

TOOL A.4

SELECTING SUPPLY PARTNERS FOR THE PROJECT

1. INTRODUCTION

In section II.1, we looked at the rationale for the selection of the strategic supply partners whose collaborative relationship with the Prime Contractor would support the achievement of the Prime Contractor's business objectives expressed in terms of what types of construction projects he wanted to build and for what types of client.. In turn, the supply chain companies would expect to share in that success through increased business at agreed margins.

In selecting those strategic supply partners to achieve a particular business objective, the Prime Contractor will have reached agreement with a range of companies representing core design and construction skills to suit the range of activities in which he plans to be involved. Some may be suitable for any kind of project, others for more particular kinds of building. In this section, we look at the issues which a Prime Contractor must consider in selecting which of his supply chain partners he should use when bidding for a new project to be managed in the Building Down Barriers style - and whether or not it may be necessary to supplement the supply chain because of a requirement for special expertise that would not normally be needed and is not therefore represented amongst the core supply chain members.

2. IDENTIFYING THE NEW PROJECT'S SPECIAL CHARACTERISTICS

Some characteristics will be obvious from the client's Strategic Brief, such as size and complexity of the project. These two characteristics will enable the Prime Contractor to make an initial assessment of:

- the way in which the project might be broken down into constituent parts around which suitable Clusters could be formed and possible Cluster Leaders identified (details of the Clustering process are in Tool C.1)
- the way in which the relative importance of the constituent parts will influence design decisions. The two Building Down Barriers projects, for example, had swimming pools. That had a major influence on many design decisions, not just from the services point of view but also the point of view of structural integrity over time in a corrosive atmosphere and in terms of groundworks decisions. It also meant that there was a need for specialist pool expertise to supplement the usual trade sub-contractors
- the location of the building. This very obvious factor - discussed in section II.1 in relation to the Prime Contractor's business strategy regarding where he intends to work and the resulting choice of local and national members of his

supply chain- will determine the choice of supply chain members for the project depending on their ability to operate nationally or their strengths in the location of the project.

Other factors will become apparent when the Prime Contractor begins the Value Planning process to determine, with the client, the project values (discussed in depth in Tool B.1). These include:

- the extent to which the client wishes to balance design values, internal as well as external, with pure functionality. This will affect the choice of design consultants - in particular the architect - and possibly the specialist finishes sub-contractors
- the way in which risk is to be allocated by the client may affect the choice of supply chain members for the project given their ability - or willingness - to accept and manage risk

All the comments made above are based on the Prime Contractor already having chosen his strategic supply chain members to support his business objectives. The reality is that, while some contractors who want to exploit the advantages of the Building Down Barriers approach are beginning to select supply chain partners and develop collaborative working arrangements, most contractors have not. So what is happening is that much greater care than might have been the case previously is now being taken to select the key suppliers for new projects with the intention and expectation that these suppliers will, at the end of the project, have demonstrated their capability to become long-term collaborative supply chain partners. So we now look at the application of the principles set out in section II.1 in choosing supply partners for the project.

3. SELECTING PARTNERS FOR THE PROJECT.

The selection criteria which we now address are included in the list set out in section II.1. Here, however, we will consider what has to be done to select the best supply chain, not from the point of view of supporting the Prime Contractor's business objectives, but rather of ensuring that the team put forward by the Prime Contractor will win the new contract and lead to the team delivering all the benefits that will accrue from the application of the Building Down Barriers principles.

These selection criteria are in addition to the normal assessments which would automatically be made of a sub-contractor such as Health and Safety record and Quality systems.

3.1. Selecting the potential partners for the project.

The first essential is to decide on the way in which it is intended to break down the construction of the building into clusters, since it is the companies

that will manage the delivery of each of the clusters who will form the key supply chain members for the project. These are the partners who will work together throughout the project with the Prime Contractor to apply the disciplines and processes of Building Down Barriers, so these are the ones to whom these selection processes apply.

So, having accepted that it is the key, cluster deliverers that we are choosing, what are the steps to be gone through to produce a list of candidates from which the final selection will be made?

