



INFRASTRUCTURE
CLIENT GROUP

Improving Infrastructure Delivery:
Alliancing Code of Practice

© Crown copyright 2015

Rev 1

You may re-use 'Improving Infrastructure Delivery: Alliancing Code of Practice' and its associated tools free of charge in any format or medium under the terms of the Open Government Licence. To obtain a copy of this licence, email psi@nationalarchives.gov.uk. Where we have identified any third party copyright tools or information you will need to obtain permission from the copyright holders concerned.

Anyone using the document does so at their own risk and no responsibility is accepted by HM Government for any loss or liability which may arise from such use directly or indirectly.

Any enquiries regarding this publication should be sent to us at public.enquiries@hmtreasury.gov.uk

You can download this publication from:
www.gov.uk/government/organisations/infrastructure-uk

ISBN 978-1-910835-66-1



HM Treasury

Improving Infrastructure Delivery:

Alliancing Code of Practice



Infrastructure UK & the Infrastructure Client Group

Infrastructure is the backbone for the UK economy. It provides the networks and systems that support reliable and cost effective transport, flood protection, energy, communications, water and waste management. Infrastructure is vital to ensuring that the UK remains a competitive force in the global race.

The government is committed to establishing a long-term sustainable plan for infrastructure investment. **Infrastructure UK (IUK)'s** Cost Review Report 2010 identified the opportunity to improve infrastructure delivery. It set a target to remove wastage and make efficiency savings of at least 15 per cent by 2015 across public and private sector infrastructure delivery. The government's Construction 2025 Strategy goes further, setting a target of lowering costs by 30 per cent and reducing time by 50 per cent.

The government, through IUK, continues to work with industry to drive improved productivity and remove wastage in the delivery of infrastructure investment. These measures are providing better value for money for taxpayers and consumers. Across public and private sectors these combined efforts are starting to yield success. However, there is no room for complacency. There is still much to be done to match the levels of efficiency and productivity seen in some other sectors.

The **Infrastructure Client Group** is demonstrating the value of effective collaboration between government and industry to support the development and exchange of best practice and delivery improvement. Initially brought together by IUK to support the Infrastructure Cost Review work, the membership of this group is representative of the major infrastructure clients. It has been instrumental in setting a common agenda for change and supports a programme of activities and applied knowledge transfer across the public and private sectors. The success of this initiative has been made possible by the continued and valuable support from industry and academic partners.

Good alliances can unlock enhanced value from investment in our infrastructure projected and programme. This Code of Practice enables decision makers to make an informed choice of whether to alliance and if so how to create, deliver and sustain a successful alliance that will deliver benefits to clients, suppliers and end users of assets.



Preface

The UK has a proven capability in delivering successful projects, where the imperative and conditions for success have been properly prepared. Both the Government Construction Strategy and the IUK Cost Review identified that efficiency savings could be delivered through reforming procurement practices and effecting behavioural and culture change.

The wider adoption of collaborative approaches and integrated team working has been supported widely by the Government and industry. Alliancing is one form of collaborative working that has been adopted successfully in the UK and other countries. The Alliancing Best Practice in Infrastructure Delivery (2014) and now this Alliancing in Infrastructure Delivery Code of Practice are products of the government working collaboratively with industry and academia through the Infrastructure Client Group.

The first notable alliances were in the delivery of investment in the North Sea oil fields during the 1990's. Internationally, alliances have been used successfully in a range of circumstances, most notably in Australia where there are numerous examples of alliances effectively delivering infrastructure investment.

More recently a number of infrastructure clients in the UK have delivered improved performance through alliance arrangements. There are a range of UK case studies that show where effective alliances have been established long term performance improvement has been achieved. There is now an industry wide track record that supports the business case for alliances.

This document provides accessible and valuable support to those embarking on an alliance journey and to those who are already developing an alliance. It draws on experience from many organisations; clients, delivery teams, consultants and academics to highlight which aspects of alliance set up are most important, when they are most applicable and sets out the building blocks that need to be in place to ensure the effective development of alliances.

Further resources and links to contributors can be found at www.ice.org.uk/topics/industry-initiatives/about.

Infrastructure UK resources can be found on <https://www.gov.uk/government/organisations/infrastructure-uk>.



Guidance notes on using the Code of Practice

This Code of Practice (CoP) can be used by organisations considering whether to alliance or those working in an existing alliance.

The CoP is a compilation of outcomes evident in best practice alliance arrangements across infrastructure delivery.

It aims to make this best practice experience available to any organisation involved in infrastructure delivery by defining what good looks like at the various states of developing an alliance.

It can be used as a source of knowledge and information, to informally gauge progress, or as a more formal assessment tool. It allows organisations to undertake a gap analysis and identify key areas for improvement, to understand their progress within the current phase or to gauge their readiness to move to the next phase.

The guide is available as a document or through the Institution of Civil Engineers webpage <https://www.ice.org.uk>.

When using the CoP it may also be of benefit to read the [Best Practice Guide to Alliancing \(https://www.gov.uk\)](https://www.gov.uk).

Using the Code of Practice as an Assessment Tool

The Code of Practice can be used as a knowledge source, to informally gauge progress or to undertake a more formal assessment. Where a formal assessment is being made, observing the following principles will help to get most value from the process:

An assessment against the Code of Practice is best done through a series of interviews with individuals or teams who have a direct knowledge of the alliance

When planning assessment sessions consider attendance, duration, environment and facilitation.

The best results will be achieved when teams involved directly in the alliance are able to openly compare their progress with the outcomes described in the Code of Practice.

An understanding of the aims and structure of the CoP will be required before the assessment is undertaken, either in advance of any assessment session or as an introductory presentation.

The actual assessment of progress against the outcomes described in the CoP should be made by facilitators or assessors who are not directly involved in the Alliance.



Contents

Section 1	Introduction What is an alliance? Where is an alliance relevant? Alliancing within the context of BS 11000 Collaborative Relationship Management Developing an effective alliance	2 3 4 5 6
Section 2	Deciding to alliance 2.1 Behaviour 2.2 Integration 2.3 Leadership 2.4 Commercial	8 9 10 11 12
Section 3	Creating an alliance 3.1 Behaviour 3.2 Integration 3.3 Leadership 3.4 Commercial	14 15 16 19 20
Section 4	Delivering an alliance 4.1 Behaviour 4.2 Integration 4.3 Leadership 4.4 Commercial	26 27 29 31 31
Section 5	Sustaining an alliance 5.1 Behaviour 5.2 Integration 5.3 Leadership 5.4 Commercial	34 35 36 37 38



Introduction

Deciding to alliance

Creating an alliance

Delivering an alliance

Sustaining an alliance

The benefits of alliancing in the delivery of infrastructure projects are now clear. In the right environment the benefits of an alliancing approach can be considerable.

