Supply-chain negotiations: what do the participants want?

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Overview

- importance of project supply chains
- traditional relationships
- specialist sub-industries
- case study project
- main contactor workshop
- specialist contractor workshop
- discussion and conclusions
Importance of the supply chain

Rationale

- Designers
- Lead contractor
- Subcontract installers
- System providers
- Product Manufacturers

46% + 29% + 46% = 75%
Traditional relationships

- arms-length
- cost-driven
- opportunistic
- confrontational
- secretive
- unsatisfactory
‘Specialist sub-industries’

- Complexity of supply chains
- Non-homogeneity of supply chains
  - time series of the outputs of various construction ‘specialist sub-industries’
  - there is ‘a need to understand [its] complexity … in order to manage it effectively’.
- Sub-contractor – Contractor relationships
  - distinct differences in the way that contractors behave to their various subcontractors
  - ‘power-distance’ and ‘relational proximity’
  - contractors’ approaches to different subcontract packages will vary considerably.
Case study project

Hull and East Yorkshire Hospitals

One of the largest in England and currently in the middle of a £250m capital investment programme

Castle Hill Hospital, Hull

£50m Cardiac and elective surgical facility
Main contractor workshop

- held at the main contractor’s site offices
- 14th July 2005
- main contractor’s procurement team:
  - project manager
  - planner
  - commercial manager
  - supply-chain manager.
What we want...

- appropriate knowledge of the product, and latest developments
- positive and proactive partners that can be involved at an early stage and contribute to the value and buildability of the project;
- a genuine bid price for the package
- partners that are innovative, flexible and willing to explore the boundaries of good practice;
- co-operative, not confrontational partners;
- quality final product & increased H&S standards;
- understanding of managerial and technical interfaces (within specialists’ own areas and between them and other relevant specialists).
What we can offer....

- work and opportunities
- a ‘preferred’ position for the specialist with reduced tendering costs
- less abortive work or cost of re-work
- a safer environment to work in
- less adversarial attitudes and a better approach to working together
- more efficient use of the specialists’ resources – for example, in reducing the need for ‘man marking’
- effective working relations & a happier working environment
- more consistent and reliable profit margins
Specialist contractor workshop

- 14th July 2005
- 18 organisations were represented
- Asked to respond to the following four questions:
  - What are the usual problems / risks with your projects?
  - How can these risk / problems be minimised?
  - What would you like (ideally) from a project?
  - What could you give in return?
What we want...

- Early commitment & involvement
- Integration with other component suppliers
- Closer working relationships
- True partnering ethos throughout
- Long term engagement
- Industry standard documents
- Standard solutions, fabricated off-site if possible. Safe working environment.
What we can offer....

- Innovation & knowledge sharing
- Cost certainty; best / added value options
- Commitment
- Relationships: loyalty, ‘open book’
- Quality: compliance and completeness
Discussion and conclusions

- Agreement on desires
  - early engagement
  - early and continuing commitment
  - closer working relationships
  - with a view to the longer-term

- Agreement on benefits
  - more value-for-money
  - better design and technical solutions
  - improved quality and safety
  - less disputes
  - enhanced information flow
  - opportunities for innovation

- Barriers
  - traditional direction of Procurement Process
  - fragmentation
  - commercial complexion
The end
Thanks