

Welcome

to the 2nd CCG Wellington meeting

10th August 2007

Vision, Mission & Objectives

- Our Purpose
- Guiding Principles
- Steering Group
- Knowledge Exchange
 - End 2007 Event
- Projects
 - Benchmarking Club
 - Pathfinder Projects
 - Increase Client membership

NZ Vision

For the NZ construction industry to realise maximum value to all clients, end users and partners and exceed their expectations through the sustainable delivery of world-class products and services.

CCG Mission

CCG leads change to deliver improved industry performance resulting in a demonstrably better built environment.



Sharing, Learning and
Innovation Together

Vision, Mission & Objectives

We will achieve our Vision by:

- Providing a unique bridge within the industry which includes clients, end users and partners such as consultants, contractors, suppliers, researchers, educators and industry bodies
- Becoming a 'Centre of Excellence' for Construction Clients
- Aiding learning in 'How to be a better Client'
- Sharing challenges, to act as support for each other and a peer group
- Creating influence & change Client Practice
- Creating an environment for those clients that already recognise that there is a 'better way' to move on to the next level, innovate & develop better procedures.
- Supporting clients in making the business case for integrated teams & best practice

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Benchmarking

The key to the door of unlocking
Relationship Contracting

Wellington Construction Clients' Group

Agenda

- What is Benchmarking?
- Why is it the key to successful Relationship Procurement?
- Who is 'doing it' & where?

Rethinking Construction

- Establish Relationship Contracting/Integrated Teams
- Measure Performance
- Drive out Waste

Rethinking Construction

- Establish Relationship Contracting/Integrated Teams
- Measure Performance
- Drive out Waste

Teams Measure & Drive out Waste

What is Benchmarking?

- Measuring performance
- Comparing performance
- Setting Targets
- Improving Performance

"Weighing the pig does not make it grow fatter"

"Who performs better?"

"If you don't measure you can't"

"What actions do we need to take in order to improve our performance?"

"Why are they better?"

What is Benchmarking?

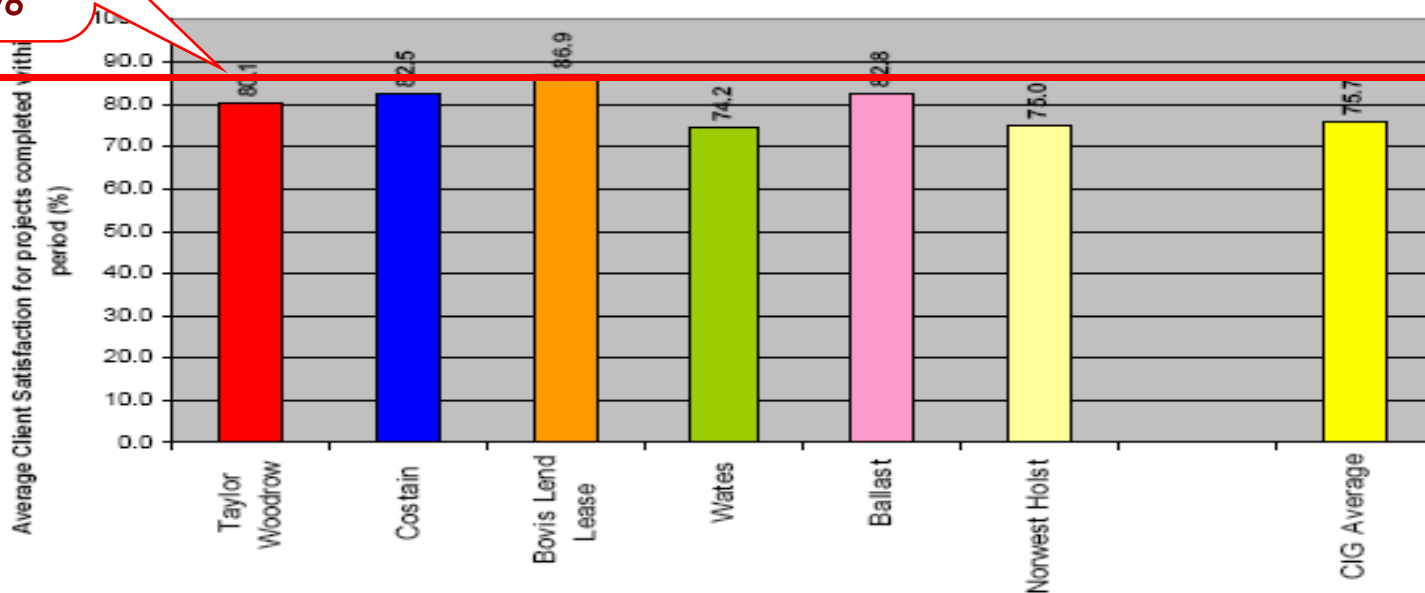
CCG visit to Costain
2006



Construction Improvement Group

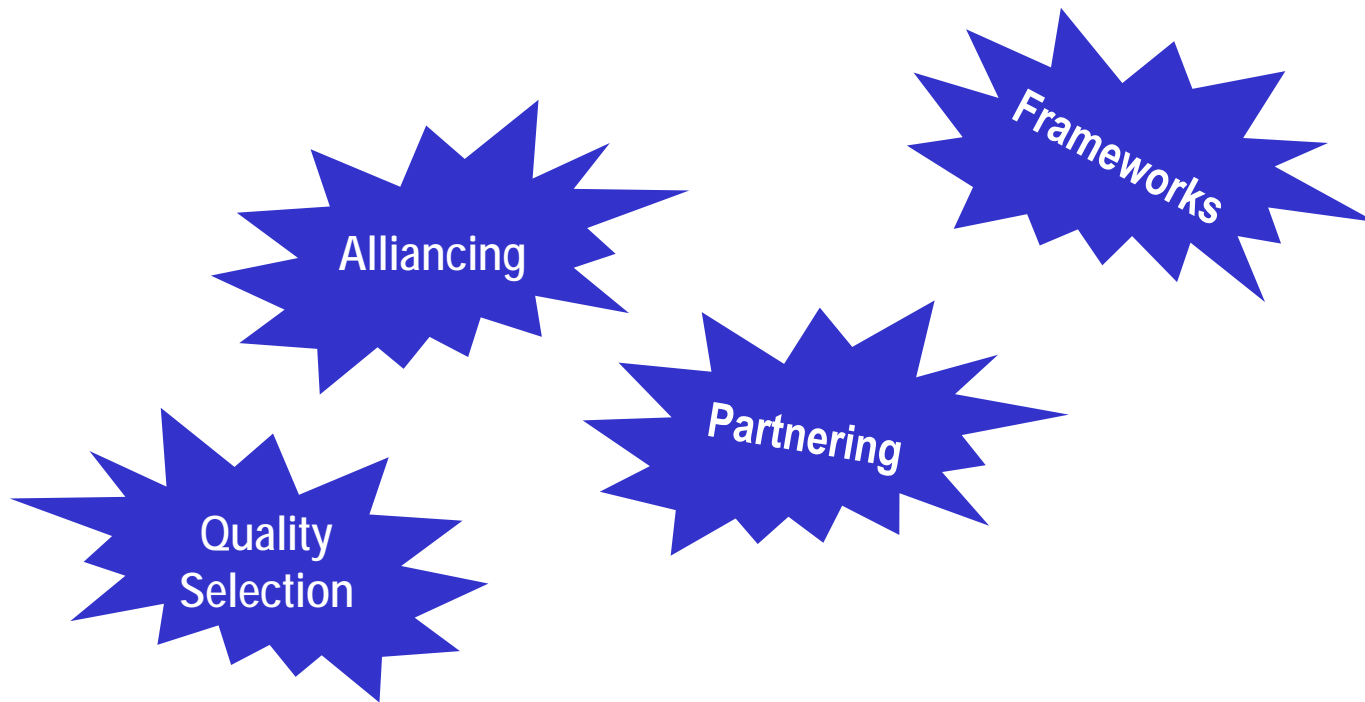
Best in
Class =
89.9%

Client Satisfaction



Why is it the key to successful Relationship Procurement?

- What is Relationship Procurement?



What is an integrated team?



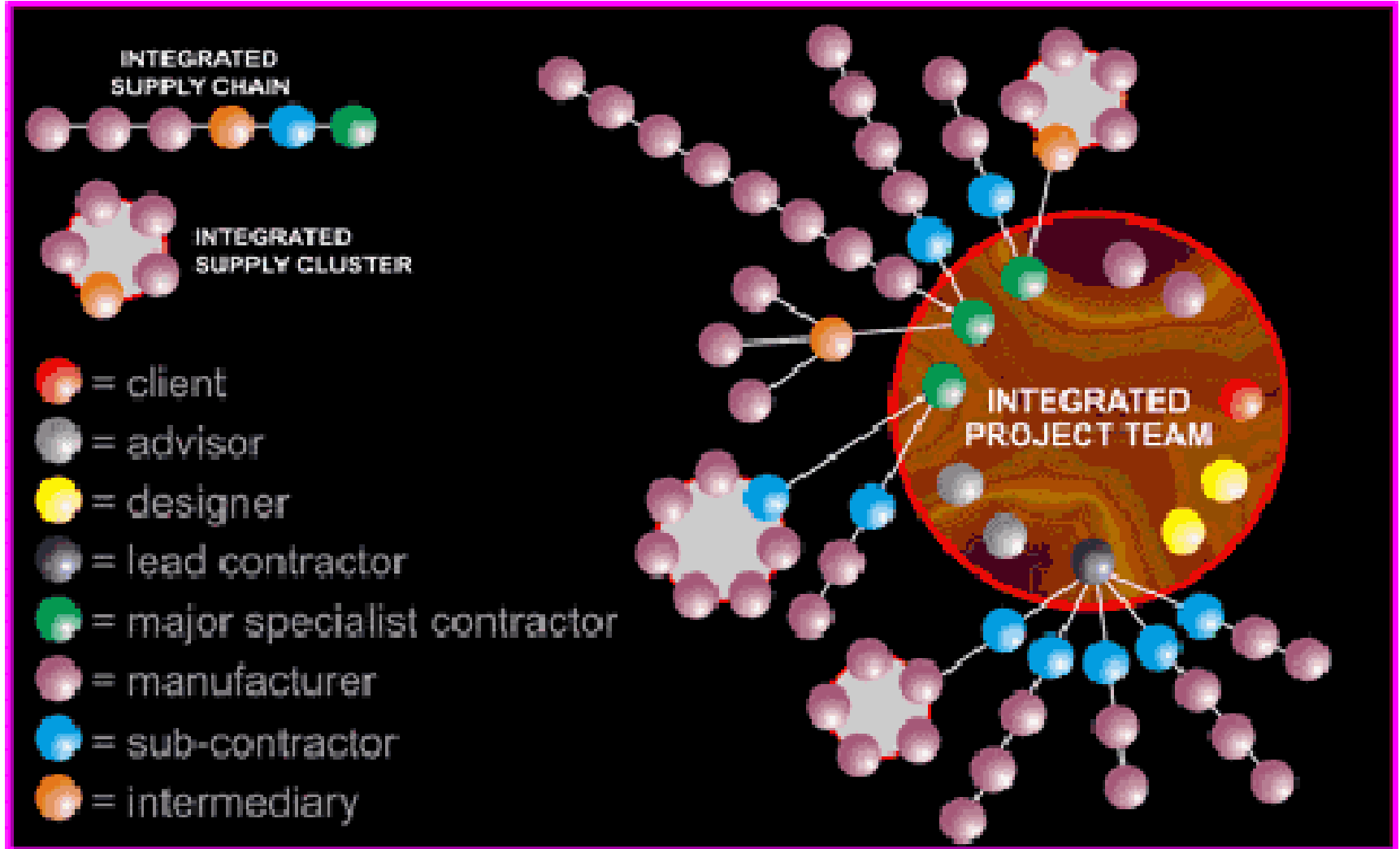

Wasted time

What is an integrated team?

