PROJECT ALLIANCING IN FINLAND

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Working day consideration
Managing projects having risks and contingency

• Who are pricing risks? Who are bearing risks?
• How I am able to get different parties to co-operate together?
• How do I ensure, that different parties optimize the whole instead of optimizing their own?
• How do I create an organization which deliver information transparency?
• How do I help the progress of transparency, openness, trust and innovativeness?
• How can we add value for money and customer?
Project Alliance Definition

A Project Alliance is where an owner and one or more service providers (designer, constructor, supplier etc.) work as an integrated team to deliver a specific project under a contractual framework where their commercial interests are aligned to the actual project outcomes.

In an Alliance all the Parties

– Assume collective responsibility
– Take collective ownership of all risks
– Share in the “pain” or “gain”

Source: Main Roads Western Australia, Brain Noble 2010
Elements of IPD/Project Alliance

- Early involvement
- Joint organization
- Shared objectives
- Shared risks and rewards
- Alliance/IPD contract
- Commercial compensation model
- Fully open-book commercial transactions
- Commitment on continuous improvement to achieve outstanding outcomes
To create IPD-culture, brave owner organizations and owner people are needed and great dialogue with the construction industry
Phases of IPD/Project Alliance

Source: Jim Ross, Alliance Contracting, lessons from the Australian experience, LIPS-conference in Karlsruhe 9.-11.12.2009
Use of negotiated procedure

Negotiated procedures allows to:

- communicate the owner’s objectives
- clarify the procurement process
- develop the project
- reduce uncertainties and risks
- start early integration
- evaluate the tenderer’s performance
- develop tenders
Selection of Service Providers

Selection of most suitable parties to build up an integrated team with an owner / client to design and execute project to reach owner’s targets and high performance

Process
- Competitive tendering process
- Non cost selection criteria

Selection criteria
- Technical, financial and management capacity
- Understanding and commitment to the Alliance way of doing business
- Preliminary ideas on innovations and execution strategies plus the potential to deliver outstanding design and construction outcomes
- Margin / Fee (percentage / euros)
Over 70 alliance projects since 2011

Over 5 billion euros in total
Cultural change is huge!
Phases of IPD/Project Alliance

Strategy

Selection Phase

Development Phase

Implementation Phase

Guarantee and Maintenance Phase

Objective & constraints

Decision of project delivery model

Draft documents
- Preliminary plans
- Alliance contract
- Compensation model

Selection of the best parties by competence and value for money

Interim Alliance Contract
- Project planning and design
  - Alliance team development
  - Develop target outturn cost (TOC), time schedule and project plan
  - Key performance indicators

Full Alliance Contract
- Integrated team
- Alliance contract
- Compensation model

Delivery of Services
- Design and production development and innovation
- Change management

Owners want to proceed?

Source: Jim Ross, Alliance Contracting, lessons from the Australian experience, LIPS-conference in Karlsruhe 9.-11.12.2009
Developing Phase

• Understanding customer values
• Scope the project
• Setting Target Outcome Cost (TOC)
• Organize the project
• Develop the team
• Standardize processes
• Designing and planning
• Build trust
Project alliancing - Development Phase / Client view

Martti Nurminen, Project director, Finavia
Strategy - Plan

- Plan your Masterphasing and Alliance Contract phases & Compensation model
Compensation model

1. Direct Project Cost
2. Fee / Margin
3. Gain share / Pain share

Target Outturn Cost (TOC)
Plan your team

- Tendering phase
- Development Phase
- Execution phase

Client → Design → Constructor → Supplier

FINAVIA for smooth travelling
Flow efficiency / Resource efficiency

TIME

NORMAL PROJECT

NORMAL PROJECT
CUSTOMER VALUE
CONNECTED TOGETHER

NORMAL VIEW TO
PROSESSIN PROCESS
IMPROVEMENT

LEAN PROCESS

CUSTOMER VALUE
WASTE
Lessons learned

- Trust in people
- Waste in development phase
- Quality process
- Project alliancing contract
- Leading the design
Thank you
Virtual excursion – project alliancing
Bothnia High Five alliance

Experiences in starting face of Alliance

Juha-Pekka Smolander
Member of Management Group of Alliance Bothnia High 5
Ramboll Finland Oy
• **Creating an alliance** - commitment - a mutual organization - a mutual “company”. **This is a new situation for the parties** and a moment where attitude, responsibility and faith in organization are needed.

• **Alliance’s practices** - tasks - roles - the **whole structure** is very important to describe from the start.

• Mutual understanding of the **commercial model** – repeated and practiced together.

• Meeting policies and documentation - this should be agreed from the beginning.

• Starting **BIG room** activities and learning about it - necessary facilitation - developing activities. We quickly switched to refined BR actions = **BR - small groups - BR**.
• **Alliance Management Group activity put into action**, nominates and confirms other necessary groups, APG and other groups supporting the project.

• **A management system** must be put in place, the operation of the whole alliance is described here.

• The **goals of the Development Alliance Agreement (KAS) phase** are written and understood together.

• **The project plan for the Development Alliance Agreement (KAS) phase**, the drafted plan was good, but it could have come even earlier.

• **DAA (KAS) phase schedule**, general time schedule, planning schedules, procurement schedule - synchronization! The project has paid attention to this and this has been successful, **this is an ongoing work**.

• **Projects key performance areas (KPA)** that are understood together throughout the alliance and committed to.
• Describing **Alliance decision-making**, group roles and which group presents, what accepts, how are decisions documented? If this is not described, the action will easily drift into “traditional” models.

• Creating and strengthening the **Alliance’s identity**. For an alliance, it’s a good idea to choose a name together that describes the goals and links it to its environment.

• **Communication with end users.** The shape and functionality of the building and the need for space. User influences, it is necessary to create a clear structure through with end user and alliance parties. Dialogue need to take place. Here we got on to a good start, but it could have been done a little earlier.

• **Alliance procurement** should be described in a **procurement strategy** that sets out the rules of the game, procurement mandate, if this cannot be described and used – here again is the risk of drifting into the traditional model.

• **Commitment people** across the alliance and having a plan on how we encourage and reward innovation.
Thank you!

Internet: www.bothniahigh5.fi • www.bothniahigh5.fi/sv

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Alliance projects – General contractor view

SALLA WILLBERG 6.11.2020
Cornerstones for success

+ Goals for project steer the project to right direction.
+ Growing common understanding early on in the project
  + Understanding the “logic” of different parties
+ Common ways of working for the project created together
+ One team & team spirit
+ “The quilty guy is always present”
+ /Δ Knowledge of different parties into the project design
  • Beware of proceeding to high maturity in design before getting construction involved

=> Engagement
Obstacles to avoid

- Many interest groups
- Several decision makers
- "Everything can be done"
- Fixed budget
- Customer needs in core
- Excellent experiences

11/11/2020
Salla Willberg
Obstacles to avoid

- Several decision makers
- Many interest groups
- "Everything can be done"
- Fixed budget
- Excellent experiences
- Customer needs in core
- "Understand value"
- "Prioritize"
- "Get users at right time"
- Superusers
- Decisions!
Experiences during COVID-19

• Exchange into teleworking
  • Existing projects => Surprisingly easy, work was switched online as such
  • New, starting projects => Challenges in team building

• Co-working space
  • No common physical space => Challenges in teaming up & creating common way of working