The catalyst for this document is the growing track record of successful alliances in complex and challenging delivery environments. These alliances have delivered more value than traditional procurement arrangements; with effective collaboration underpinned by common goals and integration.

What is an alliance?

- An alliance in general terms is a collaborative and integrated team brought together from across the supply chain. The team share a set of common goals aligned with customer and client outcomes and work under common incentives.
- As commercial and performance targets are cascaded through the supply chain they remain back-to-back with agreed client outcomes. Alignment of outcomes becomes part of extended supply chain relationships.
- Back-to-back relationships enable the development of integrated teams, brought together early in the development of programmes or projects.
- Alliancing differs from traditional approaches in several areas. Risks are normally shared, as is commercial return. Alignment between the parties is absolute, leading to an arrangement built on common interest.

An alliance is:

- A collaborative and integrated team brought together from across partners and owners to deliver a programme or project.
- Shared commercial goals, aligned directly with customer or project outcomes.
- Integrated teams, developed on a best for task basis.
- Underpinned by a commitment to key working principles and trust based relationships.
- An emphasis on creating the right culture and behaviours, including no-blame.
- Strong, collective and unanimous leadership.

Table 1.1



Introduction

Deciding to alliance

Creating an alliance

Delivering an alliance

Sustaining an alliance

Where is an alliance Relevant?

Alliancing is likely to prove most effective where the following conditions apply:

- Where the **environment is complex**, with multiple stakeholders, competing interests and challenging goals. In these situations the collaboration of multiple parties is in itself an effective enabler to performance.
- Where **performance improvement and change is a business requirement**. The visibility of performance and the collaborative behaviours achievable through an alliancing arrangement can be important enablers to business improvement.
- Where **access to the extended supply chain** is an important performance enabler. This could be, for example, where supply chain innovation is required or where direct customer contact will be through supply chain partners. The aligned and integrated teams in an alliance can more effectively achieve these requirements.
- On **larger programmes or projects**. There is a set up and overhead cost to alliances that can limit their effectiveness on smaller projects. As the programme or project size increases however, an alliance is then able to deliver enhanced value over and above traditional methods.
- On **longer-term projects or programmes**. The relationship building and development of trust between the client and the supply chain takes time and effort. Medium and longer-term projects therefore provide greater opportunity for the benefits of collaboration to be delivered.

Check list for where alliances can be used:

- Complex environments.
- Where performance improvement or business change is required.
- Where there are difficult stakeholder issues.
- Where supply chain partners have a direct customer interface.
- Where opportunities or threats are better managed collectively.
- Where the project is being delivered within a changing environment – for example technology interfaces.
- Where scope can only be confirmed over time.

Table 1.2

Alliancing is not likely to be as effective where the following conditions apply:

- Where **certainty of price or time is the overriding requirement**. Where certainty is more important than efficiency or performance improvement a greater degree of performance risk will be passed to the supply chain. This is more consistent with traditional contracting models than the risk balance required in a collaborative model.
- Where the prevailing environment will not enable **the required cultural and behavioural change**. Establishing an effective alliance requires a change in culture and behaviour. Commitment, capability and time will all need to exist for the required change to be achieved.



Introduction

Deciding to alliance

Creating an alliance

Delivering an alliance

Sustaining an alliance

Alliancing within the context of BS 11000 Collaborative Relationship Management

A relatively recent development in the field of partnering and collaboration has been the publication of a British Standard for Collaborative Business Relationships. Since its publication in BS 11000 has been adopted mainly in the defence and rail infrastructure sectors. However, there is now evidence of its further momentum into other sectors and perhaps most notably is now being converted to an international standard ISO 11000.

The emergence of BS 11000 has given rise to debate among practitioners as to its compatibility with established collaborative delivery models such as alliancing. BS 11000 represents a strategic framework through which organisations can develop, implement and sustain their approach to collaborative business relationships. In this sense it can be viewed as a high level model that supports a variety of collaborative contracting arrangements. Indeed, its proponents point to its inherent flexibility as a key advantage in the modern business environment.

An alliance is a collaborative form of commercial arrangement, with successful examples across a range of industries. Alliancing currently represents perhaps the most sophisticated form of collaborative contracting undertaken in the design and construction of infrastructure projects. In this sense alliancing can be viewed as being entirely complementary with BS 11000 insofar as it sits at the more developed end of collaborative contracting.

The essence of BS 11000 is that productive collaborative working requires appropriate behaviours together with supporting processes, collective leadership and contracting arrangements that do not constrain collaboration - and actively facilitate it via the alignment of objectives and creation of incentives. This is consistent with much of the thinking and practice seen in alliancing contracting and delivery models in the infrastructure sector in the UK over the last fifteen years.





Introduction

Deciding to alliance

Creating an alliance

Delivering an alliance

Sustaining an alliance

Developing an effective alliance

The Code of Practice is structured around the four key themes evident in successful alliances (figure 1.1):

Behaviour

Integration

Leadership and

Commercial

These key themes are set out against the lifecycle phases of:

Deciding, Creating, Delivering and **Sustaining** an alliance.

The Code of Practice has been compiled by reviewing best practice examples from across the infrastructure sector. The outcomes that have been achieved in effective alliances are set out against the matrix shown in figure 1.1.

