishment audit to confirm/establish:
 - Basis of reimbursable costs
 - Demarcation between limb 1 and limb 2
 - Historical level of corporate overhead & normal profit
 - On-going financial audits
 - Validate all reimbursable costs as being actual cost

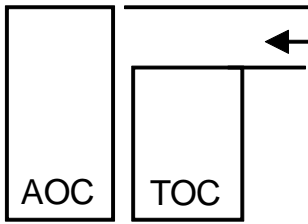
Limb 2 Fee

- Fixed, pre-agreed, percentage of (actual or estimated) limb 1 Reimbursable Costs to reflect:
 - actual costs of corporate overhead structure
 - equitable level of profit for achieving (but not exceeding) MCOS in each key result area (KRA)





1



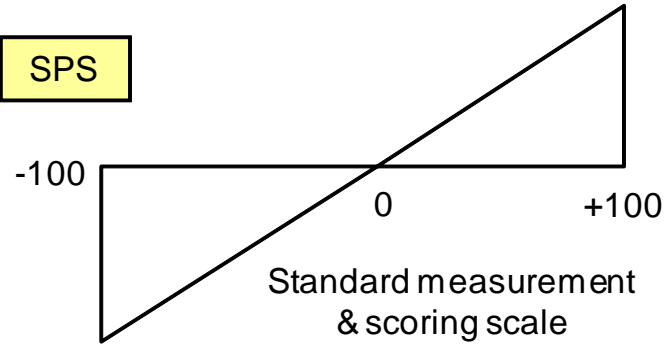
Sharing of under/overruns
i.e. where Actual Outturn Cost (AOC) is less than or more than the Target Outturn Cost (TOC)

2

Schedule Performance Score (SPS)

SPS

The SPS is a number between -100 (total failure) and +100 (gamebreaking) based on performance in managing possessions and the overall project schedule



Key principles

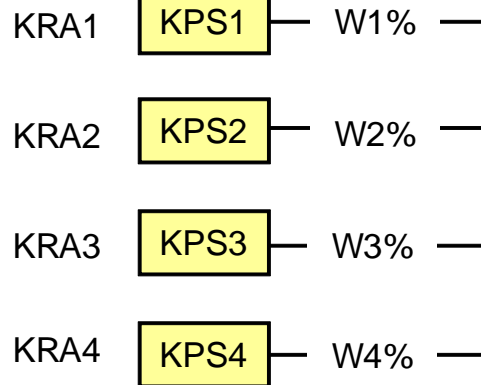
We all win or we all lose... win/lose not acceptable

“Your success is my success”

“Your failure is my failure”

3

Overall KRA Score (OKS)



Step 1 - Performance is measured in each KRA by a KRA Performance Score (KPS) - a number between -100 (total failure) and +100 (gamebreaking)

Step 2 - The four KPSs are blended using pre-agreed KRA weightings (W) to calculate an Overall KRA Score (OKS)

OKS

4

Major Event Modifier (MEM)

MEM

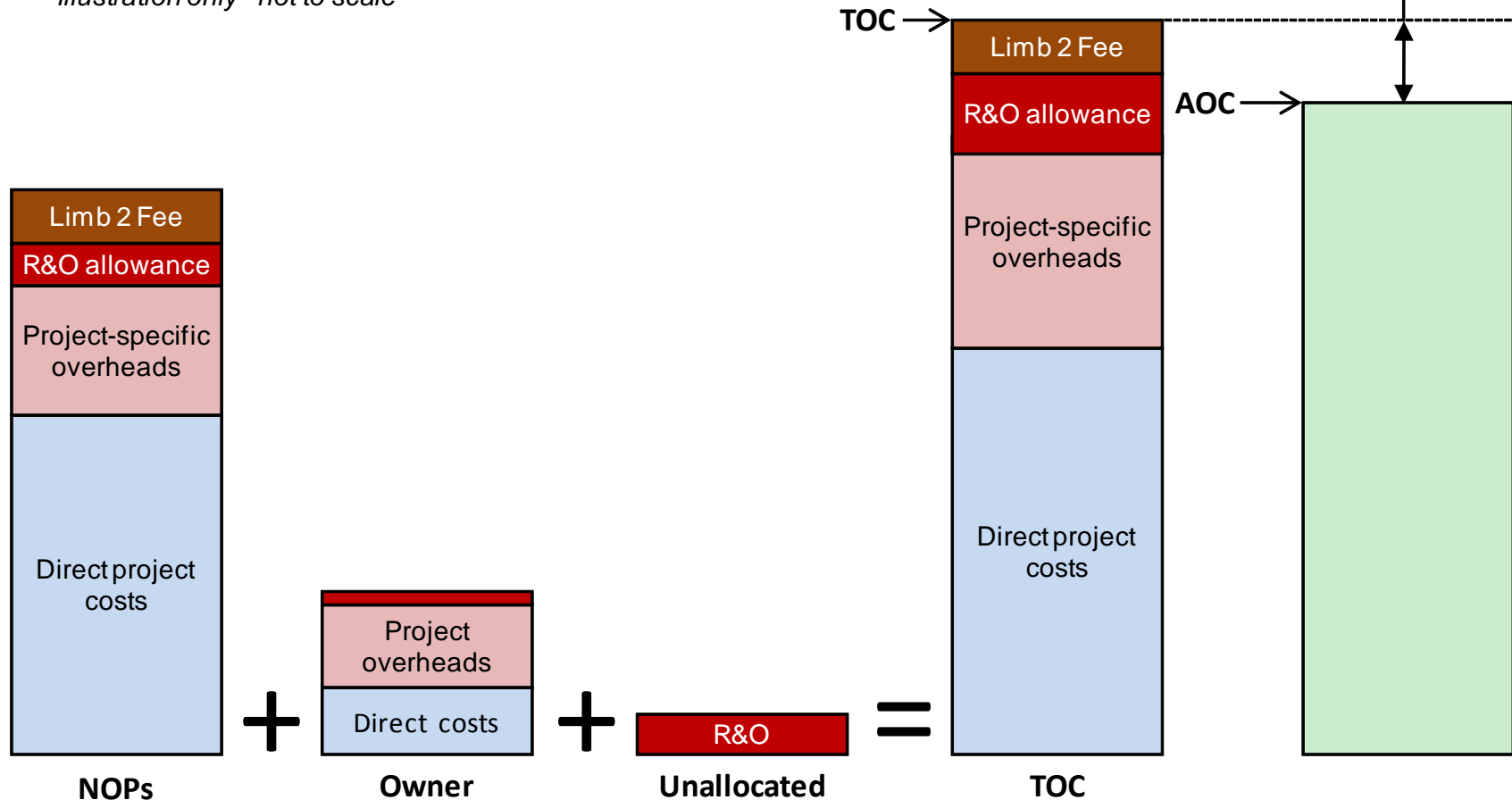
The MEM score (MEM) is a number between -100 and 0, based on an accumulation of (negative) points where the Alliance is responsible to causing causes certain negative events in critical areas that are completely unacceptable to the owner and the NOPs



Build up of the TOC (simplified)

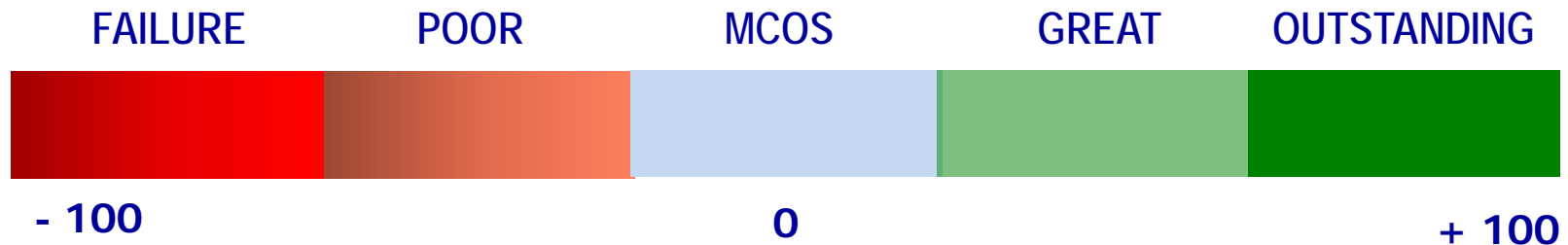
Illustration only - not to scale

TOC is compared with AOC to determine extent of under/overrun



Non-cost Key Result Areas (KRAs)

- Key result areas (KRAs) for issues that are of value to the owner
- Owner establishes minimum conditions of satisfaction (MCOS)
- Performance spectrum:



- Increasing gains for great/outstanding performance, increasing pain for poor/fail performance

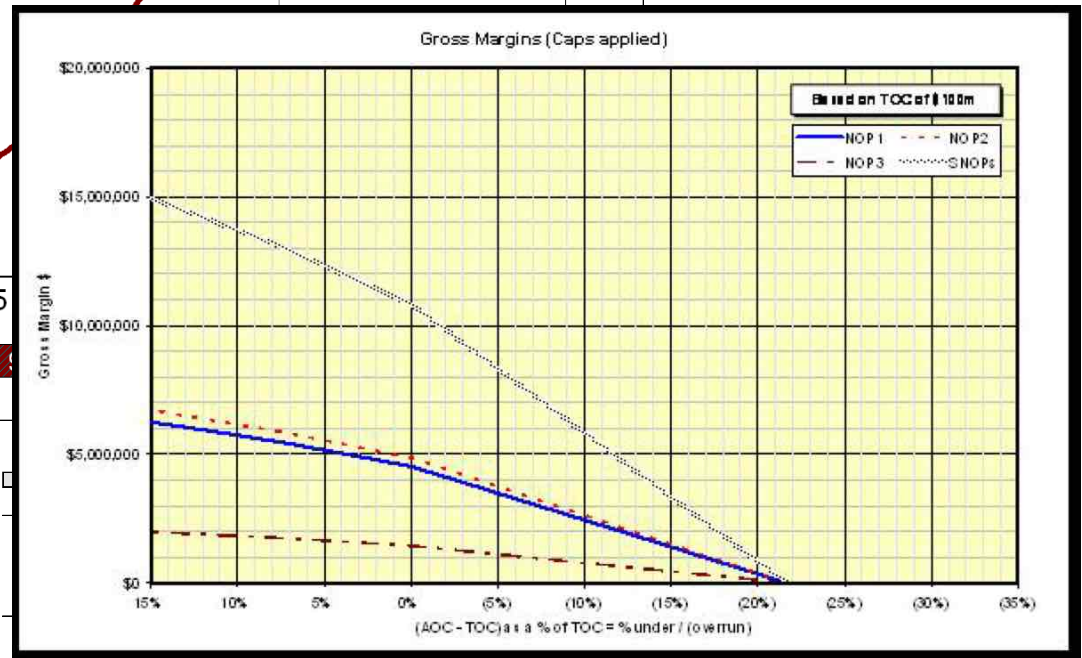
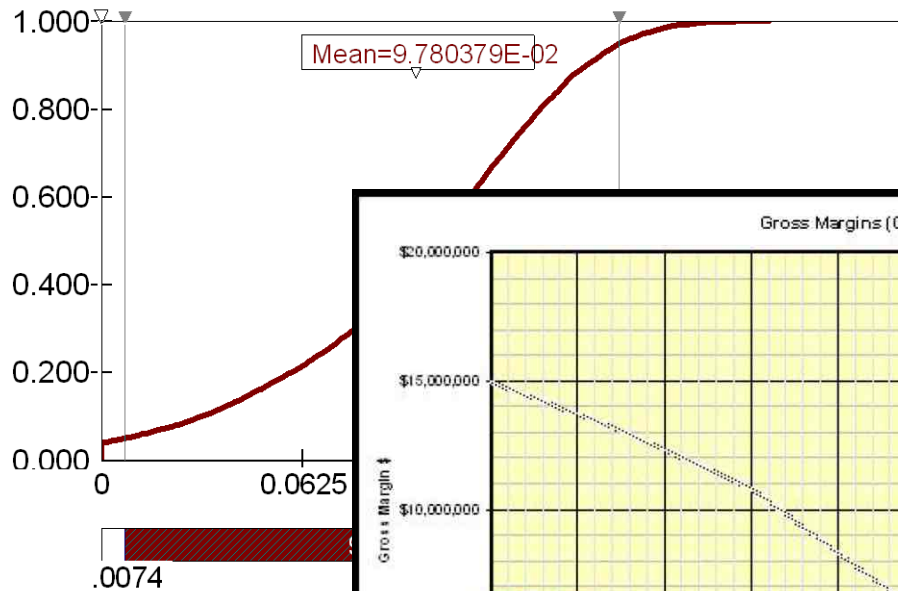


Modeling for understanding

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	TIDC	NOP1	Blank	Blank	NOP2	ΣNOPs	Total
Target							
Pre-TOC Limb 1 (RC)	1,000,000	4,000,000	-	-	1,700,000	5,700,000	6,700,000
Limb 2 (fee)	-	400,000	-	-	550,000	950,000	950,000
Total	1,000,000	4,400,000	-	-	2,250,000	6,650,000	7,650,000
Avg Fee%	10.00%	0.00%	0.00%	0.00%	32.35%	16.67%	
Post-TOC							
Limb 1 (RC)	4,153,128	73,718,028	-	-	5,502,895	79,220,923	83,374,051
Limb 2 (fee)	-	7,371,803	-	-	1,604,146	8,975,949	8,975,949
Total	4,153,128	81,089,831	-	-	7,107,041	88,346,000	92,528,870
Avg Fee%	1						
Combined							
Limb 1 (RC)	5,153,128	77,718,028	-	-	7,202,895	84,920,923	89,871,746
Limb 2 (fee)	-	7,771,803	-	-	2,154,146	9,925,949	9,925,949
TOC	5,153,128	85,489,831	-	-	9,357,041	94,846,871	99,815,746
Avg Fee%	1						
Actual							
Link?	Yes	0.95					
Post-TOC Budget PF	1.0000						
Limb 1 (RC)	4,153,128	73,718,028	-	-	5,502,895	79,220,923	83,374,051
Limb 2 (fee)	-	7,371,803	-	-	1,604,146	8,975,949	8,975,949
Total	4,153,128	81,089,831	-	-	7,107,041	88,346,000	92,528,870
Avg Fee%	1						
Total							
Limb 1 (RC)	5,153,128	77,718,028	-	-	7,202,895	84,920,923	89,871,746
Limb 2 (fee)	-	7,771,803	-	-	2,154,146	9,925,949	9,925,949
AOC	5,153,128	85,489,831	-	-	9,357,041	94,846,871	99,815,746
Avg Fee%	1						
Painsharing	Natural	7					
Node 1 to node 2 % sharing	50.00%	3					
\$ spread	-						
Beyond node % sharing	50.00%	3					
\$ spread	-						
Total under/overrun sharing % sharing	-						
\$ spread	-						
Schedule Performance Score							
SPS	(7)						
Schedule Painshare	(20)						
Overall KRA Score (OKS)							
RailCorp interface	50						
Operations	50						
Comm. & s'holders	10						
Environment	(20)						
Basis	KP						
OKS (b4 mod)	35.00						
Safety Score	(1.67)						
OKS Gainshare	39						
Gain/Pain before Major Event Modifier							18
Major Event Modifier (MEM)							
Total reduction in Fee	(38)						
Total reduction in gainshare	(1)						
Total impact of MEM	(40)						
Total Gain/Pain (before caps applied)							(22)
Assigned caps	(7,771,803)				(2,154,146)		(9,925,949)
Adjust (w here caps exceeded)	-				-		-
Total Gain/Pain (with caps applied)							(224,165)
							(62,133)
							(286,297)
Overall Summary							
Target							
Limb 1 (RC)	5,153,128	77,718,028	-	-	7,202,895	84,920,923	89,871,746
Limb 2 (fee)	-	7,771,803	-	-	2,154,146	9,925,949	9,925,949
Limb 1 (RC) + Limb 2 (fee)	5,153,128	85,489,831	-	-	9,357,041	94,846,871	99,815,746
Limb 2 (fee) as % of Limb 1 (RC)		10.00%	0.00%	0.00%	29.91%	11.69%	
Actual							
Limb 1 (RC)	5,153,128	77,718,028	-	-	7,202,895	84,920,923	89,871,746
Limb 2 (fee)	-	7,771,803	-	-	2,154,146	9,925,949	9,925,949
Limb 3 (Gain/Pain)	-	-	-	-	(62,133)	(286,297)	
Limb 2 + Limb 3 (total margin)	-	-	-	-	2,092,013	9,639,651	
Limb 1 + 2 + 3 (revenue)	-	-	-	-	9,294,908	94,560,574	
Margin							
Margin as a % of original RC target	9.71%	0.00%	0.00%	0.00%	29.04%	11.35%	
Margin as a % of actual costs	9.71%	0.00%	0.00%	0.00%	29.04%	11.35%	
Margin as a % of revenue	8.85%	0.00%	0.00%	0.00%	22.51%	10.19%	

Distribution for NOP1 GM%/E109



Detailed modelling

A. Start here
B. Parameters
C. Test scenarios
D. Charts
E. TCE data
F. Acronyms
Scenario

Single PF for all Participants?

