



Investing in Relationships to Deliver Superior Project Performance

by Tim Banfield and Julie Exton

Tim Banfield is the Director at the National Audit Office (NAO) responsible for defence acquisition studies and Julie Exton is a Director at Soma Consultants Limited. New research from the NAO and Soma Consultants Limited highlights the key role that building collaborative relationships has had in the successful delivery of oil and gas projects over the past 20 years. In this article, the authors share the results of their research and explore how the findings could be more consistently applied to defence projects.

Anyone who has ever worked on a project has experienced the difference that a 'good' working relationship makes to the ability to surface and solve problems to deliver successful projects. The National Audit Office (NAO) and Soma Consultants Limited have been working together to explore how the oil and gas and construction industries have delivered significant improvements in project success through investment in relationships and behaviours. We have undertaken our review to gather and share best practice and to highlight the benefits that investing in relationships could have for defence projects.

One of the first things which became apparent to us was that there are lots of different terms for relationship-based working – including alliancing or partnering – but that what people really mean by the terms varies widely. In many cases this misunderstanding has caused confusion and adversely affected the successful application of the principles. Throughout our work we have used the term 'collaborative relationships' to mean investing in the relationships of organisations and people in the long and short term to deliver superior project performance. Our definition is intentionally wide because success depends on designing bespoke solutions addressing the specific circumstances of individual projects.

Establishing and Sustaining the Right Cultural Environment is Fundamental to Successful Project Delivery

The starting point for our work was the 2005 NAO Report: *Driving the Successful Delivery of*

Major Defence Projects: Effective Project Control is a Key Factor in Successful Projects.

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The report was one of a series undertaken in order to understand how best to manage some of the key influences on successful project delivery.¹ Each report compares current defence performance to a theoretical 'Gold Standard' developed from the best defence projects in the UK and overseas and from commercial comparators. All of the work undertaken to date has reaffirmed that, where they are good, UK defence projects compare favourably with any in the world. But performance is variable and the Report's recommendations are intended to help all defence projects routinely adopt practices closer to the Gold Standard.

The 2005 Report highlighted that establishing and sustaining the right cultural environment was fundamental to successful project delivery. We defined 'culture' as being 'the way problems are solved' and concluded that success was underpinned by three key attributes.

First, having an open, trusting and honest relationship between client, prime contractor and supply chain. Second, measuring the client-contractor relationship, and, finally, having a corporate culture of transparency based on no surprises/no blame.

Projects Using Collaborative Working Practices Out-performed Most of the Top Twenty Defence Projects

Building on the 2005 Report, and tapping into Soma's experience of working with major companies from the oil, gas and construction industries, we examined nine projects involving respected companies such as AMEC, BP, Shell, Halliburton and Babcock. The projects were selected to provide a good spread of collaborative working activities. They were not selected specifically because they were successful.

As Figure 1 shows, the oil and gas projects we reviewed had out-performed most defence projects in terms of time and cost. Of course, a simple graphic doesn't prove there is a causal link, but what it does is further support the conclusion from the 2005 study and subsequent work that, whilst most projects use similar project management techniques, the key differentiator is the strength of the underpinning relationship. And the project teams interviewed for this study were in no doubt that their investment in collaborative relationships was worthwhile and were very clear about