Critical outcomes, those that need to be in place for the alliance to be successful, are highlighted accordingly





Introduction

Deciding to alliance

Creating an alliance

Delivering an alliance

Sustaining an alliance

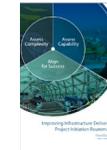
	DECIDING	CREATING	DELIVERING	SUSTAINING
BEHAVIOUR	Deciding Behaviour	Creating Behaviour	Delivering Behaviour	Sustaining Behaviour
INTEGRATION	Deciding Integration	Creating Integration	Delivering Integration	Sustaining Integration
LEADERSHIP	Deciding Leadership	Creating Leadership	Delivering Leadership	Sustaining Leadership
COMMERCIAL	Deciding Commercial	Creating Commercial	Delivering Commercial	Sustaining Commercial

Figure 1.1
Structure for Alliancing Code of Practice

This Code of Practice can be used in conjunction with a suite of IUK and ICG resources:



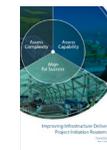
Improving Infrastructure Delivery: Project Initiation Routemap Handbook



Requirements Module - Improving Infrastructure Delivery: Project Initiation Routemap



Governance Module - Improving Infrastructure Delivery: Project Initiation Routemap



Execution Strategy Module - Improving Infrastructure Delivery: Project Initiation Routemap



Organisational Design and Development Module - Improving Infrastructure Delivery: Project Initiation Routemap Handbook



Procurement Module - Improving Infrastructure Delivery: Project Initiation Routemap

All available from: <https://www.gov.uk/government/publications/improving-infrastructure-delivery-project-initiation-routemap>

Section 2

Deciding to alliance





Introduction

Deciding to alliance

Creating an alliance

Delivering an alliance

Sustaining an alliance



The following section sets out the actions that should be completed as part of deciding to use an alliance model - and in advance of any procurement or detailed implementation.

The decision to form an alliance should be underpinned by the identification of the behavioural characteristics necessary to sustain long term relationships.

2.1 Behaviour

The behaviours required for successful delivery provide a critical input to the procurement and contractual framework. During the **Deciding to alliance** phase the behavioural outcomes described below will have been completed as part of providing a platform for on-going development of the alliance:

Identifying the required behaviours:

- The behaviours required at both organisational and individual level in order to achieve the required customer outcomes have been identified and set-out as part of the implementation plan.
- An initial change plan has been established that includes processes to develop the required behaviours across the client organisation.

▶ An alliance will inevitably require cultural change in all participating organisations; however, this is most important for the client organisation as a reversion to traditional behaviours by the client inevitably has the most significant impact on the development of the alliance.

Developing the client capability to support an alliance model:

- A development plan is in place to provide the client capabilities required to support an alliance model. This follows an assessment of strengths and weaknesses, particularly in relation to collaboration.



Deciding to alliance

Introduction

Deciding to alliance

Creating an alliance

Delivering an alliance

Sustaining an alliance



Client leadership of collaboration:

- The anticipated benefits of a collaborative environment have been communicated and are understood by all relevant stakeholders in the client organisation, providing an early view on why collaboration is required.
- The change plan recognises the additional challenges and the critical dependencies of positive client behaviour - and has led to a visible and positive approach to collaboration by the client.
- The benefits of adopting a collaborative approach have been identified and a measure for assessing the progress of collaboration has been included in the overall implementation plan.

2.2 Integration

The following aspects of integration should have been achieved during the **Deciding to alliance** phase:

Planning for an integrated delivery team:

- The proposed delivery organisation is highly integrated, recognising that in an alliance model the client team are part of the execution plan or project - not that the project is being transferred to a third party.
- 'Best for project' selection principles have been established, providing a clear approach of how teams will be brought together from across the Alliance.
- The environmental enablers for collaboration, such as co-location and collaborative systems, have been identified and are covered in an implementation plan.



Introduction

Deciding to alliance

Creating an alliance

Delivering an alliance

Sustaining an alliance



2.3 Leadership

A strong leadership platform will have been established during the **Deciding to alliance** phase, including:

Clear client commitment to alliancing:

- The commitment to establishing an alliance is evidenced in client corporate decisions such as Client Board or Sponsor approval to alliancing as the preferred delivery model.
- The customer outcomes (or business requirements) to be delivered by the alliance are clear, agreed and documented - and provide a clear starting point for the measurement of alliance performance.
- Commitment to alliancing is embedded at senior levels in the client organisation. This has been achieved through an engagement process that has established leadership buy-in prior to the Creating an alliance phase.
- An initial framework for the change plan is in place and is based on a clear understanding that effective collaboration will require an investment in cultural change across the client organisation.
- The duration of the alliance is clearly defined and an initial exit strategy is in place providing for effective close-out of the alliance.



Introduction

Deciding to alliance

Creating an alliance

Delivering an alliance

Sustaining an alliance



2.4 Commercial

The initial commercial framework has been established during the **Deciding to alliance** phase including the following:

An aligned commercial model:

- The customer outcomes (or business requirements) to be delivered by the alliance are clear, agreed and documented.
- Clear commercial targets have been established at the outset of the alliance. Including how value will be measured for Whole Life Cost, Capital Cost and Operating Cost.
- The business case is based on identified and measurable improvements in current performance - collaboration is recognised as an enabler to these improvements, not an end in itself.



Figure 2.1
Moving from traditional to an alliance approach

- The proposed commercial model demonstrates how partners will generate a return, the level of performance required to generate that return and how performance remains aligned with the client's business requirements.

▶ The commercial model and performance measures for the alliance are important enablers for an aligned 'back-to-back' relationship. Effective alliances work hard to maintain absolute alignment.



Introduction

Deciding to alliance

Creating an alliance

Delivering an alliance

Sustaining an alliance



A commercial model focused on the required behaviours:

- The behaviours to be incentivised and created through the commercial model have been defined, for example collaboration, continuous improvement and customer service. The behaviours will be relevant to the particular business context.

Clear principles established before procurement:

- Commercial model principles have been established prior to the procurement process including:
 - The process for establishing current baseline performance.
 - The process for setting targets (the principles have been defined at this stage, as detail will be agreed when the alliance is in place).
 - The general incentive arrangements (pain / gain).
- Targets in the commercial model are aligned with a clear view of current baseline performance - with value and performance measured from this baseline.
- The alliance will generate a return by outperforming against the defined baselines.
- Initial scenarios have been run to demonstrate and validate how all the members of the alliance will operate within the commercial model.
- The capabilities required to deliver the outcomes have informed an initial view of the procurement process for both the main alliance partners and the extended supply chain.

A balanced approach to managing risk:

- A clear risk strategy has been set out in advance of the procurement process, identifying how risk will be allocated and dealt with within the commercial model.
- Risk management processes allocate risk to the party best placed to manage it.



Introduction

Deciding to alliance

Creating an alliance

Delivering an alliance

Sustaining an alliance

With a clear strategy and commercial principles in place the development of the alliance progresses into procurement and establishing the organisation.

In the **Creating an alliance** phase an integrated approach to delivering the desired outcomes is developed.

3.1 Behaviour

The emphasis on creating the right behaviours continues through the **Creating an alliance** phase and is built into the approach to procurement and the emerging commercial model:

A performance structure that aligns all teams around the agreed outcomes:

The objectives set out for the alliance are clearly aligned with the overall customer outcomes and provide a framework for the procurement process.