All APs

0.97

OKS 65 SPS

OKS (b4 mod) 55

OKS (b4 mod) 55.00

Safety Score 70

OKS (modified) 72.50

(20) MEM

Click to show/hide gauges

Gain/Pain\$ to/from NOPs

\$share SPS\$ OKS\$ MEM\$ Cap\$? Total

Owner

1.0070

97.17%

NOP1

14.76%

NOP2

40.35%

NOPs

16.76%

Under/overs
 Costs
 SPS/OKS/MEM
 No tables

Gain/pain from Schedule Performance Score (SPS)		Gain/pain from Overall KRA Score (OKS)		Pain from Major Event Modifier (MEM)		
Seed fund	2,500,000	Seed fund	2,500,000		Max pain	Actual
Top-ups	565,782	Top-ups	565,782	Loss of Fee	(2,587,168)	(517,434)
Max available	3,065,782	Max available	3,065,782	Loss of gainshare	(5,064,123)	(1,012,825)
	<input type="text" value="65"/> actual SPS		<input type="text" value="72.50"/> actual OKS		(7,651,291)	(1,530,258)
	= gain of		= gain of	For MEM =	<input type="text" value="(20)"/>	
Max. pain	5,000,000	Max. pain	5,000,000			
	<input type="text" value="1,992,758"/>		<input type="text" value="2,222,692"/>			

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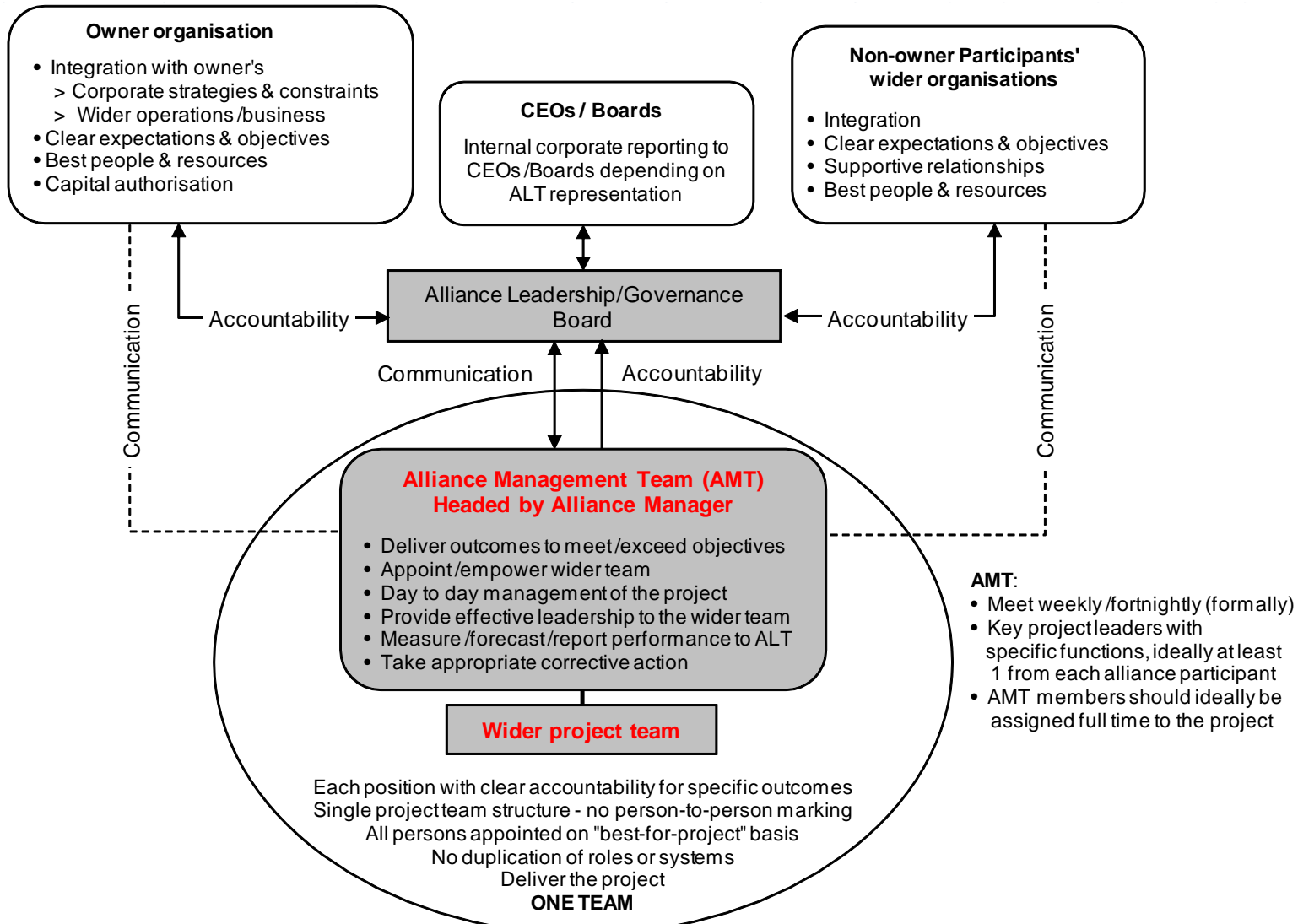
Demo of generic 3-limb Alliance Compensation Model

Not thoroughly checked - you should do an independent manual check

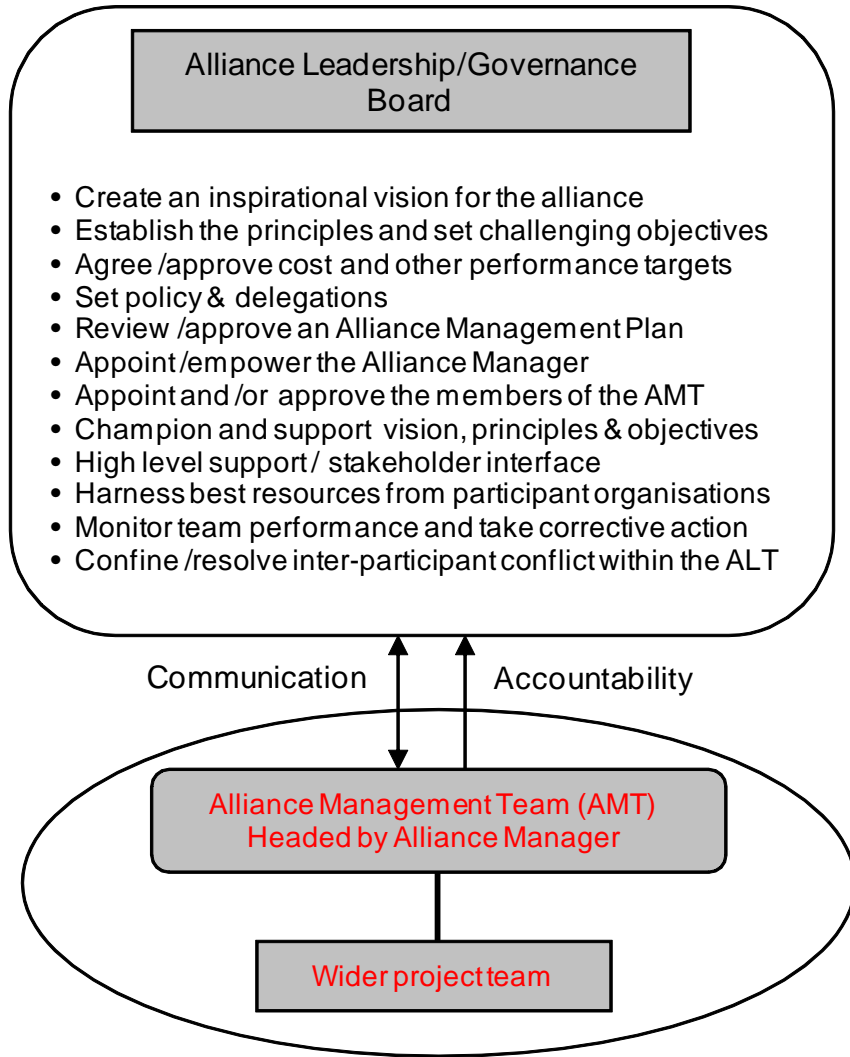
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Governance, leadership & management



The ALT – not just a governing board



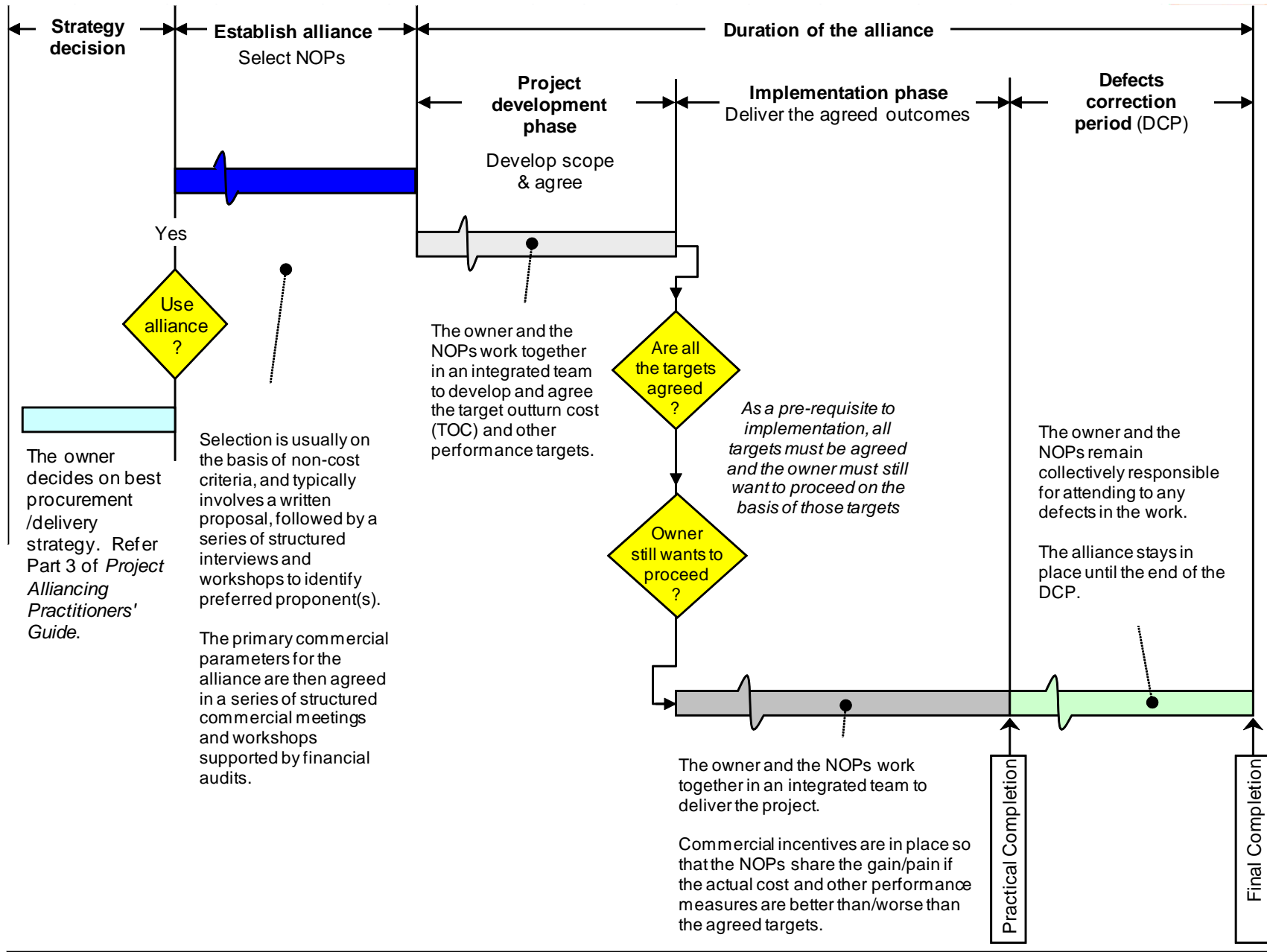
Alliance Leadership/Governance Board

- Create an inspirational vision for the alliance
- Establish the principles and set challenging objectives
- Agree /approve cost and other performance targets
- Set policy & delegations
- Review /approve an Alliance Management Plan
- Appoint/empower the Alliance Manager
- Appoint and /or approve the members of the AMT
- Champion and support vision, principles & objectives
- High level support/ stakeholder interface
- Harness best resources from participant organisations
- Monitor team performance and take corrective action
- Confine /resolve inter-participant conflict within the ALT

ALT features:

- Typically 1 or 2 from each Alliance Participant
- Meets monthly (or as agreed)
- All decisions unanimous
- Key attributes (of ALT members):
 - > Superior leadership skills
 - > Commitment to personal growth & learning
 - > Senior level /clout
 - > Long-term perspective
 - > Value relationship(s)
 - > Special knowledge /skills
 - > Ability to "wear 2 hats" (especially owner reps)
 - > Ability /willingness to see things from others' perspective

Project Alliance life-cycle (1xTOC)



Exploring the good, the bad & the ugly

- Easy to “sell” the benefits of alliancing
 - They are mostly obvious
 - Will look at some of the key reasons in a minute
- But it is critical to understand the risks /downsides
 - Must not look at alliancing through “rose-coloured” glasses



Some of the key downsides (owner)

- Value for money - VFM, VFM, VFM!!
- Very limited legal recourse against each other
- Exposed to a range of risks – beyond own expertise
- Bear the consequences of each others' performance
- A change in key player can seriously undermine
- Requires more involvement by senior people
- No theoretical cap /certainty on the outturn cost?
- + many more.....





Why would an owner use alliancing?

- Flexibility, flexibility, flexibility...
- Better able to handle uncertainty & change
- Contain/reduce cost – in complex/volatile situations
- Timely completion in the face of adversity
- Better manage complex stakeholder environment
- Better focus on social obligations, environment, health & safety, etc.
- Inject value through harnessing owner capability
- Control while still getting the benefits of outsourcing

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Why an alliancing - continued?

