

Strategic Partnerships – Implementation of the collaboration



TWO GUIDES ON STRATEGIC PARTNERSHIPS FROM VÆRDIBYGG AND REBUS

STRATEGIC PARTNERSHIPS – FROM IDEA TO CONTRACT

About the early considerations, preparation, tendering and contracting. The guide is particularly aimed at the client and their advisers in the early phases, but it can also provide the delivery team with a valuable insight into the client's considerations as well as advice on how the delivery team can prepare and contribute in the early phases.

STRATEGIC PARTNERSHIPS – IMPLEMENTATION OF THE COLLABORATION

About the establishment and start-up of the partnership as well as the ongoing collaboration and implementation of projects. The guide is particularly aimed at the strategic partnership as an overall organisation, from the initial start-up to completion and evaluation of the collaboration. The guide also touches on which particular points the client and delivery team should pay attention to internally in, for example, the start-up, portfolio management and project management in the collaboration.

STRATEGIC PARTNERSHIPS HAVE GREAT POTENTIAL

Strategic partnerships are a relatively new form of agreement and collaboration in construction, where a client offers a portfolio of tasks over a number of years in a single package to a delivery team. The long-term collaboration and repetition in projects and processes allows for greater budgetary security, fewer conflicts and better quality for the benefit of both the client and the delivery team. With many projects in the portfolio, there is an improvement in both the opportunities to achieve better processes and cooperation over a longer period of time and the parties also gain a closer relationship and a deeper understanding of each other. There is a huge potential and thus a great incentive for the partnership to invest in a development that extends beyond the individual project.

At the same time, it is a form of collaboration that places great demands on all the parties involved to have the will, resilience and competencies to enter into trust-based relationships and develop common business models and processes. Each party must enter into the partnership with people who can make decisions and have a genuine interest in – and holistic understanding of – the partnership's common needs. Establishing such a collaboration is an innovation and change process that involves change in most organisations. It requires that all parties involved set aside unilateral interests and quick results for their own business and instead focus on mutual trust and long-term benefits for all parties.

This guide presents principles, possibilities, good advice and pitfalls for strategic partnerships based on experiences from ongoing and planned strategic partnerships. Clients and delivery teams can find a great deal of inspiration in the experiences from the first strategic partnerships, but there is also a need to adapt the model to their own business and culture, as well as to the current market situation.

The guide treats the strategic partnership as a single organisation and looks at which particular points the client and the delivery team need to pay attention to in, for example, the start-up, portfolio management and project management in the collaboration.

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STRATEGIC PARTNERSHIPS – IMPLEMENTATION OF THE COLLABORATION

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THE STRATEGIC PARTNERSHIP MUST BE PRIORITISED

Once the strategic partnership has been formalised between the client and the delivery team after the formation of the contract, there is a great deal of work in establishing the collaboration and getting the many organisations involved into a position to act as a single joint partnership. The potential is great if the parties get off to a good start and succeed in creating a common culture with common paradigms, where everyone works for the best collective solutions and processes. Throughout the process, the partnership must work to maintain the good common culture and good collaboration. But you also have to remember and understand the differences between the companies in order to be able to create a new common way of doing things when it comes to, for instance, processes, document paradigms and financial models.

In the work on strengthening the new common culture and new working methods, the partnership must also include the support base from the respective organisations as well as relevant stakeholders such as user groups, operating staff and subcontractors. There must be broad support for the partnership all the way around – especially if the parties want to exploit the experience potential there is in the learning and development that the partnership contributes with also spreading all the way into the individual organisations.

In the partnership's project portfolio, there is great potential for developing new processes and solutions that can be both scaled and repeated in other contexts. In order to utilise the development potential, it is necessary to formulate clear objectives but also set aside funds for partnership development and innovation. It is a resource-intensive process that must match the desired results for the partnership, and which is primarily about building for the client. Therefore, ongoing evaluation and the exchange of experience is also an important part of the strategic partnership, so that value continues to be created when it comes to fulfilling the client's wishes and needs.

The recommendations in this guide are specific to the work in – and with – strategic partnerships. For guidance and the recommendations for good collaboration on construction projects in general, please refer to the other guides from Værdibyg.

ESTABLISHMENT OF THE COLLABORATION

In connection with the start-up of the strategic partnership, the parties must get to know each other well and create a positive and constructive climate for cooperation. The various parties' expectations for the project and collaboration must be matched, and they must establish a common understanding of what is in the contract. This can be done through a joint review, where the basis for the agreement and the tools used are reviewed together. It is therefore crucial that all parties commit themselves to investing the necessary resources required to create a new, common culture. It must be clarified what the parties can do to work with each other better, and how they will work to maintain and develop good cooperation along the way.

In the start-up phase, it can be a good idea for the partnership to be based on a specific simple project, which can be a pilot project for how the parties want to work with and anchor culture and processes in the partnership. There are many things that need to be repeated and scaled when the individual projects are started up, and with a pilot project the parties can test some of their ideas on a smaller scale before rolling them out over the remaining project portfolio.

There are significant investments and preliminary expenses associated with the start-up of a strategic partnership, and it takes a lot of (managerial) resources to get off to a good start. But then the partnership will also experience that collaboration and work processes work well from the start, and that gains can thus be reaped more quickly.¹

INTERNAL TRAINING BEFORE START-UP CREATES ANCHORING

Both the client and the delivery team must have a sustained focus on the change process that the strategic partnership will entail. This can be done by holding a short training course at an early stage that has a focus on the cultural changes that the companies are facing, so that the employees are committed to the project from the very beginning. The training course can be a combination of 'internal' training in the client organisation and delivery team, but also joint sessions.

For the delivery team, which consists of several different companies and cultures, it is especially important to have an internal clarification of roles and processes. The parties in the team must get to know each other well and gain insight into each other's business models, and thereby establish a common understanding of each other. In addition, the employees in the delivery team must have knowledge and an understanding of the client's requirements, needs, business models, decision-making processes, organisation and key stakeholders. The delivery team must also get to know subcontractors and partners and enter into agreements for their commitment to the collaboration.