THE “ASPIRATIONAL” PROCESS



What is Relationship Procurement?



Why is it the key to successful Relationship Procurement?

- What is Relationship Procurement?
- What do they have in common?



Why is it the key to successful Relationship Procurement?

- What is Relationship Procurement?
- What do they have in common?
- Why don't more clients do it?

Lowest Price
Concerns

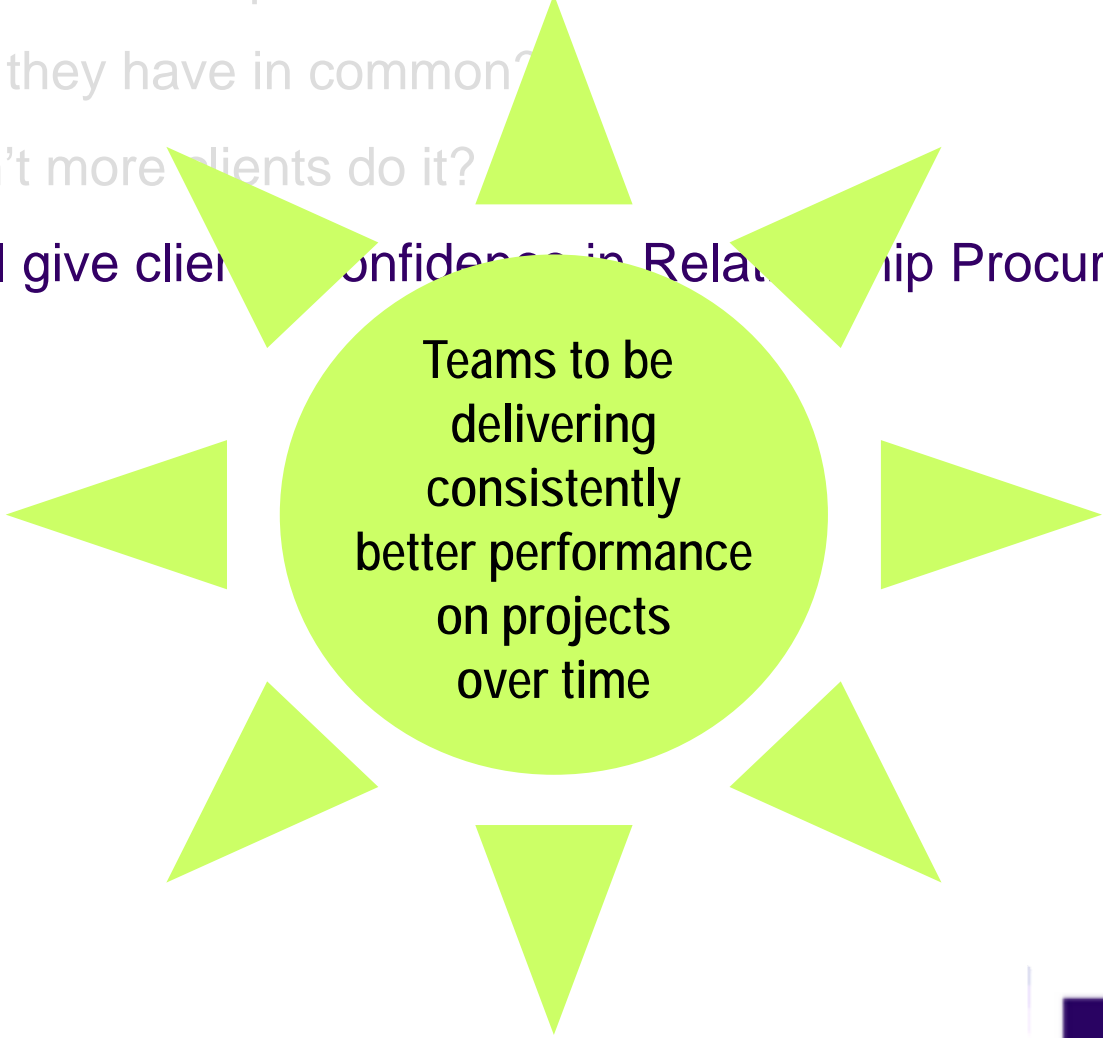
Public
Procurement
Rules

Lack of Education

Few case studies

Why is it the key to successful Relationship Procurement?

- What is Relationship Procurement?
- What do they have in common?
- Why don't more clients do it?
- What will give clients confidence in Relationship Procurement?



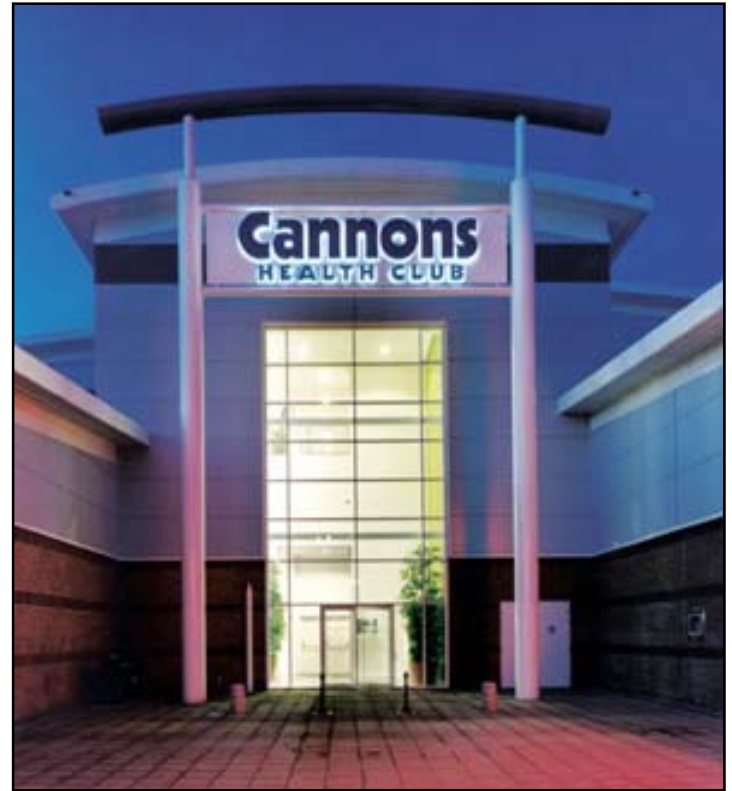
Teams to be
delivering
consistently
better performance
on projects
over time

Why is it the key to successful Relationship Procurement?

- What will give client's confidence in Relationship Procurement?



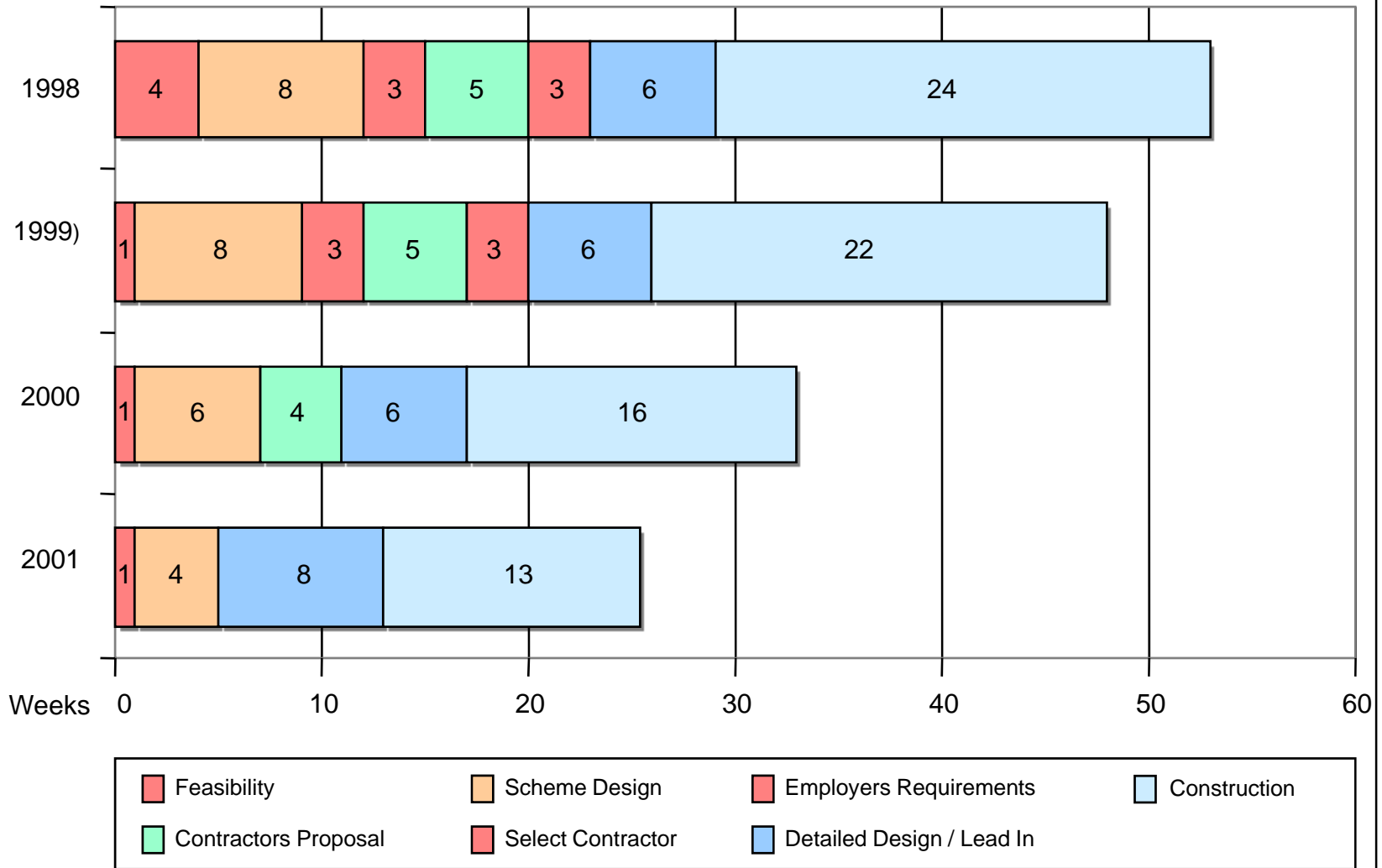
Why is it the key to successful Relationship Procurement?



