

**How do we work in the future?**  
**CONSIDERING THE PROJECT  
ALLIANCING APPROACH**

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## TOWARDS DEFINITION

**Project alliancing** refers to a project delivery system, which is based on a joint agreement between the key project actors and in which the parties are together responsible for the designing and building of the project through a joint organisation, and in which the actors share positive and negative risks

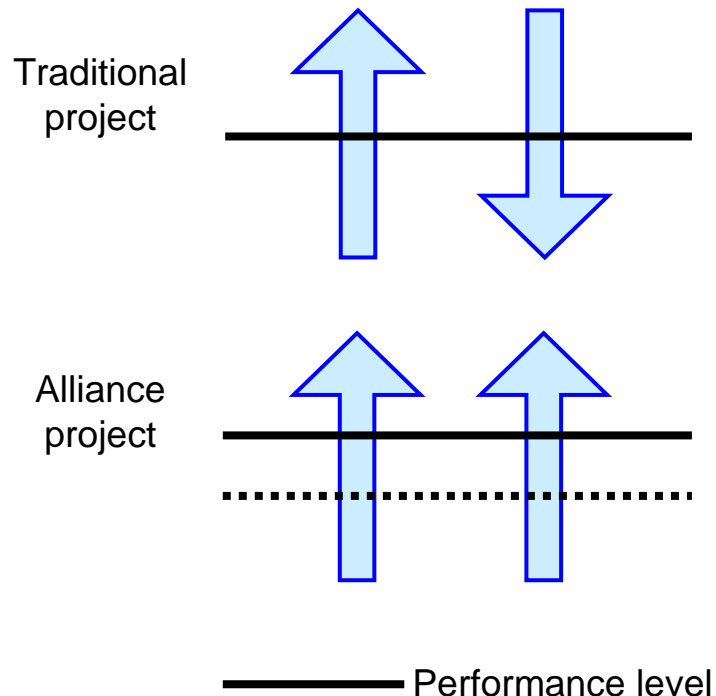


connected with the project and follow the principles of transparency.

All the participants win or loose —  
the question is not of a zero-sum-game!

## BASIC IDEA AND OBJECTS OF USE

Interests of the contracting parties



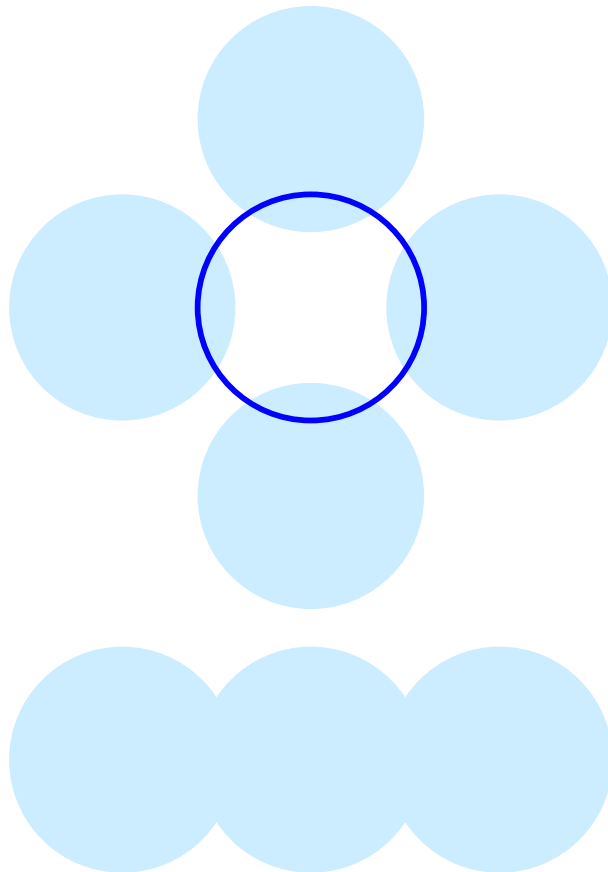
**The aim of alliance contract solutions is to**

- harmonise the actors' interests with regard to reaching the aims of the project
- combine broad, versatile expertise at an early stage to benefit the project
- improve the economic aspects of risky projects in particular (cf. pricing of risks)

