

Annexure 1⁸ - JMJ Associates - "Creating Successful Collaboration – Select the Right Partner"

Creating Successful Collaboration – Select the Right Partner

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To fulfill the client's intent with "collaborative" contracts requires a combination of success factors such as good commercial framework, clearly defined objectives, sound project management and well integrated team. Notwithstanding these factors, the authors' experience proves that the most fundamental success factor is selecting the right contractor.

There are many capital projects where a client develops a contract and delivery strategy which seeks to align the contractors with the client's key objectives. But many of the selection processes end up constraining the client's team in selecting the best fit team. Pre-selection processes typically mean that it is difficult to justify choosing a contractor on anything other than lowest or near lowest cost. JMJ Associates have developed a selection process which maintains the competitive component throughout and identifies the best fit consultant/contractor team for meeting the project objectives.

This paper presents a leading edge consultant/contractor selection process which is applicable equally to major capital projects and outsourcing of operations. Recently, it has been used successfully on three major and high profile public sector projects in Australia. It has proven to cut across the "well rehearsed sales conversations" which typify normal competitive selection processes and instead provide a full understanding of what it will be like to work with one another. The process includes a well developed model for selection criteria, call for proposals and a combination of interviews and workshops. Once a preferred selection is made, the process includes an innovative Commercial Risk / Reward workshop which completes the development of legal and commercial framework in an aligned and cooperative workshop environment, typically taking only two days.

The selection process has proven to build momentum in the project and make a major start in building and nurturing a strong aligned culture and leadership team. Once the contract is awarded the project launched powerfully and set up for success. Then the hard work of sustaining an integrated team with a culture of high performance that produces breakthrough results begins.

Challenge of Selecting the Right Partner

Many organisations, particularly Government ones, have a challenge selecting the right partner for more collaborative intended projects. As an example, some government sector clients have a pre-selection process, which evaluates a contractor's ability to compete for various levels of project complexity or size. These selection processes are rigorous and valid. The challenge is, that once pre-selection has occurred there is little discretion as to selecting the contractor for a given contract other than price. Most client teams, recognise that there is a significant difference between the "A" team and the "B" team, the collaborative and the adversarial. And yet their hands are tied, even to the extent that they do not interview or meet with the respective team during the actual tender evaluation.

This is a specific example. There are many counter productive approaches to selection, whether for lump sum or more innovative collaborative contracts. The challenges of selecting the "right project team" in these examples typically include :

- Knowing what constitutes the "right project team"

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- Only meeting / dealing with the "sales" team and not the actual individuals who will be at the heart of the project outcome
- Getting the "B" team and not the "A" team
- An "ends justify the means" approach where the contractual and competitive nature of interactions can be typified by role playing, not disclosing all issues and information, win/lose, dissatisfaction and loss of relationship
- The wide ranging and often competing individual perspectives of the client's selection team (panel)
- Corporate / previous project history covertly and overtly detracting from an authentic evaluation of the actual proposed team and individuals.
- The wide ranging, history based and often competing perspectives and interests of the sponsors, who don't participate in the selection process and are nevertheless the final approval authority
- The 2 to 3 month lull in activity once the contract is signed, as the project team is brought up to speed with the project's objectives and "culture", and the various team members "size" each other up.

An Integrated Approach to Selection

The principles of this Selection Process are :

- To *rigorously* evaluate proposed project teams and individuals to establish an *aligned* view amongst the selection team and sponsors on which team is the *best team* for the project
- To conduct contractual and commercial conversations consistent with building long term relationships and not "business as usual negotiations"
- To build *momentum* on the project during the selection process so that when the contract is agreed, the project team is already excited about and aligned with the project objectives and can get started immediately on the real work in hand
- To satisfy all corporate standards of good governance, due process and protecting shareholder interests and in the case of Government organisation, meet the highest standards of probity and public scrutiny
- To arrive at a commercial outcome which satisfies and is regarded as a "win" for *all* parties and "best value"
- To maintain competition throughout but not be tied to selection based on lowest price