As part of the internal training, the companies can also appoint one or more change agents who, together with the management, are in charge of the start-up. Work must be done to create a feeling that the employees are part of something bigger, where they must be ready to try something new. Therefore, in addition to their professional competencies, the employees leading the partnership must also have personal competencies in relation to being involved in the development of completely new working methods and processes. Since this is a value-based collaboration, a clear connection must be created with regard to values between tasks, companies and the strategic partnership.

JOINT TEAM BUILDING SUPPORTS COLLABORATION

As part of the start-up, there have been good experiences of holding one or more team-building workshops for all the employees involved in the collaboration, across the client and the delivery team. This may initially be for people represented in the steering group and the operational management², and subsequently for the people who will be involved in the first projects. Such workshops should be planned jointly by representatives from all parties and have a facilitator, who could for instance be the partnership developer if there is one associated with the delivery team. The first workshop is an ideal opportunity to identify common values and goals as well as success criteria for the collaboration. But at the same time, the workshop must be used to create a mutual understanding of the motivations, goals and success criteria that the individual parties

¹ Read more about the potential benefits and advantages of strategic partnerships in Værdibyg's guide 'Strategic Partnerships – From Idea to Contract'.

² Read more about steering groups and operational management in the chapter 'Organisation of the Collaboration'.

have for their own participation in the collaboration. It is important to create these connections so that the work in the individual projects can support the overall values and goals. In subsequent workshops, work must be done to create a common identity and culture so that it is eventually possible to answer the question 'Who are we?'

In addition to the common platform, the initial team building can also mean making both professional and personal differences visible, which can help to create a common language and thus alleviate conflicts, break down barriers and find common ground. For example, in the construction partnership &os they prepared personality profiles of the employees in the partnership, which helped the parties better understand each other's personal and professional prerequisites and why the different profiles act as they do. It is an investment to prepare personality profiles for all the employees invol-

ved, but it can be a good investment if it is used actively in future work to break down barriers and strengthen the collaboration.

ONBOARDING THROUGHOUT THE WHOLE PROCESS

The partnership must recruit profiles who are aware of their behavioural competencies and want to enter into an open, trust-based collaboration across differences. The profiles must be able to function well in a joint and interdisciplinary environment with limited structure. To ensure a good match, it may be an idea to use personality tests or some form of employment interviews – both with people who are hired directly for the partnership as well as the people appointed in the 'parent organisations' to be part of the team in the strategic partnership.

JOINT TRAINING IN PARTNERSHIPS

The partnership fsbHJEM has developed a training programme consisting of four modules lasting one day per quarter. It is aimed at the social housing sector and is divided into four topics, as shown in Figure 1.

A: UNDERSTAND THE PUBLIC CONTEXT

- New opportunities for the public sector
- Decision-making processes in the public sector
- The social housing effort
- Meeting with the residents

B: UNDERSTAND STRUCTURES, ORGANISATION, WORK PROCEDURES

- Hybrid organisation
- Innovation and the good repetition
- Collaboration across the value chain

C: UNDERSTAND PEOPLE

- People's needs and process design
- Learning processes and organisations
- Leadership and coaching of individuals and groups

D: UNDERSTAND FLOWS

- Trimmed construction
- Possibilities when using prefab
- The good repetition

Figure 1. The four modules in the training programme for fsbHJEM.

In addition to the initial team-building exercises in the start-up phase of the partnership, an ongoing and continuous onboarding of new employees is an essential element in establishing and developing the partnership. There should not be too much time from when the individual employee starts in the strategic partnership to when he or she is introduced to the partnership's way of acting and functioning. This applies regardless of whether the new employees come from partner companies or are directly employed to work in the partnership. In the onboarding, it is recommended that the employees learn about, amongst other things, how prices are set in the partnership, the agreed quality level, etc.

A strategy and procedure should be drawn up for how the partnership onboards new employees so that they are quickly taught the partnership's culture and way of working. This can be handled by creating introductory courses that can be scaled to also be held in a smaller format if there are 'only' 3–5 new employees for a period. In addition, it can be considered whether the client should make it a requirement that all employees participate in the course (e.g., within the first 3 months).

Similarly, a strategy and process should be developed for how the partnership off-boards employees when they are no longer needed in the partnership so that the partnership ensures that important knowledge is not lost through a planned handing over.

THE JOINT PROJECT OFFICE MUST SUPPORT THE COMMON CULTURE

At the practical level, most strategic partnerships have established a joint project office, which can contribute to strengthening the cooperation across all the parties involved. By physically sitting together on a daily basis, the goal of establishing a common partnership with a common culture is supported.

By having lunch together and being able to discuss the projects continuously across the desk or from figures, diagrams and the drawings hung on the walls, the partnership and sense of community in the project is strengthened. Funds must be set aside for the physical surroundings and social initiatives, and these must be anchored with the leading parties in the day-to-day management – called the operational management.

There are both arguments for and against the establishment of a project office. Reasons for a project office are:

- That it creates a great commitment.
- That cultural and structural differences can be overcome by the common presence and location, with intense focus from the management.
- That it is easier for the client to become part of the team.
- That there is assurance that the resources are available.

Reasons against the establishment of a joint project office are:

- That it presupposes a large and continuous portfolio in order to be able to retain the staff in the office.
- That it can be difficult to maintain the managerial association and professional development that the employees are a part of in the parent company.
- That there is uncertainty for the employees in being part of a project with a time limit.
- That it can be expensive in relation to management efforts, office space and operations.

In addition, IT and other infrastructure (BIM models, project website, file server, financial system, time registration, etc.) must be thought of together – for example, a common IT platform so that all parties have access to each other's and the projects' calendars, so that the individual parties can invite each other to meetings with the other parties without major obstacles. The various paradigms and templates to be used by the joint management and administration must be developed and implemented. Here, it can be an opportunity to look at platform-agnostic IT platforms that can be used by all parties, regardless of the system they use at the parent company. In this way, it may not be necessary to create a new IT standard for the strategic partnership, but rather use the IT service functions that the parent companies already have.

ORGANISATION OF THE COLLABORATION

It is absolutely crucial for the partnership's processes and success that a strong organisation is built around the strategic partnership with great support and acceptance from the support base. This applies to both the joint organisation as well as the independent organisation of the client and the delivery team.

THE JOINT ORGANISATION OF THE COLLABORATION

In order to ensure the necessary managerial attention and decision-making power in the strategic partnership, a joint organisation must be established between the client and the delivery team. For example, a three-part management structure can be established, comprising a steering group, operational management and project management. Figure 2 shows an example from Byggeri København's strategic partnership³.