Building success through
an integrated team

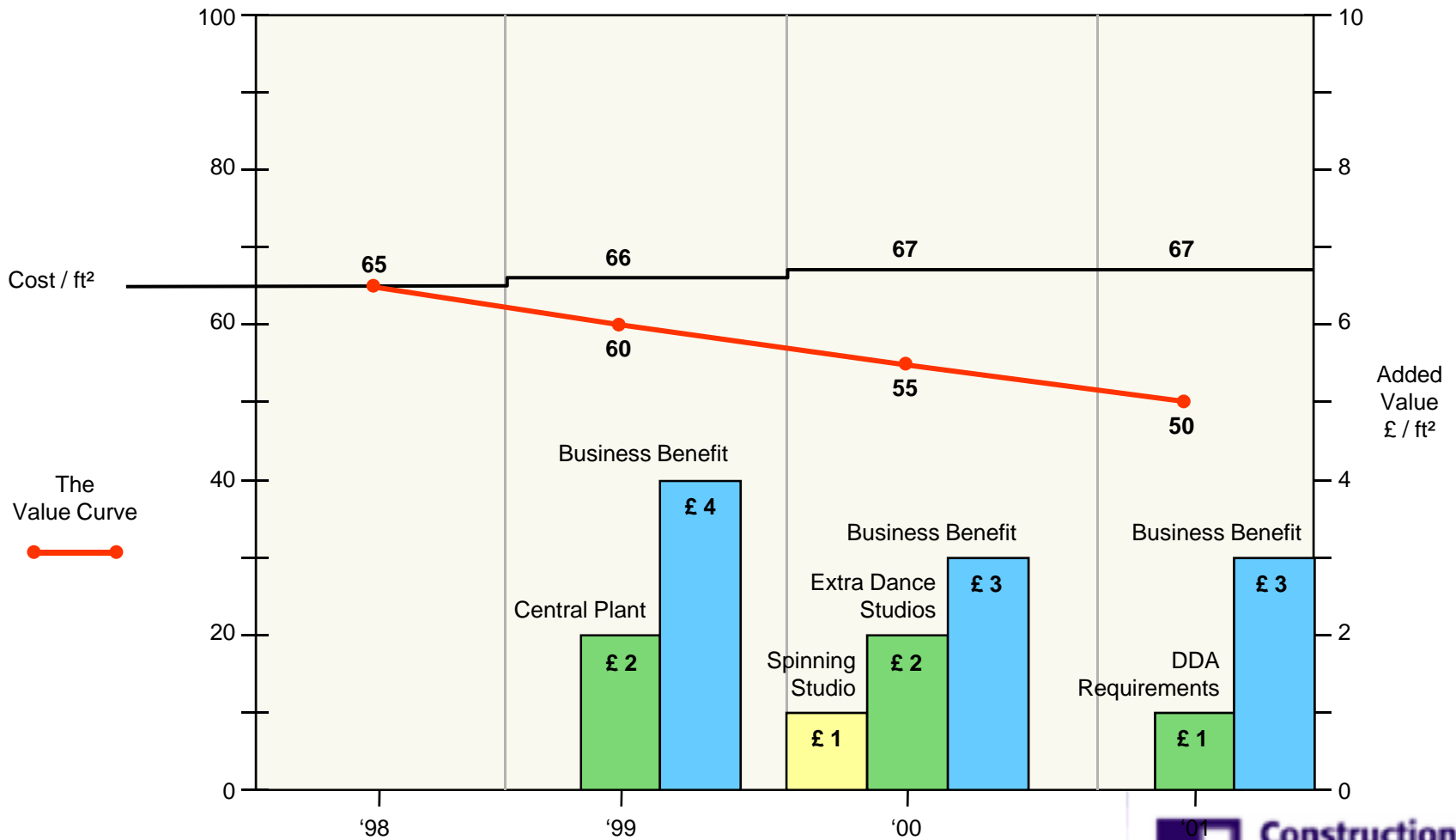
Why is it the key to successful Relationship Procurement?

Process Improvement - Fit Out of 23,000 sq ft Club



Why is it the key to successful Relationship Procurement?

- Cost Performance

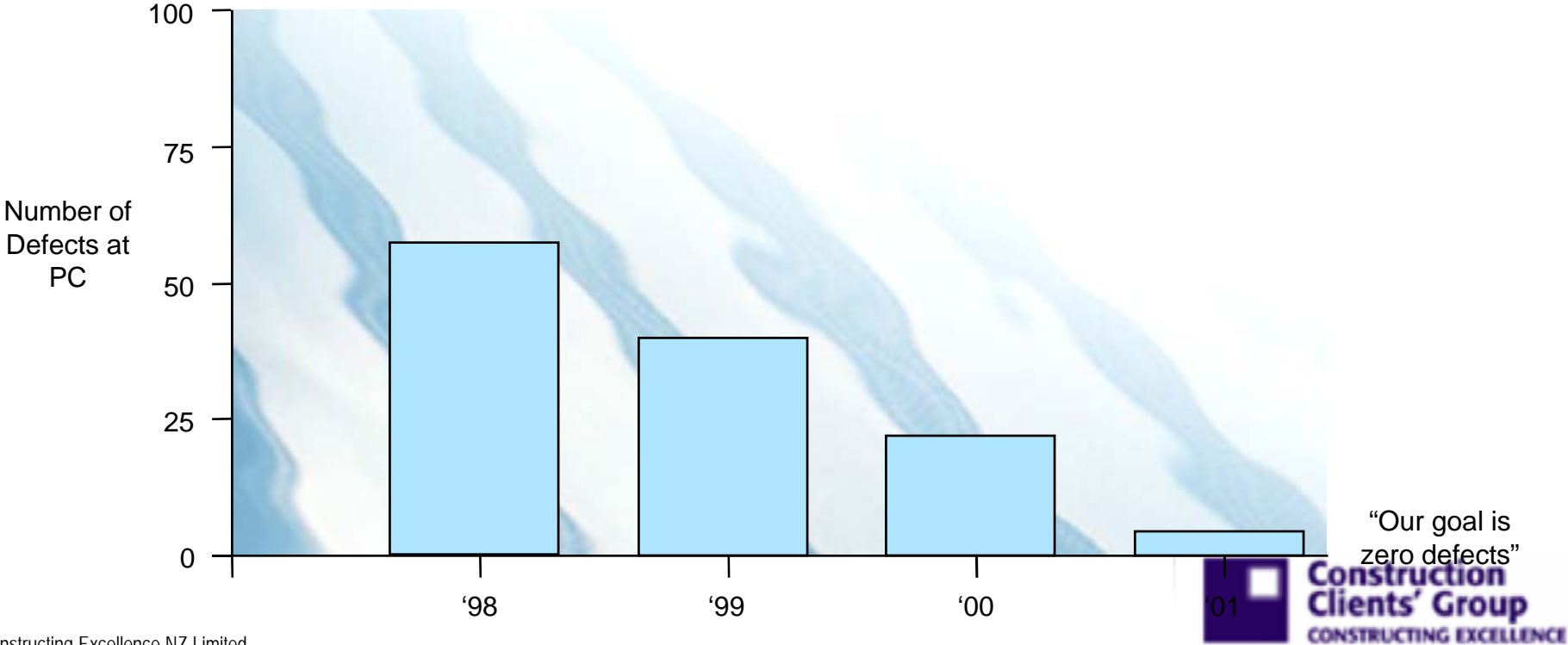


The Value Curve



Why is it the key to successful Relationship Procurement?

- Quality Performance



Why is it the key to successful Relationship Procurement?

- The Real Value to the Client

Value ratio

$$1500 \times 50 \times 28 = \text{£}2,100,000$$

Why is it the key to successful Relationship Procurement?



Hertfordshire Frameworks

Why is it the key to successful Relationship Procurement?

- **Delivering Schools**
- **New build & refurbishment programme**
- **Around £20m (70 projects) per annum**
- **Traditionally tendered**

Why is it the key to successful Relationship Procurement?

Sample Tendering costs

- 4 tenderers per project
- 3 unsuccessful tenders
- 100 projects
- 4 people x 4 person days per tender @ £250 per day

Therefore:

- 300 tenders x 16 person days x £250 = **£1.2 Million**
- **Who pays for this waste?**

Why is it the key to successful Relationship Procurement?

Setting Targets

KPI	Measure	HCC Now
Client Sat - Product	% scoring 8/10 or better	50%
Client Sat - Service	% scoring 8/10 or better	57%
Defects	% scoring 8/10 or better	36%
Safety	Mean Accident Incidence rate per 100k employed	No Data
Predict Design Cost	% on target or better	17%
Predict Construct Cost	% on target or better	39%
Pred Design Time	% on target or better	41%
Pred Construction Time	% on target or better	36%
Construction Cost	Change compared with one year ago	No Data
Construction Time	Change compared with on year ago	No Data

Why is it the key to successful Relationship Procurement?