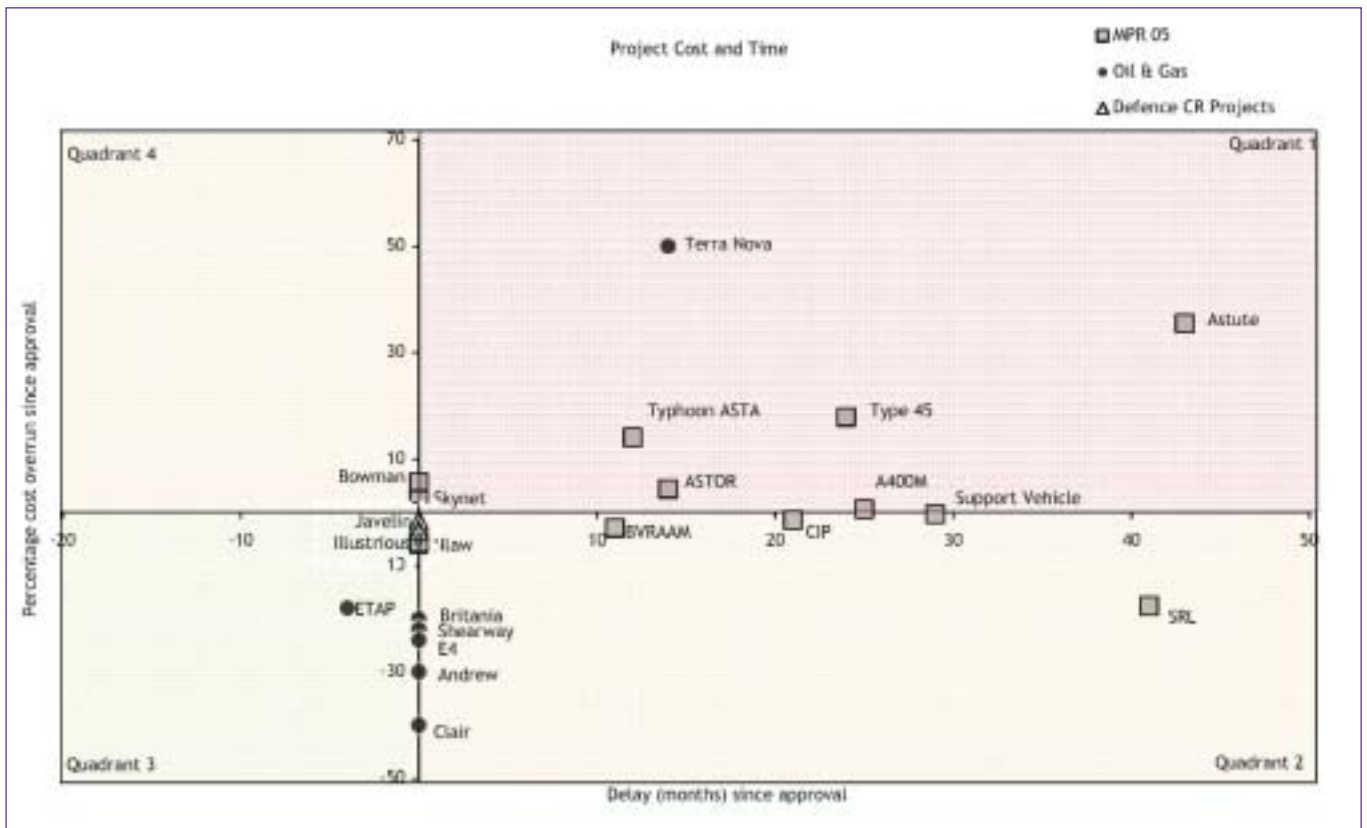


Figure 1: Time and Cost for oil, gas and defence projects

the hard benefits that investing in developing the right behaviours can bring in terms of profit and quality of delivery.

Building on Best Practice, We Have Developed a Skeleton Tool to Help Projects to Develop Appropriate Collaborative Relationships

Using Soma models developed over the past 20 years as a framework, we analysed the data collected from each case study. The results are summarised in a best practice model that also incorporates the original Gold Standard criteria. Whilst there were, as would be expected, some differences, the consistency with which key aspects of best practice were identified and prioritised across all nine projects was noticeable. Two particularly important messages were that collaborative relationships need flexibility – no one size can fit all – and that, for all its benefits, collaborative behaviour is harder to make work than traditional adversarial working relationships.

One common reason for the failure of collaborative relationships is that they are built on unrealistic expectations.

What the best practice model shows as important is that the relationship is firmly rooted in a real understanding of the mutual benefits and material opportunities that exist. To make this shift, there must be a shared understanding of the potential benefits of collaborative behaviour and the risks of not changing (this means ‘feeling comfortable with the uncomfortable’); focus by leaders on creating a collaborative project culture; a regular review of the relationship as the capabilities and interests of stakeholders change over time; and, crucially, the sharing of control rather than battling for it.

‘One common reason for the failure of collaborative relationships is that they are built on unrealistic expectations’

Recognising the factors outlined above, we

have developed a framework tool from the Best Practice Model to help projects to develop their route towards collaborative relationships. The tool is based on a four-step approach and is supported by ongoing measurement to ensure continuous focus on the impact of the ability to work together. Full details of this model are available on the NAO website, but briefly:

- Step One is about **Familiarisation** and building awareness and understanding of each other’s ways of working.
- Step Two is about understanding critical issues and developing a **Vision** for how the project will be run in all of the areas identified within the Best Practice Model.
- Step Three focuses on **Measurement** and defining Key Performance Indicators focusing on relationships and interactions.
- Step Four is committing to an **Action Plan** that will deliver the Key Performance Indicators and embed relationship development in project plans.