**The alliance is primarily used when**

- operating in a built environment
- the project has many stakeholders
- there is uncertainty about quantities
- project planning is demanding
- new technology is adopted

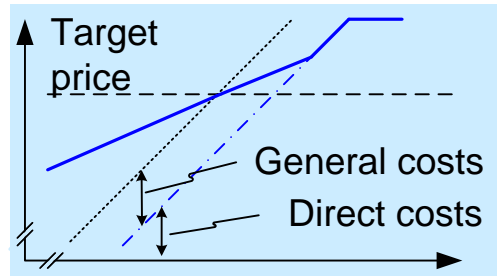
## A SINGLE JOINT AGREEMENT



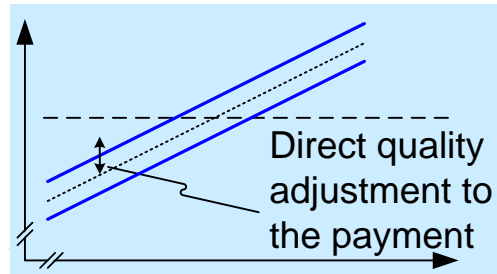
- The alliance's tasks cover planning, implementation and owner activities (promoting the project, management, decision-making)
- Its implementation organisation comprises persons from different background organisations, including the owner's personnel
- The cost analysis (estimate + control) covers all of the alliance's tasks and persons (some of them possibly part-time)
- The parties can agree on improving the prerequisites of effective operation through joint office premises, special liberties and decision-making models