3.2. *Developing the long-list*

The obvious place to start is with those major specialist suppliers that the Prime Contractor already has close working relationships with. Those close working relationships will have developed because of the reliability of the supplier and his record of good work delivered at competitive prices. Whether or not such suppliers will finally make it through the full selection process will remain to be seen but certainly they justify immediate inclusion.

The list, however, should be supplemented by companies with which the Prime Contractor has not worked previously (or perhaps rarely) but which investigation show to have the characteristics which appear to make them attractive partners in the process.

Similarly, research will be necessary to identify companies with the very specialised capabilities which the specific project may demand - such as the pool specialists who had to be appointed to the two Building Down Barriers pilots. They had to be pool specialists who could contribute to the unique MoD requirements that are quite different from, say, those for a leisure pool. This research can be easily undertaken by the Prime Contractor's procurement staff, supplemented by advice from existing regular suppliers.

Where a Prime Contractor may have more difficulty is in the identification of suitable architectural partners. The key guideline here is to identify architectural practices which spend the majority of their time working on projects similar to the one about to be started and ideally have experience of having worked successfully for the client or clients in a similar business.

3.3. *Selecting from the long-list.*

Having produced the long-list, the task is now to select the actual choice for the project - but with the expectation, as we have already said, that these chosen suppliers will become long-term partners.

The choice will be made as a result of interviews the purpose of which is twofold. The first is to ensure that the supplier meets various criteria which were described in section II.1. The second is to allow the supplier to understand what his responsibilities will be under the Building Down Barriers process.

These interviews require careful preparation on the part of the Prime Contractor. The preparation must include finding out as much as possible

about each of the companies - including the regular suppliers. In particular, the Prime Contractor needs to know, before any interview is held, the size and financial structure of the potential suppliers, together with their profits and overhead costs. This information should be available from various sources, not least Companies House, and is important for several reasons, including:

- understanding the margins which the companies will expect to make. These margins, once agreed, will be ring-fenced so that everyone's attention can be focussed on understanding and reducing cost, rather than indulging in the traditional pursuit of reducing margins. So the Prime Contractor needs to understand this simplest of commercial imperatives which will be driving his suppliers
- assessing the financial security of the suppliers, their financial ability to invest in the future and in learning about how to operate in a Building Down Barriers environment which, as we have already said, will need investment in training

Other aspects of the potential supply chain partners' businesses which the interviews must reveal are:

- design capabilities. In Building Down Barriers all the key supply chain members contribute to design decisions and key suppliers may well be required to undertake detail design for their own areas of delivery. So an ability to contribute to the Scheme Design is essential, supported by the ability to produce detail drawings at the appropriate stage of the project. The Building Down Barriers pilots revealed that design skills in the supply chain (excluding architects and consultants, although we address this issue later in this Tool) are not widely available. They don't have to be in-house design skills provided that there is a well-established relationship between the supplier and a design consultancy, but the Prime Contractor must be satisfied that a design capability is available in a readily accessed form to the chosen suppliers
- management resources. Building Down Barriers aims to get the design finished in all its essentials before construction starts and that the design is the result of rigorous application of Value Engineering. This takes time and resources - the Prime Contractor needs to know that the chosen supplier has sufficient resources to devote to the process
- management style. It is not necessary to like the people on a team, provided the processes which everyone follows are well defined. However, it is always better if people do like working together and there is no doubt that companies have a corporate management style which is reflected in the personalities of the people that they employ. So the Prime Contractor, when interviewing potential supply partners needs to make sure that the chosen company's style is compatible
- record of innovation. Building down Barriers is intended to lead to ever-improving performance for the client. That means innovative solutions both from a materials and components point of view and a building processes point of view. So, how interested are the interviewees in innovation? Not all companies are - such companies may have a place in the supply chain but it is unlikely

- reputation. The team that the Prime Contractor is putting together will, of course, be of great interest to the client. The client may have a view on the reputation of one or more of the team members. Good reputations are fine but some companies may have a poor reputation based on the way that they were some time ago. The Prime Contractor must be aware of unjustifiably poor reputations and ensure that the client understands that any previous problems one of the supply chain companies may have had has been investigated and can now be safely set aside. So, at the interviews, the issue of reputation should be specifically addressed.