THE STEERING GROUP

The steering group handles the strategic management of the partnership and can be compared to a corporate

board. It consists of representatives from the top management of the client and the parties in the delivery team. The steering group meets, for instance, once a quarter with the operational management for a status update and to ensure progress and development. It can, amongst other things, consist of ensuring the allocation of sufficient resources and the potential replacement of employees who do not work well in relation to the culture and collaboration. The steering group is also involved in risk management⁴ and in handling conflicts⁵ that have not been resolved at a lower level.

THE OPERATIONAL MANAGEMENT

The operational management (sometimes abbreviated OM) handles the day-to-day management of the collaboration and can be compared to an executive board. It consists of one or more representatives from the client and selected representatives from the delivery team, each with their own area of responsibility. There may be different areas of responsibility within the operational management – such as overall responsibility for the framework agreement, the running of the projects or partnership development.



Figure 2. The three-part management structure for Byggeri København's strategic partnerships.

3 See also Appendix 5 for an illustration of 'Organisation Delivery Team' from the construction partnership &os.

4 Read more in Værdisbyg's guide 'Establishment of Risk Management'

5 Read more in Værdisbyg's guide 'Mediation and Conciliation'.

OPERATIONAL MANAGEMENT AT & OS

At the construction partnership &os, the operational management (OM) typically meets once a week as well as holding ad hoc meetings on specific topics. The OM monitors and manages the finances and progress of the portfolio pipeline and ongoing projects and initiates the launch of new projects. They also ensure resource allocation, knowledge sharing, learning, innovation and development across projects. The OM are also involved in conflict management in the event of conflicts that cannot be resolved at the project level.

THE PROJECT LEVEL

The specific work of developing and implementing the individual projects in the portfolio takes place at the project level. There is a project manager in the delivery team who in the initial phases up to and including designing is typically a project manager from a consulting company, while the project manager for the execution is from a contractor. The client also has a project manager with responsibility for one or more projects. The structure of the project-level organisation must be handled very carefully, as this is where the greatest common interface is in the strategic partnership, and where the values and goals must be translated into the specific construction. The project manager joint effort, group structure and much more should be considered when creating the project level processes and organisation.

THE CLIENT'S ORGANISATION

The client's own organisation reflects the joint organisation:

- A manager who has the overall responsibility for the collaboration and participates in the steering group.
- One or more representatives in the operational management with reference to the manager with the overall responsibility.
- Project managers with reference to representatives in the operational management.

In addition, various specialists and support staff in the client's organisation can be involved in the collaboration.

Roles and prerequisites in the client's internal decision-making process must be clearly defined. The manager with overall responsibility must ensure that the necessary budget is available – including funds to cover risks. The operational management and project managers must have clear decision-making mandates. The project managers must also be equipped to participate in trust-based collaboration. In addition to the formal organisation, it may be appropriate to create informal forums for exchanging experiences. Finally, it must be clarified how the collaboration with stakeholders (users, neighbours, operating staff, etc.) is to be organised.

The client's management must jointly and together with the delivery team's management create the framework for cooperation and cultural change and ensure continuity by maintaining their own resources and competencies as well as continuous development of the organisation. The management must also contribute to a good project flow, create clarity in relation to risk distribution and ensure that the agreed processes are complied with or adjusted.

THE DELIVERY TEAM'S ORGANISATION

The delivery team's own organisation also reflects the joint organisation. The steering group includes representatives from the top management of some or all of the parties in the delivery team. In the construction partnership &os, the seven companies in the delivery team have together chosen to have three representatives in the steering group. The representatives in the operational management are selected in relation to the areas of responsibility. The management must be composed of diversity and competence for situational management at all management levels in order to create a balance between diversity and coordination. There must be an equal composition of decision-making managers. It is these people who must set the preconditions and framework for the new collaboration. The framework must ensure that the individual employees and companies think of the best interests for the partnership (and not the parent companies) when they face challenges.

The delivery team's management has a joint responsibility in shaping, maintaining and developing the internal organisation, determining the decision-making and meeting structure and finding the right profiles to be part of the team. The management must ensure that the delivery team appears as a joint contracting party in relation to the client, even though the team consists of representatives from different companies. The management must also ensure that an internal process management is implemented so that the employees and the collaboration are developed across projects and that innovative solutions are created and recycled. The management is also responsible for dealing with problems and conflicts that cannot be resolved at the project level.

In the partnership TRUST – in addition to a partnership director – a resource manager has been appointed who assigns the employees to the individual projects and is responsible for attracting people to/from the parent companies.

THE SUPPORT BASE MUST BE ON-BOARD

For both the client and the parties in the delivery team, the strategic partnership that the company enters into must have a managerial anchoring and support – both strategically and culturally. All parties must have a clear decision-making mandate in terms of management, and the right employees and other resources must be allocated to the start-up, including the budget framework and contract terms.

THE PARTNERSHIP DEVELOPER HAS A CENTRAL ROLE

In the delivery team, it can be a good idea to have an actor who, with anchoring in the delivery team's management, has the task of facilitating the development of the partnership. TRUST, the construction partnership and fsbHJEM have a partnership developer whose main focus is on processes and development in the partnership. This ensures that both systems and incentives are created so that personal knowledge is anchored in the partnership and that a common culture, team spirit and cooperation are built.

The role of the partnership developer can, for instance, consist of being responsible for the ongoing strategy work, creating the framework for the collaboration both inside and outside the partnership and facilitating the overall development of the partnership, including the development of training programmes and onboarding of new employees. As part of the ongoing development of the partnership itself, active work should be done with evaluation and learning in relation to the process-related issues at the organisational level as well as at the project level. At the project level, partnership developers can contribute to the individual projects living up to the overall objectives or focus areas in, for instance, sustainability, development and innovation. The client should also ensure that the rest of the organisation (e.g., the end users and the operating organisation) are also informed about the new collaboration so that they do not feel left out. A long-term overview of the portfolio must be created, and targeted information efforts must be made towards the users of the buildings who are expected to be affected by construction and renovation activities.