- Develop staff and corporate knowledge base
- Inject new life /get out of a rut /new paradigm
- Better risk management due to shared responsibility
- Early involvement in construction
- Minimal resources for contractual administration
- Enable and encourage high performance
- Open book transactions/activities

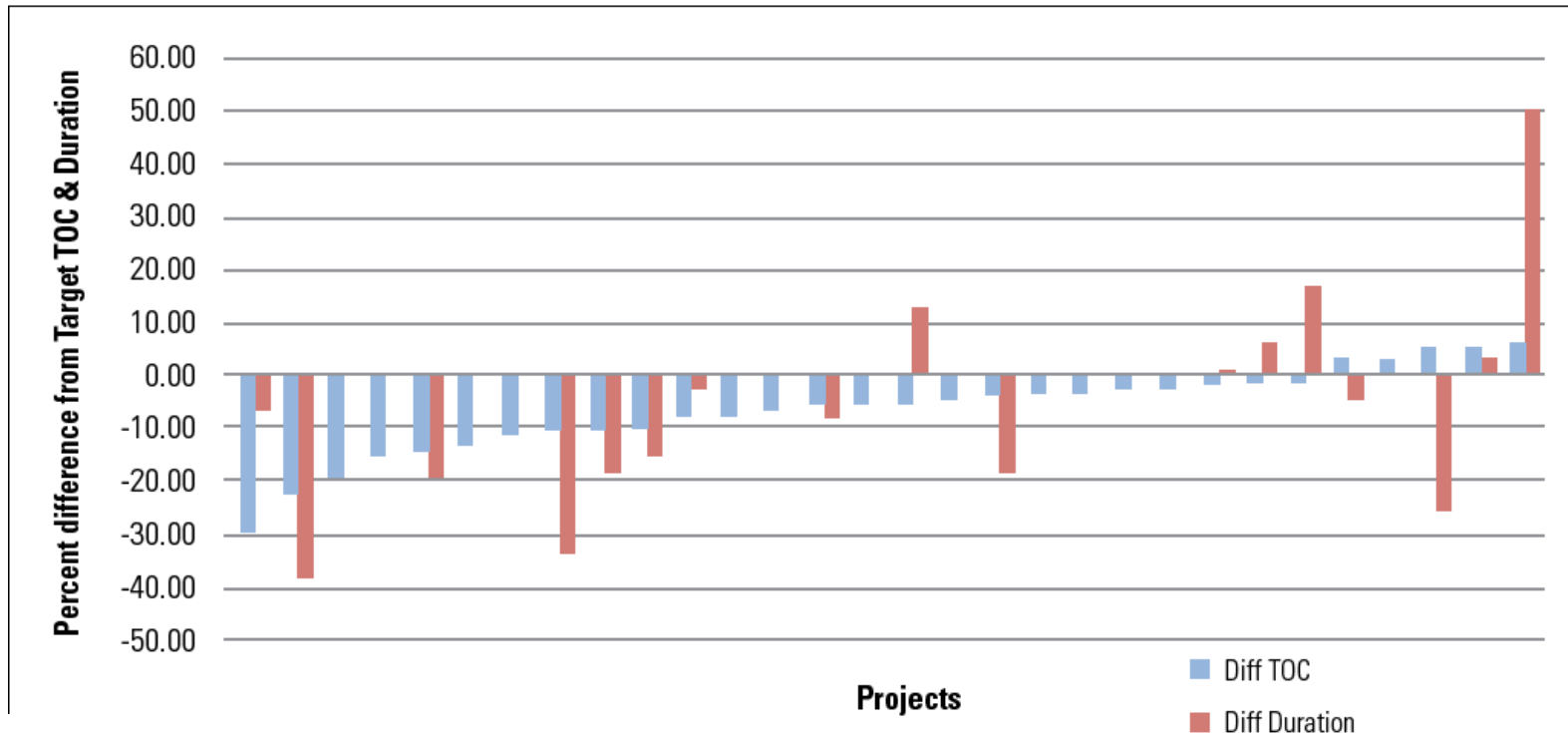




Alliance performance (cost & time)

Parameter	No.	Under Planned				Over Planned			
		#	%	Mean	Range	#	%	Mean	Range
TOC	30	25	83.3	8.3%	1-29%	5	16.7	4.4%	3-5%
Duration (months)*	30	11	37	4.7m	½-18m	6	20	2.5m	½-6m

* 43% were deemed to be 'on-time'

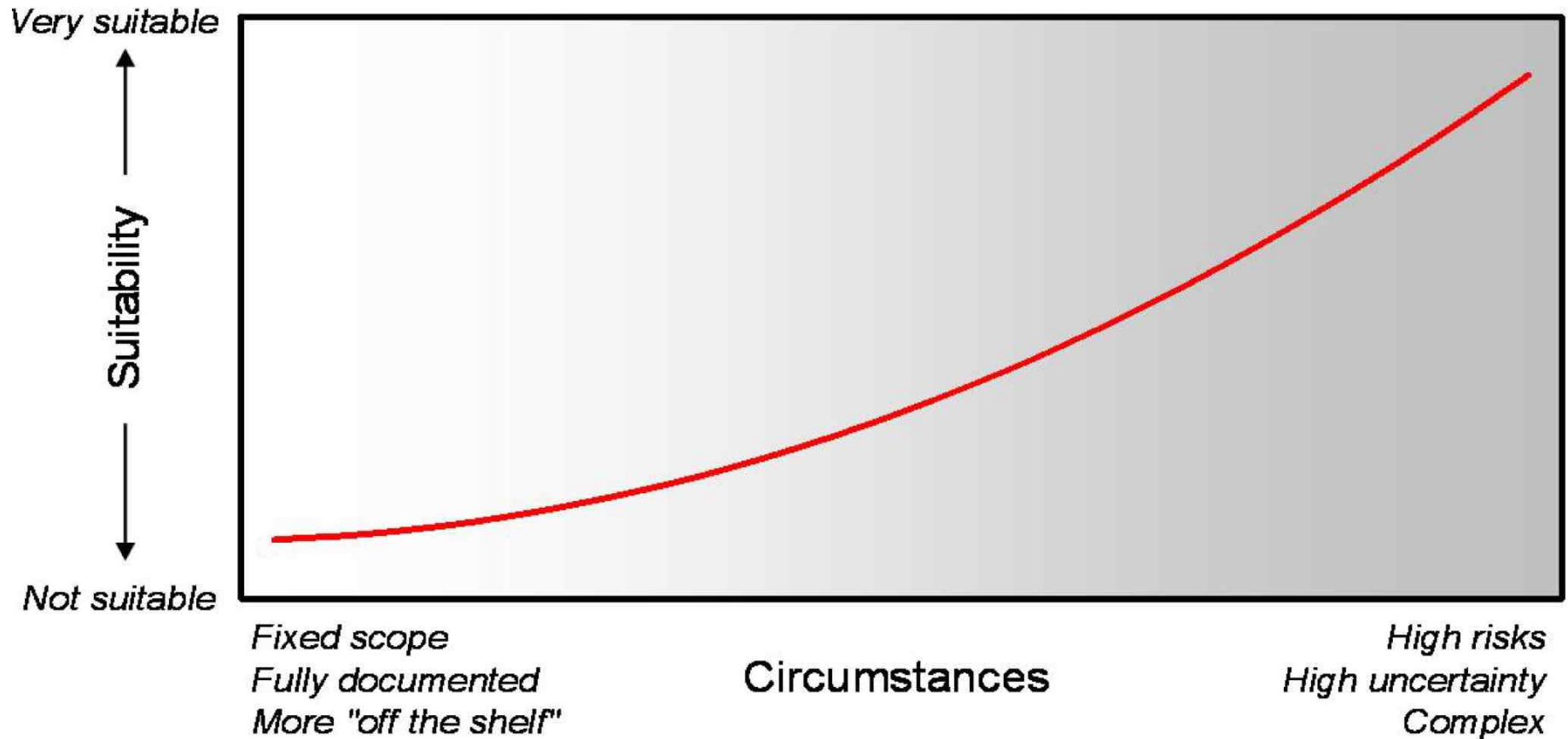


Source: AAA report on project alliancing 2008

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Rationale for using an alliance



When is alliancing most suitable?

- Difficult to allocate/unpredictable risks
- Third party risks of operator/owner
- High degree of complexity
- Scope difficult to define upfront or likely to change
- Uncertain timing of access
- Complex external threats/opportunities
- Very tight timeframes
- Owner can add value by being involved

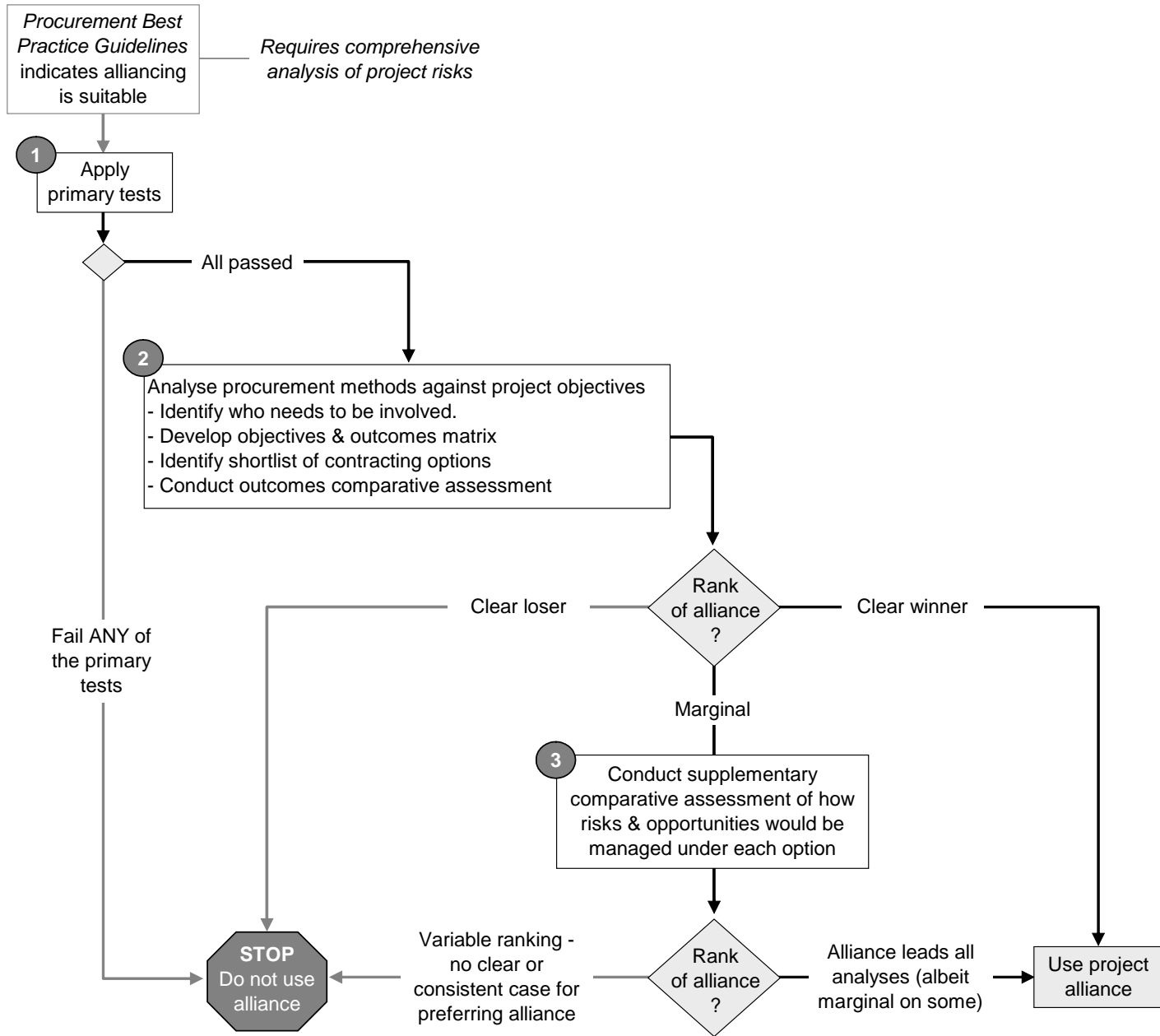


Is it a leap of faith?

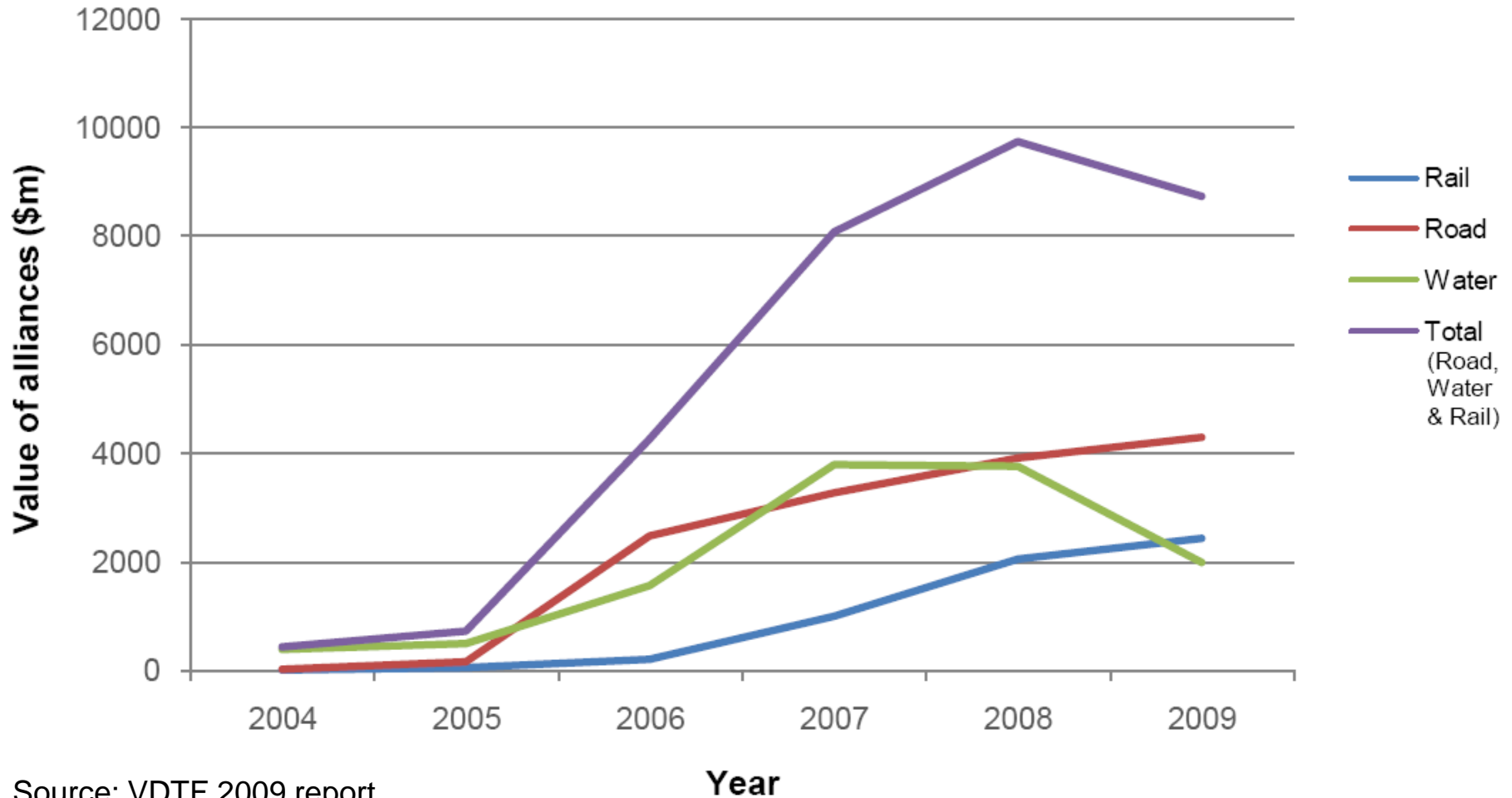
- No, it shouldn't be!
- Rigorous comparative (informed) analysis
- Risks/opportunities
- Likelihood of achieving key outcomes
- Clear rational business case



Typical process for deciding



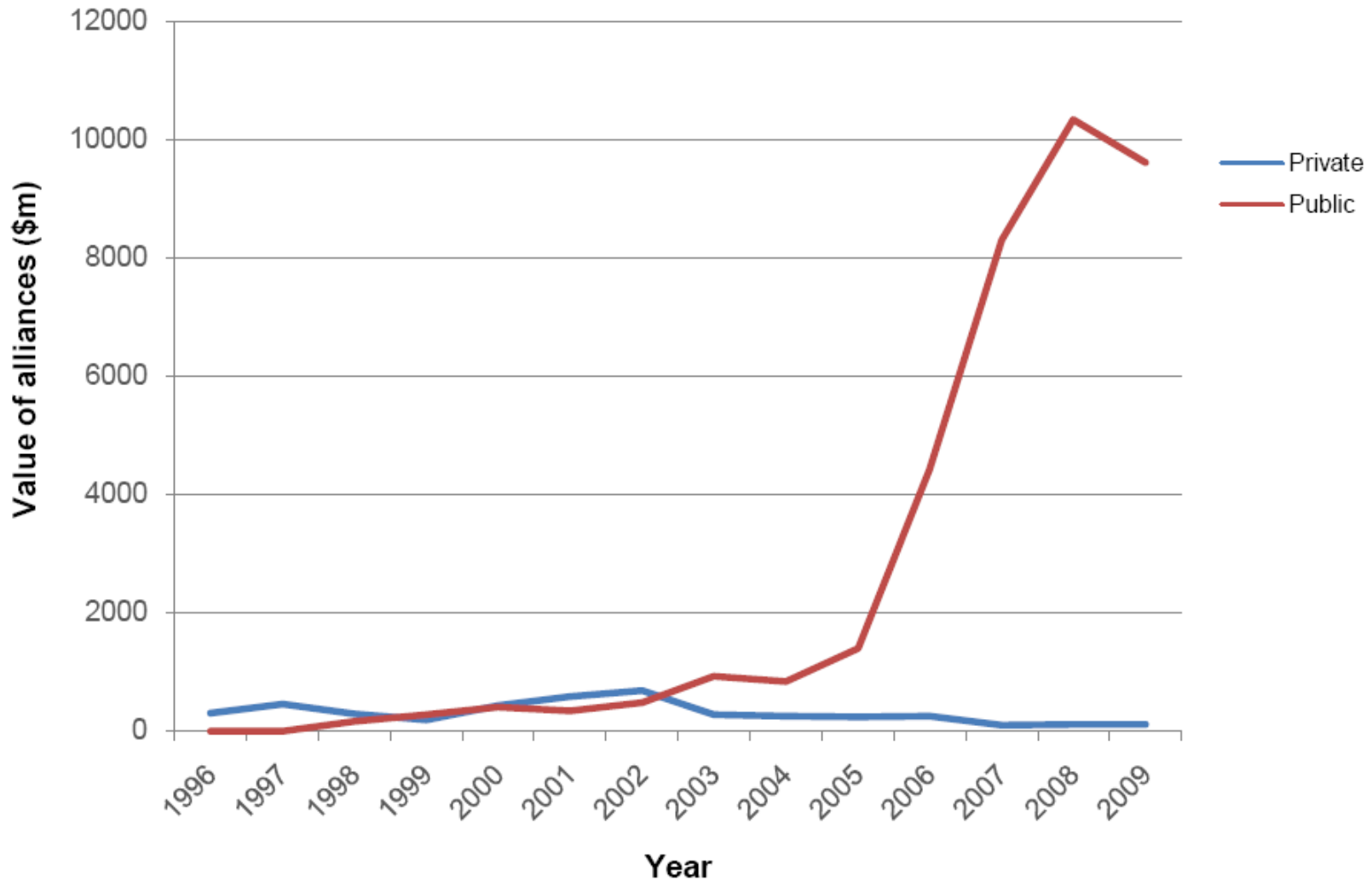
Growth in alliancing (public sector)



Source: VDTF 2009 report
 "In Pursuit of Additional Value"



Public versus private





Milestones of alliancing in Australia/NZ

- 1980s – increase in adversarial behaviour → need to look for ways to reduce claims
 - Study tours → “No Dispute” report → AS2124-92
- 1991 to ~’98 - the rise and decline of “partnering”
- 1994-’96 - oil & gas alliances (Wandoo & East Spar)
- 1997 – Sydney Water’s Northside Storage Tunnel
- 1999 - “Relationship Contracting” publication
- 2006 - formation of the AAA
- 2009 - VDTF alliance benchmarking study.....