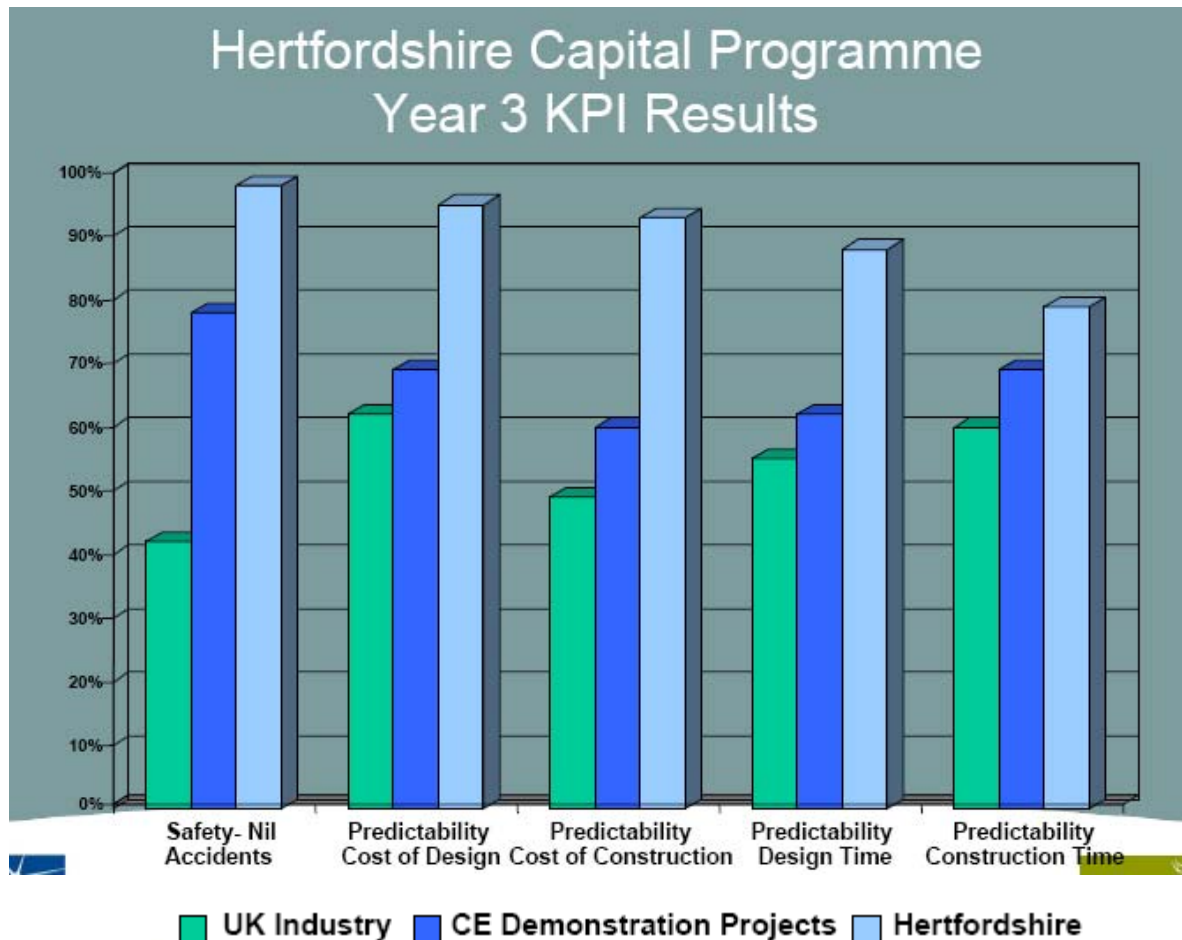
Some early indicators

- First two projects finished:
 - On time
 - Within Budget (second one under budget)
 - Zero defects on second project (first one just a few with no impact)
 - Delighted customers
 - No accidents
- The second project reduced the time to start on site by 70% from normal!
 - 5 weeks from 15 weeks!

Why is it the key to successful Relationship Procurement?

Three years in...

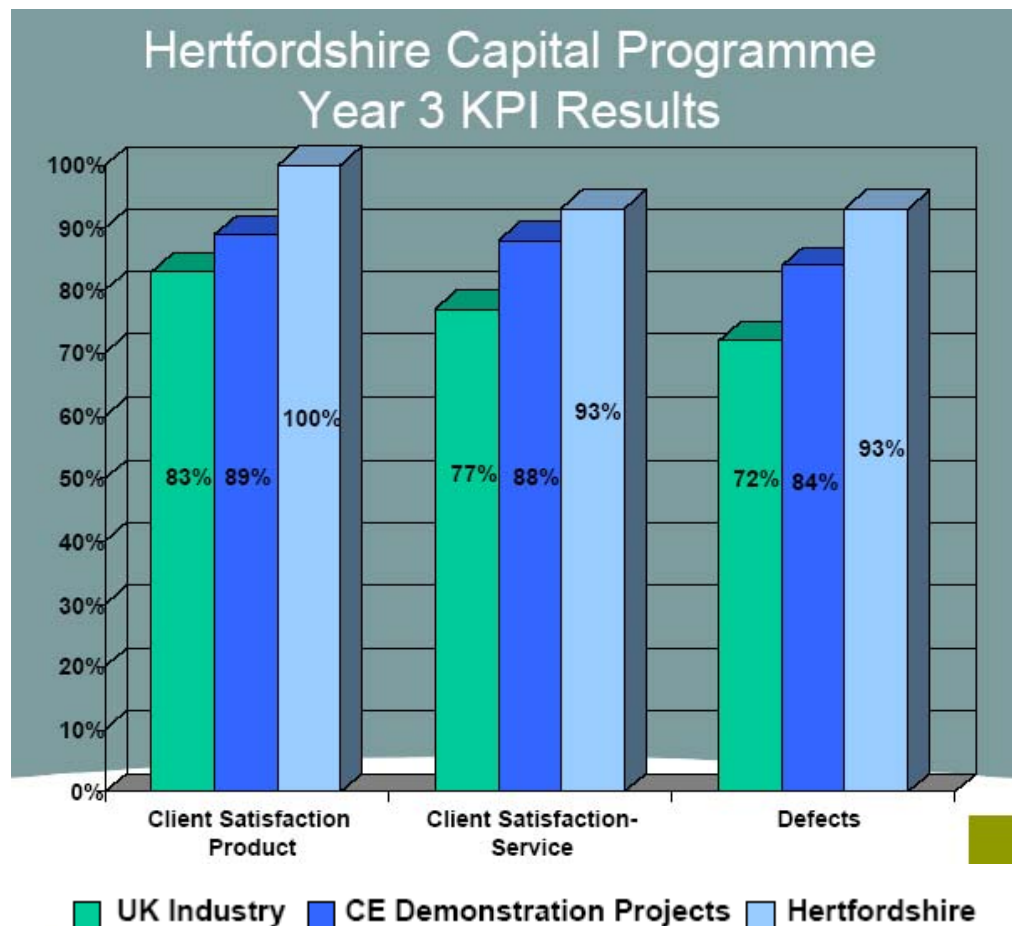
- Met Year Five Targets in year three!



Why is it the key to successful Relationship Procurement?

Three years in...

- Met Year Five Targets in year three!



Agenda

- Introduction to Constructing Excellence
- What is Benchmarking?
- Why is it the key to successful Relationship Procurement?
- Who is 'doing it' & where?
- How can we develop the Benchmarking habit?

Who is 'doing it' & where?

Relationship Procurement

- Dept of Corrections
 - Collaborative Working Arrangement
- Transit
 - Grafton & Northern Gateway
- Queenstown Lakeside District Council
 - Frameworks for Consultants & Contractors
- New Zealand Defence Force
 - Contractor Panels
- Auckland City Council
 - Alliances

Who is 'doing it' & where?

Benchmarking

- CAENZ
 - The National Construction KPIs
- The Construction Client's Group
 - Benchmarking Club
- The NZ Construction Best Practice Programme



Who is 'doing it' & where?

Case Study – Naylor Love

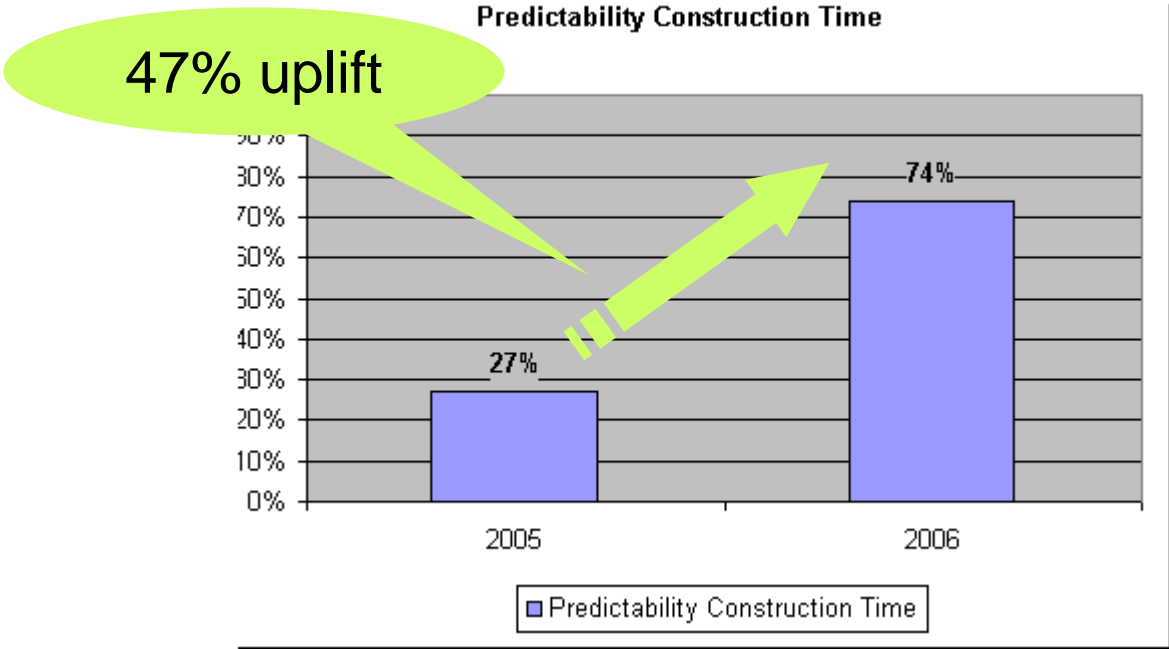
- Began benchmarking 2005
- Use National KPIs
- Set up a 'Best Practice Programme'
- Measured, analysed and improved!
 - Two key areas of concern
 - Delivery to Time
 - Defects
- The Results...

"Naylor Love makes great headway on improvement!"

Who is 'doing it' & where?

- Delivery on Time

“Naylor Love makes great headway on improvement!”



Who is 'doing it' & where?

