GLOBAL TRENDS IN CLIENT MODELS AND INDUSTRY INSIGHTS

Highlights from the Major Projects Association events held on 4th May and 19th July 2017

Understanding which factors to consider when deciding on a client model can mean the difference between an informed choice based on the outcomes required, and blindly following the same path a business has always taken.

When an organisation is embarking on a change programme with little or no experience, gathering an awareness of what has worked well elsewhere will allow decisions to be made with the benefit of the hindsight of others – and hopefully without the pain of trial and error.

The Major Projects Association is exploring a range of client models from across the globe as part of a research project. The work seeks to bring insight into different ways of identifying the successes and challenges of these approaches.

To support this research, PwC hosted two discussion dinners, bringing together a breadth and depth of client knowledge to the debate.

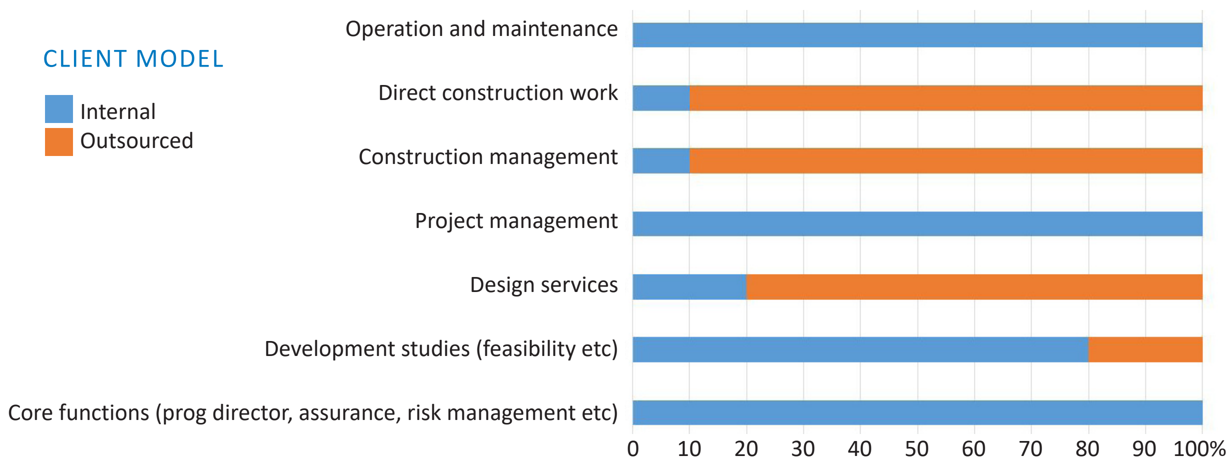
Researcher Bernadette Ballantyne explained that the research undertaken had so far demonstrated a wide range of client model approaches, from deeply integrated clients to much lighter supervisory bodies.

She introduced two contrasting client model examples – the first an experienced client that delivers a wide programme of schemes, and the second a newly formed ministry delivering a major highway for the first time.

The research explored the reasons behind the variety of client models in detail. These included the impact of the different regulatory profiles of the client organisations, whether they are public or private entities, their financing structure and their strategic objectives. Geography too plays an important role.

Developments in technology were not considered to have had a major impact on client models. However, there was discussion around automation of some design and construction services that would not change the client model, but which might affect the nature of the delivery functions. Trends have been identified in terms of the commercial approach, for example the delivery partner model pioneered on the London 2012 Games gaining popularity among clients in some markets.

Key themes and challenges discussed included the need to highlight to which parties the delivery functions are outsourced by refining the 'slide/decide' model.



'As expected, the two schemes highlighted extremes of the client model, with the first organisation mirroring the functions of its supply chain in a bid to closely manage the scheme and reduce the outturn cost. In the second example the client outsourced all of the delivery functions to the supply chain, from feasibility studies through to operation and maintenance of its new highway.

In both cases the organisations learned important lessons that will affect client models on their future projects. For the experienced client this may mean strengthening its construction management function to take on this responsibility for some aspects of future schemes. For the new ministry it is important to train more people within the client organisation during project delivery so that it develops institutional capability to support future schemes.'

Bernadette Ballantyne, Researcher, Major Projects Association

PROJECT ACCELERATION

If the project requires acceleration in the delivery stages, this can be a symptom of a lack of effective progress in the early stages, resulting in pressure on the delivery date. Therefore if a client model is to provide more rapid delivery, it should be designed with adequate capacity and capability to move the project through the development and commissioning stages efficiently.

By challenging the supply chain to be more agile in what they deliver, a client model could be developed where the supplier takes on a broader range of capabilities. Greater ownership and responsibility, creating a one-stop shop, can provide a more efficient delivery structure. Regardless of the model, a consensus was reached that efficient progress could only be obtained by the client creating a delivery environment predicated on trust. Trust between client and supplier nurtures collaboration, increasing the likelihood of success.

IMPROVING STAKEHOLDER AND CUSTOMER ENGAGEMENT

There has been considerable progress in recent years of clients embedding stakeholder and customer engagement into how they operate. The ability of the industry to talk about the delivery of valued assets, rather than just the delivery of a road or an airport, has helped infrastructure to be recognised as a driver for productivity, and an investment with a positive return, both socially and economically. There is now a much greater focus on shareholder return, whether that is for a private investment group or the taxpayer.

A host of successful projects has given the public, in the UK at least, confidence that projects can be delivered on time and to budget.

The model of Sydney Metro was discussed. Sydney Metro created a Director of Customer Strategy and Planning who had the power to hold all other directors to account. This ensured that the customer stayed at the centre of all thinking. Similarly, Sydney Water has restructured its capital delivery team to place customer requirement at the heart of its strategy.

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There was discussion about the need for clients to disrupt the value chain in order to engage directly with Tier 2 and 3 contractors. Through this liaison clients might incorporate improved levels of innovation, providing better solutions for stakeholders.

MAINTAINING FLEXIBILITY

The merits of developing a client model that engaged with multi-disciplinary consultants were also discussed; this can allow reach-back when the resource required becomes project specific. Organisations that have a breadth and depth of capability provide options for clients to source the right skill at the right time – skills that may not be required for 'business as usual' and therefore not available in-house.

The merits of setting up a temporary organisation to maximise flexibility were discussed. Away from business as usual commitments, a standalone client organisation can focus more effectively on the change programme they are charged to undertake. Distance between the corporate governance of an organisation and the project can provide a procurement environment that is bespoke, leading to a tailored approach.

TECHNOLOGICAL CHANGES

A key part of the discussion included the need to look at other industries to understand how their client models have been affected by/improved by technology. Clients are already seeing the benefits of advocating virtual teams to leverage international talents in their supply chain.

Technology that improves the certainty of delivery outcome should be embraced in order to unlock funding. Identifying which models can embrace this technology will improve investor confidence and broaden the pipeline of projects.

Challenges were given in terms of whether increased data created an environment for better decisions or simply a fog for confusion. All agreed that regardless of the technology available, clarity of purpose and understanding the risk appetite are essential to build a successful client model.

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With grateful thanks to PwC for hosting the events.

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