Figure 3.1

Alignment when creating an alliance



Creating an alliance

Introduction

Deciding to alliance

Creating an alliance

Delivering an alliance

Sustaining an alliance



A selection process that places an emphasis on behaviour and culture:

- The overriding purpose, role and the required behaviours for the alliance have been consistently and widely shared with potential partner organisations prior to the procurement process.
- The selection process places an emphasis on assessing partner cultural capability, with the identified behaviours providing the measurement framework.
- The structure of the procurement process is relevant to the scale and nature of the project or programme (and does not simply follow a standard procurement structure).
- The selection process includes an assessment of the behavioural capability of the proposed partner core team. Core team roles have been defined in advance and the proposed partner representation is included in the teams attending assessment centres.

3.2 Integration

The framework for developing a high performing and integrated organisation is established during the integration phase.

Developing an alliance identity:

- An initial concept has been agreed for the alliance identity and branding, as an enabler to the integration of partners and teams.

▶ A common identity is an effective enabler of integration. However, this needs to recognise that the benefits of integration are invariably much wider than just the delivery team - identity and ownership should include relevant operators or users and possibly key stakeholders.

Selecting the right alliance people:

- Where appropriate, the opportunity has been taken to involve key stakeholders or the extended supply chain in the selection process, for example in behavioural assessments.
- A proposed management structure for the alliance has been set out and provides a clear representation of the leadership roles required.
- The alliance management structure provides the opportunity for senior level representation from the partners (subject to a future 'best for task' selection process), recognising the critical requirement for change leadership.
- The proposed alliance organisation includes a Board (or Project Board) that has cross partner representation - and that has collective responsibility for overall performance.



Introduction

Deciding to alliance

Creating an alliance

Delivering an alliance

Sustaining an alliance

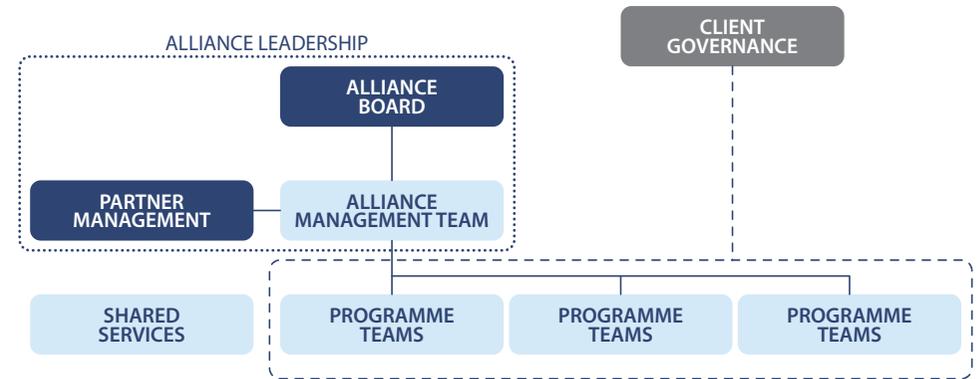


Figure 3.2
A typical alliance management structure

- The selection process includes an assessment of the proposed leadership team of each potential partner organisation.
- Alliance recruitment places an emphasis on appointing the right people with the right behaviour and the right attitude.

Planning for an integrated organisation:

- The capabilities required from the proposed alliance roles (partners) have been identified and have been set-out as part of a complementary capability plan for the alliance.

▶ Identifying alliance roles should not be about creating duplication of partner capability or creating competition within the alliance. There are many examples of alliances undermining the benefits of open collaborative behaviours by reverting to competition.

- An assessment of the combined client and partner capability required to effectively deliver the programme or project has been made, setting out the capabilities both the existing client team and the partners will bring to the alliance.
- A best for task process has been set-out in advance of selection, providing clarity to partners on the process for assessing the suitability of individuals to key roles.
- The respective roles, including client and alliance, have been clearly defined and demonstrate how all roles (and accountabilities) are integrated within an overall delivery process.



Creating an alliance

Introduction

Deciding to alliance

Creating an alliance

Delivering an alliance

Sustaining an alliance



The client roles within an alliance must be clearly defined. A number of previous client capabilities are likely to become part of the integrated delivery organisation. Contract management will remain a client activity - managed through a distinct team with clear contract responsibility. In developing a highly integrated delivery team it is important that the essential aspects of contract management and administration are not lost.



The people processes required to support integrated teams have been identified within the implementation plan, including how objective setting, performance management and personal development will be undertaken in integrated teams.

A common delivery process:

- An end-to-end delivery process has been set out that provides a clear route for the programme or project to progress, including key gateways and milestones.

Understanding partner goals:



The declared goals, or success factors, for the alliance include the identified business drivers of the potential partners.

Defining the alliance aims:

- A communication plan has been produced for use within the business and with potential partners that provides a clear articulation of the overriding aims and objectives for the alliance.
- The business case for the alliance includes benefit targets for all potential alliance parties (client and partners).



Creating an alliance

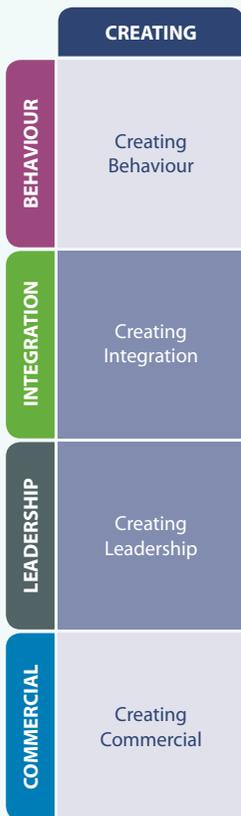
Introduction

Deciding to alliance

Creating an alliance

Delivering an alliance

Sustaining an alliance



Integrated Delivery Process:

- The proposed delivery process enables partners and teams to be brought together early in the development of solutions (including strategic sub-contractors and suppliers) when integrated team have greatest influence on the project outcomes.