- Delivery on time

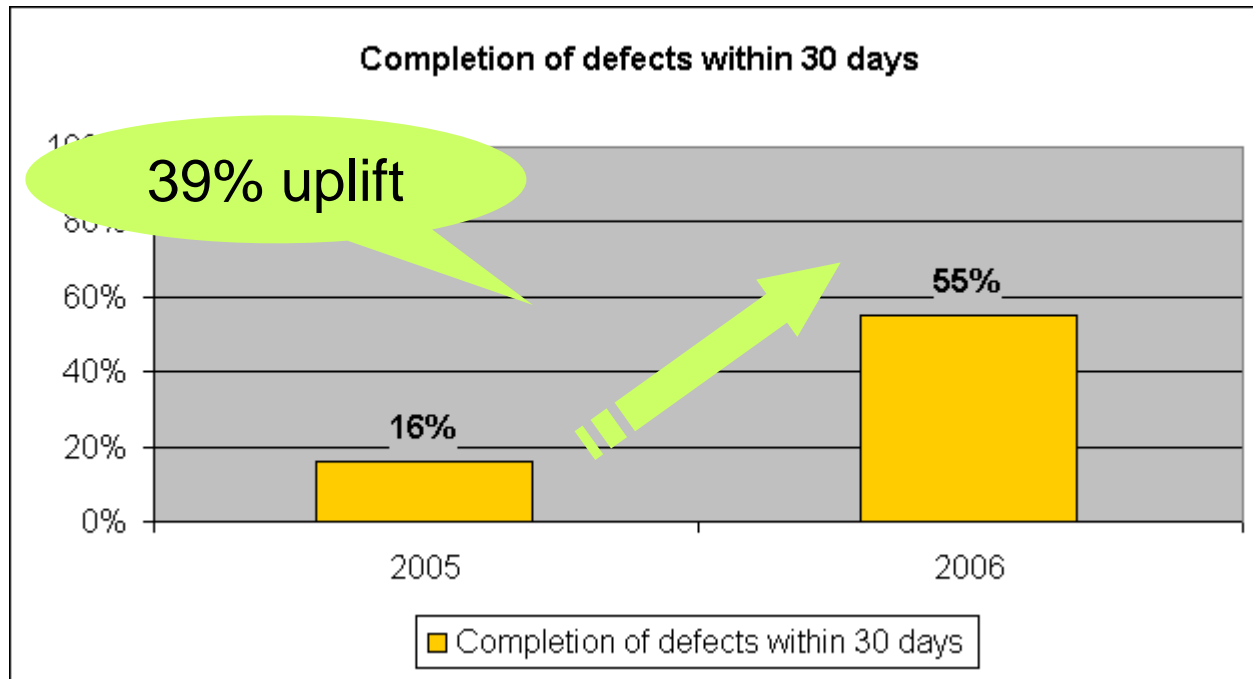
“Naylor Love makes great headway on improvement!”

Aspect	Q No.	Customer Survey Question	2005	2006	% Uplift
Programme	29	The Project Team planned & managed the construction process efficiently	82 %	83 %	↑ 1 %
Programme	30	The Project Team met all the milestones	74 %	69 %	↑ 5 %
Programme	43	The hand over of the project was well managed	75 %	77 %	↑ 2 %
Programme	44	The Project was handed over on time	68 %	81 %	↑ 13 %

Who is 'doing it' & where?

- Defects

“Naylor Love makes great headway on improvement!”



Who is 'doing it' & where?

- Defects

"Naylor Love makes great headway on improvement!"

Aspect	Q No.	Customer Survey Question	2005	2006	% Uplift
Quality	47	The project was handed over with no significant defects.	71%	80.5%	↑9.5%
Quality	48	Any defects are quickly & efficiently resolved	60%	77%	↑17%
Quality	34	The Quality of the workmanship was excellent	82.5%	81.5	↓-1%

How can we develop the Benchmarking Habit?

- National Construction Industry **Cost** **Predictability**

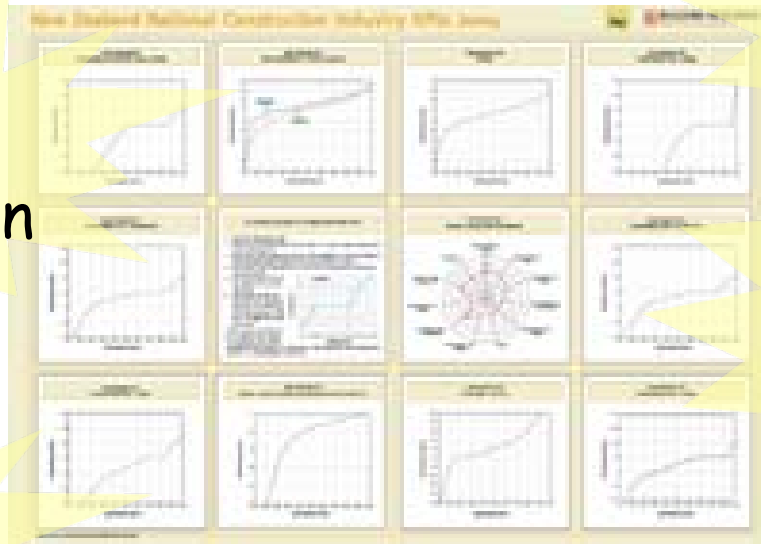
Profitability

**Client
Satisfaction**

Safety

**Time
Predictability**

Quality



WWW.CAENZ.com



BUILDING RESEARCH

INVESTING FOR NEW ZEALAND'S CONSTRUCTION FUTURE

How to use Benchmarking to improve

Case Studies

Measuring the project score

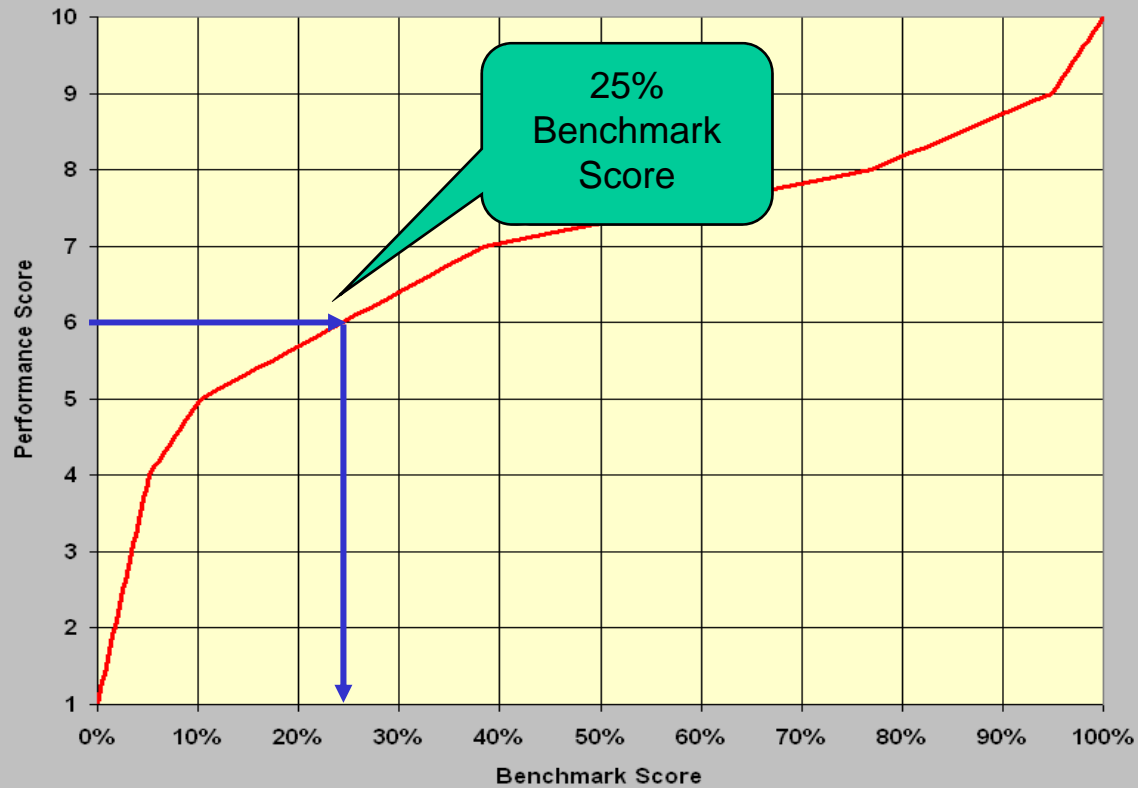
1. The Project

- The Score
- The Benchmark

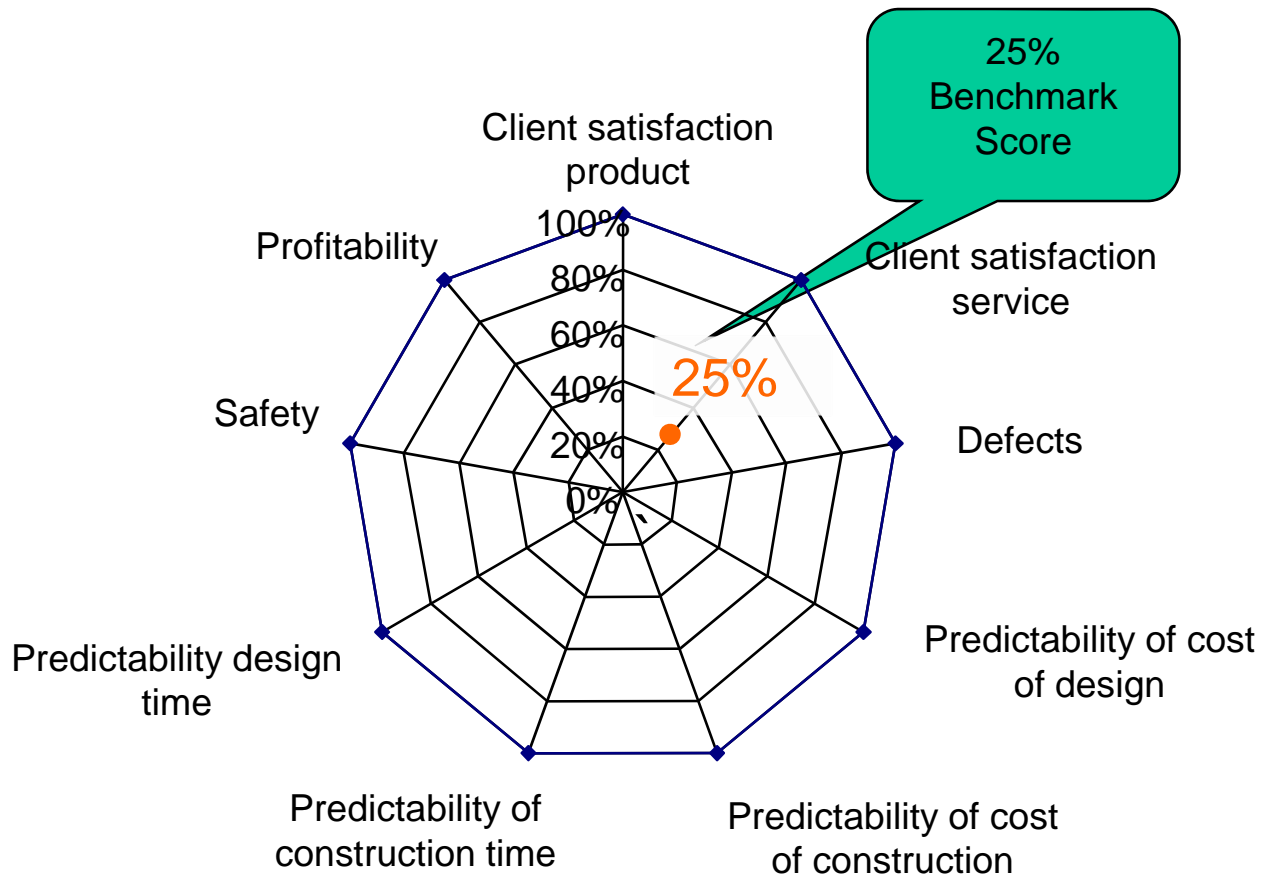
*During a survey, a client scores
a project
6 out of 10
for
"Satisfaction with the Service"*