Session 3

Breakout discussion 1



Breakout discussion 1 (15 minutes)

- Agree on the following for the table:
 - Facilitator
 - Scribe for the flip chart
- Discuss, agree and record the following:
 - 3 things I like most about alliancing
 - 3 things that most concern me
 - 3 things I need to know more about
- Agree on spokesperson for the table



Session 4

The human dimension

Introduction to alliance high performance





High Performance Teams (HPT)

- Most people **aspire** to high performance
- Sceptics abound as “HPT” increasingly hollow **cliché**
- **Opinion is fractured** re dimensions of, and recipe for high performance
- **What works** depends on
 - Who shows up
 - Who’s asking
 - Who’s watching
 - Who’s answering
- **Performance is contextual** - depends on perspective, values and action
- Recipes can be hollow and futile



The HPT jungle

- Strategies include:
 - Organise
 - Institutionalise
 - Systemise
 - Harmonise
 - Mythologise
 - Psychologise
 - Terrorise
 - Evangelise
 - Energise
 - Incentivise

***The key is not to
“Ignorise” !***



Anatomy of high performance alliance



To quickly get a feel for what a great alliance might feel like, let's consider the follow “PEPPR” map - adapted by PCI from Peter Senge (the 5th Discipline) – reflecting a typical high performance alliance

Element	Context	Comments
P URPOSE	Primary function of the endeavour	Inspiring context drives engagement – it has to mean something to me
E SENCE	Who we are being	The core values in play
P RINCIPLES	What we believe	Guiding perspectives & beliefs that underpin how we behave
P RACTICES	What we do	The physical things we do
R ESULTS	What we get	The outcomes for us and the legacies we leave



Purpose & Essence (typical)

- **Purpose**
 - Clear and compelling sense of purpose that inspires, engages and enrolls people at all levels of the alliance
- **Essence**
 - One-team, focus, creative, energy, passion, integrity, commitment, courage, possibility, etc





Principles (typical)

- Peak performance requires integration of task & relationship
- **Trust is the bedrock of effective relationships**
- **Your problem is my problem, your success is my success**
- We are accountable for the consequences of our actions
- Health & safety is paramount
- Primary role of senior leaders is to create and sustain the environment that supports and drives peak performance
- **Current perspective is always partial – each view is valid**
- High performance requires profound owner involvement
- **Inspiration is the wellspring of energy & energy is the currency of high performance**





Practices (typical)

- Respect and build on past experiences, systems , practices
- Be clear about our responsibilities and frame our accountabilities as bold personal declarations
- Create a compelling vision with a clear mission and specific and demanding objectives
- **Be willing to commit to possibilities without knowing how we are going to get there**
- Use clear, simple and effective systems that add clarity and are geared for peak performance
- **Care for and coach each other**





Results (typical)

For whom	Outcome
Our companies	<p>Mission fulfilled with all project objectives met or exceeded</p> <p>Breakthrough outcomes achieved in some or all key areas</p> <p>Widely acknowledged as new benchmark of excellence</p> <p>Enduring corporate relationships</p>
Us (as individuals)	<p>Great sense of pride and achievement</p> <p>Personal and professional growth – new insights that enrich our lives and those around us</p> <p>Powerful new career opportunities now available</p>
Other stakeholders	<p>Legacies that enrich the lives and well-being of those touched by the project</p> <p>Unsolicited praise for what the project has done/left behind</p>



Characteristics of “great” alliances

- High & sustained levels of energy & performance
- Natural synergy – things just seem to happen!
- Sense of purpose & connectedness
- Fun, playfulness
- Personal and professional growth
- Capacity for “reflective action”
- Ability to have “real” conversations – it’s not about being “tension-free” or “NICE”
 - **N**othing - **I**nside me - **C**ares – **E**nough



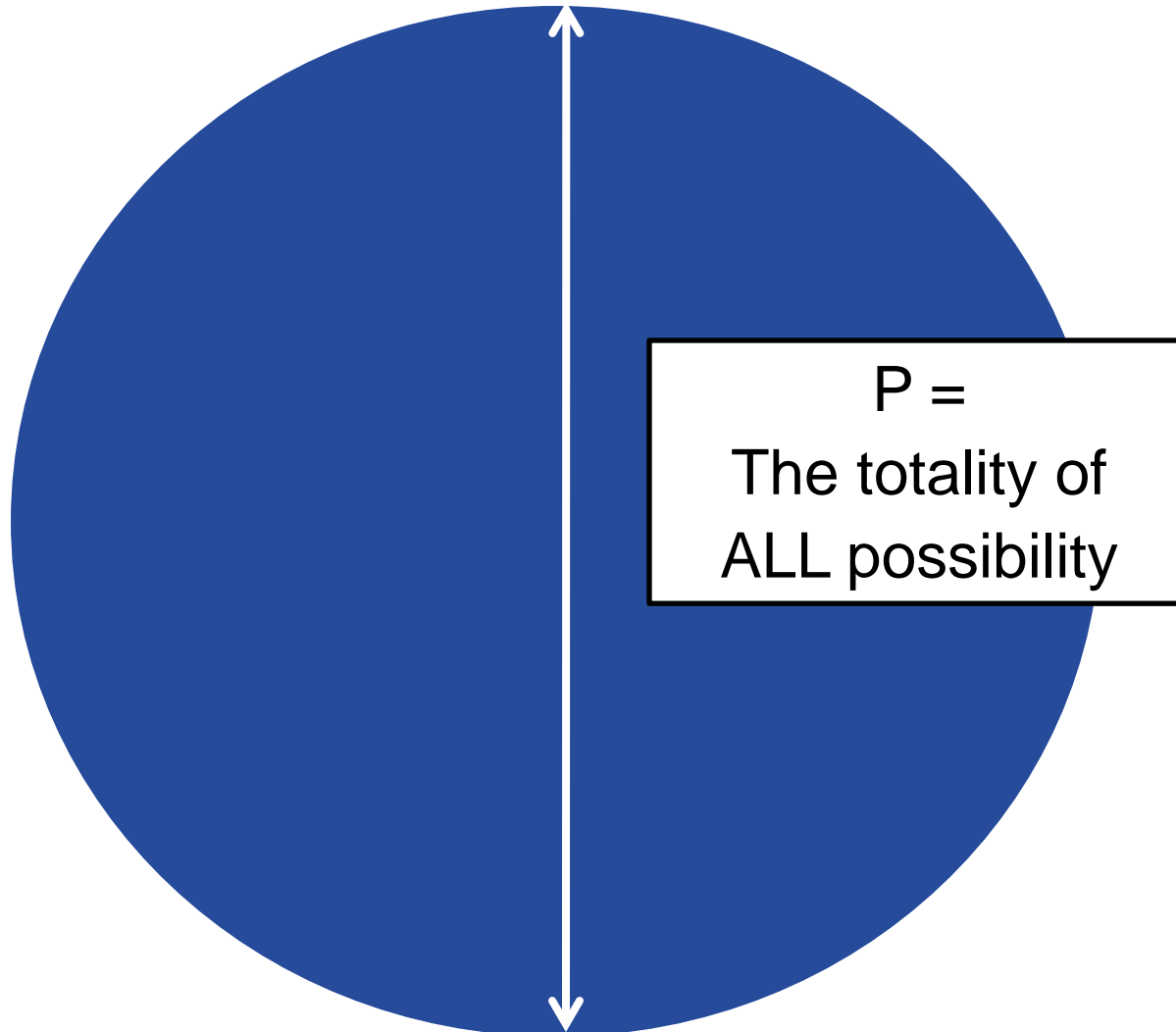


Not-so-good alliances

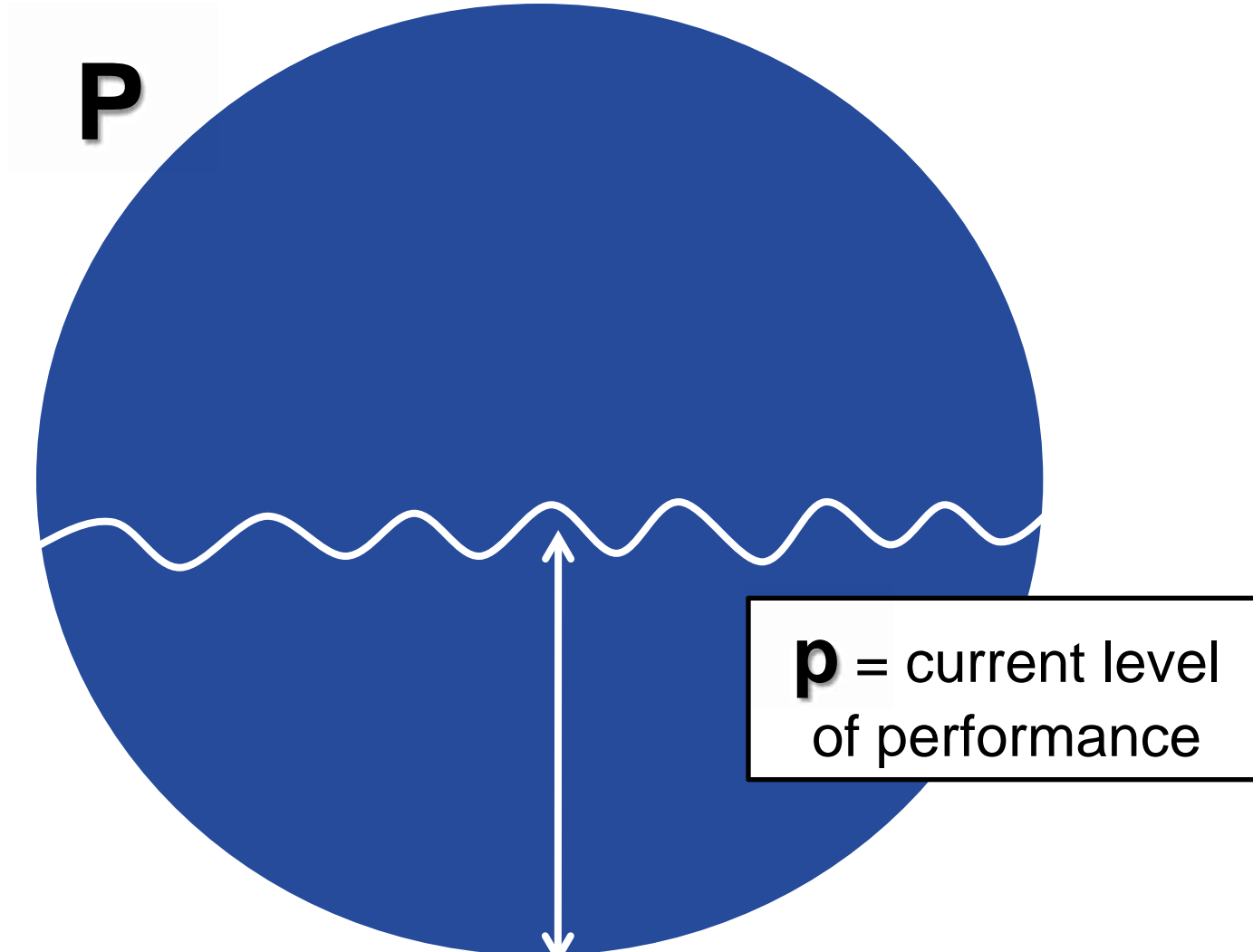
- Us & them mindsets, symbols and behaviours
- Owner's people are just watchdogs – not really integrated
- Limiting values prevail and dominate
- Superficial relationships - avoidance of “real” conversations
- Personal anxiety, stress and conflict
- Reinforcement of old/previously held limiting beliefs/mindsets
- Disappointment, even bitterness, sense of betrayal
- Damaged relationships – personal and corporate
- Usually poor outcomes on cost and other KPIs