PORTFOLIO MANAGEMENT

The portfolio must be planned so that it suits both the client and the delivery team. The timing, scope and extent of the various projects must be adjusted to ensure a smooth project flow and good capacity utilisation. Portfolio management can be divided into pipeline management and the management of ongoing projects. The client has the primary responsibility for the management of the project pipeline, while the responsibility for the management of the ongoing project portfolio lies jointly with the operational management.

It is recommended that a common IT tool is established for both portfolio and project management. Already in the management of the portfolio pipeline, an overall risk assessment of the projects and the overall portfolio should be carried out⁶. The plan for the portfolio pipeline must highlight the schedule and financial flow so that the delivery team can plan their resources to ensure capacity utilisation.

From project to project, the client and the strategic partnership carry out an assessment of and an in-depth dialogue on whether the specific project fits into the partnership's portfolio. Risks are always reviewed so that any stumbling blocks can be removed in a timely manner, and status meetings should be held between the client and the partnership (e.g., monthly) for each project with a review of time, quality, finances and the collaboration. It is also in the operational management that new tasks and new employees are presented, and similarly this is where it is decided which employees are to be included in the various project teams.

THE CLIENT'S PORTFOLIO MANAGEMENT

From the beginning, the client must have an overview of the projects for the first one to two years that are expected to be included in the overall portfolio that the delivery team have to work with. The client should be clear about the structures and decision-making processes that can lead to changes in the portfolio. It should be considered whether there are one or two projects in the portfolio that are ready for immediate start-up, as well as projects that can be started quickly

in terms of execution so that the contractor can get a turnover from the collaboration at an early stage. However, one must be aware that, for instance, the benefits of early involvement of the project partners are thus not fully realised by these early projects. However, it can still be a good way to start the collaboration and gain some early experiences that can be implemented in the future projects. These early projects can be seen as pilot projects that test the communication, implementation and feedback processes that will be used in subsequent projects.

WORK ON PORTFOLIO MANAGEMENT OF ONGOING PROJECTS

The delivery team must assist in ensuring an optimal project flow in relation to its capacity utilisation, both in connection with the management of the portfolio pipeline and ongoing projects. The delivery team is instrumental in prioritising which projects are to be included in – or possibly removed from – the specific portfolio pipeline. This can for instance occur at the delivery team's weekly meetings of the operational management, in which they prioritise the projects at agreement step 0 and the management thereof. The operational management looks at the technical, financial and sustainability principles of the tasks and assesses whether the tasks are suitable for the resources available to the partnership. If the task does not fit into the partnership's project flow (e.g., due to lack of capacity or competencies), the client can choose to postpone the project or carry out the project outside the strategic partnership.⁷

⁶ See Appendix 2: 'Risk Process (Agreement steps 0–3)' from the construction partnership &os.

⁷ This possibility must be described in the framework agreement that the client makes with the partnership.

MANAGEMENT OF THE INDIVIDUAL PROJECTS

For the management of the projects in the strategic partnership, the agile contract structure plays an absolutely crucial role. The same goes for the common financial model and pricing, which can be a particular challenge that requires a great deal of attention from all parties.

JOINT PROJECT MANAGEMENT

It is important that a standard project model is prepared for the implementation of the projects. What is special about the project model in a strategic partnership is that it extends all the way from the initial considerations and programming to the execution and handover. The projects that are chosen to be initiated in the partnership are implemented in a number of phases that can, for instance, be divided as follows:

- Clarification of needs (Agreement step 0)
- Planning (Agreement step 1)
- Project proposals and pricing (Agreement step 2)
- Design, execution and handover (Agreement step 3)

CLARIFICATION OF NEEDS AND BUDGET (AGREEMENT STEP 0)

In agreement step 0, an initial clarification is carried out of what the project must contain and include based on an inspection of the building/construction site, review of available project material and information about problems and needs as well as dialogue between the client, the delivery team and any other stakeholders. Agreement step 0 ends with a presentation that can form the basis for initiating agreement step 1. The client is responsible for drawing up an agreement with the following appendices that have been drawn up jointly by the client and the delivery team:

- Project description, incl. success criteria, objectives and risk assessment
- Time and process schedule
- Service description – calculated with an hourly overview
- Budget presentation divided into contract sum (estimated) and consultancy sum as well as various break-even points, cf. the framework agreement's fee (e.g., contribution margin as well as additional charges/deductions in relation to Molio prices)

PLANNING (AGREEMENT STEP 1)

In agreement step 1, feasibility studies, registration and construction programming are carried out on the basis of functional and regulatory requirements, as well as dialogue between the client and delivery team plus users and any other stakeholders. Agreement step 1 ends with an outline proposal and basis for an agreement for initiating agreement step 2.

PROJECT PROPOSALS AND PRICING (AGREEMENT STEP 2)

In agreement step 2, the development of and dialogue about the specific project is carried out, with the preparation of project proposals, the regulatory review project as well as agreement proposals for the decision on the initiation of agreement step 3, including a fixed price.

DESIGN, EXECUTION AND HANDOVER (AGREEMENT STEP 3)

In agreement step 3, the project is executed. The phase ends with handover and the rectification of defects as well as the subsequent 1- and 5-year reviews.