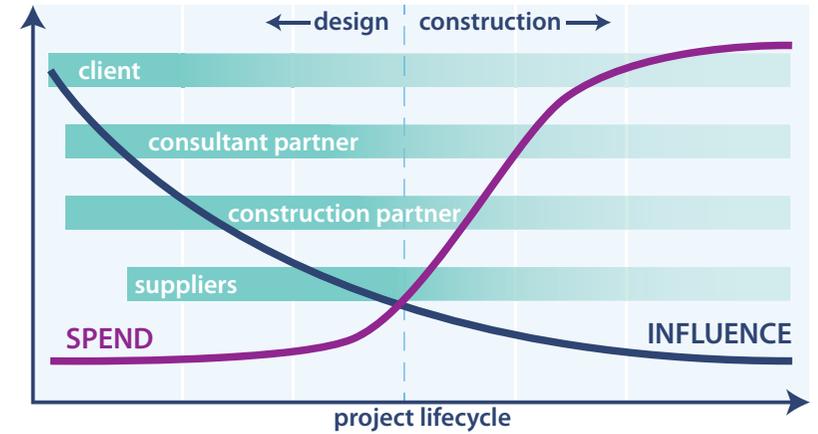


Figure 3.3

Alliance teams should be formed when they can still influence the success of the project; making most use of the capabilities within alliance organisations and strategic partners.

3.3 Leadership

Collective leadership is critical during the procurement and transition phase including:

Establishing alliance leadership:

- Decision making responsibility and levels of delegation have been clearly defined, ensuring clarity on decision making responsibility across client, alliance and individual partners.
- The authority required for alliance leaders to fulfill their roles has been identified and is reflected in role descriptions
- The individuals proposed for alliance leadership roles have the authority to make collective alliance decisions on behalf of their partner organisations.

▶ Collective decisions taken by alliance management groups cannot be referred back to partners' organisations. Being part of an alliance requires a commitment to collective decision making.



Creating an alliance

Introduction

Deciding to alliance

Creating an alliance

Delivering an alliance

Sustaining an alliance



- The alliance leadership are clearly engaged in the overriding vision and are set to act as advocates throughout the transition phase.

▶ Behavioural change programmes can only be led by belief-based leadership - a new and developing alliance needs effective belief-based leadership.

- The client or sponsor team has signed-up to the key targets for the alliance, ensuring key stakeholders have a shared expectation of what success looks like.

3.4 Commercial

The commercial model has been collectively developed during the **Creating an alliance** phase, with a clear and shared understanding of how the required behaviours will be created including:

Selecting the right alliance partners:

- The procurement process has assessed partner capability, culture and cost in a process aligned with the outcomes required from of the project or programme.
- The selection process has placed an emphasis on behavioural and cultural capabilities; commercial aspects are limited to an assessment of how the partner will add value and to an assessment of underlying partners' costs (e.g. cost to employ).

▶ Tendering based on costs requires a defined scope; procuring partners based on a cost to deliver a scope defined by the client is inconsistent with an outcome based approach and with alliancing.

An effective commercial model:

- The commercial model is built around the delivery outcomes or outputs (not scope) - providing a clear opportunity for innovation and improvement.

▶ The alliance must be able to develop solutions for a collaborative and integrated model to work. If the client organisation specifies solutions there will be limited opportunity to improve on baseline performance.



Creating an alliance

Introduction

Deciding to alliance

Creating an alliance

Delivering an alliance

Sustaining an alliance



Incentive arrangements in the commercial model are supported by clear mechanisms, including:

- How target costs and incentive thresholds are set.
- Clear thresholds at which all parties generate a return
- How shared pain / gain arrangements will work.

The commercial model reflects a 'best for project' principle in relation to:

- Work allocation
- Liabilities for pain and gain – partners are incentivised to collaborate in dealing with commercial challenges.

The proposed alliance model creates open and visible relationships across all parties. The relationship between partner and client is contractually the same for all parties.

▶ One of the real opportunities in an alliance model is the open and visible performance and the consequent opportunities for improvement and best practice. This opportunity can be undermined by differences in the contractual relationship across partners, by joint ventures or historic and other existing relationships that block visibility within the proposed alliance structure.

The commercial model has been evaluated against current best practice and has had wide stakeholder input. Ensuring that a clear understanding of industry best practice and learning has been used to test the characteristics of the model before delivery.

The proposed alliance commercial model is recognised by all parties as being challenging, performance focused and fair.

A commercial model focused on the right behaviour:

The behaviours required for the success can be mapped directly to mechanisms within the commercial model (for example; collaboration, outperformance, delivery on time, customer service).

▶ Identified behaviours must be created and sustained through a business wide understanding of the commercial model; if, for example, behaviours such as collaboration or customer service are required for effective delivery then they must be clearly incentivised in the commercial model.



Creating an alliance

Introduction

Deciding to alliance

Creating an alliance

Delivering an alliance

Sustaining an alliance



- Incentive arrangements are recognised as being self-financing, in that they are generated by outperforming an established baseline or by outperforming an affordability within the original business plan.
- The commercial model uses variable pain/gain arrangements, to ensure a fair distribution at all levels of performance and to avoid the perceived risk of 'super' profits.

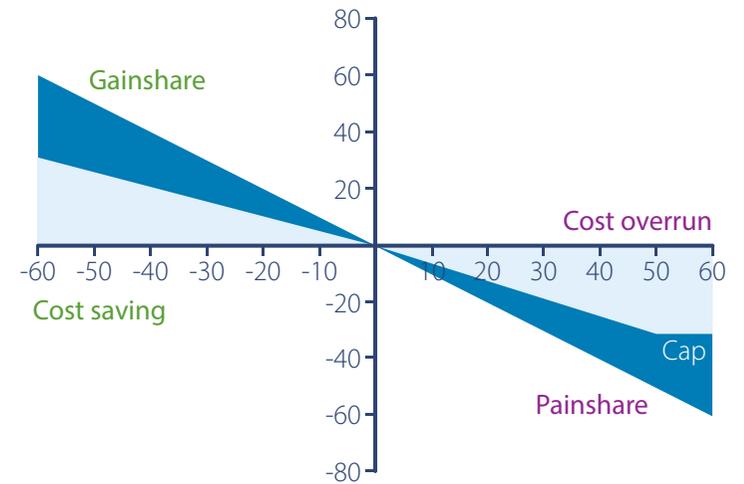


Figure 3.4
Typical reward and risk sharing arrangement with partner risk cap

- The commercial strategy for the wider supply chain extends the commercial principles established for the main alliance partners through the supply chain, increasing the 'back to back' principle through all strategic relationships.



Introduction

Deciding to alliance

Creating an alliance

Delivering an alliance

Sustaining an alliance



Alliance agreement under pinned by key principles:

- The key principles for the alliance agreement ensure the commercial model, and it's focus on creating the right behaviours, are embedded in the agreement.