Measuring the project score

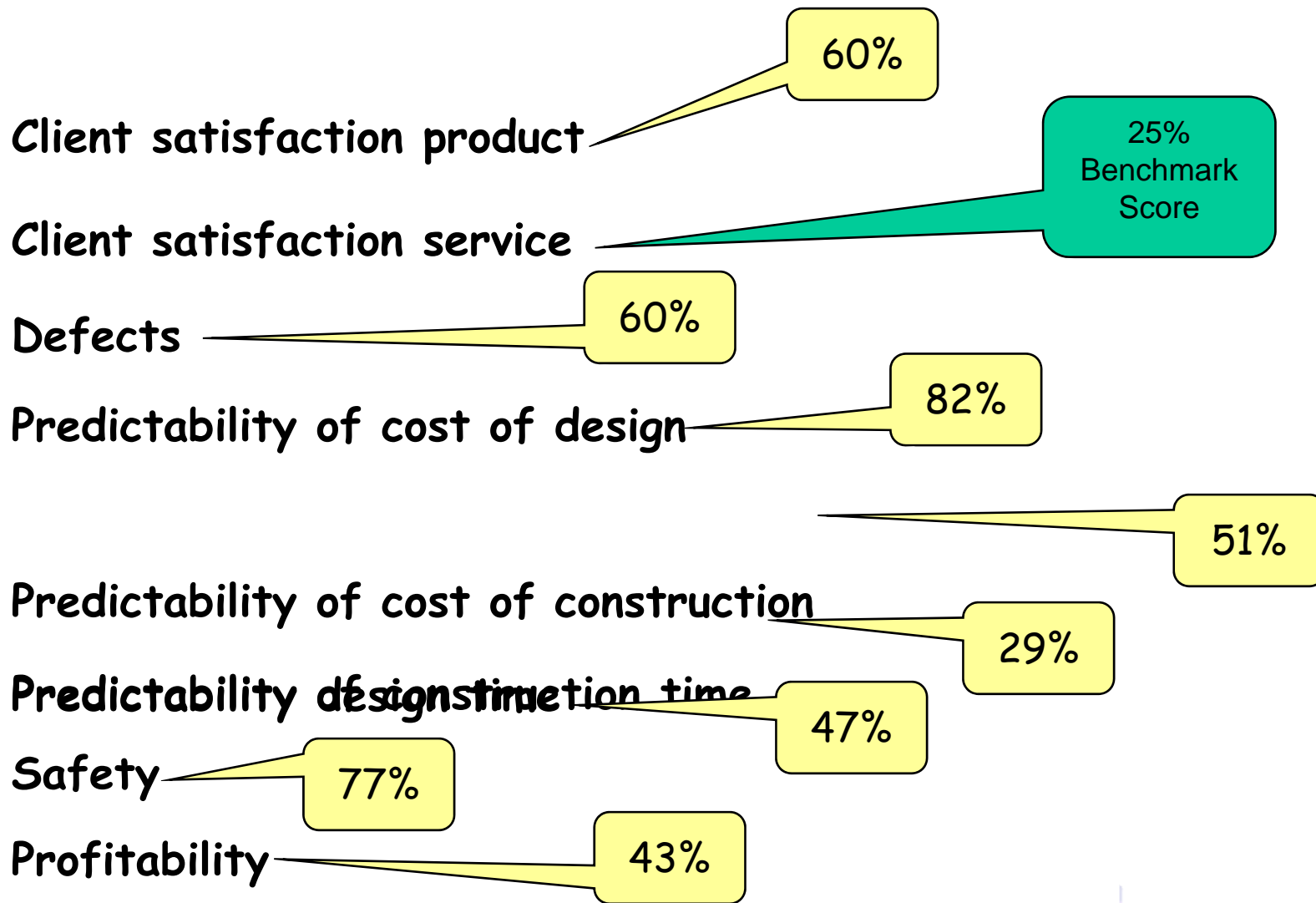
New Zealand KPI
CLIENT SATISFACTION - SERVICE