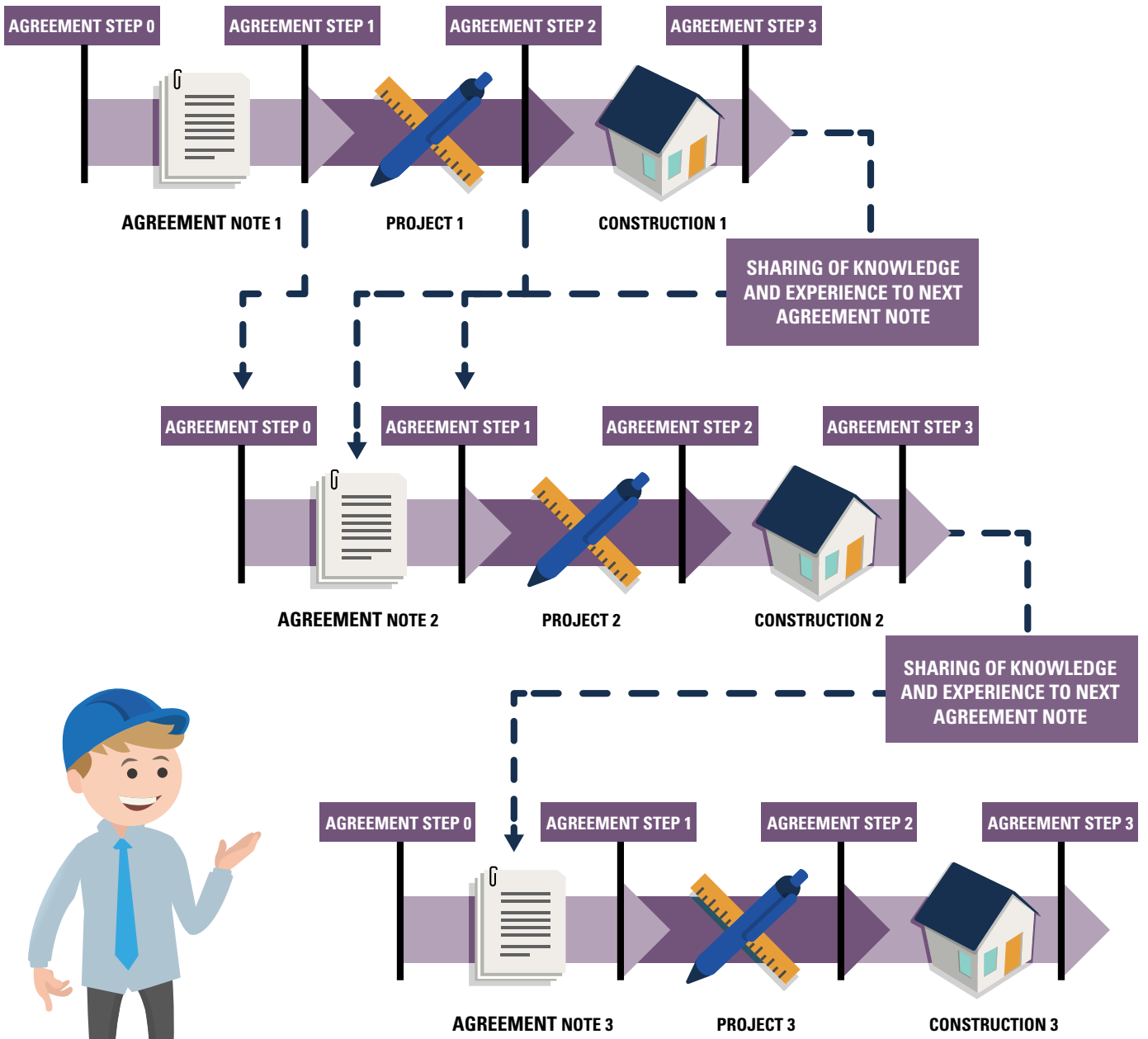


Figure 3. The main activities in the different agreement steps. In the following, each agreement step is discussed briefly. For a more detailed description, see REBUS' tender concept.

See also Appendix 1 'Contract Process' from the construction partnership &os and Appendix 6 'Process Diagram | Finance' (Agreement steps 0-3) from ByK with TRUST.

AGILE COLLABORTION AND AGREEMENTS

In contracts with agile collaboration and agreements, the most important things for the customer are delivered continually at regular intervals. In this way, the customer experiences that value is added on an ongoing basis and not only at the end of the project. The duration of 'agile contracts' will often be flexible, and there is typically a clear element of trust in agile contracts (as well as the incentive that tasks continue to be added to the partnership).

Since it is continuously determined what is to be delivered, the customer always has their finger on the pulse in relation to what is being worked on. In addition, the customer has to continuously approve what is being delivered, and therefore it is not possible for surprises to pile up. The customer always has the opportunity to re-prioritise or change direction, regardless of whether the change of direction is caused by their own strategic change, market circumstances or something else. The agreement basis still focuses on who performs the work, when it is realised and at what price.

FORMALISE THE AGILE CONTRACT STRUCTURE

The agile contract structure that characterises strategic partnerships has a much greater flexibility than traditional contracts. The work in the strategic partnerships is still based on the AB system, but it is to a greater extent possible to agree on local pragmatic adjustments – not only in the individual project but on all future projects in the portfolio. When making customised agreements, the parties must remember to be clear and have the agreements written down.

The AB set of rules requires that projects must be defined very specifically early on in the process. However, this requires knowledge that the parties do not always have at an early stage (e.g., about the expected number of user meetings, the expected time spent on the authorities processing). When working in a strategic partnership with an agile contract structure, you can take advantage of the flexibility of the project model when it comes to complex projects such as in the public sector, school construction, etc., which are dependent on the involvement and approval of many different parties. Or vice versa – in the case of relatively simple projects. For example, in the Capital Region of Denmark's tender, there was the possibility of skipping an agreement step. This may be relevant if a project can, for example, be priced and executed without a lengthy design process.

The contract structure ensures that the parties can learn during the project, adjust services and schedules on an ongoing basis and adjust the finances along the way. However, there may also be a downside where it becomes a challenge for the parties to enter into different contract steps in the agreement, since both the client's and the delivery team's project managers constantly feel that 'they will be smarter tomorrow' and that 'if we wait for a week, then we can also include the process plan' or 'in 14 days we will know more about the authorities processing'. This means that the formal conditions come under pressure, which is a challenge for the agile contract structure. In order to make it work, the parties must sign the agreement steps today with the knowledge the partnership has here and now, and not with the knowledge we expect to have tomorrow.

In particular, if the partnership shares a project office, it is important to remember the formal structure, since there can be a tendency for agreements to be made 'over the desks'. This is actually a positive sign of the partnership's agility and solution-oriented possibilities, but it is also important that the agreements are written down and formalised so that you have something to go back to if there have been misunderstandings or doubts about what has been agreed, who is responsible, etc.

FINANCIAL MODEL AND PRICING

Establishing a common financial model has so far proven to be a challenge in strategic partnerships. It has been difficult for both the delivery team and the client to understand each other's finances and business models, as well as financial considerations – especially in the initial phases. Work should be carried out with open books, but it is difficult for the client to understand how the delivery team and especially the contractor make their calculations. There is a need to establish a common understanding and define concepts as well as the content of the various elements. There must be a common understanding of what should be priced, when it should be priced and to what degree of detail⁸. It can be a good idea to have a joint session to learn and understand each other's business and financial models. All parties should understand (and therefore spend time learning to understand) how calculations are made in order to build trust in the collaboration. It is therefore important that goals and resources are discussed openly⁹.