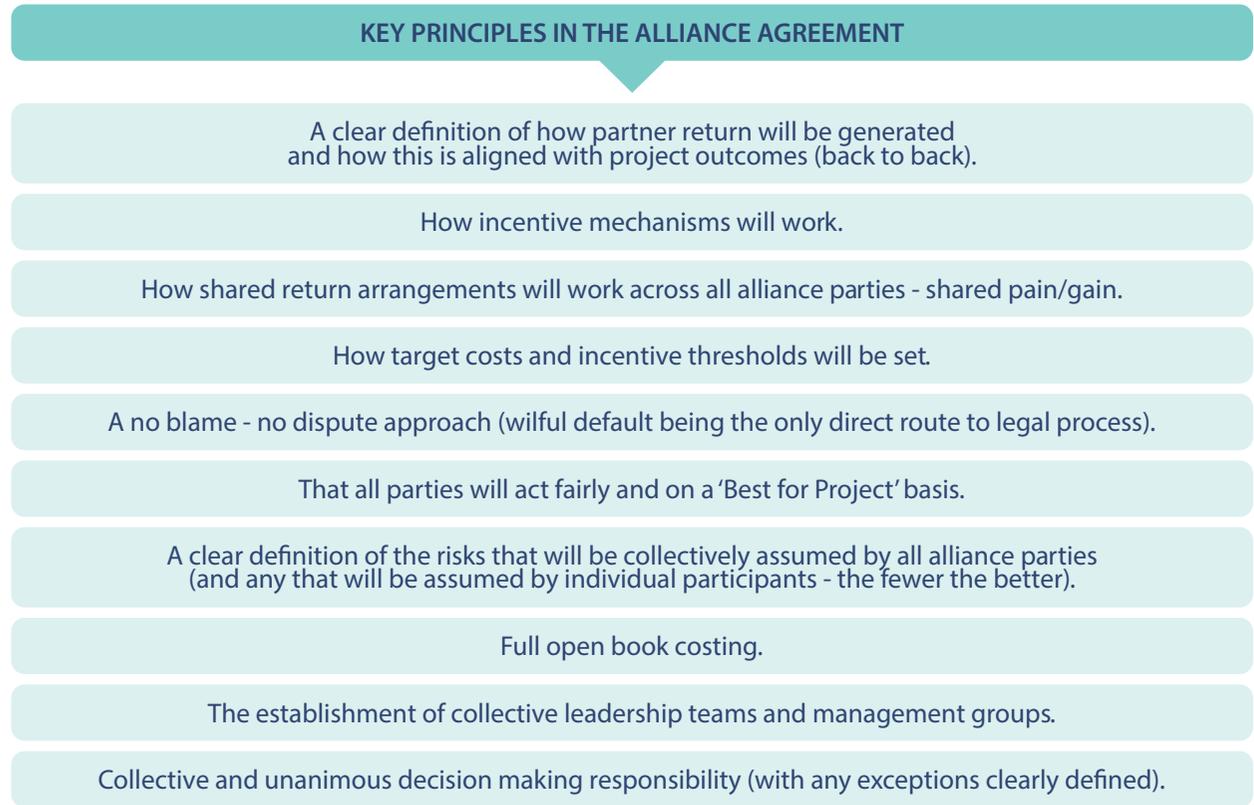


Figure 3.5

Key principles in an alliance agreement



Introduction

Deciding to alliance

Creating an alliance

Delivering an alliance

Sustaining an alliance



A contract for alliancing?

The examples of best practice used to inform this CoP all used standard forms of contract for their alliance. The general approach when developing contracts for alliances is:

- A standard set of contract conditions, with each alliance partner contracted directly with the client.
- An additional section setting out the particular role and contribution of each partner to the alliance.
- In some cases a horizontal agreement between the respective partners to capture the principles within the commercial model, particularly those that jointly incentivise performance and create collaboration.

More detailed aspects of the commercial model, such as out-performance, gain share and payment mechanisms are generally covered in a small number of additional general conditions added to the contract.

This approach reflects the emphasis that successful alliances place on the commercial model, rather than a specific conditions of contract. It is the commercial model that creates the behaviours required and the creates environment in which the alliance operates.

Successful alliances demonstrate that the form of contract is not a critical factor. In an alliance standard contracts are used with an emphasis on fair and equitable application - enabling the correct behaviours and relationships to be developed.

Table 3.1



Creating an alliance

Introduction

Deciding to alliance

Creating an alliance

Delivering an alliance

Sustaining an alliance



Establishing joint ownership of performance:

- A common reporting framework has been developed. This aligns the reporting requirements of client, alliance and partners - and is built on a single source of performance information.
- A joint improvement plan, including commercial targets, has been collectively signed-off by the selected partners, with on-going ownership clearly established within the integrated organisation.
- The commercial model is built on full visibility of all programme or project costs.
- An integrated commercial process has been defined, ensuring that all costs (client, partner, supply chain) are included within a robust forecasting and exception management process.

▶ Alliances work most effectively when the commercial model covers all costs, including client and overhead costs. Separation of costs outside the commercial model creates artificial boundaries to collaboration.



Introduction

Deciding to alliance

Creating an alliance

Delivering an alliance

Sustaining an alliance



With the transition to **delivery** well underway, the alliance continues to develop the fundamental characteristics required for success. The behavioural characteristics set out at the start of the alliance will be embedded in delivery teams and extended through the supply chain. Commercial models will be tested and evolved to provide the right environment for integrated teams to deliver effectively.

4.1 Behaviour

During the **delivery** phase the alliance continues to focus on establishing the required behaviours and delivering underlying change.

Developing collective responsibility:

- The key alliance management groups are set up to act collectively, with representatives of the group acting in the collective interest of the alliance, not solely representing the interests of their home organisation.
- An appropriate process is in place to consider individual partner issues, so ensuring self-interest does not undermine the collaborative management groups.

Setting challenges in a collaborative environment:

- Clear challenges have been set for alliance teams to meet, that will capitalise on the constructive and positive response collaborative teams have to meeting stretching performance challenges (figure 4.1).



Figure 4.1

Team environment and collaboration vs challenge



Delivering an alliance

Introduction

Deciding to alliance

Creating an alliance

Delivering an alliance

Sustaining an alliance



Maintaining a focus on behaviour:

- A process has been established to share and embed the identified behaviours within delivery teams - and is being given an emphasis regardless of the perceived experience in alliancing.
- The best for task selection process places an emphasis on partners providing the right partner, ensuring the culture and capability of each partner is appropriately recognised in the integrated organisation.