## PAYMENT CRITERION SYSTEM

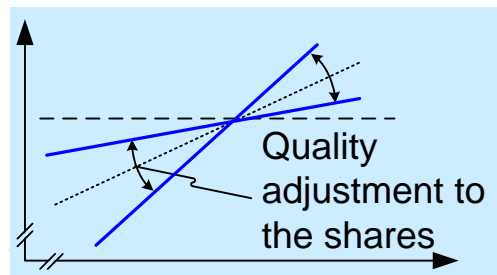
Payment based on costs



Payment after quality adjustment 1



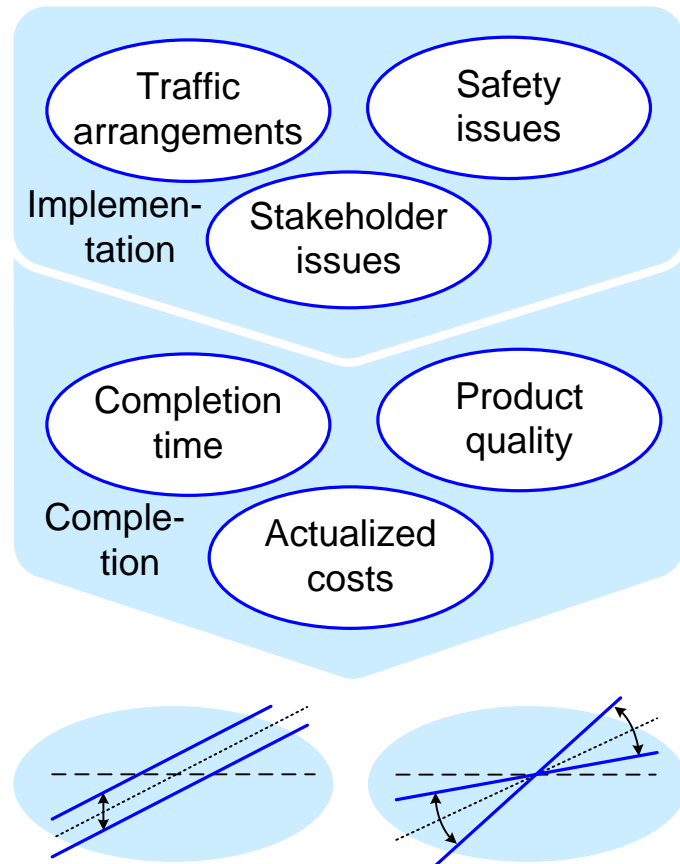
Payment after quality adjustment 2



Cost plus fee

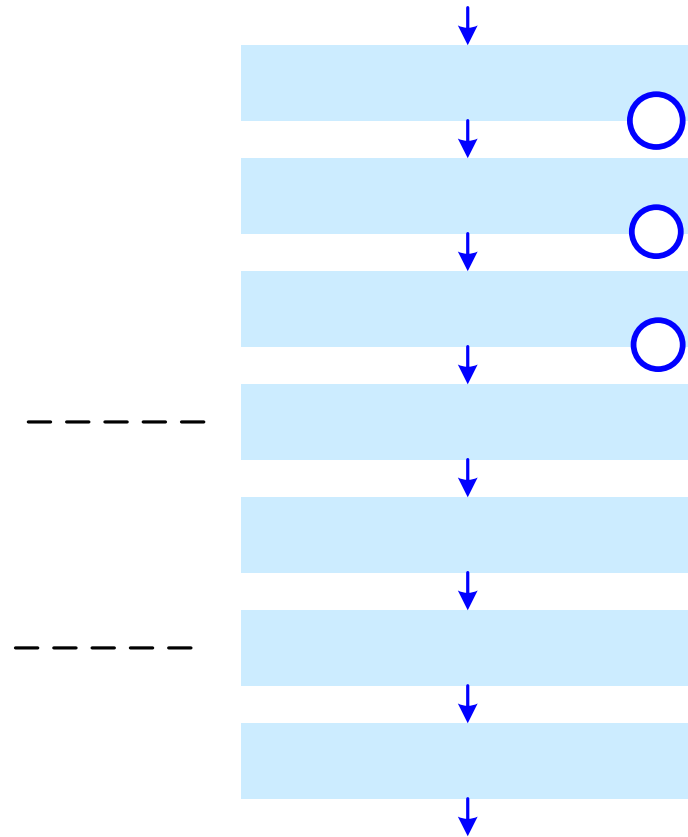
- The point of departure is a target price model (supplemented with a ceiling price), in which costs savings and over-runs are shared
- The realization of qualitative key result areas is taken into consideration:
  - using the direct ( $\pm$ ) bonus procedure (1)
  - changing the allotment ratios (2)
- Companies cannot lose more than their overhead cost or gross profit share (excluding the exceeding of the ceiling price)
- Allotment ratios between companies are agreed, e.g., in proportion to overhead costs (overhead cost structure agreed beforehand)

## QUALITY FACTORS AS PAYMENT CRITERIA



- Traffic arrangements: minimising disturbance, related communications
- Safety issues: safe conditions and arrangements, small accident frequency
- Stakeholder issues: reaction time, public recognitions/awards, writing in papers
- Completion time: commissioning time and the confidence connected with it
- Product quality: minimising faults and defects, fast reaction; quality level

# SELECTION OF PARTNERS



## Shortlisting of proposors

- consortiums as candidates
- competence, references

## Actual selection (of a consortium)

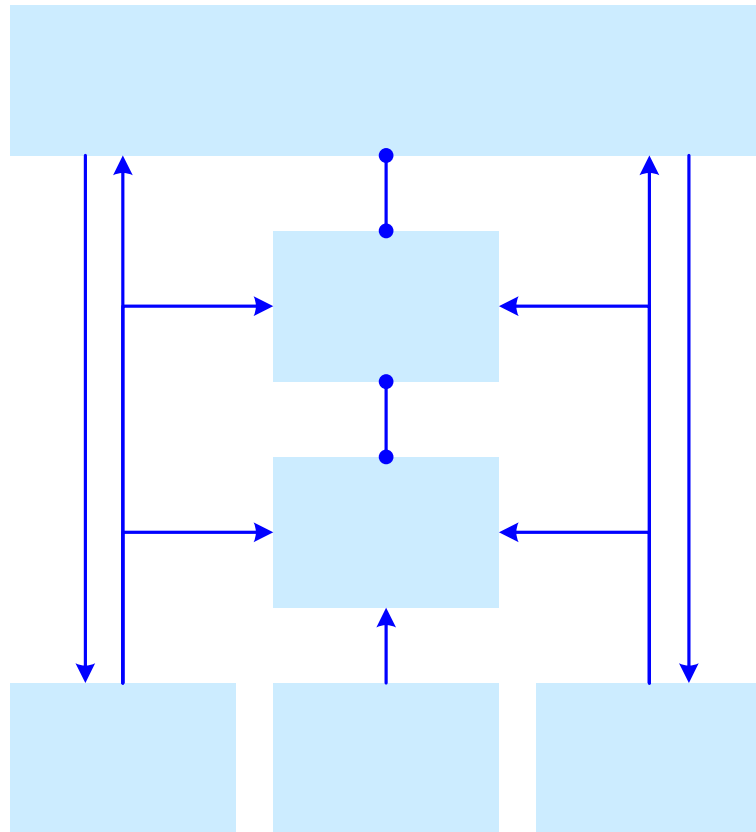
- quality issues and unit/input prices
- implementation ideas, organisation