When renovating, the allocation of risk is particularly difficult, including who has to pay for any errors. There are different ways of handling risk pools and unforeseen expenses. It is recommended that pools are created for risk, unforeseen expenses and improvements. A partnership is about interest and insight into each other's basis for decision-making and risk elements, and thus it is important that people do not try to place responsibility on one party alone. Therefore, everyone must be willing to face risks with an open mindset and to jointly manage the risks of the projects – including the contractor's process risks in the execution phase.

8 See Appendix 6: 'Illustration of "Process Diagram | Finance" (Agreement steps 0–3) from ByK with TRUST'.

9 See example of financial model in Appendix 9: 'Illustration of financial model, Egedal Municipality'.

OBLIGATION TO TENDER

In the strategic partnership, the formal part of the obligation to tender has been bypassed with the overall tender and framework agreement. But that does not mean that there is free access to purchasing anything without the distinction between price and quality and supply rules. Public clients have a responsibility to procure the best/cheapest option, and there should therefore be competition for the larger procurements that have not been included in the framework offer. The strategic partnership should always present the client with different products, each of which has its advantages and disadvantages – also in terms of price.

Since the partnership in the projects is beyond the tender obligation, the parties can already determine the brands for components as early as it suits them, which is a great advantage for the cooperation with both suppliers and the operating organisation, as well as making the design work easier.

The pricing and billing of the delivery team's services in the specific project occurs in the framework agreement¹⁰ with the following price elements¹¹:

- Advice under agreement steps 1 and 2, which is billed according to time elapsed in relation to hourly rates in offers.
- Craftsman expenses which must not in principle exceed calculations based on Molio price data with additional charges/deductions in offers¹².
- Contribution margin calculated on the basis of the contribution margin rate offered.
- Internal technical advice calculated on the basis of the percentage rate offered.
- Weather-specific winter measures calculated according to a set percentage rate.

10 cf. the tender concept from REBUS, which can be found at www.rebus.nu/viden-og-vaerktoejer/udbudskoncept/

11 Several of the ongoing partnerships use this model. However, there may be other or better solutions.

12 The solution with discount rates in relation to Molio's price data only holds to the extent that their solutions are comparable with the specific project.

In the construction partnership &os, a fee and service overview has been used for pricing, where it is clarified how hours are allocated so that adjustments can easily be made afterwards if necessary. This provides good flexibility – also in the agreements.

RISK POOL

When renovating, the risk analysis is particularly difficult¹³, and it is therefore an obvious choice to work with a risk pool¹⁴. There are different ways of handling risk pools and unforeseen expenses. It is recommended that pools are created for risk, unforeseen expenses and improvements. A partnership is about having an interest and insight into each other's basis for decision-making and risk elements, and thus it is appropriate that people do not try to place responsibility on one party alone. The AB rules naturally set a framework, but it can be an advantage in a partnership that everyone is willing to jointly manage the risks of the projects and discuss how to handle matters when faced with an incident or uncertainty. It can be risks regarding quantities, design errors or execution risk, where the parties can agree on how to best solve it overall.

THE CLIENT'S PROJECT MANAGEMENT

Throughout the process, the client's project manager must formulate and convey the client's requirements, wishes and other relevant information for the construction, be a constructive dialogue partner with the delivery team's project manager and employees, communicate users' interests and have contact to other stakeholders and not least ensure the client's decision-making process.

The client's project manager must also ensure that there is a balance between the desired quality, possible solution and financial compromise in the project. In being a part of the operational management, the project manager must also help to ensure that resources for design are used on the right tasks. The project manager must, together with the delivery team, contribute to the development and choice of solutions in the project, decide whether the completed design can be accepted and follow up on the project in the execution phase by participating in construction and status meetings with the person responsible for the project. The project manager is also responsible for the client's own management of quality, finances, time and risks in relation to the client's own organisation.

THE DELIVERY TEAM'S PROJECT MANAGEMENT

The project manager for the delivery team must ensure that the agreed consulting and contracting services are delivered – on the basis of ABR18 and ABT18, respectively. The delivery team's project manager carries out their own management of quality, finances, time and risks. It is important to understand how the delivery team sets prices in the tender phase and in the projects¹⁵. The considerations that take place in the tender phase must be communicated to the employees who will be working with the financial model afterwards. The opportunity to involve subcontractors in the pricing of the most difficult parts of the projects should be exploited. The project manager must also participate in internal process management and contribute to knowledge sharing, experience gathering, learning, development and innovation across projects.

13 Read more in Værdibyg's guidelines on risk management – and especially 'Risk Management in Renovation Projects'.

14 Read more in Værdibyg's guide 'Establishment of Risk Management'.

15 See Appendix 3 'Process | Calculation' and Appendix 4 'Settlement Model' (Agreement steps 0-3) from the construction partnership &os.

COLLABORATION WITH THE STAKEHOLDERS

The client and the delivery team should jointly develop a strategy for involvement, communication and collaboration with stakeholders. It is important to spend time and energy on all stakeholders from the beginning. A common consensus must be ensured and trust must be built, so it is a good idea to hold start-up meetings with the stakeholders.

DEFINITION OF THE PARTNERSHIP'S STAKEHOLDERS

Who the stakeholders are depends of course on the client in question and the characteristics of the individual projects. In all cases, it will be necessary to work with authorities, end users and operating organisations¹⁶. For public clients, politicians, local government and institutional leaders will be key stakeholders, while for housing administrations it will be departmental boards and possibly housing associations. The collaboration will have a different nature in the portfolio planning and in the different agreement steps. The client has a special responsibility to involve stakeholders in connection with the planning of the portfolio and to establish the contact between the client's internal stakeholders and the delivery team.

It must be explained to the stakeholders how the partnership works so that they get an understanding of how it is different from the traditional way of carrying out construction projects. As part of this, the business model must be explained, and it must be emphasised that price formation is not part of a tender but is set by the partnership on the specific project (potentially with a price control). In other words, there is no competition for the individual projects. It requires an effort for everyone to understand how the prices are set, but the partnership has an interest in a good mutual understanding if the parties are to have a trusting collaboration. Both sides need to invest time in achieving this understanding, but this time is well spent, since it is the foundation of a trusting collaboration.