Choosing the design consultants who will be part of the project's supply chain poses specific issues which need to be addressed at the interview. These issues were set out in section II.1 but are worth re-visiting here:

- Relevant experience. While a design consultant may have had some experience in designing the type of building in question, it needs to be established that this is the type of building which they, as a partnership, really want to design. In other words, how will being involved in this project fit with the objectives for their own business.
- Similarly, does the design consultant want to do work for this type of client? These questions will help to establish whether or not there is mutuality between the Prime Contractor and the design consultant, as well as assessing the relevance of the design experience.
- Interest in working as a member of a team. Designers, and perhaps architects in particular, usually work outside the team which actually constructs the building. In this process they are part of a team and the interview must therefore address this issue very clearly. The designers that are chosen must be able to see the advantages for the client - and the industry as a whole - from this collaborative approach to meeting the client's needs and want to be part of the process.
- Focussing on the client's interests. Of course, design consultants will design in such a way that their PI cover is not compromised. But if that is their main motivation rather than finding the design which best meets the client's needs in terms of minimal capital and through life cost, then they shouldn't be involved in the Building Down Barriers approach.
- Respecting the views of all members of the supply chain. Sadly, the industry has encouraged the view that only design "professionals" know how to develop the best design. That is unlikely to be the case given the extensive experience of the people in the supply chain who actually build. The design process in Building Down Barriers capitalises on the design inputs of everyone who has a contribution to make, so the choice of design consultants should ensure that they are prepared to listen to the other team members and not believe that they have the monopoly on good design concepts.

4. ESTABLISHING THE COMMERCIAL RELATIONSHIP

Having selected the preferred key strategic supply chain members for the project, the next step is to cement the commercial relationship. So far, we have discussed the responsibilities that the supply chain members will have to the Prime Contractor but it is equally important for the Prime Contractor to be clear about his responsibilities to the supply chain members if he wants the relationship to be of long-term benefit.

The relationship is fundamentally based on mutual benefit. The Prime Contractor becomes increasingly competitive in his chosen areas of activity, wins greater market share which then results in greater volumes of business for the supply chain members.

So if the Prime Contractor is to convince the carefully selected potential members of the supply chain, he has to ensure that these potential members understand how the mutual benefits will arise and what it is that they will have to do in return. They then have to decide for themselves if they want to commit to a relationship over the duration of the project in the expectation of a long-term relationship.

The Prime Contractor therefore needs to have a business plan of the kind described earlier in this section to demonstrate to the suppliers what business opportunities he intends to pursue and how he will win the business. Without that, it is very unlikely that he will be seen to be behaving in other than a traditional way - in which case the supplier will expect that in due course there will be pressure on his margins rather than concentrating on cost

In addition, it needs to be explained by the Prime Contractor that the preferred supplier status that membership of the collaborative supply chain infers will be dependent on the supplier continuing to driving down his own costs and taking part in Continuous Improvement activities. The Prime Contractor must make it clear that he will help the suppliers to reduce their costs and that this will be part of a comprehensive supplier development policy.

And finally, the Prime Contractor must make it clear to the potential supply chain partners that working in the Building Down Barriers process demands considerable input to design and hence a much greater commitment of internal resources to a project than is usually the case.

Only when all these things are made clear to each potential supply partner can they make up their minds that they want to become part of the Prime Contractor's supply chain formalised through the use

Collaborating for the Built Environment (Be) – www.beonline.co.uk

Be is an independent body formed from a merger of the Reading Construction Forum and the Design Build Foundation in 2002. Its 100 member organisations come from the demand and supply chains of the 'industry formerly known as construction', ranging from public sector and private sector clients and developers to contractors, designers, consultants, specialists and suppliers. It leads research and implementation activities in support of a vision of delivering integrated built environment solutions through collaborative working.

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Collaborative Working Centre – www.collaborativeworking.co.uk

The Collaborative Working Centre of Be is a not-for-profit organisation set up from members of the team that facilitated *Building Down Barriers* to provide consultancy, training and other continuous support to support the development and implementation of collaborative working.

Supported by DTI

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