

Procuring collaboration

The process of selecting contractors for complex projects is often made on their ability to collaborate, but the challenge is how do you measure a contractor's ability to collaborate with you? Iain McCormick and Stewart Forsyth explain how NZTA does it.

If you had \$100m to build a new road with, how would you decide which contractor to use? It sounds like a simple question. People often answer – you would get a few tender prices and take the lowest one from a known competent contractor. Easy? Well, not so.

What if the contractor you had chosen had just lost several key supervisors and so now had significantly reduced capability but also was so desperate for work that their tender price was artificially low? Perhaps the contractor had bid on the basis that if they got the job they would try and escalate the price over time in whatever way they could. However, you knew none of this, as all you had to go on to make your decision, was the document in the tender box.

Building large infrastructure projects used to be a big gamble. Take the Sydney Opera House which was originally scheduled to take four years with a budget of AU\$7 million – it ended up taking 14 years to be completed and cost AU\$102 million.

Over the last 20 years, governments have become a lot smarter in how they procure large projects. They have come to understand that taking the cheapest tender price does not necessarily deliver the best deal in the long term. A cheaper road building option may cost a great deal more to maintain for the rest of its useable life, while a more expensive build option may have much lower maintenance and so be a better economic option in the long term.

The New Zealand Transport Agency (NZTA) has been selecting contractors on their ability to collaborate for many years. The typical process involves selections based on collaboration before any discussions are held about commercial terms.

An early example was the choice of the Freeflow Alliance to build a major section of motorway in Grafton Gully in central Auckland. Grafton Gully connects the Auckland North-Western and Southern Motorways with the Ports of Auckland and lower Auckland central business district. The 25-month project, completed in February 2004, cost \$67 million.

While the process of selecting contractors for complex projects is often on their ability to collaborate with the NZTA, the challenge is – how do you measure this?

The answer is to shortlist two different contractors who are known to be competent, based on a written proposal about the capability of the company and their planned approach to undertake the work.

A series of identical two-day interactive workshops is then organised which are designed to expose each of the contractors to exactly the same range of project-like situations. These exercises are structured so that the contractors can interact and hopefully collaborate with NZTA staff who are also involved in the interactive session.

An example of an interactive exercise may be to ask the contractor to work with

NZTA to develop a range of performance measures for the project.

These performance measures may include areas such as: time to complete the project, environmental protection and stakeholder consultation and satisfaction. In each of these areas the contractor is asked to work with NZTA to develop a small number of specific measures.

So, for stakeholder satisfaction, the measure may be the average number of days taken to resolve nearby residents' issues to their satisfaction.

The team is also asked to develop a performance spectrum or scale to measure if the performance is good or bad. An example may be: fail is more than 10 days to resolve the resident's issues, business as usual standard is between five and 10 days, a stretch target is two to four days and a breakthrough performance level is within one day.

During the two-day interactive session, the contractor/NZTA team has a wide range of tasks to complete. These can cover: developing a purpose statement for the project, running a risk management session but also working through detailed scenarios that pose specific project related problems.

An example of a scenario may be that a rare species of native bat has recently been discovered in the project area and the question is how should the contractor work with the Department of Conservation and NZTA to decide what they will do.

The exercises tend to be much too complex to fully deal with in the time allotted in the workshop so teams need to decide how to work quickly, yet collaboratively, and what is a reasonable outcome for each exercise.

The complexity of the tasks and the time pressure make the workshops challenging for all involved and this is intentional as the process is aiming to show how all parties respond under pressure.

A key issue is, do the team leaders get overly task focused and controlling when the pressure is on, or are they able remain composed, ensure that all views are heard, and make the best possible decisions given the time frames?

Experience shows that teams react very differently under these circumstances. As the pressure builds through the two days, some remain supremely calm and take everything in their stride, while others are prone to

tension between team members and sometimes they ignore the contributions of the NZTA members.

After the first contracting team has completed their two-day session, the second team starts theirs. During the whole process a small group of specialists carefully observe both teams and build up a body of evidence based on observations about each team's ability to collaborate.

Assessments can be made on how well the team completed the required task, the quality of the collaboration with NZTA, the nature of the teamwork atmosphere – was it positive, enthusiastic or otherwise, and leadership – was there clear evidence of the leader being consultative, clarifying expectations, being supportive and facilitating the overall task. Leadership assessments are relevant for the individual in charge as well as the range of technical specialists who may be involved in the workshop process.

Richard Quinn is a manager project services at NZTA who has been involved in a range of assessments for large infrastructure projects.

He believes that the interactive workshops are a critical part of sound procurement for large complex projects.

"The two-day interactive environment provides a real opportunity to see the teams perform under pressure. Any team can put on a collaborative front for an hour or two but over the two-day workshop you get to see them warts and all."

You may not be able to buy collaboration but you can certainly procure the services of a team who are likely to be great to work with. **M**

Dr Iain McCormick and Stewart Forsyth are specialists in developing collaborative high performance teams that people really enjoy being part of. www.executivecoachingcentre.com

Something a bit different: A US\$72 billion industry

Pet food is emerging as a real growth opportunity for the New Zealand economy, according to Science and Innovation Minister Paul Goldsmith. Globally, pet owners spent US\$72 billion on pet food in 2012 and demand for quality ingredients and products has never been higher.

Goldsmith was welcoming the release of new research on canine nutrition which he says is set to boost New Zealand's premium petfood exporters.

The New Zealand study explored how a high meat diet affects microbes

in the guts of dogs. It found that a high meat diet is the optimum choice for the wellbeing of man's best friend, as it is easier to digest and more nutrients are absorbed.

Goldsmith said in a statement that this research was a significant contribution to the international canine nutrition field and positions New Zealand scientists as leaders in this area. "It's also great news for our premium petfood export market, which is widely recognised as producing some of the best raw meat products in the world."

The research is the first output of a three year collaborative research programme led by AgResearch and Massey University and co-funded by the New Zealand Premium Petfood Alliance (a consortium of Bombay Petfoods, ZiwiPeak and K9 Natural) and the Ministry of Business, Innovation and Employment.

"While New Zealand's disease-free status, fresh raw materials and free-range meats give us a strong competitive advantage in the global market, it is innovation that will drive further industry growth," he says. **M**