INVOLVEMENT OF SUBCONTRACTORS AND SUPPLIERS

It is the delivery team's responsibility to involve subcontractors and suppliers. It can be useful to involve subcontractors already at the beginning of the project¹⁷. Early in the process, the delivery team can identify the subcontractors they have had good experiences with and who they would therefore like to invite as subcontractors in the strategic partnership.



16 Read more in Værdibyg's guide 'Involving the Users'.

17 Read more in Værdibyg's guide 'Involving Sub-Contractors'.

DEVELOPMENT AND INNOVATION

The comprehensive project portfolio and collaborative structure in the strategic partnership provides an opportunity to set requirements for the development and testing of new solutions. In a partnership, many parties participate on an equal footing and with a common goal of strengthening the collaboration. It is a major driver for innovation and development across professional areas within the partnership.

The focus areas for development and innovation should be set at the beginning of the collaboration between the client and the delivery team. The partnership should make it clear from the outset what kind of development and innovation is to be prioritised, as well as what resources to devote to it. For example, do you want to promote product innovations, new untested solutions or robust and sustainable solutions? It is important that these considerations take into account the nature of the portfolio so that the innovation is based on the repetitions that the portfolio allows. There should be a consistent narrative and understanding that continuous development and innovation are important for both the partnership as a whole and the individual projects. See the example box with the partnership fsbHJEM's ambition for development.

DEVELOPMENT MUST BE SCALABLE

Construction partnerships are an obvious opportunity for the development of processes and solutions. But remember that the primary task is to address the client's needs in relation to construction. However, the partnership must master the art of restraint and focus on both development and the subsequent implementation and anchoring. There must be a balance between innovation and what is 'known'.

As mentioned, priority must be given to a development effort, and it makes good sense to develop repeatable and scalable solutions that can be implemented and re-used in future projects. The parties can work with innovation and develop and test solutions (e.g., in the form of mock-ups, within sustainability, recycling of building materials and circular solutions, as well as product and process innovation). For example, ByK with TRUST has tested economic, legal and practical processes around the demolition, storage and recycling of building materials as part of the partnership.

There must not be initiated more development and innovation than the organisation can handle. It is more important to ensure a deep and effective implementation of the development activities that are initiated than to initiate new activities that are not implemented to a sufficient degree. The overall management and the individual project manager must constantly be aware of the optimal balance between challenges, development and stability for the individual.

ORGANISATION OF DEVELOPMENT AND INNOVATION

If there is a partnership developer, it is clear that they have a significant role in the partnership's development activities. Development and innovation must also be rooted in the operational management. For both the overall strategic work with development and innovation as well as at the project level, it can be rewarding that a person in the operational management has an overall and facilitating role. He or she can contribute to the partnership living up to the goal of development and innovation and ensure that knowledge is disseminated throughout the organisation.

In order to promote innovation, it can be worth considering the establishment of a joint committee to drive the innovation and, if necessary, involve innovation experts and researchers.

THE PARTNERSHIP FSBHJEM'S AMBITION FOR DEVELOPMENT:

In the strategic partnership fsbHJEM, the parties' ambition is to develop one significant improvement on each construction case. The partnership focuses on developing scalable solutions that provide immediate benefits to users and that can be reused and refined in subsequent construction cases in the partnership.

The following six main focus areas have been identified:

- The controllable – the way we organise ourselves
- The noticeable – the way we create ownership with residents and operating staff
- The usable – the way we ensure architectural quality
- The durable – the way we ensure technical quality
- The buildable – the way we build
- The measurable – the way we learn

ONGOING EVALUATION AND LEARNING

As mentioned, the partnership must initially agree on the objectives and success criteria for the work. These are translated into measurable indicators that can continuously show whether the collaboration is on the right track.

EVALUATIONS PROVIDE THE OPPORTUNITY TO CORRECT

The steering group and the operational management should regularly evaluate the collaboration and agree on its further development. This can be done by measuring the employees' and significant stakeholders' satisfaction with the collaboration and the project results – and thus the fulfilment of the agreed success criteria. It is recommended to hold learning and development workshops at regular intervals as well as establish and maintain an evaluation and learning log. A potential option can be to use an annual plan where intervals are set for working with different topics, holding workshops on learning or sharing knowledge across the projects. Time must be set aside to examine and reflect on learning and development.

EXAMPLE OF AN EVALUATION MODEL

The partnership fsbHJEM works on developing a learning organisation, where an emphasis is placed on learning about the connection between performance and results. They measure the five objectives indicated in the two middle rows of the pyramid in Figure 4. At the partnership level, six measurement criteria have been defined, and at the project level, seven measurement criteria have been defined. They prioritise available and actual data, but softer measurements of perceived satisfaction etc. are also included.¹⁸

¹⁸ See Appendix 18 'Ongoing evaluation – seven measurement criteria for the projects, fsbHJEM / Smith' and Appendix 19 'Ongoing evaluation – six measurement criteria for the partnership, fsbHJEM / Smith'.

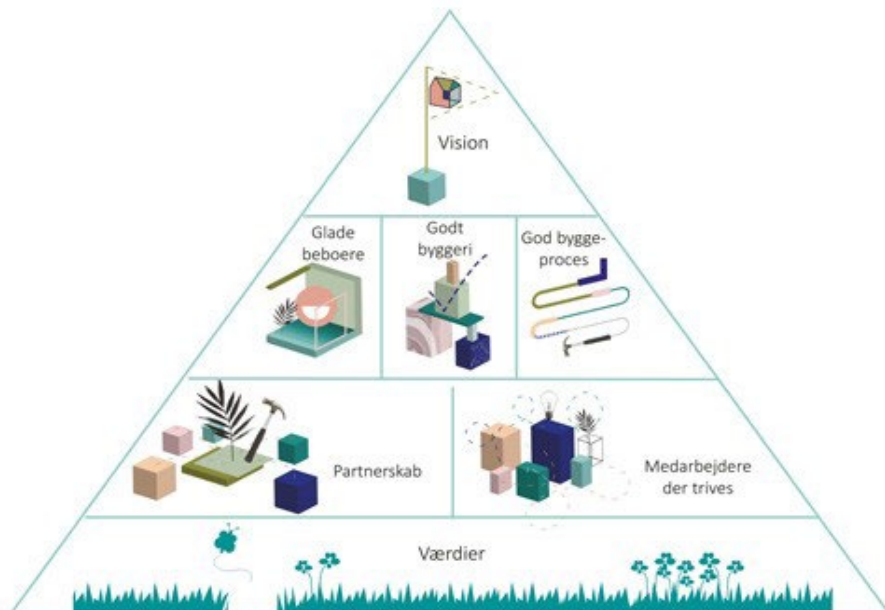


Figure 4. Evaluation model from fsbHJEM (see also Appendix 17).