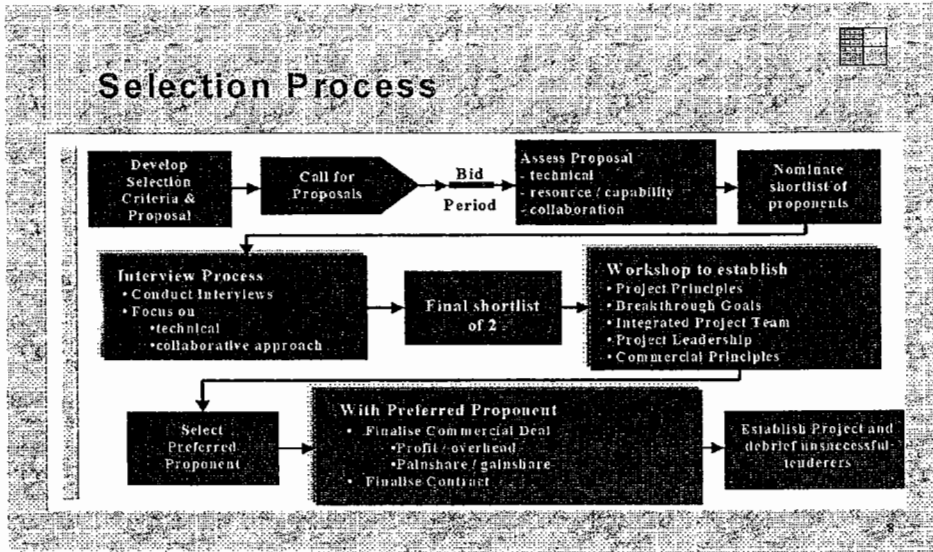
JMJ Associates developed this selection process and have applied it to a range of projects. Recently it has been applied it to three major Government Alliances in Australia. These projects are :

- Northside Storage Tunnel Project – Sydney Water Corporation (c. \$400m)
- National Museum of Australia (the Acton Peninsula Alliance) – Federal Government Department of Communications, Information Technology and the Arts, Canberra (c. \$140m)
- Woodman Point Wastewater Treatment Plant Upgrade – Western Australia's Water Corporation (c. \$140m)
- Awoonga Dam Project – Gladstone Area Water Board

- Lyell McEwin Hospital Project – Adelaide

Key Steps in the Process

The diagram below illustrates the key steps.



The process steps themselves may be familiar. The unique nature of the process is the content of each step. In this paper we present only the general intent and overview of the main elements of the process.

Selection Criteria and Evaluation Guidelines

The selection criteria are the basis of the whole process (no surprise there). The key nature of this process is the rigour and structure with which they are developed in line with the core project objectives. This creates clarity on what is important. Typical criteria may include :

- Ability to complete the full scope of works
- Ability to minimise capital cost whilst enhancing quality
- Ability to provide the necessary resources (competence and availability) to reduce schedule
- Ability to complete the project with no injuries nor environmental incidents
- Ability to work in a collaborative environment
- Ability to achieve outstanding results in ## (e.g. community relations, start-up, NPV improvement, etc)

Once the criteria are established, guidelines are developed to identify what the bidders need to demonstrate to achieve different levels of scoring for the respective criteria. Superficially this may seem an obvious task. The depth of the step is in recognising that it is not just technical competence that determines a team's ability to meet these criteria, but as importantly, their ability to demonstrate it at the interviews and workshops. It represents a shift from corporate and impersonal to team and individual competence and behaviour.

By way of example, a team could say they are able to be innovative and in the proposal illustrate their process for brainstorming and developing innovation. However, at the interview, the team can be evaluated in whether they reflect a genuine affinity to being innovative, or the process is vested in only one individual.

A further attribute is that the criteria guidelines are designed to be consistently applicable from proposal (which is corporate and impersonal) to the workshops (where in depth understanding and appreciation of individual team members is developed). This means that scoring from previous steps is recognised and only new observations and facts can alter the score with each subsequent step.

Call for Proposals

It is our experience that a well crafted call for proposals document can lead to more rigorous response by bidders (as opposed to boilerplate). This in turn leads to more effective proposal evaluation. In particular the intention is to be clear on what is important to the client, so that the bidders can explain how they will apply their technical competence and experience in meeting the project objectives and selection criteria.

