

- development
- implementation
- PARTNERING the supply chain
- PRODUCTION of components

PROJECT 20

Movement for Innovation M⁴I



MAY 2000

Measured Partnering

The only way to know whether you are succeeding

Three years after entering a partnering agreement with Hampshire County Council (HCC), highways contractor Raynesway Construction Southern (RCS) has won a further two year contract on similar terms. Asked why his company was so successful in its relationship with HCC, managing director John Jackson replies, "We're an innovation driven business offering clients the best value for money. Informed clients are not going to sign up to partnering deals just for the feel-good factor, they want evidence that performance will improve. We call it *measured partnering*."

RCS and HCC have agreed eight headline Key Performance Indicators (KPI) that are aggregates of many process indicators. "It's not all one way in favour of the client," says Jackson. "The winter maintenance response KPI favours the client, while the invoice turnover KPI is one we're particularly keen on," he explains. "Actually, we're also interested in invoice turnover," says Hampshire's county surveyor John Ekins, "because predictability of cash flow is critical in managing our budget."

Once measured partnering is secured as good practice throughout the industry, it should give clients confidence to change procurement policies in favour of consistent good performers. Assistant county surveyor Alan Mills argues, "If contractors are winning typically one tender in four, then we're paying four times the cost of tendering for each contract. The industry needs to find a way to avoid wasting all this money."

Benefits of measured partnering

Cost predictability – The number of invoices submitted within 14 days of completing the work has risen from 75% to 88%. A highways client needs to know the financial implications of work orders as soon as possible and this KPI has pushed RCS to improve their paperwork. Invoice payment within 28 days has jumped from 80% to 95% under the measured partnering arrangements. "I'm delighted to see the capital employed falling as well," Jackson confirms.

Accidents – Under the partnering arrangements, reportable accidents have declined by 70%.

Defects – Incidents of defects is incredibly low. Just 1.5% of the 8,000 work orders in a year require remedial work.

Productivity – Overall, RCS and HCC are delivering about 17% more work with the same workforce.

CASE HISTORY



“Informed clients want evidence that performance will improve”

John Jackson, Managing Director, Raynesway Construction Southern

8 Key Performance Indicators

- Performing works orders on time
- Quality service levels
- Attendance on emergencies
- Winter maintenance response
- Customer complaints
- Invoice turnover & submission
- Partnering relationship
- Queried orders

Perceptions of Partnering

- Frank and effective communication
- Relationships, trust, openness
- Culture of achievement
- Commitment of others to the partnership
- Involvement of self in the partnership

Key performance indicators

Raynesway Construction Southern



Hampshire County Council

CREDITS

Contractor – Raynesway Construction
Client – Hampshire County Council

Measured Partnering

The Challenge

Raynesway Construction Southern won a contract to maintain highways for Hampshire County Council in 1996. The existing Hampshire Works staff were transferred to RCS under the TUPE regulations. In 1997 the parties agreed to informally add a partnering agreement to run alongside their ICE 5th edition contract. Partnering in highway maintenance was still in its infancy at that time. How would the partners know whether partnering was working? It was agreed that measuring KPIs of the processes as well as perceptions of partnering would be essential.

Solving problems

RCS found that the only significant problems in developing and implementing the innovation were in human attitudes. The workforce comprised former HCC employees, a big plus in continuity. Nevertheless, the concepts of partnering were new and required communication and leadership to ensure success.

The processes could be readily measured using agreed diagnostic KPIs, but the perceptions of partnering looked somewhat less tangible. RCS proposed a method for these 'subjective measures' to be 'measured objectively' and these are surveyed in RCS and HCC every six months.

RCS and HCC management teams worked together to establish partnering workshops. These were immediately welcomed. Key to the ongoing success was the appointment of partnering co-ordinators. Their job is to maintain involvement and commitment by promoting solutions, results and benefits in both camps.

Future development

The original 1996 contract was for four years only. A new two year contract has been awarded to RCS based on quality and price demonstrated in open tender. RCS is extending the innovation to all highway contracts.

RCS see the future of highways maintenance contracts in terms of framework agreements of at least five years and joint ventures to maintain and operate over say 25 years, with supporting long term framework agreements and contract specific alliances with suppliers.

How to make this radical change in your business

10 golden rules for success.

1. Ensure the initiative is led from the start at chief executive level
2. Budget for additional manager time
3. Ensure everyone is involved and aware of his or her responsibilities
4. Make formal contracts then file these documents for reference only
5. Appoint and support partnering co-ordinators (see Implementation)
6. Agree joint objectives and KPIs that will measure whether you are achieving those objectives
7. Be clear about your own objectives and make sure the partnering objectives are compatible
8. You now have common objectives so you will need to trust one another to achieve them
9. Measure performance of KPIs and feed the results back to individuals
10. Agree and enforce procedures for swift resolution of disputes.

Contact the innovator

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Related Topics

Visit the Construction Best Practice Programme: www.cbpp.org.uk/cbpp/themes/theme_list.html

Innovation case history

This case history is a snapshot of just one innovation making construction in the UK more profitable for the supply chain and the Client. Further details will be found in the Knowledge Exchange or you should contact the Innovator directly or M⁴I.

Our vision is for the whole UK construction industry to create self-sustaining continuous improvement leading to world class performance and better profitability.



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The M4I Strategy Model applied to this innovation