▶ Partner selection will have placed an emphasis on the culture and capability of the partner organisation; it follows that the majority of individuals subsequently identified on a 'best for task' basis should represent that partner culture and capability. Widespread recruitment or use of contract employees will undermine the link to partner capability.

- The behaviours required for success are included in job specifications / role descriptions for all members of the integrated teams.
- The improvement plan and improvement initiatives are collectively owned by the alliance. There is no client/contractor separation around the ownership of change.
- An effective collaborative environment has enabled teams to respond collectively and constructively to challenges presented by the project (or programme). This is an important attribute of collaborative teams.



Introduction

Deciding to alliance

Creating an alliance

Delivering an alliance

Sustaining an alliance



4.2 Integration

Effective alliances recognise that developing and maintaining high performing integrated teams is a core competency and are committed to making the changes required to support integrated teams, including:

An integrated alliance organisation:

- A proposed organisation model has been developed for the integrated alliance, with input from all alliance partners.
- The overall organisational model places an emphasis on developing the alliance around integrated delivery teams.
- Co-location of teams has been established, enabling the on-going development and operation of integrated alliance teams.
- An induction programme has been used to establish a shared understanding across the delivery organisation of the alliance purpose, the new ways of working and the key challenges.

Maintaining high performing integrated teams:

- The process for selecting team members is clear and enables managers and team leaders to draw on individuals from across the partner organisations in a 'best for the task' process.
- An agreed process for the development of individuals and succession planning within the alliance is part of the offering to individuals when recruiting into the alliance.
- A process is in place for developing integrated teams, including opportunities for teams to collectively review their progress against:
 - The behaviours required for the alliance to be successful.
 - Their development as a high performing integrated team.
- The process for developing integrated teams provides each team with an on-going development plan based on agreed gaps in capability, operating characteristics and behaviour.

A collective development plan:

- Selected alliance partners have agreed a development plan, immediately after selection, that takes account of feedback from the selection process.

In some open progressive alliances development planning includes the client organisation and is managed through a collective process where all partners are held to account for their development actions by their alliance peers.



Introduction

Deciding to alliance

Creating an alliance

Delivering an alliance

Sustaining an alliance



A performance structure that aligns teams around the agreed outcomes:

- The objectives set out for alliance delivery teams are clearly aligned with the overall customer or business outcomes established at the outset of the alliance.
- An initial performance structure has been developed with an emphasis on integrated teams having collective ownership of alliance objectives, rather than objectives being partner specific.
- Decision making responsibility and delegation has been clearly defined, providing teams with clarity on where governance responsibility sits across client, alliance and individual partners. This includes programme or project approvals and any subsequent exceptions process.

Aligning individual objectives and development plans:

- Processes are in place to cascade aligned project objectives to individuals working in integrated teams. Including how an individual's performance is reviewed and agreed within the integrated team – and then how performance is fed back to and managed by partner organisations.

Planning for wider supply chain integration:

- A supply chain strategy has been developed as part of the overall implementation plan, ensuring the benefits of collaboration, integration and early partner involvement apply to the extended supply chain.
- Integration of the supply chain includes supply chain employees being considered within the 'best for project' approach to management roles.

Maintaining the connection with partner organisations:

- Alongside the development of integrated teams there are clear connection points with the partner home organisations, through:
 - Partner communication and engagement with their alliance employees.
 - Capability networks mapped between the alliance and the home organisations.

A collectively developed improvement programme:

- An improvement programme has been collectively developed in advance of the transition; defining the key change initiatives that will deliver the required performance improvement.
- The improvement programme includes initiatives that will provide teams with a collaborative approach to problem solving or continuous improvement. This could include techniques such as collaborative planning.



Introduction

Deciding to alliance

Creating an alliance

Delivering an alliance

Sustaining an alliance



4.3 Leadership

Leadership of change is critical during the early **delivery phase**, as integrated teams come together and enabling changes to take effect:

Collective management responsibility:

- The alliance leadership team have been given collective ownership of business outcomes, providing a clear set of high level success measures for the alliance.
- Collective decision making responsibility has been established in setting up the leadership groups for the alliance; typically an alliance Board and an Alliance Management Team.
- Clear terms of reference have been established for all collaborative leadership groups, demonstrating to the Alliance organisation that collaborative decision making is in place.

Maintaining leadership of change:

- Partners have given commitments on the time and duration of the selected management groups, ensuring leadership continuity during the first phase of the alliance.
- The leadership team share a clear and common articulation of the look and feel of the alliance and how it will operate.
- An internal communication plan has been set up by the leadership team, to identify and 'celebrate' early examples of collaboration, as an enabler to the required change.
- The alliance is supported by a visible drive for change from both the client and partner organisations.

4.4 Commercial

Integrated delivery teams are supported by common commercial and risk processes, with teams developing a clear understanding of how commercial arrangements drive behaviour and incentivise performance:

Clear and integrated commercial governance:

- An effective early earning process provides a shared approach to early identification of performance issues and a collective approach to mitigation.
- Teams are able to follow a clear, single, integrated governance route for projects, with clear approval stages for partners, the alliance and the owner/client.



- Introduction
- Deciding to alliance
- Creating an alliance
- Delivering an alliance**
- Sustaining an alliance



- Risk and reward mechanisms have been established and are supported by clear and visible processes.

Clear and aligned risk and reward mechanisms:

- Risk and reward mechanisms clearly defined.
- Return is aligned with customer or project outcomes, not individual partner performance.
- Provides the potential for rewarding outstanding performance.
- Has agreed and clearly defined performance targets.
- Establishes boundaries on each companies downside risk.

Table 4.1
Role and reward mechanisms in an alliance

Common risk management processes:

- Projects utilise a common risk management process that provides integrated delivery teams with a single approach to risk identification, valuation and mitigation.
- Clear risk definitions are agreed and in place, including the difference between business and project risk.
- Project estimating and cost forecasting processes provide a common view of the current value of risk.
- The risk management process includes a common, and regularly updated risk mitigation plan, with risk ownership allocated to the appropriate part of the integrated team.
- Joint delivery teams are supported by a clear definition of costs that won't be admissible under the contract. In an alliance contract this is likely to be limited to professional incompetence, repeated rework or to costs submitted outside project closure.

Maintaining commercial leadership:

- The alliance leadership team (or Board) has taken responsibility for reviewing the behaviours created by the commercial model and are able to promote any required changes accordingly.

