

Constructing Excellence

Collaborative Procurement and Risk Management – What needs to change?

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What is wrong with prevailing procurement practices ?

- *‘Clients tend to fixate on lowest initial tendered prices and this is often perpetuated by their advisers, who, in a traditional procurement model, are implicitly employed (at least partly) to manage a fixed and adversarial transactional interface between clients and industry’ - Mark Farmer, ‘Modernise or Die’ (2016)*
- McKinsey Global Institute (2017) recommended that poor productivity in the construction sector means we need to *‘rewire the contractual framework’*
- The Hackitt report *‘Building a Safer Future’* (2018) urged an overhaul of procurement systems to avoid a *‘race to the bottom’* where *‘the primary motivation is to do things as quickly and cheaply as possible rather than to deliver quality homes which are safe for people to live in’*

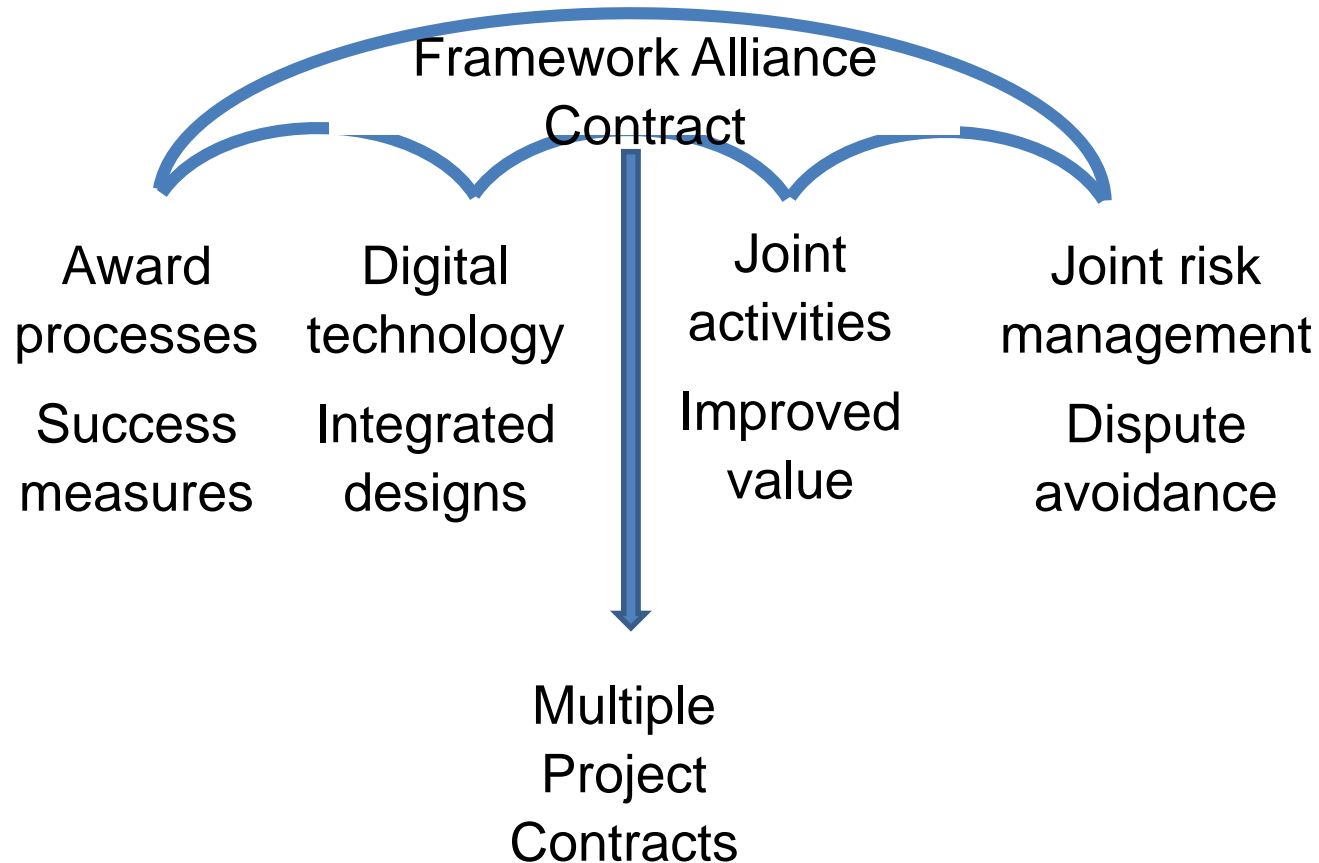
What is collaborative procurement?

- Processes and relationships that challenge the fixed paradigms of single stage lowest price bids, risk dumping contracts and failure to integrate teams or embed learning
- A new commercial culture based on personal leadership by clients, consultants and contractors, and supported by improved exchanges of data between team members
- Direct commitments between team members to develop, share and apply data in ways that improve the design, construction and operation of their projects and in ways that manage risks intelligently
- *'Rewired'* procurement models and contracts that clarify these collaborative commitments in fair and robust commercial terms

How does an alliance contract support collaborative procurement?

- An alliance contract integrates the contributions of clients/ consultants/ contractors/ subcontractors:
 - In a standalone multi-party contract in place of multiple two-party contracts, preferably with early conditional preconstruction phase appointments (e.g. **PPC2000**; **NEC4ALC**)
 - **OR** in an overarching contract (e.g. **FAC-1**) that integrates multiple two-party contracts connecting:
 - a programme of multiple projects
 - the elements and phases of a complex project
 - the contributions to a project using BIM

FAC-1 as an umbrella contract integrating multiple project contracts



The essentials of an alliance

- Why is the alliance created, how long does it last and how can it be terminated if it does not work? (**FAC-1 Objectives/Targets** and agreed consequences of not achieving them)
- How are project contracts awarded? (**FAC-1 Direct/Competitive Award Procedures**, links to *Project Contract forms* and other *Template Project Documents*)
- How is the work of alliance members integrated so as to improve value? (**FAC-1 Alliance Manager**, agreed *Alliance Activities*, shared *Timetable*, agreement of shared data, intellectual property rights and *BIM*)
- What are the members' rewards? (**FAC-1 Incentives**)
- How do members work together and manage risk? (**FAC-1 Risk Register, Early Warning** and *Core Group* decision-making)

Further information on alliances

- **FAC-1** website www.allianceforms.co.uk recording adoption on over £42 billion of procurements in sectors that include public buildings and infrastructure, energy and utilities, modular programmes, schools and housing
- *‘Collaborative Construction Procurement and Improved Value’* (April 2019), David Mosey with 10 co-authors in seven countries; over 50 case studies; explanation of selection, joint planning and joint risk management processes; analysis of **FAC-1**
- *‘What is the Impact of FAC-1 on Construction?’*
youtube <https://www.youtube.com/watch?v=NmvETRmJFEE>