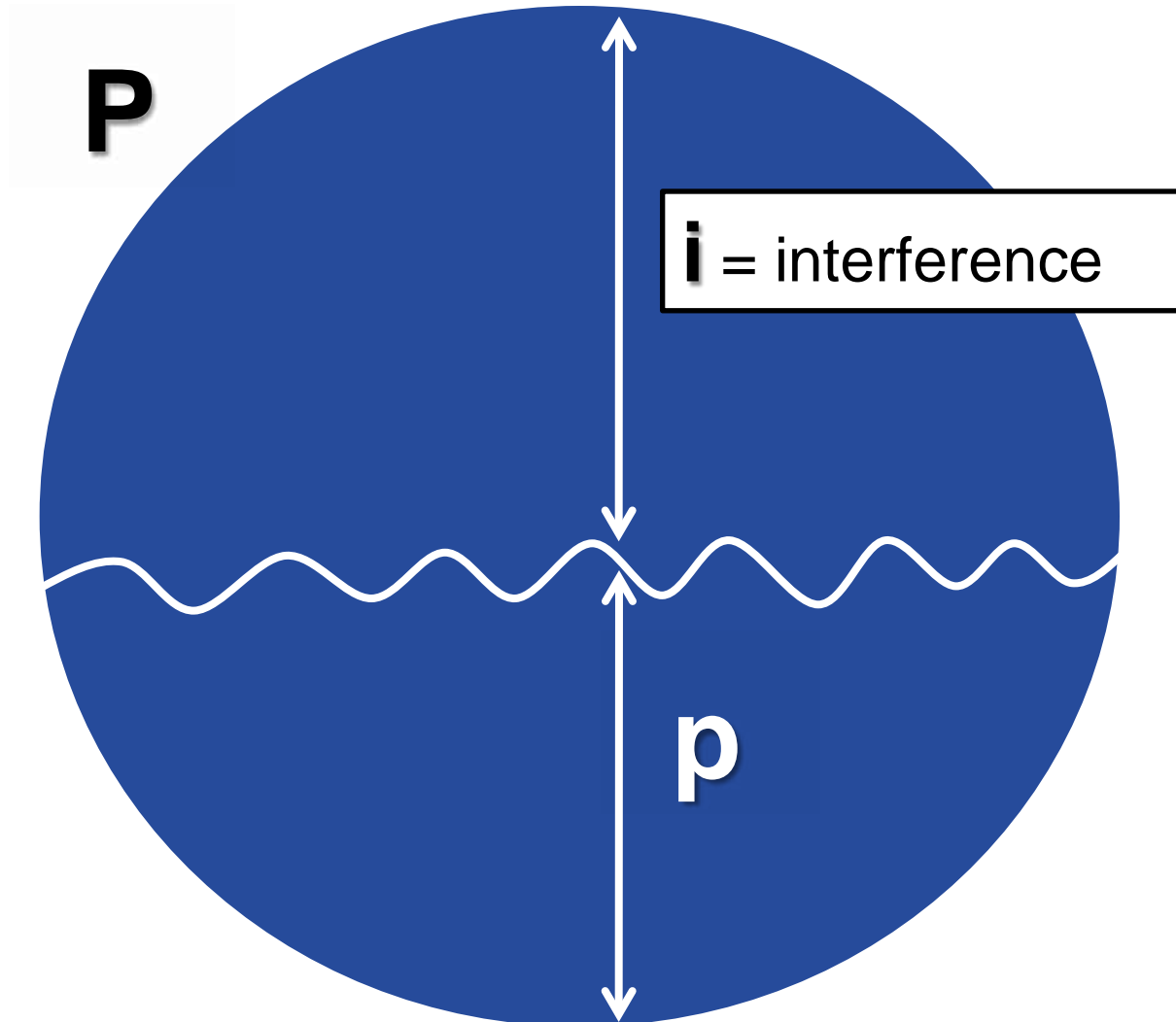
Potential



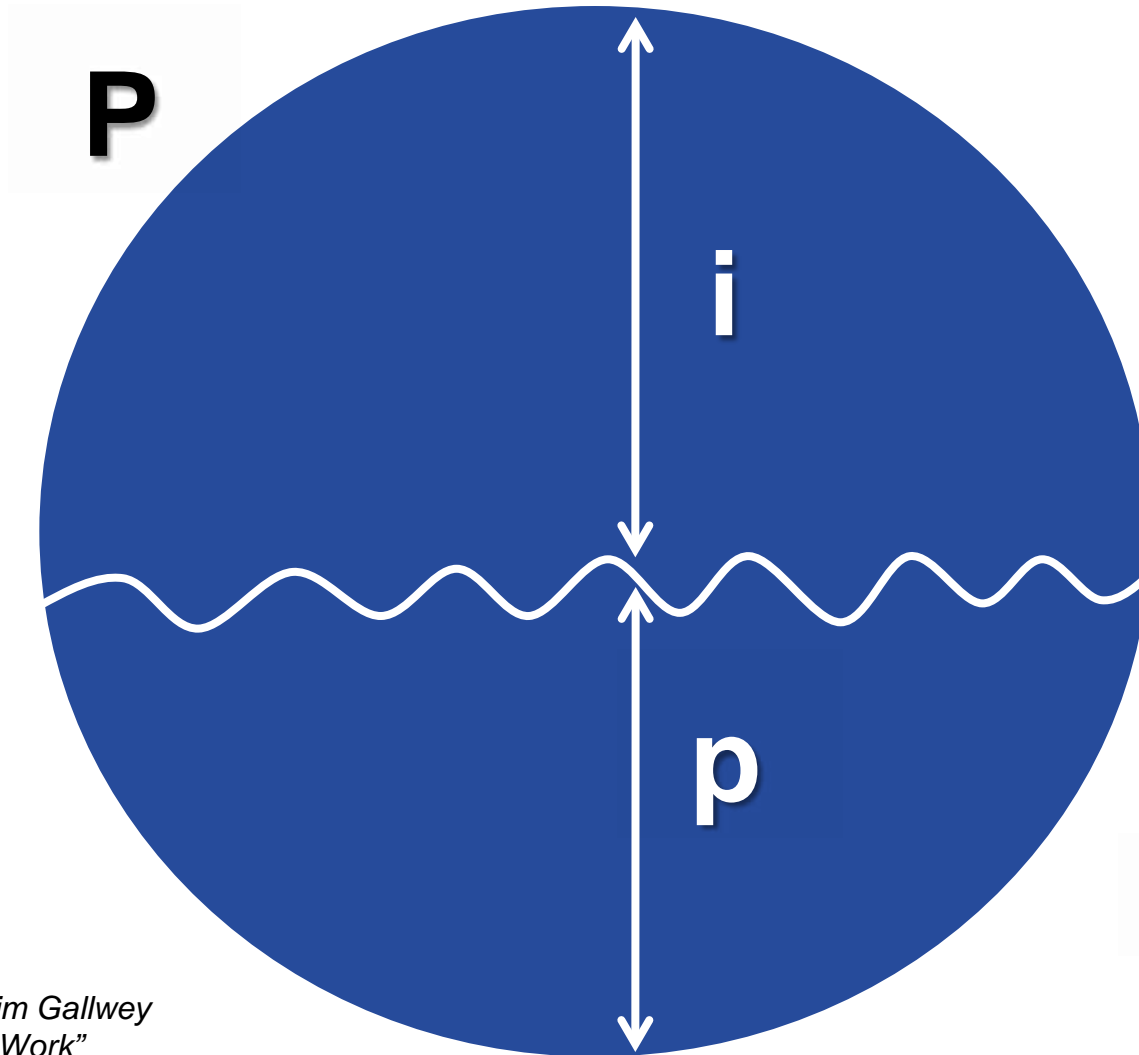
performance



interference



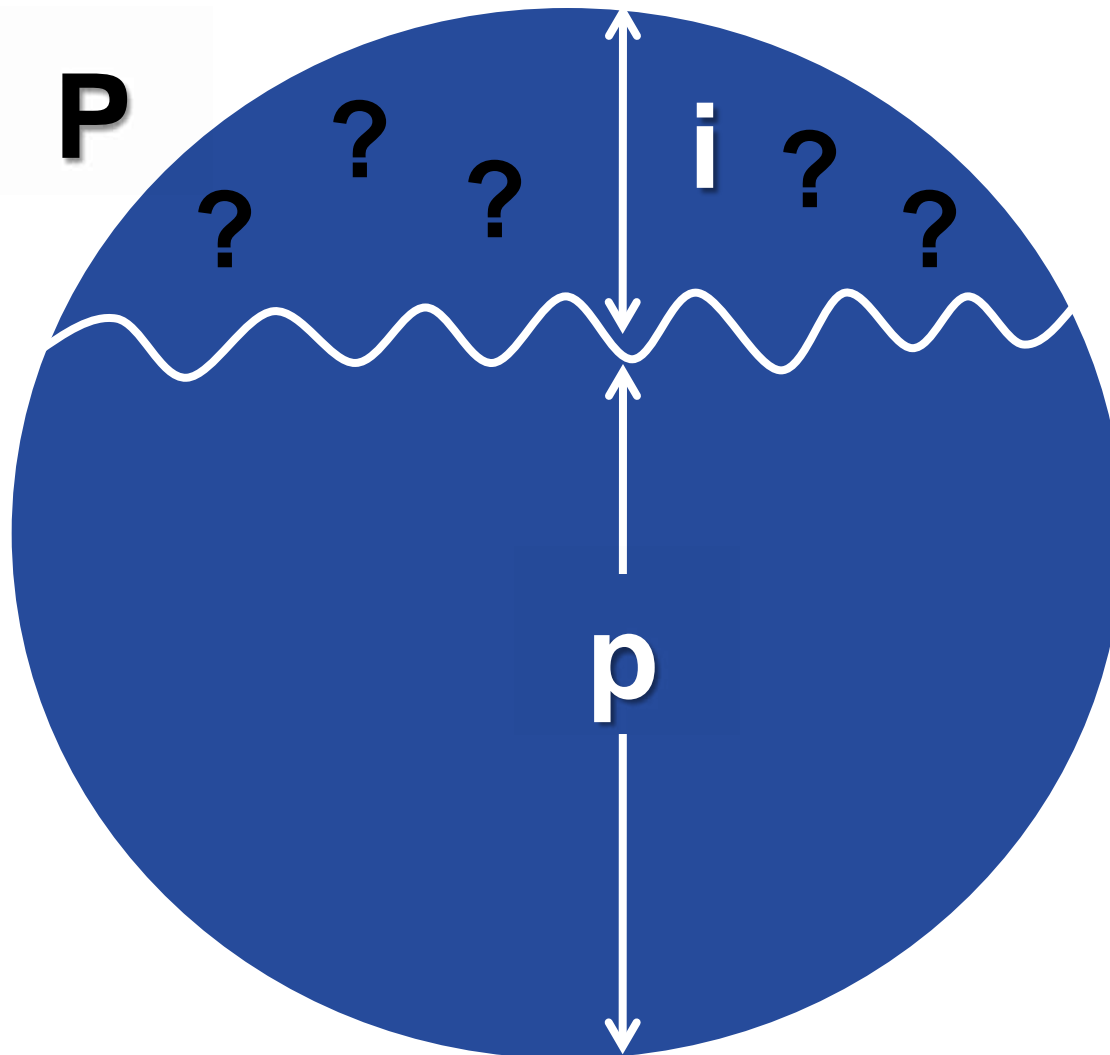
performance = Potential – interference



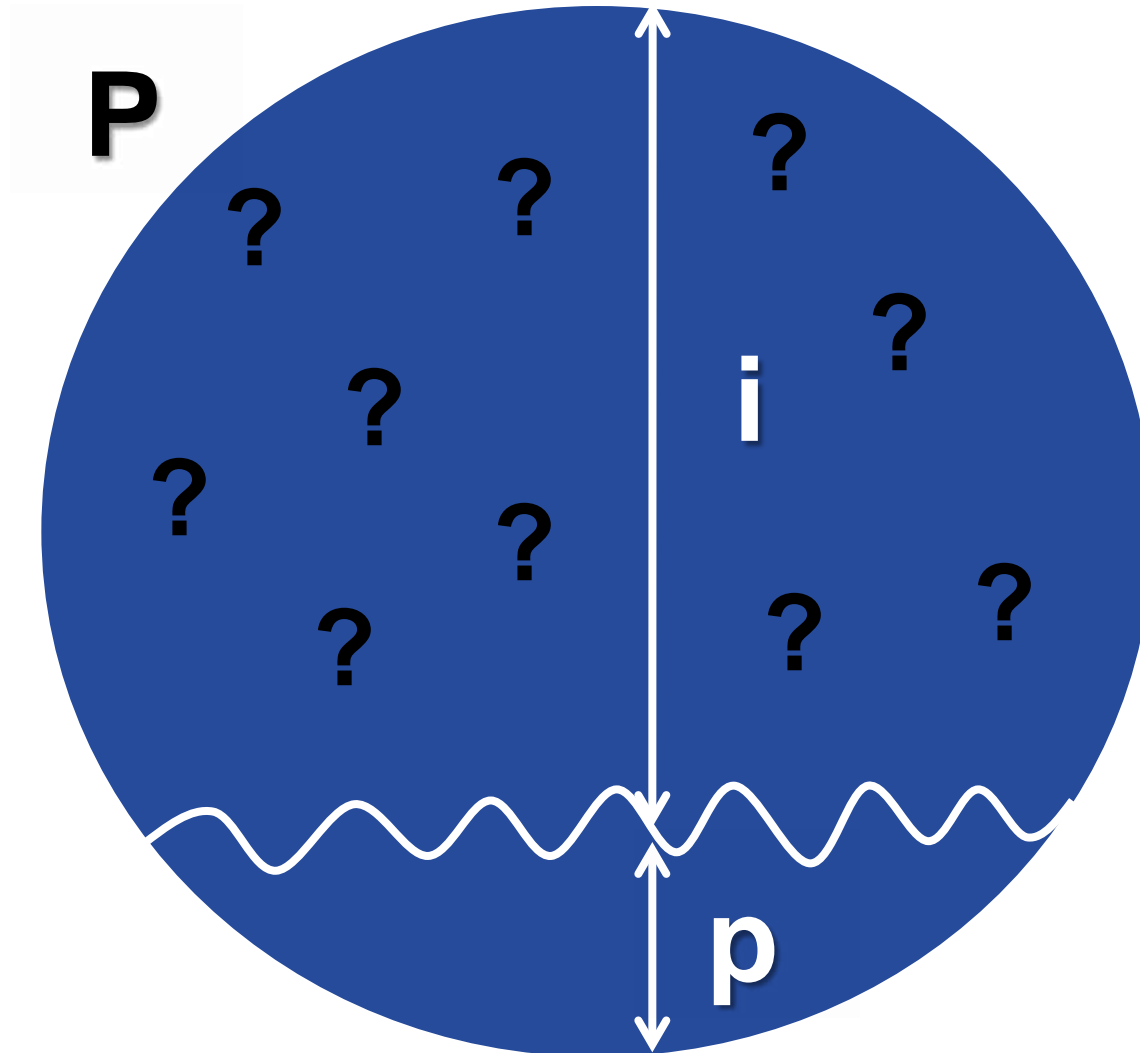
Giving us
the formula
($p = P - i$)

Adapted from *Tim Gallwey*
“*Inner Game of Work*”

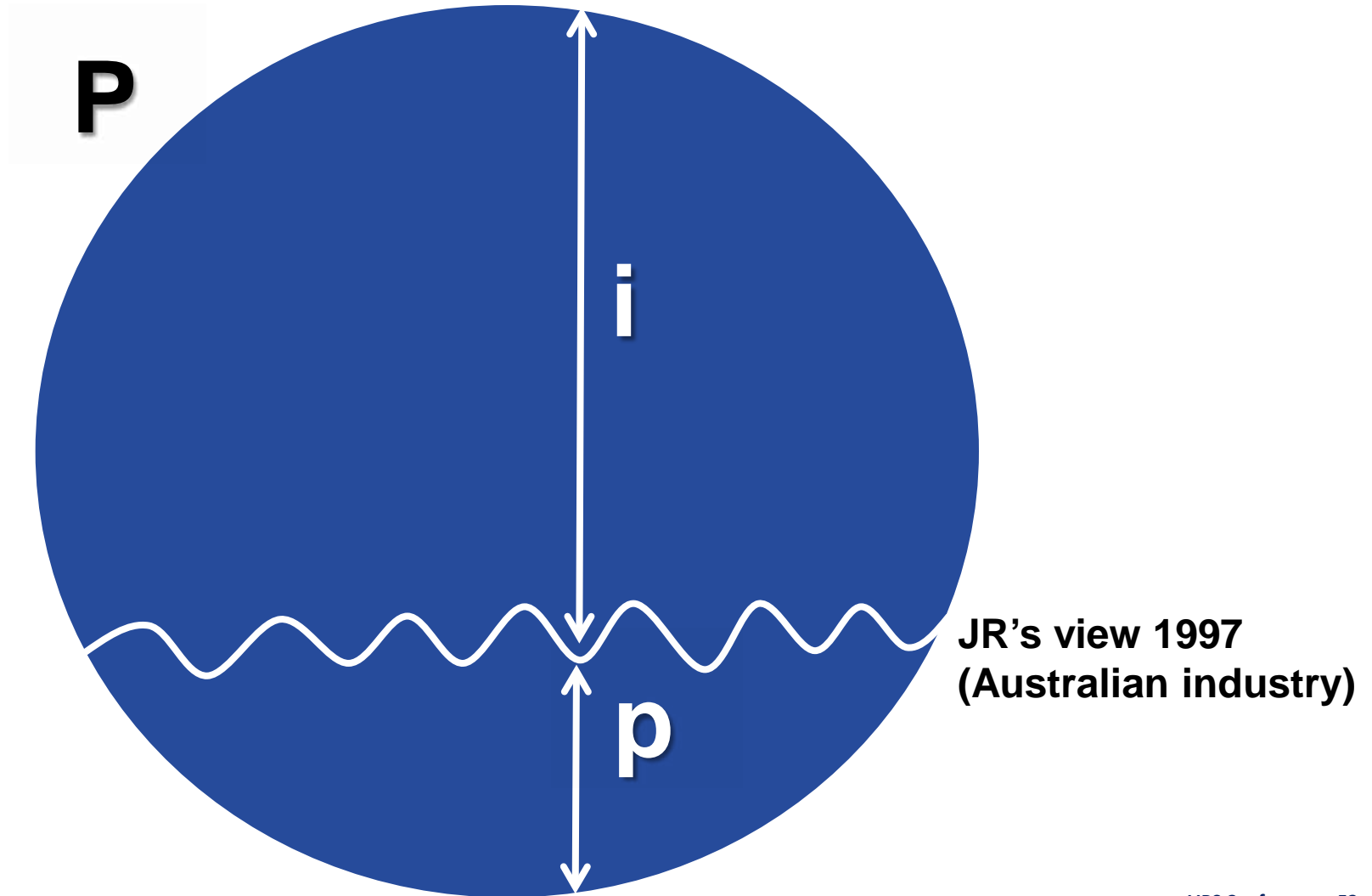
Industry-wide perspective 1?