▶ Maintaining the link between the commercial model and the required behaviours is an important responsibility for the leadership group. The effectiveness of the commercial model is a collective responsibility – not something undertaken separately by the client.



Introduction

Deciding to alliance

Creating an alliance

Delivering an alliance

Sustaining an alliance



- A joint partner commercial group or forum is in place and is focused on maintaining consistent application of the commercial model and alignment with partner home organisations.
- The commercial model is understood by all delivery teams, who have a clear understanding of the performance required to deliver commercial targets.

Using the commercial model to drive integration:

- The process for setting commercial thresholds and target costs is clear and visible to all of the alliance teams.
- A common estimating process has been established, which ensures respective partner costs can be integrated into a common project cost breakdown. This process delivers a single integrated project estimate - not an overall estimate arrived at by aggregating separate partner elements.

Extending commercial principles through the supply chain:

- Responsibility for integration of the extended supply chain has been defined within the management team.
- Where cost baselines are sufficiently understood the commercial strategy for the extended supply chain is based on the same principles as the alliance commercial model (incentivised and / or gain share arrangements).
- A consistent supply chain engagement process has been established; ensuring that the supply chain sees a consistent and equitable approach across all aspects of procurement.

Developing the programme:

- There is a clear process for providing delivery teams with visibility of work that supports effective planning. Visibility is provided prior to projects being passed to the alliance, not simply as part of the delivery process.
- Extended supply chain partners have been engaged at an early stage to harness their capability and secure their input into the programme and project delivery strategy.



Introduction

Deciding to alliance

Creating an alliance

Delivering an alliance

Sustaining an alliance



Given the on going dependency on cultural and behavioural change it is critical that the emphasis on **behaviour**, **integration**, **leadership** and **commercial** is maintained throughout the lifecycle of an alliance:

5.1 Behaviour

The emphasis on creating the required behaviours continues past the transition, with a commitment to making changes where behaviours are not right.

Managing on going behavioural change:

- Best practice examples of effective collaboration are identified and showcased to the rest of the alliance organisation and celebrated.
- An agreed assurance framework is in place, providing all alliance members with visible demonstration of equitable commercial treatment across all partners. Visible assurance is an important process in maintaining trust.

In an alliance the assurance process is not just a client/contractor activity. It provides all parties in the alliance with a visible demonstration of equitable and compliant treatment - and as such is an important enabler of trust.

- Relationships at senior level (Alliance Board or leadership team) are open and challenging, setting the tone for the culture within the organisation.



Introduction

Deciding to alliance

Creating an alliance

Delivering an alliance

Sustaining an alliance



5.2 Integration

As the alliance develops integrated teams will mature and broaden, with best practice openly shared across the organisation;

Sustaining an integrated organisation:

- The positive dynamics of a collaborative environment have been created, including:
 - An open and visible view of every aspect of performance
 - On-going exchange of best practice between teams
 - Constructive peer pressure related to partners dependency on each other's performance.
 - A drive for on-going improvement.

▶ **Direct competition between teams, such as being required to price or bid for elements of work against each other, has to be avoided. Collaboration and competition do not co-exist.**

- The advantages of a longer term relationship have been reflected in the organisation and people strategy for the alliance, enabling a longer term view of resource and skill development.
- Enabling stakeholder relationships have been identified and are owned by appropriate alliance members - effective relationship management being an important part of alliancing.
- The co-located work environment enables integration and collaboration, including:
 - Effective co-location
 - Shared communication
 - An alliance brand or identity.
- The 'best for the task' selection process remains in place through the operating phase of the alliance, to select the right individuals for integrated teams.
- The induction process remains in place to integrate new starters through the lifetime of the alliance.
- Alliance employees identify with the brand and identity of the alliance.



Introduction

Deciding to alliance

Creating an alliance

Delivering an alliance

Sustaining an alliance



Integrated performance management:

- A process is in place to identify and deal with any individual partner issues through an on-going client / partner review process or through a specific 'partner' forum. This will form part of an ongoing development plan for each alliance member.
- Shared business systems provide a single and visible view of alliance performance.

Managing performance in integrated teams:

- Performance management processes allow the alliance objectives to be set and reviewed within the integrated alliance teams - and fed back into partner reward and development processes
- Personal development plans, undertaken within the appropriate employing partner, utilise feedback from the alliance integrated teams on individual performance and progress.

5.3 Leadership

Effective leadership continues to drive change, supporting an organisation committed to continuous improvement.

Clear and shared accountability for delivery:

- Accountability for overall alliance performance clearly sits with collective alliance management teams.
- The alliance leadership team is visible and play a leading role in building relationships inside and around the alliance.
- Communication processes ensure messages on priorities and progress are consistent across alliance teams and with partner home organisations.

Maintaining collaborative leadership:

- Leadership development is in place to support all key management roles, with a particular emphasis on leadership in a collaborative environment.
- Climate surveys are in place to provide feedback to the alliance leadership team on overall progress in creating the right environment for an alliance.



Introduction

Deciding to alliance

Creating an alliance

Delivering an alliance

Sustaining an alliance



5.4 Commercial

The commercial model is widely understood and supported by clear and simple processes and systems;

An integrated approach to managing performance:

- An effective early warning process provides a shared approach to early identification of project exceptions and mitigation.
- The leadership team continue to review the effectiveness of the commercial model in generating the required behaviours - and take responsibility for evolving the commercial model accordingly.
- A single view of performance spans all alliance teams and all partner organisations. The reports used by partner organisations are aligned with and based on the same common view of performance.
- The performance structure provides an open view of all aspects of performance and of current best practice within the alliance.



Introduction

Deciding to alliance

Creating an alliance

Delivering an alliance

Sustaining an alliance

Steering Group and Contributors



Alliance Reference Group

Dale Evans, Anglian Water @one Alliance

John Grimm, Anglian Water, @one Alliance

Neilan Perumal, Skanska, @one Alliance

Simon Murray, Acumen7 Network

David Holmes, Carillion

David O'Neil, Highways England

Infrastructure UK (HM Treasury)

Steve Hudson, HS2

Charles Jensen, Institution of Civil Engineers

Simon Vaughan, JCP Consultancy

Mike Pollard, Network Rail

Geoff Gilbert, Transport for London

Jon Allan, UK Power Networks

Contact details for members of the organisations above can be found at www.ice.org.uk/topics/industry-initiatives/about.

As stated earlier in the document the contributors are willing to discuss alliancing and share their experience and learning.