Evaluation

After the proposal review there is an evaluation workshop. The purpose of this workshop is to develop an aligned view of the scores for each bidder at that stage and which bidder(s) should progress to the next stage. Achieving an aligned view by often competing interests of the participants should not be underestimated. The benefit of achieving alignment (as distinct from agreement) is that it results in a rigorous discussion of each attribute and differentiating factor in the bidder's proposal and the aligned on score has substantiated logic and documented facts and observations to back up the score. The alignment conversations also produce questions and topics which need to be pursued during the interviews and workshops. Similar evaluation sessions are held after the interviews and selection workshops, where their participation in the interview or workshop is evaluated and changes to the previous score aligned on.

Interviews

The interviews are specifically designed to cut across the sales presentations which typically dominate these occasions. In fact, it is required that only the nominated project team and corporate sponsor attend. No presentations are required. Rather the interviews consist of a series of informal conversations that allow the selection panel and proponents to discuss technical issues, client requirements and objectives, gain an impression of the teams' compatibility and a sense of whether the combined team are capable of meeting the project objectives.

The preparation of the client selection team is critical. It is important for the team to learn how to observe and understand the behaviours of the bidders to determine if they are genuinely committed to the project and collaborative approach. This preparation also includes how NOT to lead the bidders into the answers given in the previous interviews or the answers the selection team want to hear to justify their expectations of how the project should be executed.

One aspect of the selection process is to provide an opportunity for the bidder to evaluate how seriously the client intends to take on "collaboration". The experience of many, particularly in so called "partnering" contracts is that the "words are great but the contract and dollars aren't". It is counterproductive in going to the effort of undertaking a selection process of this nature if the selection team present themselves in such a way as to undermine the project objectives and not "walk the talk".

Selection Workshops

Following the interviews, the objective is to shortlist the number of bidders to two. Each of these two bidders are then invited to separate two day workshops with the client team. Like the interviews, these workshops cut across sales and marketing conversations and seek to experience working with the bidding team on the practicalities of setting up the project, such that the client gets a clear and fully disclosed understanding of the implications of selecting either of the bidders. These workshops bring forward many of the conversations which would otherwise take place after partner selection and project kick-off. These workshops are typically residential and include a social function on the first night.

The outcome is that the client team has a full understanding of what it will be like to work with both teams, and be able to evaluate which one provides the biggest opportunity to meet or exceed the project objectives.

One challenge is for the team to participate authentically at the same time as not leading the bidders to the clients solutions / answers. This again, requires considerable preparation and "training". The authors' experience is that participation is fundamental in appreciating what it will be like to work with each other. Over participation is preferable than holding back in order not to lead.

The authors' experience has also demonstrated each time this process has been undertaken, that the losing bidder gains significant value from the process, and it is not regarded as a wasted opportunity.

Risk / Reward Workshop

This workshop is where the "rubber hits the road". Up until this point, the collaborative intent often lives as concept. It is during these two days, that the commercial reality of collaboration is created. After the selection workshops the client selects a "preferred bidder" and invites them to the Risk / Reward workshop. The losing bidder, is notified, but can be invited back, should a deal not be forthcoming with the preferred bidder.

The objective of the workshop is to create the commercial framework for the relationship. The first step involves the creation of a collaborative environment. In this context, the outcomes of the workshop include :

- Selection of preferred proponent
- Relationships created for the benefit of the project

- Significant issues discussed and resolved, such as contract terms, profit and incentives

These workshops cannot be overstated in their impact. The list above looks simple, and yet to achieve agreement on these for a contract value typically in the hundreds of millions of dollars, is an extraordinary experience. The authors experience is that the cooperative approach of the clients' lawyer and facilitator is critical in the success of these workshops. The intent is a commercially rigorous process in a collaborative atmosphere. For most this is a first experience of such a combination.

Mid-way through day 2 of one of these workshop, one Senior Manager from a Contractor said "It seems like we are dragging, but then I look what we've accomplished in 1½ days and think "Christ we've done 2 months of work here, and it's been fun." "

Summary

On the three major Public Sector Projects in Australia where this selection process has been used, each project encountered a significant challenge and upset during the early months of the projects. In each case, the client and consultant/contractor team members have stated that the way in which the team came together to deal with these upsets was based on the strength of relationships, mutual understanding and alignment that was created during the selection process.

The authors' assert that this selection process leads to selecting the best consultant/contractor team and to a long term positive impact on the integrity of the project team and their ability to exceed the project objectives. We assert that few other approaches to selection achieve or even set out to achieve these two outcomes.