## Development phase, preliminary agreement

- innovative implementation solutions
- determining target price
- quality measurement procedures

## Actual agreement and implementation

# ORGANISATION STRUCTURE



## Alliance leadership team

- 1–2 representatives/alliance member
- solving possible conflicts of interests
- benefit of the company vs. alliance
- "use of two hats" needed/allowed

## Alliance management team

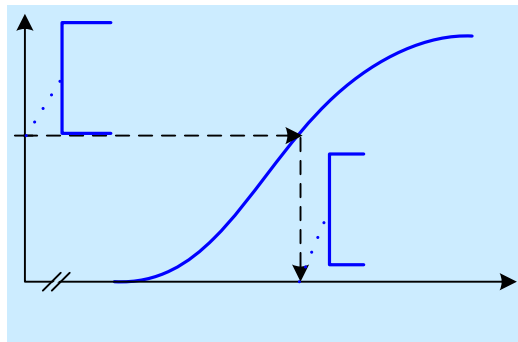
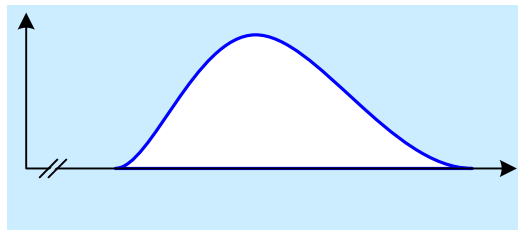
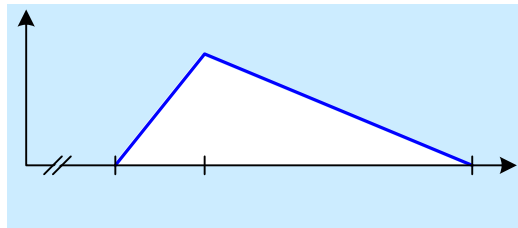
- project benefit guiding the operation
- managers of different functions
- at least one representative/member

## Integrated project team

- project benefit guiding the selection of persons to the wider team



## COMPILATION OF A COST ESTIMATE



- The alliance is used particularly in projects that involve a lot of uncertainty and would entail high-priced risks
- The owner draws up a cost estimate, which takes the uncertainty aspect into consideration, before launching the acquisition process
- Competitors' budget criticism and pricing serve as the basis for specifying, selecting and subsequent changing of the estimate
- The cost estimate is specified together with the selected consortium as the planning proceeds in the development phase (target price)

## KEY PARTNERS & COMMISSIONERS



## REPORTED BENEFITS (#) & DOWNSIDES (#)

1. The best-fit-for-purpose design
  2. Defect-free practical completion
  3. Project team is focused on what is best for the client
  4. Risks are shared resulting in thorough risk analysis
  5. No claims or disputes that would require attention
  6. Fast delivery of the facility with no delays
  7. Cost savings as a result of collaboration
  8. Enhanced efficiency and innovations
  9. Clear identification of service requirements
  10. High flexibility to changes in scope
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1. The absence of legal recourse against others
  2. Potential difficulty in demonstrating value for money
  3. Resources and input required from senior management



"... the alliance provides better value for money than traditional procurement..."