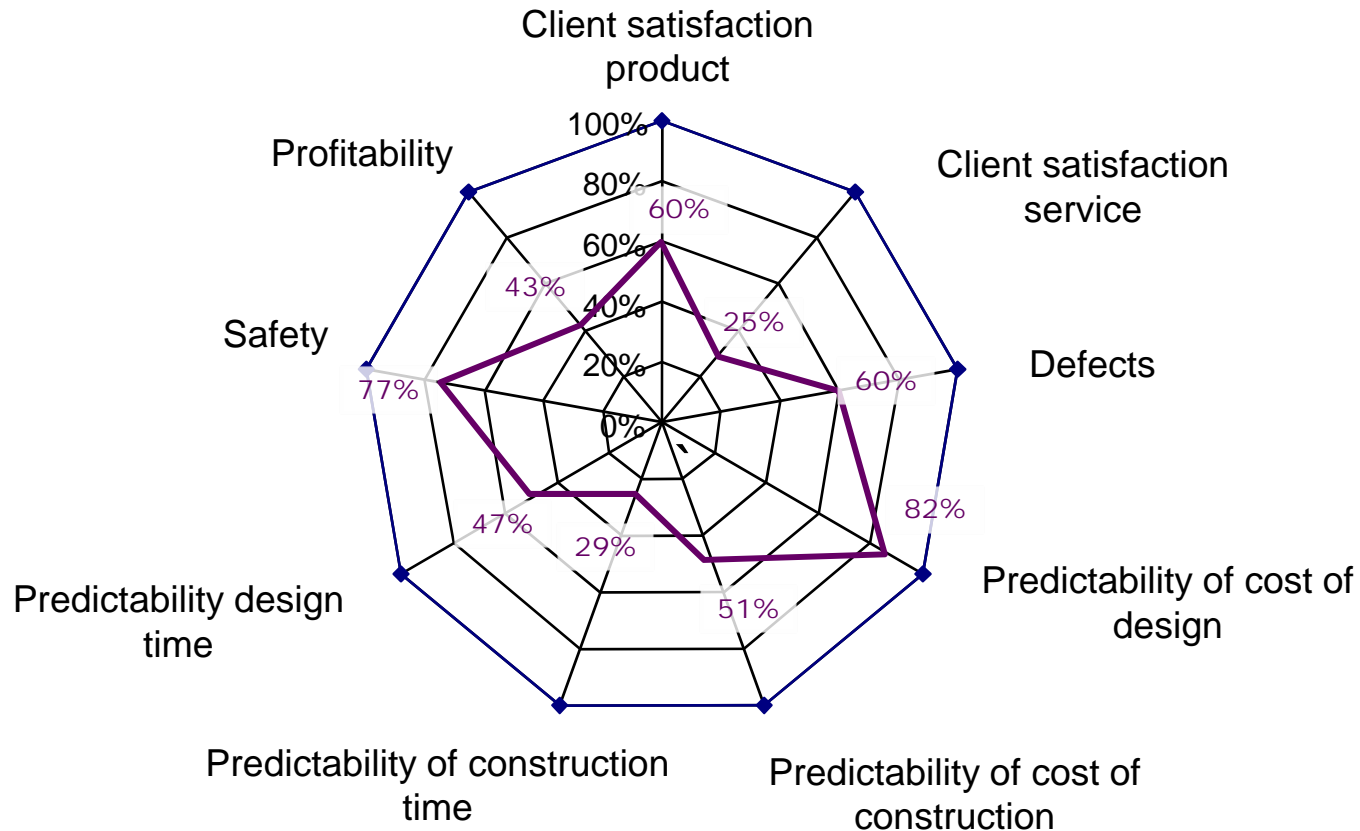
Measuring the project score



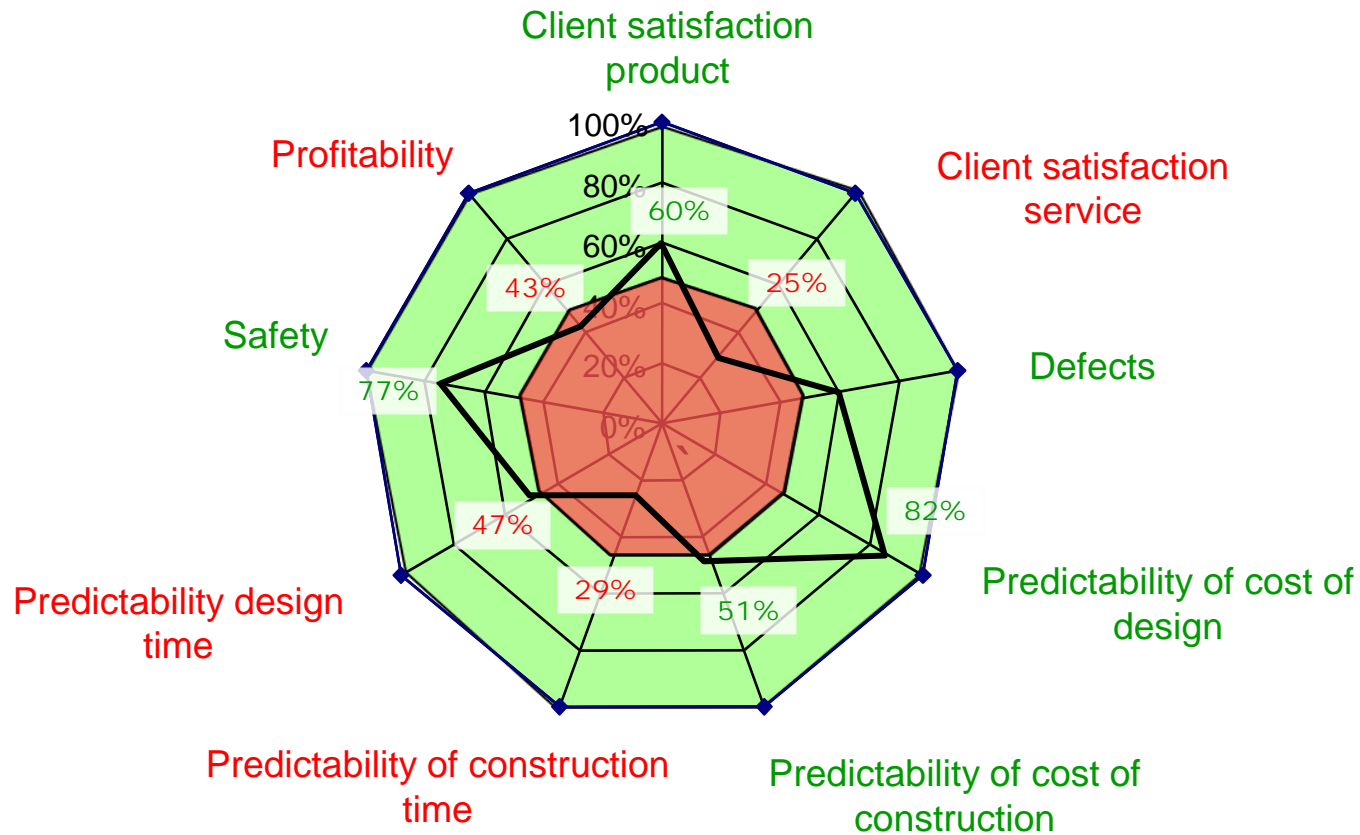
Measuring the project score



Reporting the Results



Reporting the Results



Measuring the Company score

KPI	Measure	Industry Average
Client Satisfaction - Product	% Scoring 8/10 or better	73%
Client Satisfaction - Service	% Scoring 8/10 or better	62%
Defects on Handover	% Scoring 8/10 or better	40%
Safety Accidents	% Projects with zero LTIs (Lost Time Incidents)	4%
Predictability Construction Cost	% on target or better	42%
Predictability Construction Time	% on target or better	65%

Reporting the Results

Getting the Culture right

Improvement is more important than 'top marks'