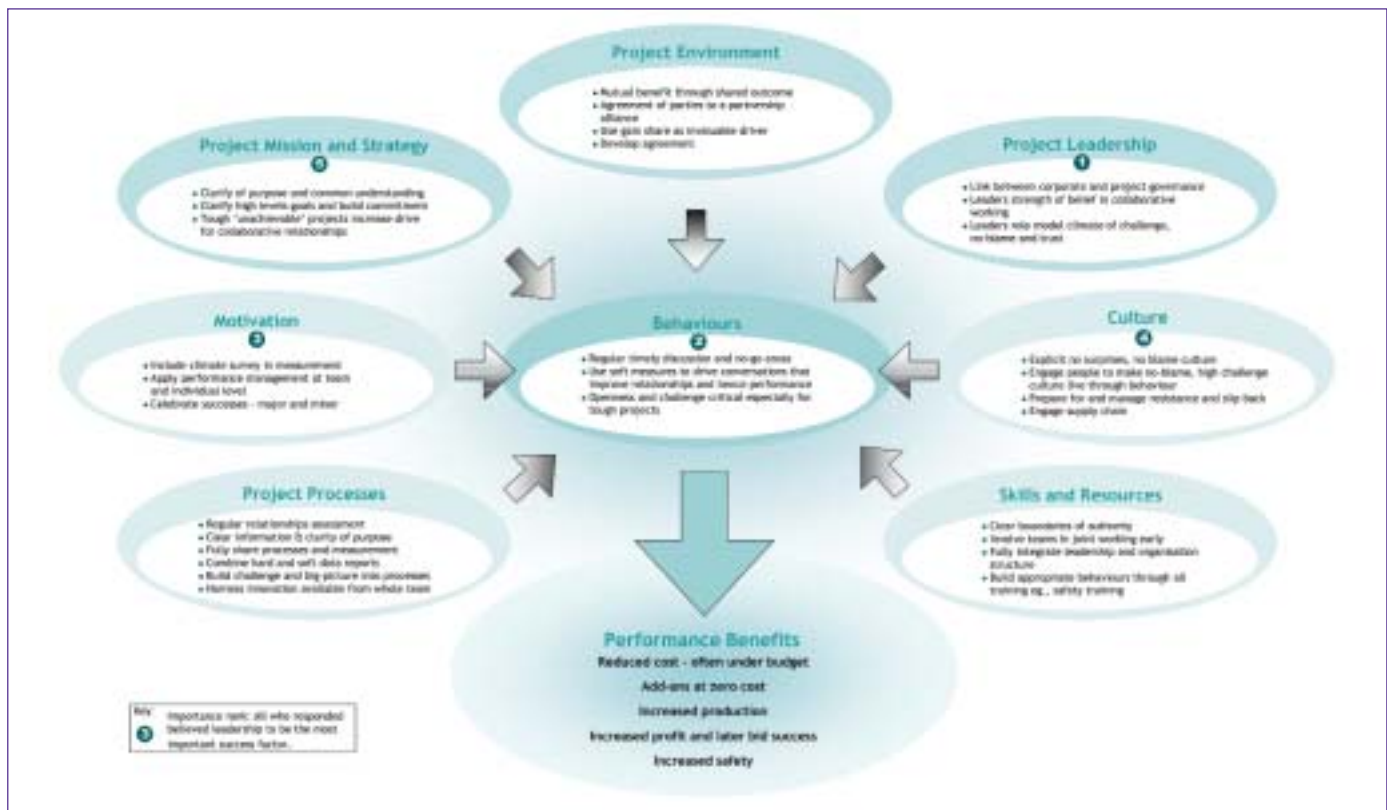


Figure 2: Best Practice model

Collaborative Working is Consistent with the Defence Values ... and Some Projects are Already at the Forefront of Good Practice

In 2005, Lord Drayson, Minister for Defence Procurement, launched the Defence Values to provide a set of values and behaviours to be applied across the acquisition community in both the public and private sectors. Several of the values get to the heart of collaborative working: recognising and respecting the contribution made by industry; sharing objectives, risks and rewards while recognising that different drivers apply; valuing openness and transparency; and sharing future plans and priorities wherever possible to encourage focused investment and to avoid wasted effort.

Some projects are already living the values and have applied collaborative working to good effect. The HMS Illustrious Refit Team worked with Babcock BES in a relationship based on shared values and behaviours which were measured regularly.²

The project was also underpinned by an innovative commercial structure. HMS Illustrious was a 30-month, £120M refit. It delivered an extensive upgrade package

within an ambitious timescale and came in under budget, enabling the savings to be reinvested in additional upgrades to the ship in the refit. In addition, some of the savings were shared between partners with the MoD, for example, saving £1M.

'Collaborative working has a strong track record of increasing the predictability with which projects are delivered'

Conclusion

Defence acquisition is getting tougher. The pace of technological change, the growing role of incremental acquisition and the shift towards the delivery of integrated capability rather than equipment projects all present challenges that can only be met by a closer engagement between MoD and industry. Collaborative working has a strong track record of increasing the predictability

with which projects are delivered to meet the expectations of stakeholders. Its use is well established in sectors such as oil and gas and we are encouraged by its take-up on a number of defence projects. What is required now is for the principles to be applied more consistently. The skeleton tool which we have developed from our best practice model is one way for projects to develop a collaborative relationship which addresses the specific circumstances of individual projects and which is underpinned by a mutual understanding of the benefits and opportunities. Allied to the strong application of more traditional project and programme management tools and strong leadership, collaborative working has a central part to play in achieving consistently better outcomes from defence projects for all stakeholders. ■

NOTES

1. All of our gold standard work, and much of the underlying evidence, is available at our website www.naodefencevfm.org

2. See the article by Stuart Leonard in this section of *RUSI Defence Systems*.