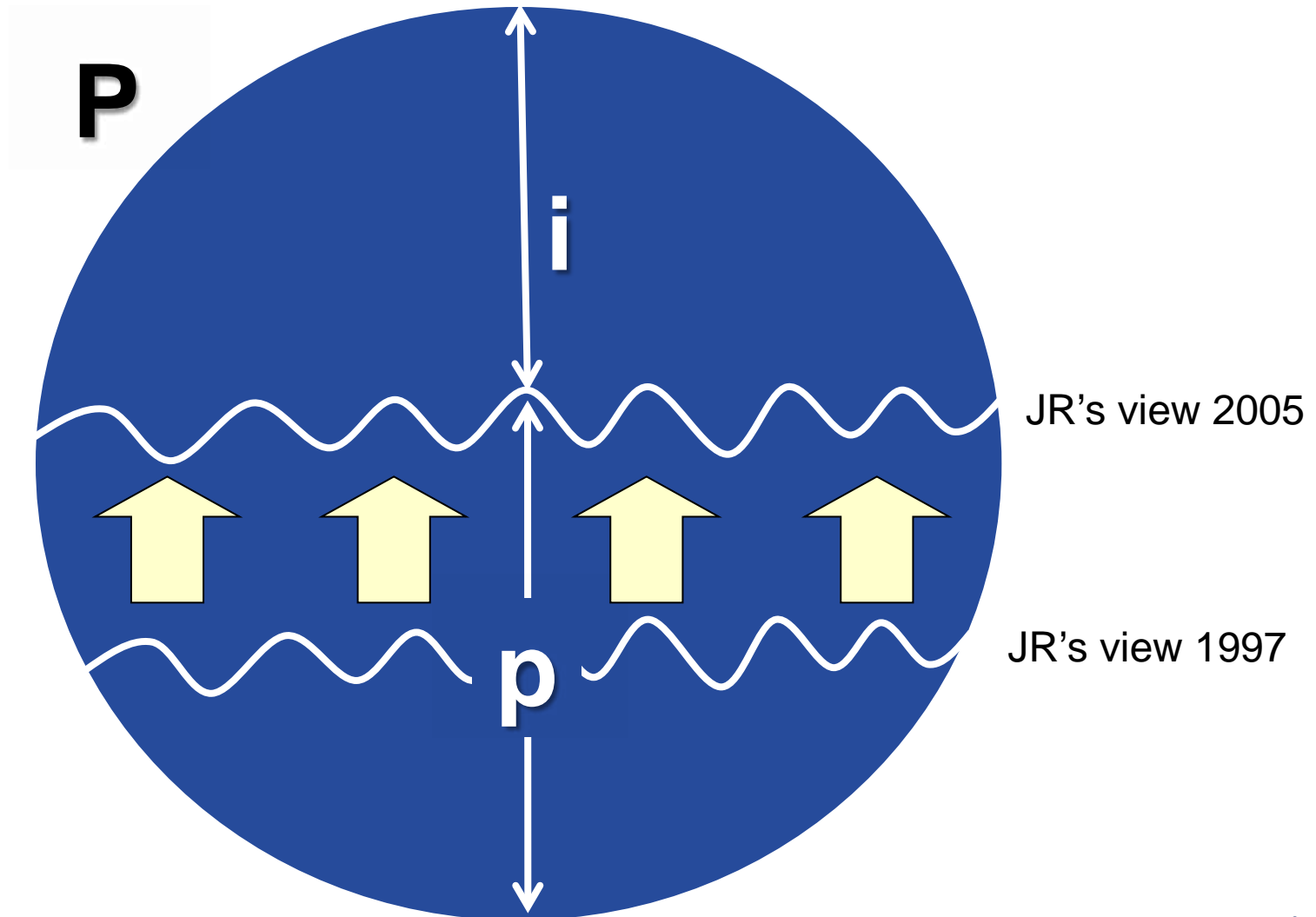
Industry-wide perspective 2?



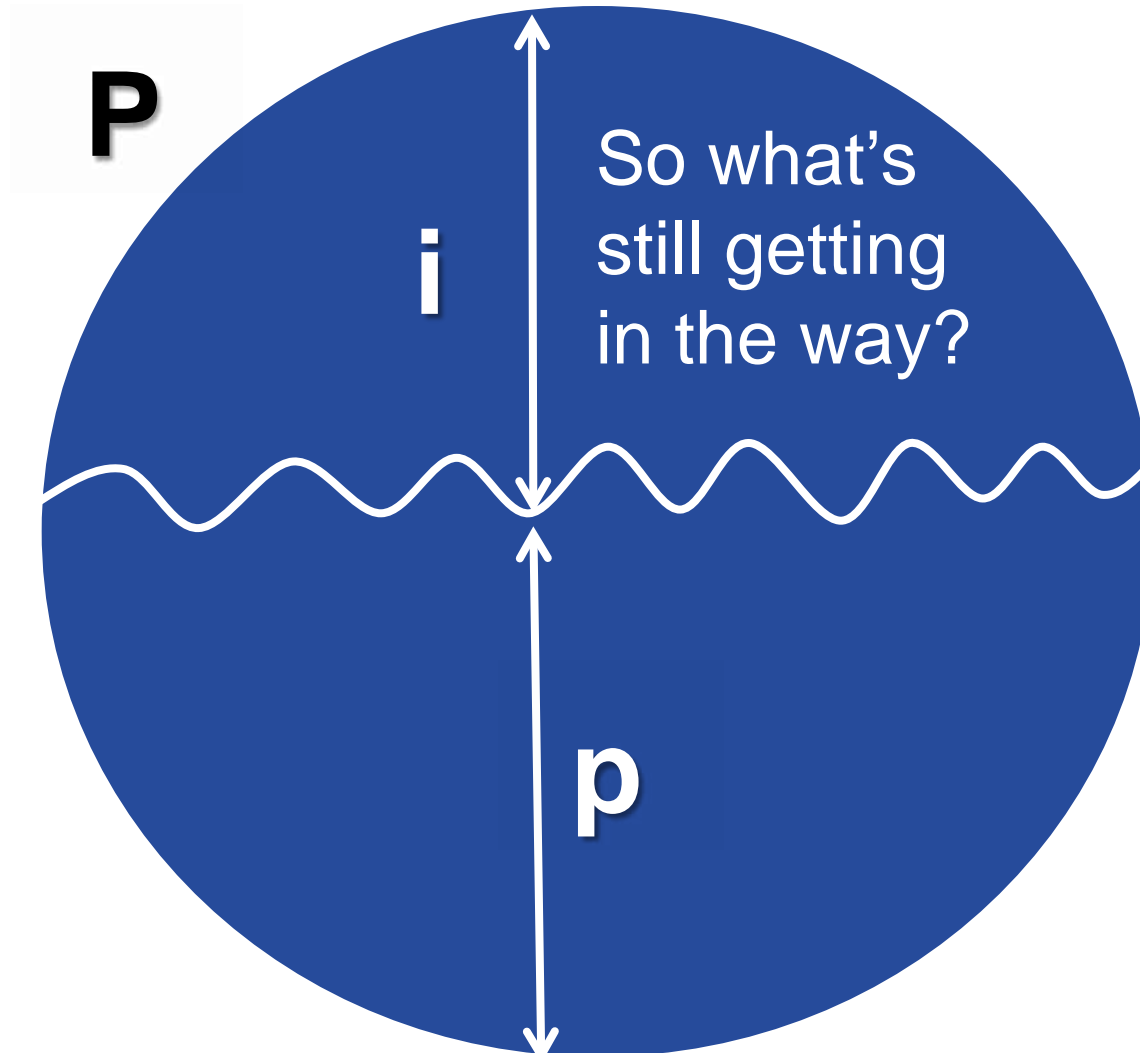
Industry-wide perspective – JR1



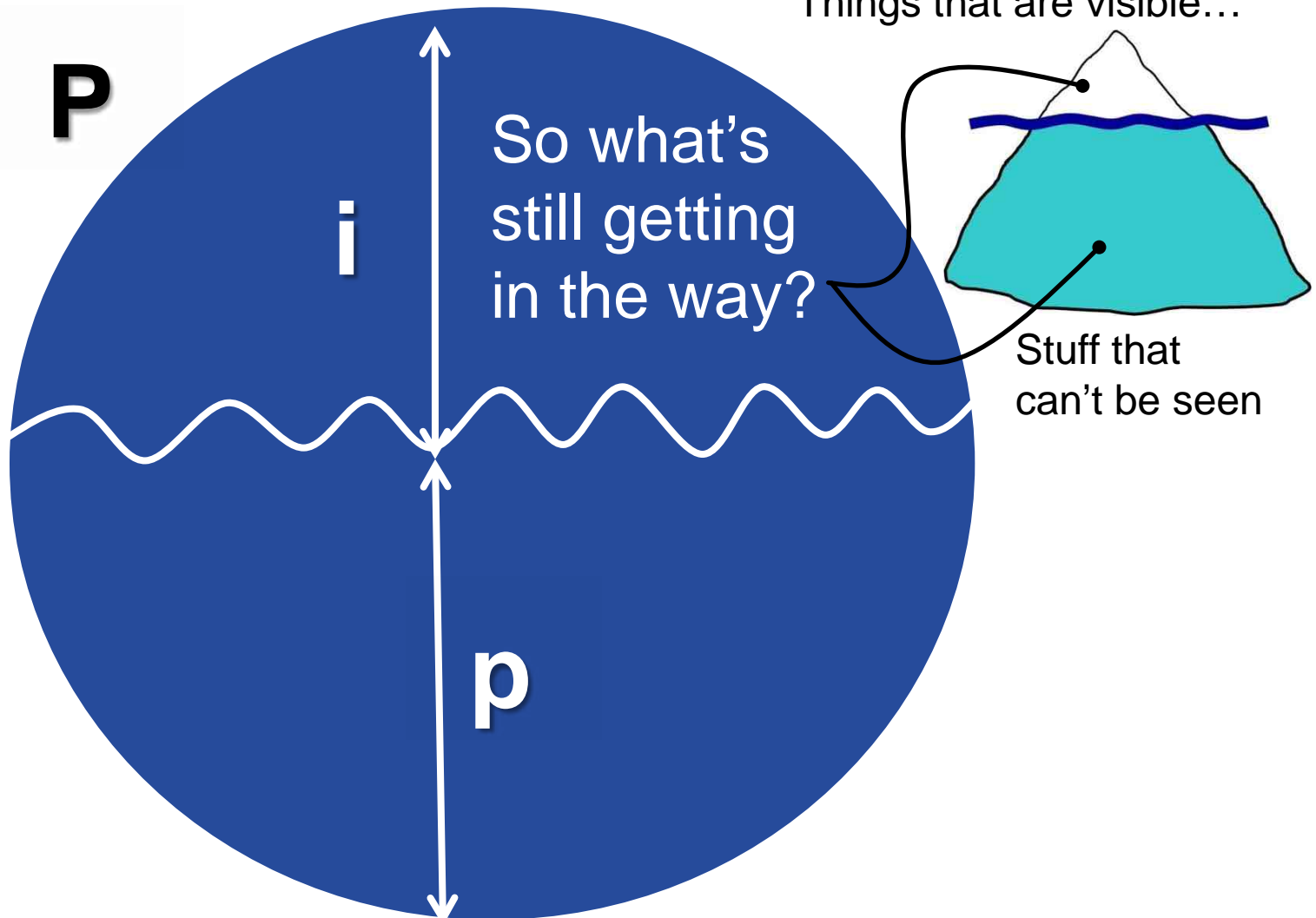
Industry-wide perspective – JR2



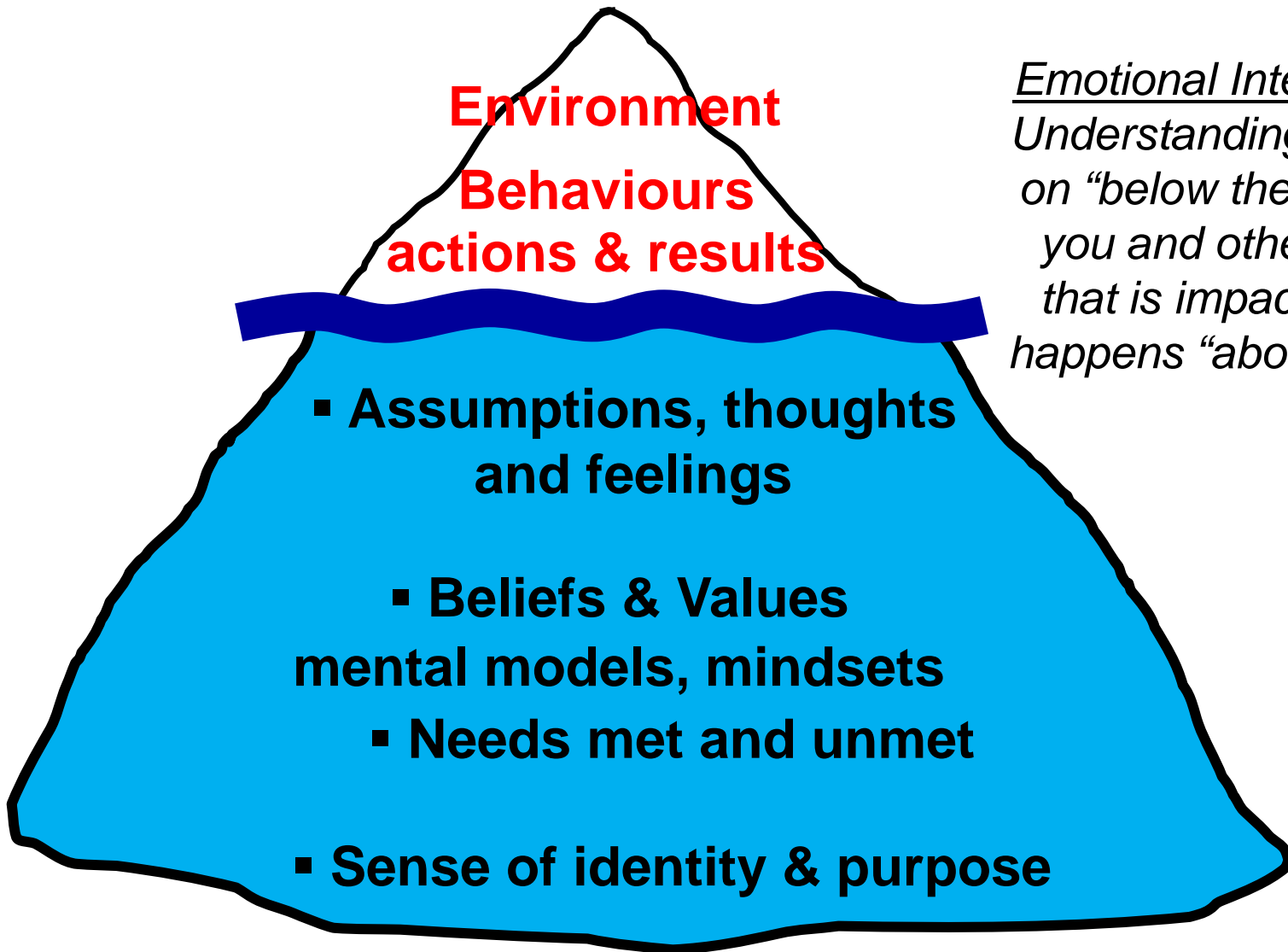
Residual interference?



Residual interference?



Above /below the surface



Emotional Intelligence (EQ)
Understanding what's going on "below the surface" (for you and others) and how that is impacting on what happens "above the surface"



Elements of Emotional Intelligence (EQ)



Element	Definition
Self-awareness	The ability to recognise and understand your moods, emotions, and drives, as well as their effect on others
Self-regulation	The ability to control or redirect disruptive impulses or moods; the propensity to suspend judgement and to think before acting
Motivation	A passion to work for reasons that go beyond money or status; A propensity to pursue goals with energy and persistence
Empathy	The ability to understand the emotional makeup of other people; Skill in treating people according to their emotional “state”
Social skill	Proficiency in managing relationships and building networks; An ability to find common ground and build rapport, explore win-win opportunities



Pre-requisites for success



The right (enabling) framework

+

The right kind of leadership

=

Success



A balance of YIN & YANG

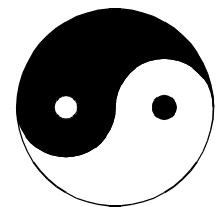
YANG

- The right contractual/commercial/governance framework
- Efficient, effective systems and processes

(this creates enabling environment - “conditions for success”)

YIN

- Inspirational leadership → mindset shift
- Create and sustain an environment in which individuals, teams and organisations operate at their peak – the very best that they can be.