Encourage the team to embrace poor results as opportunities

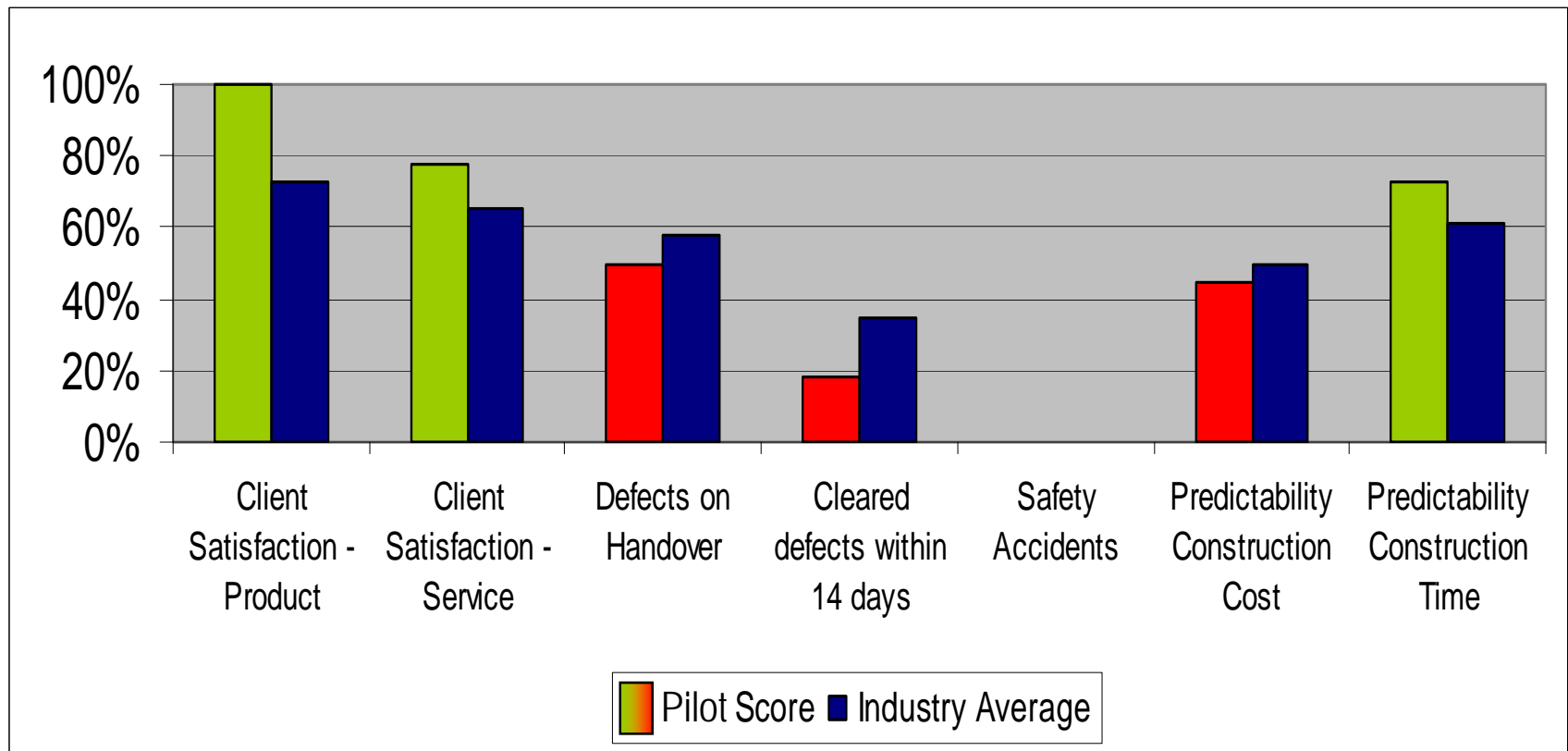
No blame moritorium

Be Objective

Reward progress rather than absolute results

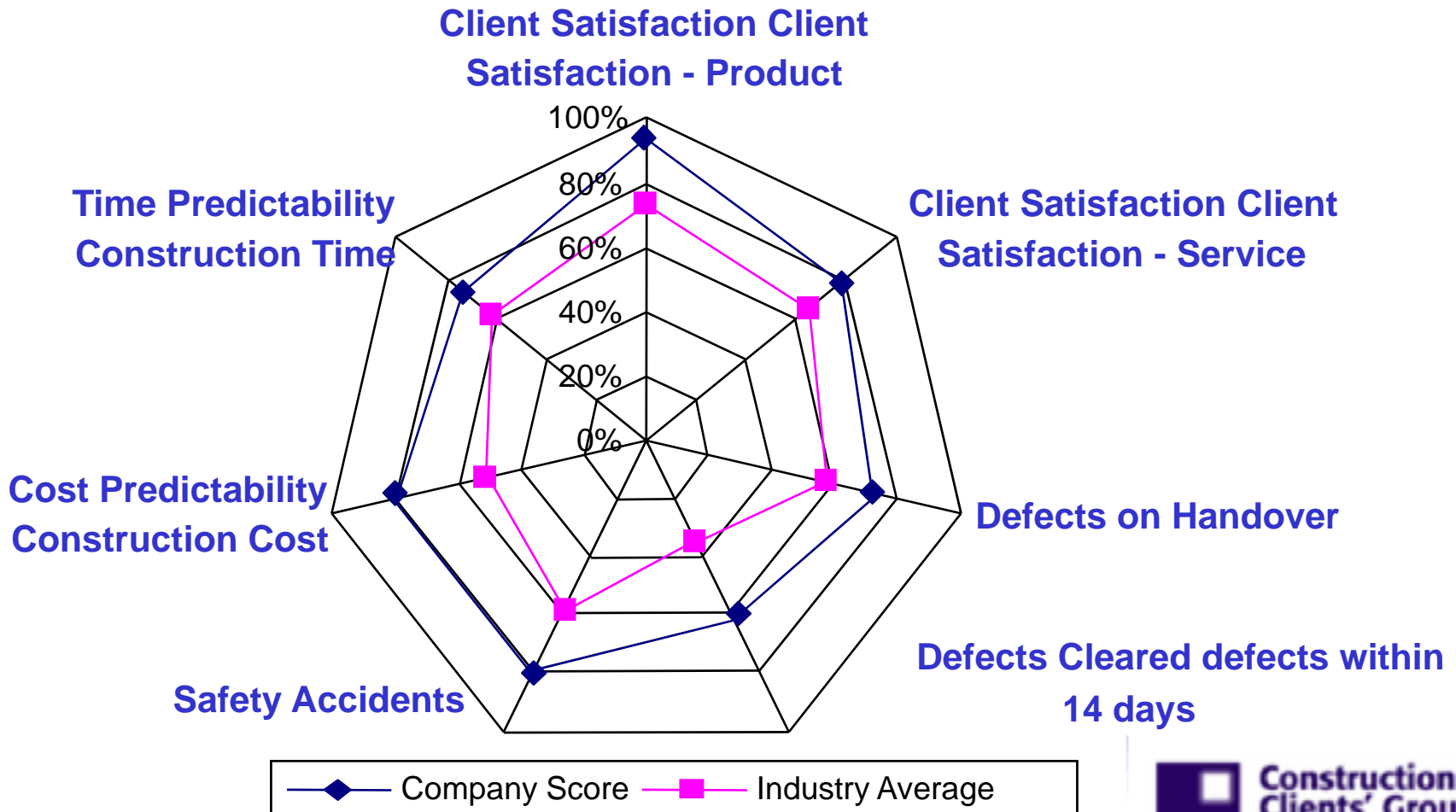
Reporting the Results

- Company A



Reporting the Results

- Company B



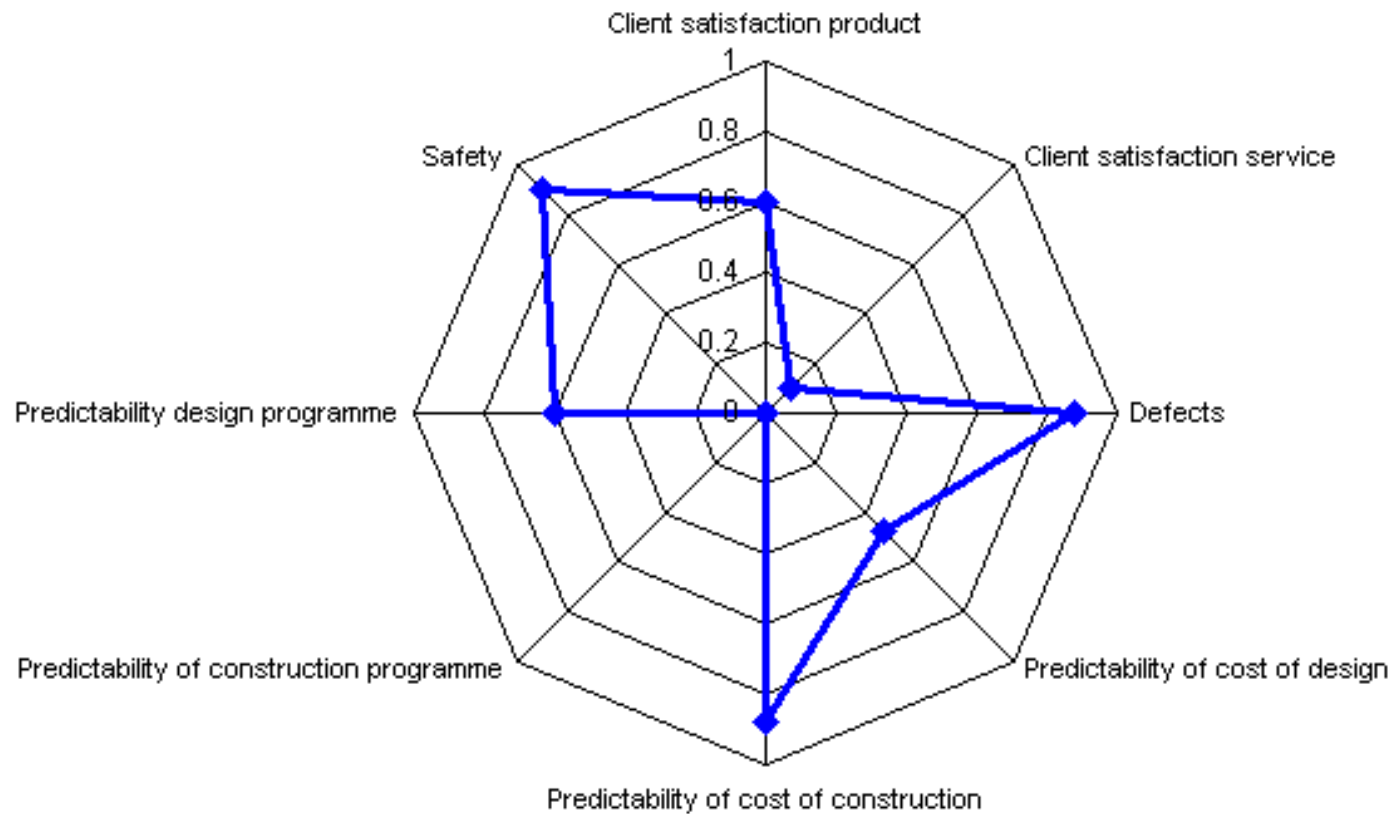
Case Studies

In Groups of three:

- Calculate the results
- Plot them on the radar chart
- Discuss the projects
 - What happened
 - Is the client happy?
- What action might be taken
- Report back

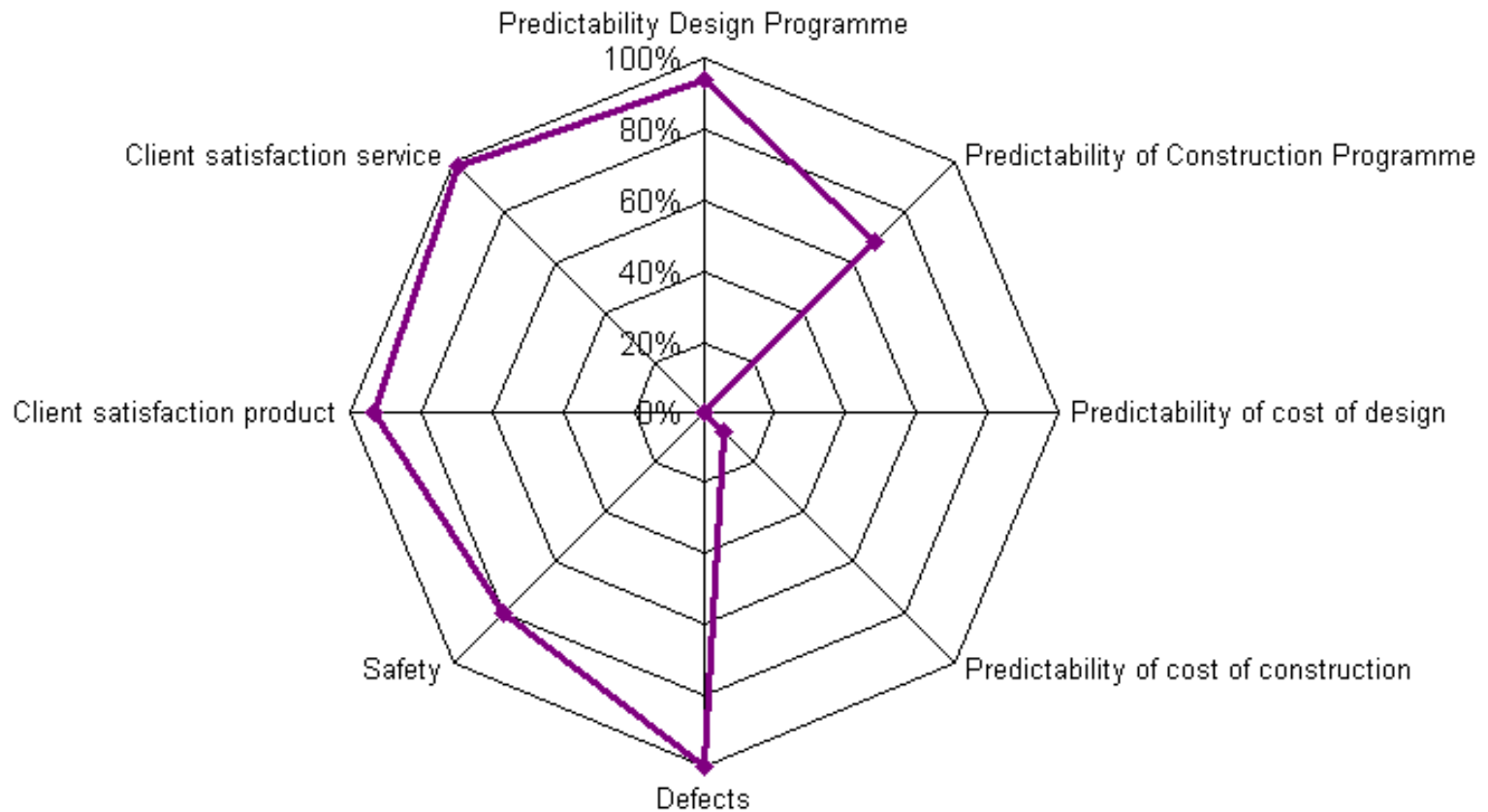
Project 1

Acme Retail Limited



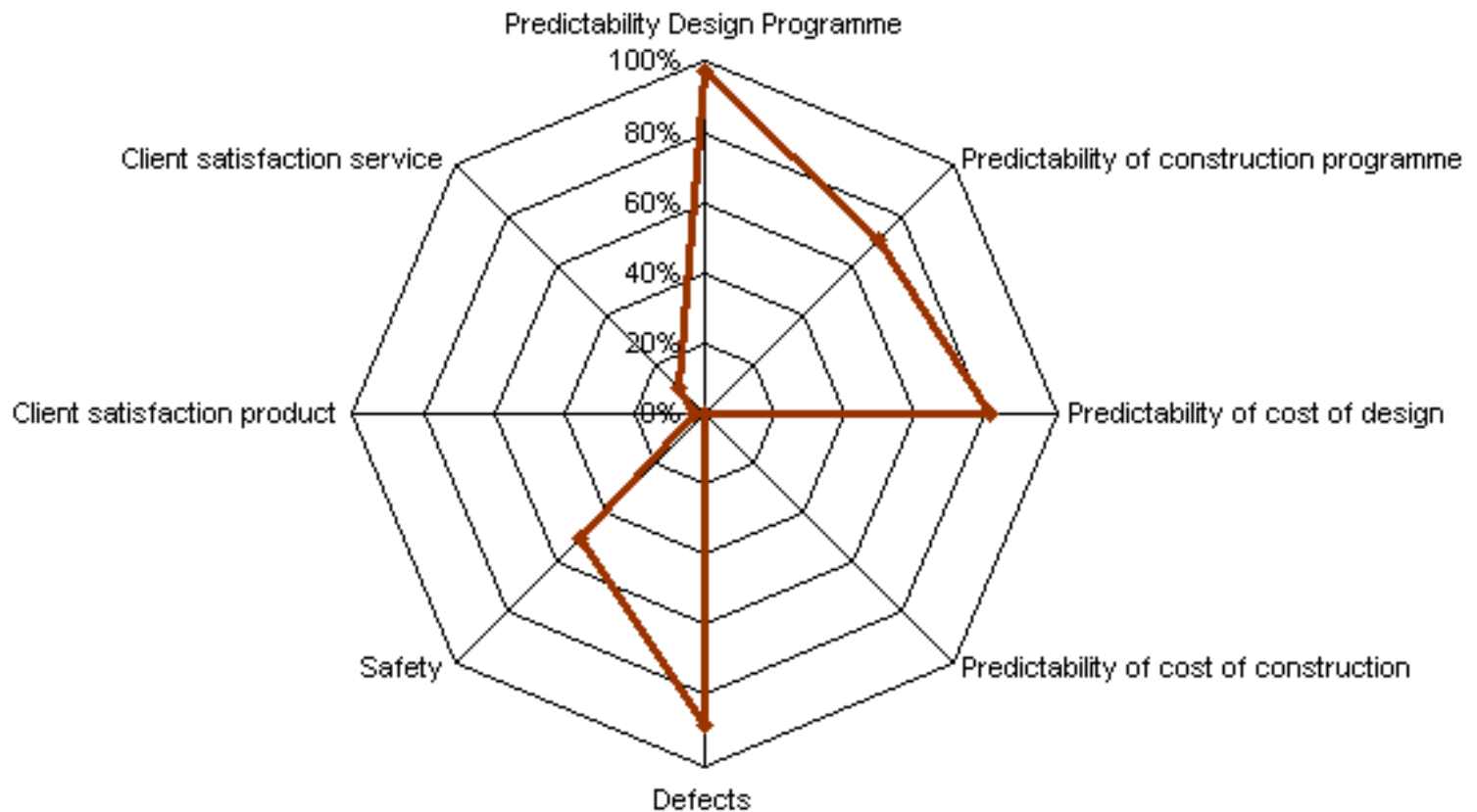
Project 2

Royal Building Developments Ltd



Project 3

Public Housing Limited



Your Questions!