After each phase or agreement step, an evaluation of the process should be carried out for the individual projects and it should be agreed how experiences can be implemented in the future on the project or on other projects. As part of this, a matching of expectations must be carried out on the project deliveries. In the construction partnership &os, balanced score cards are used to measure each project whenever there is a phase change. This evaluation is carried out by the project manager and the person from the delivery team who is responsible for execution together with the client's project manager.

THE FINAL PHASE OF THE COLLABORATION

Well before the end of the partnership, both the client and the delivery team (possibly together in the operational management) should prepare a retention strategy for how employees are motivated to also participate in the final phase. Projects that are started late on in the agreement period will first be completed much later, and therefore this completion period typically extends over several years. For instance, it is not unlikely that the partnership must continue to run fully staffed for the first year after the end of the agreement period. This makes it a difficult process, and it would make sense to address this issue on several occasions. These considerations should begin as early as one and a half years before the conclusion of the agreement, and we recommend that a plan be drawn up for demobilisation and a process for the completion of the construction works in progress. In this regard, a 'sweep team' can be established to pick up and take care of the final tasks.

There may also be a need to clarify the distribution of rights regarding material so that there is no subsequent doubt about this.

EVALUATION OF THE COLLABORATION SHOULD BE BOTH JOINT AND INTERNAL

A final joint evaluation of the collaboration must be carried out in which it is assessed to what extent the initially defined objectives and success criteria have been met, as well as what the parties together have learnt from the process. It can, for example, relate to whether the desired budget security and the expected level of innovation have been achieved. An information strategy can be drawn up for how the experiences are disseminated more widely in the organisations, to other stakeholders and to the public.

RELATED PUBLICATIONS FROM VÆRDIBYG

This guide contains specific recommendations for the implementation of strategic partnerships.

The guide 'Strategic Partnerships – From Idea to Contract' deals with the early considerations, preparation, tendering and contracting in connection with strategic partnerships. For guides on good collaboration in construction projects, please refer to the other guides from Værdibyg.

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In addition to the joint evaluation, there should be an independent internal evaluation of the process and the collaboration carried out by the client and the delivery team, respectively. It should be evaluated whether the joint and partnership-specific success criteria have been met. The individual parties should consider how the experiences learned can be used in other projects, and what knowledge could be beneficial to take back and implement in their own organisations. In the client organisation's internal evaluation, users, the operating organisation and other stakeholders are also included.

EXPERIENCE GATHERING

At the end of the partnership, all parties should also conduct an internal experience gathering in relation to the results, including financial control, investigation of whether a reasonable value has been achieved for the money and preparation of key figures for the design, execution and unforeseen expenses. This also applies in relation to processes, including which paradigms, templates and tools are to be used and possibly further developed for use in future collaborations. We recommend that all parties in current and future strategic partnerships want to work with a high degree of transparency and knowledge sharing across partnerships and other interested parties. In the coming years – and decades – this will be of great importance for the work on minimising conflicts as well as increasing the productivity and development work around the green transition in the construction industry.

RELATED PUBLICATIONS FROM REBUS

The following publications can be downloaded at www.rebus.nu/viden-og-vaerktoejer/

1. Guide on tenders and partnerships. REBUS tender concept, 2017
2. Paradigm for tender conditions. REBUS tender concept, 2017
3. Framework agreement on strategic partnerships. REBUS tender concept, 2017
4. Report on prerequisites for strategic partnerships. REBUS report, 2017
5. Knowledge sharing and collaboration across the construction industry – A guide to strategic partnerships. REBUS pamphlet, 2017
6. Knowledge catalogue: Minor loss of value in the renovation process. REBUS pamphlet, 2018
7. Pixie book for business models and strategic partnerships

APPENDICES

The appendices can be found at www.værdibyg.dk

1. Illustration of the 'Contract Process' (Agreement steps 0–3) from the construction partnership &os
2. Illustration of the 'Risk Process' (Agreement steps 0–3) from the construction partnership &os
3. Illustration of the 'Process | Calculation' (Agreement steps 0–3) from the construction partnership &os
4. Illustration of the 'Settlement Model' (Agreement steps 0–3) from the construction partnership &os
5. Illustration of the 'Organisation Delivery Team' from the construction partnership &os
6. Illustration of the 'Process Diagram | Economy' (Agreement steps 0–3) from ByK with TRUST
7. Draft framework agreement for strategic partnership, fsb
8. Tender conditions for tenders for strategic partnership, fsb
9. Illustration of financial model, Egedal Municipality
10. Template for Agreement regarding Commissioning, Egedal Municipality
11. Brief regarding risk distribution (Agreement step 3), Egedal Municipality

12. Schedule for ON-Boarding, Egedal Municipality
13. Agreement step model (Agreement steps 0–3), Værdibyg
14. Framework Agreement for Strategic Partnership, Byggeri København
15. Tender conditions for tenders for strategic partnership, Byggeri København
16. Template for offer list with part-criteria, Byggeri København
17. The evaluation model, fsbHJEM / Smith
18. Ongoing evaluation – seven measurement criteria for the projects, fsbHJEM / Smith
19. Ongoing evaluation – six measurement criteria for the partnership, fsbHJEM / Smith
20. Tender notice from Civica: Framework agreement for strategic partnership
21. Tender notice from the Capital Region of Denmark: Framework agreement for strategic partnership
22. Tender notice: Strategic partnership in Byggeri København 2022–2025
23. BUILD Report 2020:26: Strategic partnerships in the City of Copenhagen (Experiences and results 20