TIPS – for owners

- Be fully informed – do not make a “leap of faith”.
- The selection process is critical – get it right!
 - Process must “reveal” the real nature of proponents
 - Actions must model alliance principles in action
- Focus on value, not just on cost
- Do not rely on feasibility budgets that lack rigour – see PDP as investment in driving out uncertainty.
- Break free from your “circle of fear”
 - It takes courage to break free from your own past
 - Use framework that supports peak performance
 - Watch for advisers who “feed your paranoia”





TIPS – for proponents/NOPS

- Do not view alliancing as a marketing ploy to secure work (the risks for you are too great longer-term)!
- Take time to understand/apply underlying principles
 - Deploy the leadership and communications skills you learn on alliances throughout your operations.
- Adopt a long-term strategic view
 - this might call for a “sacrificial play” occasionally
- Be prepared to be real, stand your ground and walk away when appropriate
 - Remember you get what you tolerate!





TIPS – for all players

- Be clear on your real intentions
- Agree on core “principles of operation” and then act and make decisions in line with those principles.
- Invest in people and leadership - leaders create and sustain the environment that produces the results.
- Learn and practice “real” conversations (Susan Scott)
- Be prepared to commit to targets without knowing how to achieve them
 - but don’t lose sight of proven systems and practices.
- Use alliancing as a training ground for development of a new breed of super-leader



Session 5

Breakout discussion 2



Breakout discussion 2 (10 minutes)

- Agree on the following for the table:
 - Facilitator
 - Scribe for the flip chart
- Discuss, agree and record the following:
 - 3 key insights
 - 3 key concerns
 - Further questions to be raised
- Agree on spokesperson for the table

Session 7

Wrap up seminar



Emerging trends - general

- Alliancing starting to be seen as “mainstream”
- Emergence & growth of the AAA
- Push for standardisation & codification
- Clustering of projects → program alliances
- Starting to see increasing use in private sector
- Huge increase in academic interest/research
- Still polarising for a lot of people –
 - Either love them or hate them
- Value for money (VFM) – still the Achilles heel



Emerging trends - practices

- Diverging approaches
- Some innovations = regressive
- Growing complexity mistaken for sophistication
- Loss of integrity
- Codification → erosion of essence?
- “Buying” alliance jobs
- Quality of alliance leadership?
 - Quality ALTs, AMs in short supply
 - Less novel → less exciting → less focus



Emerging trends – VFM

- (Victorian) Department of Treasury & Finance (VDTF)
“In Pursuit of Additional Value” report Nov2009
 - Controversial conclusions & recommendations
 - Recommends 2 x TOC selection process as default
 - Download report from www.dtf.vic.gov.au
 - PCI response available from www.pci-aus.com
- VDTF *Project Alliancing Practitioners’ Guide* to be updated to reflect report recommendations
- Could this report mark the start of the decline?

Extra topic

Governance



Governance around alliances

- Alliance objectives
- Owner and alliance governance structure
- Separation of roles
- Roles and responsibilities
- Attributes and capabilities of staff
- Owner delegations
- Financial audits
- Alliance management system (AMS)
- Collaborative audit process
- Monthly reporting

Source: Bevan Brown, GM Alliances, TIDC



Governance within alliances

- Alliance objectives
- Organisation and accountabilities
- Alliance Leadership Team
- ALT representative attributes and capabilities
- Decision making
- Delegations of authority
- Alliance management plan
- Reporting
- Audit

Source: Bevan Brown, GM Alliances, TIDC



Extra topic

The Value for Money (VFM) dilemma





Delivering value for money (VFM)?

1. Develop a clear business case for each project based on a rigorous and holistic assessment of the benefits and risk-adjusted whole-of-life costs.
2. Document the outcomes required from the capital investment across various key result areas (KRAs), with relative weightings, so that the range and balance of objectives across all KRAs that the alliance must achieve are crystal clear.
3. Carry out a rigorous process to select the (best) industry partners for the alliance.
4. Implement rigorous governance, inspirational leadership and effective management

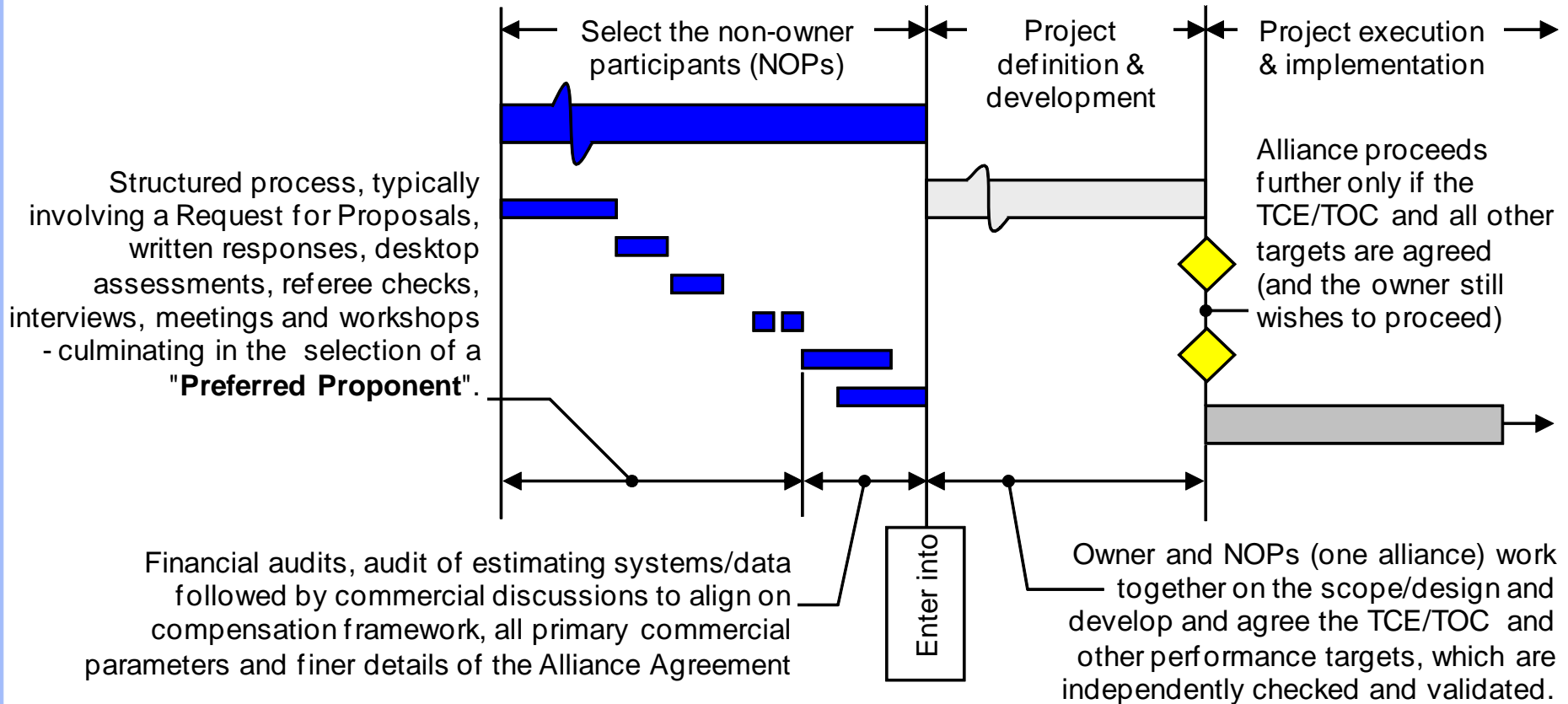


Demonstrating value for money (VFM)?

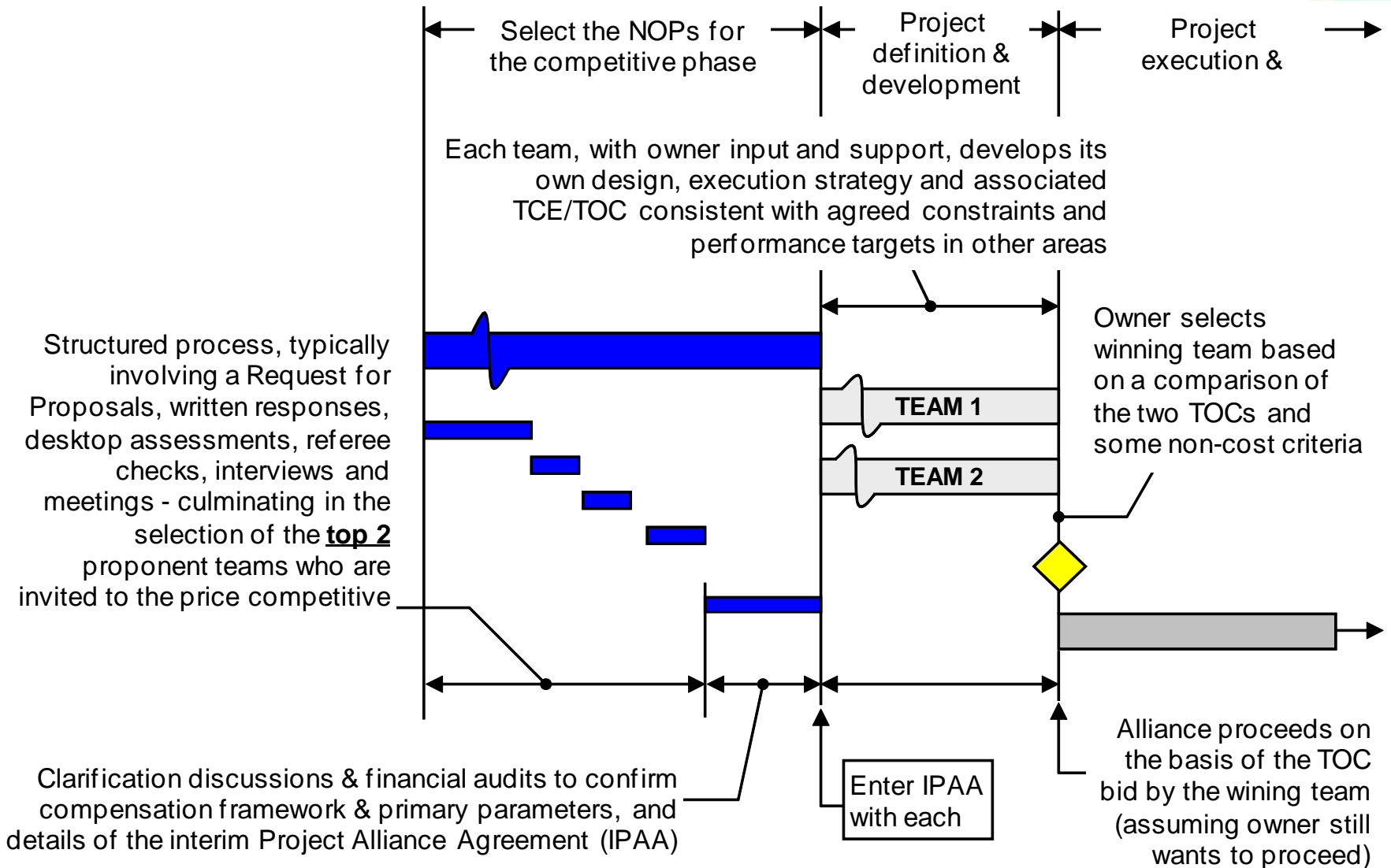
1. A different story
2. Everyone agrees on the need to deliver and demonstrate VFM
3. Very different ideas on:
 - What VFM really means
 - The best means of securing VFM



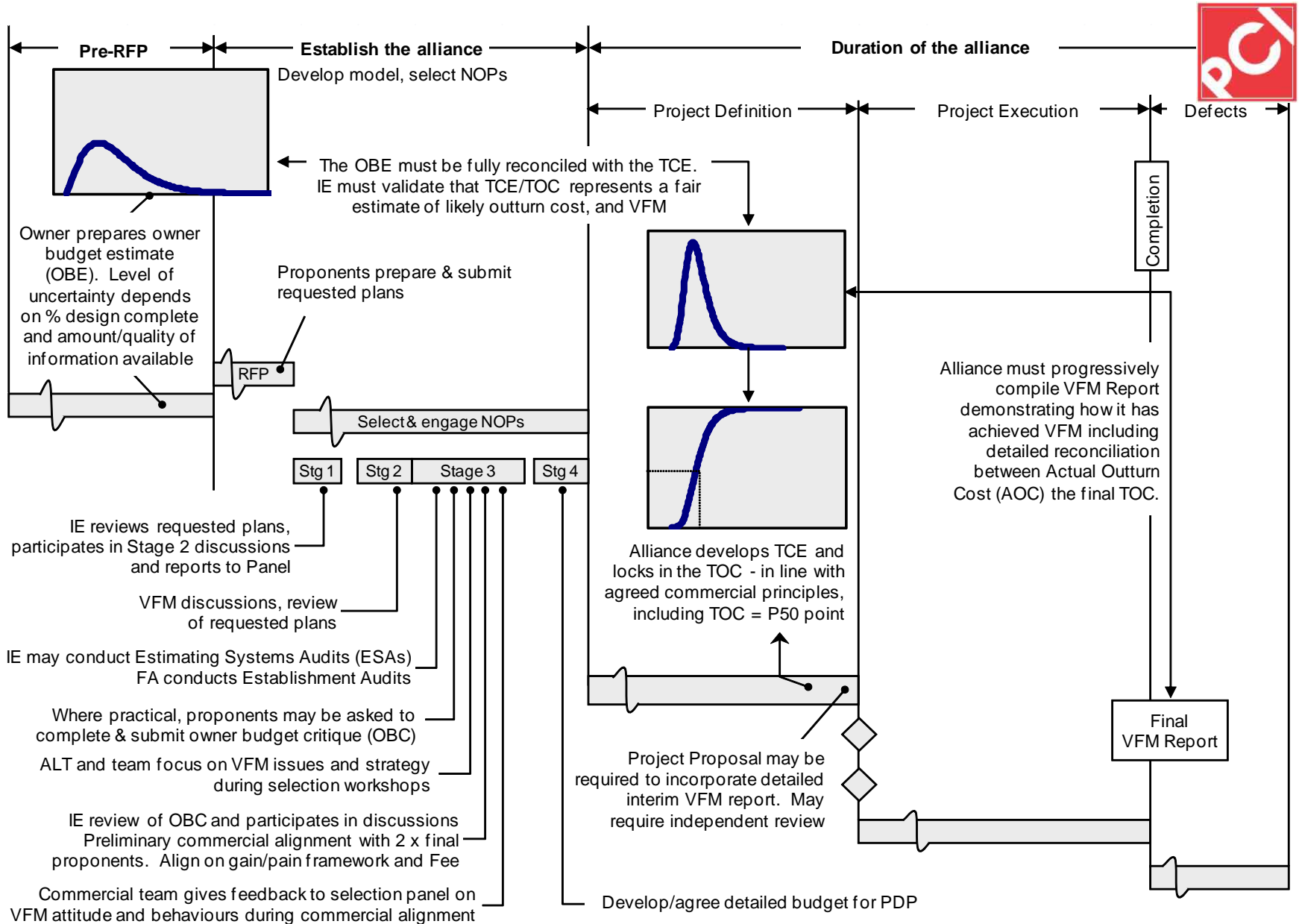
1 x TOC selection process



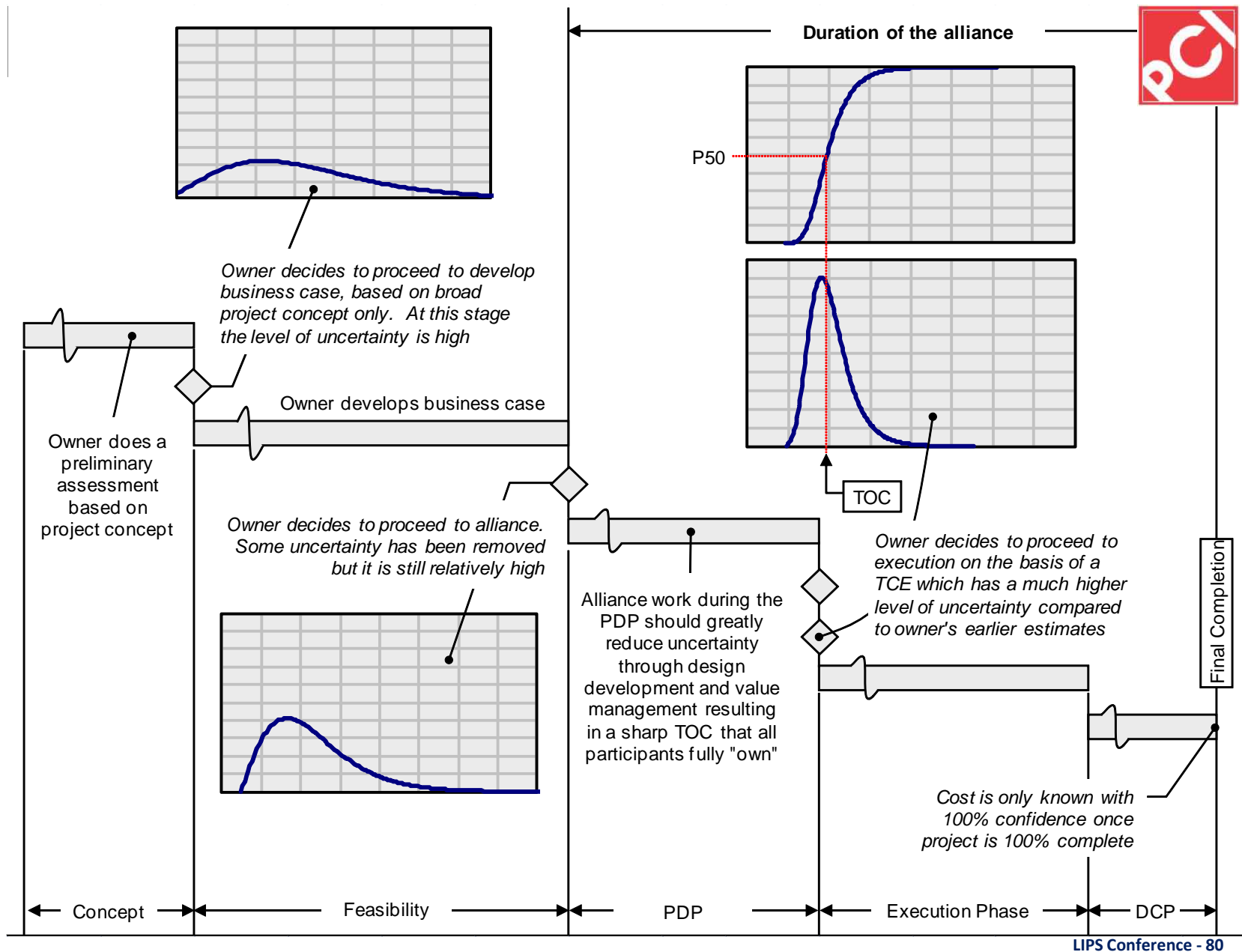
2 x TOC selection process



VFM using 1 x TOC process



Seeing PDP as an investment





Different world views on VFM & alliancing

Alliancing reduced to a commercial transaction

VDTF 2009 report “In Pursuit of Additional Value”

- www.dtf.vic.gov.au

Alliancing as the enabler of genuine high performance

From www.pci-aus.com

- Commentary on VDTF “In Pursuit of Additional Value” report
- 9 reasons why I prefer the single DCT approach



Extra topic

Selection process (1 x TOC)
The owner's perspective



Selection process - purpose

- Select the proponent team, best able to join with the owner, and with the highest potential to jointly deliver outstanding outcomes
- To commence building an integrated team that can “hit the ground running”
- To minimise the cost for owner and proponents



Selection process - essence

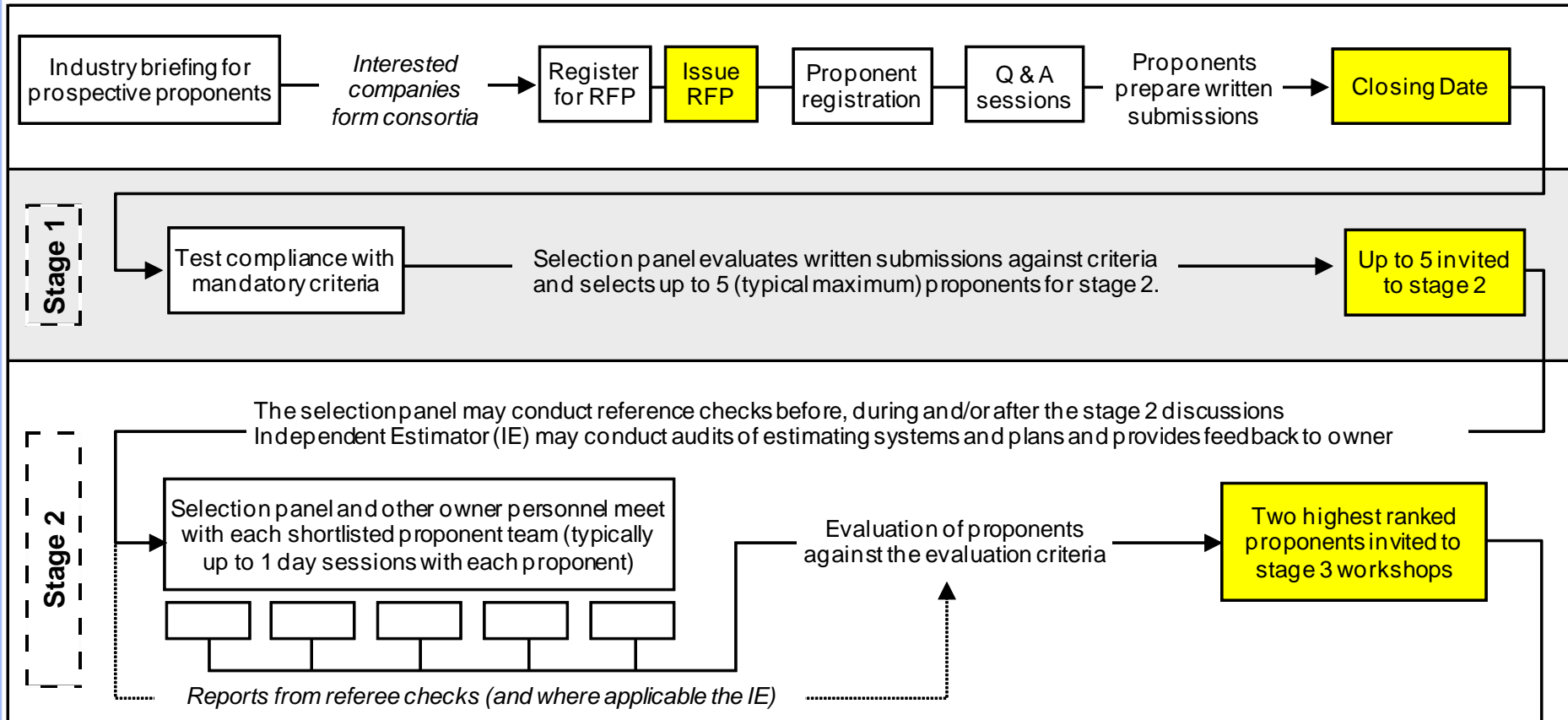
- Fairness
- Respect
- Transparency
- Rigour
- Relationship
- Momentum
- Engagement
- Trust
- Confidence
- Empathy
- Clarity
- Ethics
- Commitment



Selection process – principles

- Well designed and implemented selection process will provide conditions for best decision
- Most important decision the alliance will ever make
- Right conversations with the right people are critical
- It's about the job and the people, not the “spin”
- Commitment from the key people is critical
- You get what you tolerate (and / or deserve)

Selection process – Stages 1 & 2 (of 4 stages)



Selection process – Stages 3 & 4 (of 4 stages)



Selection process – typical timeframe





Selection process – practices (behaviours)

- Model behaviors for the alliance
- Appreciate effort
- Respect/treat others well (as you'd like)
- Utilise detailed assessment guidelines
- Conduct conversations for genuine alignment
- Fully documented process
- Respect probity issues fully





Selection process – results (1 of 2)

1. Full confidence – we have the right team!
2. Process considered by all (including those proponents who were not successful) to have been clear, consistent and fair. Defensible.
3. Those involved (including unsuccessful proponents) feel they gained something of value from process.
4. Key elements of leadership framework in place
 - ALT, AM and some members of AMT appointed
 - Committed to deliver on accountabilities based on a clear understanding of their role





Selection process – results (2 of 2)

5. Defensible process
6. A PDP program and budget already agreed including detailed mobilisation plans and strategies for early launch activities. The alliance is ready to “hit the ground running”, and full of enthusiasm.
7. Commercial and compensation framework set out in the PAA have been established through genuine alignment. No residual resentment
8. A very healthy blueprint for the alliance – the right DNA!



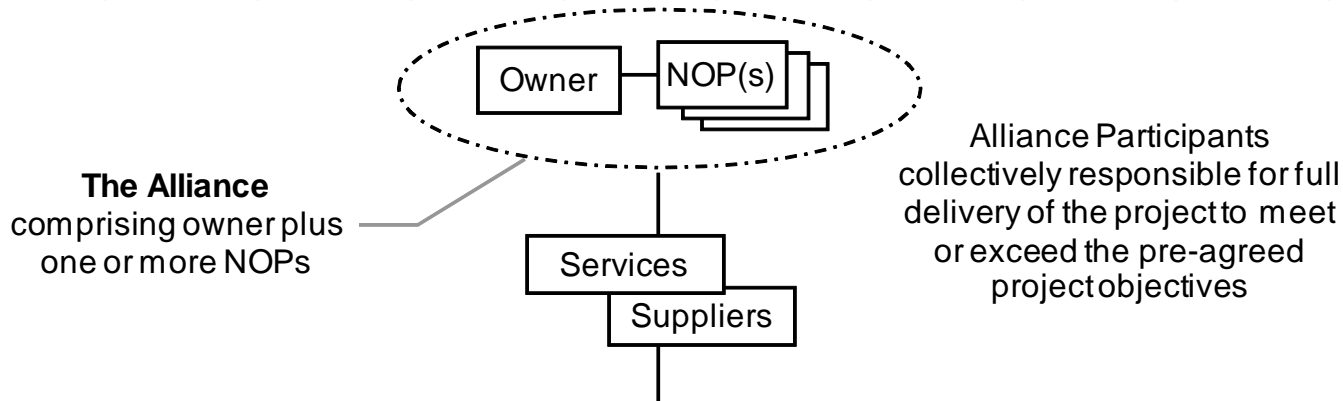
Extra topic

Legal/structural issues



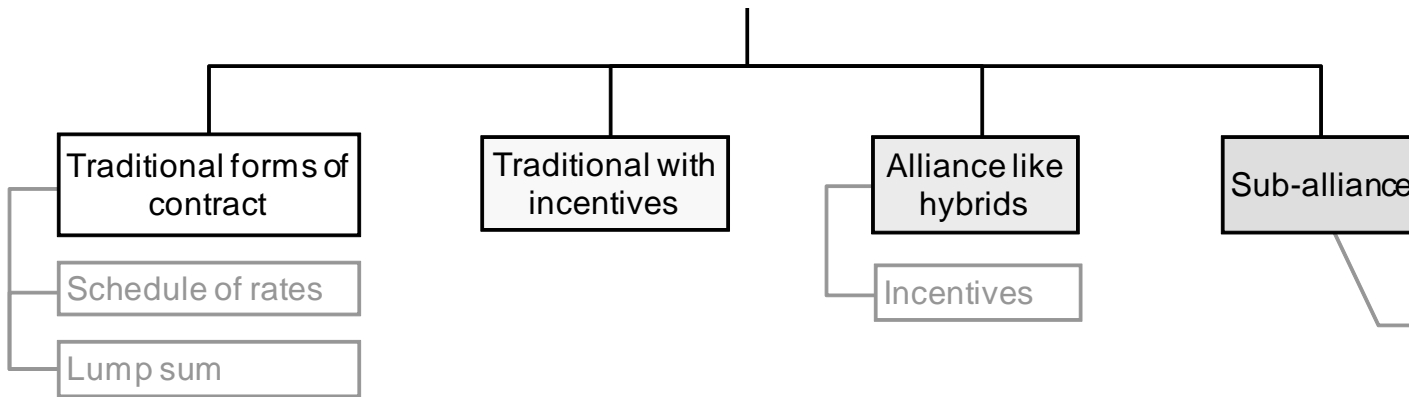


Sub-procurement

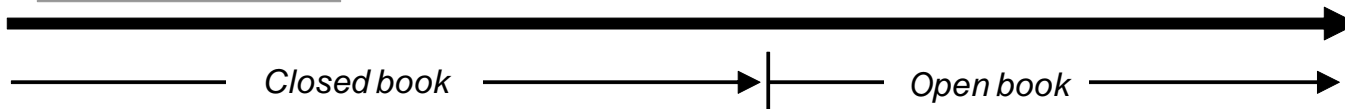


The alliance must decide the most appropriate contracting strategy for each - subject to any constraints or procedures set out in the alliance's Procurement Plan (and in compliance with relevant procurement legislation)

*Regardless of contract model:
 > Value based selection
 > Focus on driving behaviours that fully support project objectives*

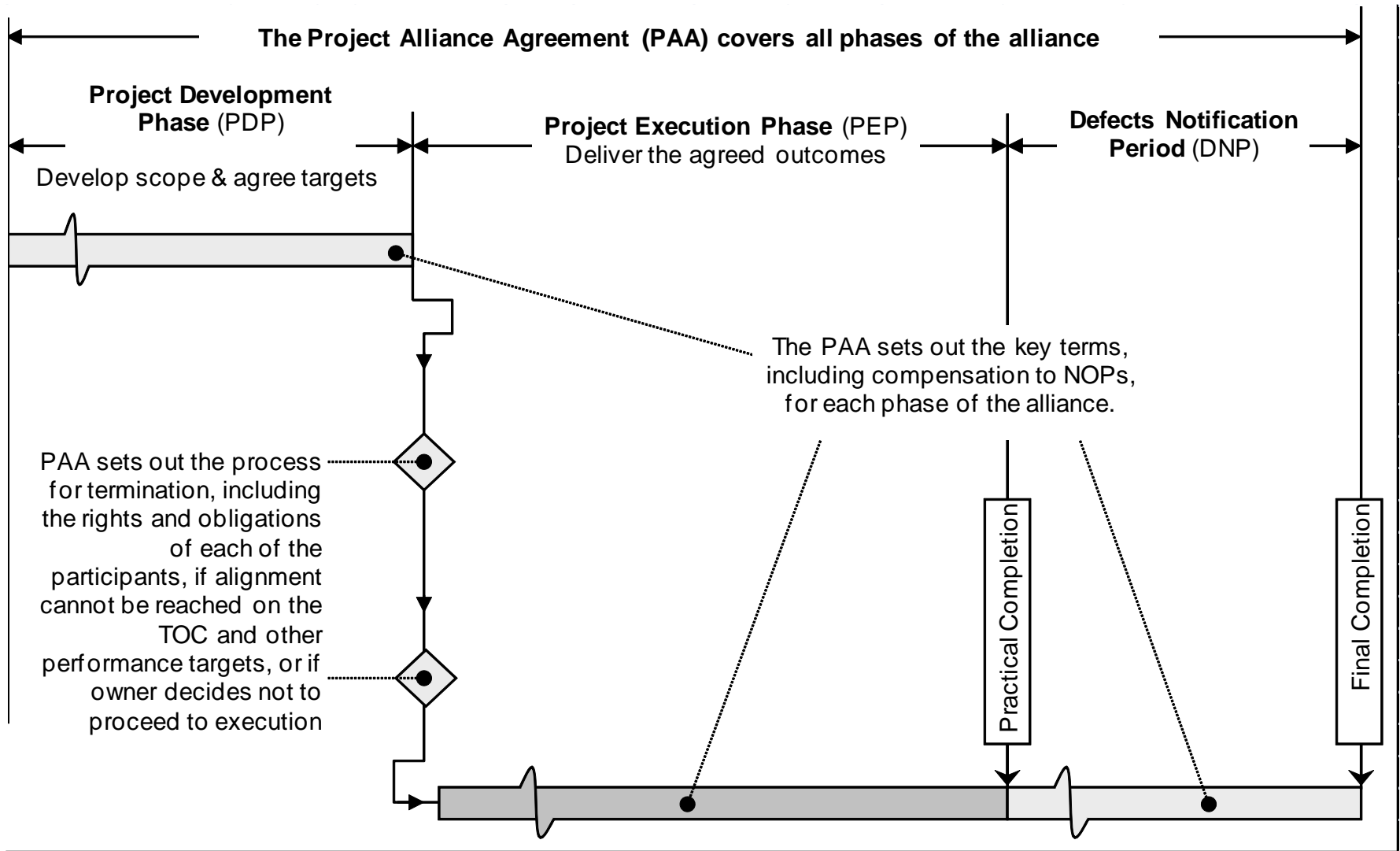


Similar features to the main alliance but scope limited to the expertise of specialist contractor(s).





PAA "coverage"





PCI Alliance Services Pty Ltd
Head office Melbourne Australia
www.pci-aus.com
Tel: 1300 551 835 (within Australia)
Tel: +61 3 8414 8226 (from overseas)
Fax: +61 3 8414 8260

