

Value for Money: “Us” versus “Them” Revisited?

In the world of alliances, the now-familiar debate about Value for Money (VFM) continues to gather steam and, in some cases, rages on.

Not only is this topic the focus of sometimes intense disagreement, it has also become the focus of much study. We have seen comparative studies of various procurement models, for example, and there is marked lack of consensus about methodologies used as well as the different conclusions drawn. Even though it has been found that most alliances are delivered at a cost below their Target Outturn Cost (TOC) and above the minimum conditions of satisfaction for the non cost key result areas, whether this represents value is still very much in question.

If we are true to the principles of alliancing, this is a debate which demands mindfulness and constructive conversation. Those of us involved with alliances work in a context where we have historically broken down barriers, challenged each others' thinking, yet ultimately gained each others' trust and made great gains because of it.

Over the past nearly 20 years, my colleagues and I have seen alliances transform the adversarial “us” and “them” paradigm. Alliance collaboration amongst competitors, vendors and clients has resulted in radical shifts that created new thinking, ways of operating and behaviours. Historical and conventional views have been confronted honestly, allowing parties to genuinely listen to each other and thus create something new.

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It is interesting, and perhaps somewhat unfortunate, that as the VFM debate continues to twist and turn, we are seeing a similar “us” and “them” emerge in some approaches to the conversation. The new “us” seems to be those who are persuaded that collaboration almost always leads to unquestionable benefits for all participants and creates significant value for the owner and other key stakeholders. The “them” are those who take a different view of how VFM—particularly when spending taxpayers' dollars—should be considered and assessed.

Granted, the demarcation between ‘us’ and ‘them’ is not as simple as it was back when alliancing was something new. There are now many diverse players who view value and what

is wanted and needed on any project, particularly a public endeavour, from very different vantage points. For the purposes of this discussion, by “us” I will refer to commercial partners and representatives of the asset owner within the alliance, with “them” being the central government agencies—often Treasury, and in some cases, policymakers.

The VFM dialogue between these stakeholders has many of the hallmarks of conversations I witnessed for many years (and still do in some cases) between owners and contractors/ consultants in adversarial contracting arrangements. Both then and now, the fixed points of views, conclusions and assessments of all parties have operated as a filter to the point where both “sides” can barely hear each other – and certainly cannot listen to each other in a way that would allow for resolution of the issues at hand.

It is now a platitude to say that people have different perspectives. Yet while self-evident in theory, it is all too often not reflected in behaviour. In the case of assessing the VFM of alliances, I suggest it would be useful to briefly examine just one aspect of the two primary perspectives in the debate.

From one perspective, value is viewed almost exclusively at the project level. The concerns and interests of stakeholders are considered as they pertain to the project level, with value defined by the cost and non-cost Key Result Areas in the Project Alliance Agreement. So raising the level of, for example, community or environmental outcomes for the same money represents value, from this perspective. Similarly, adding additional functionality or a new innovative approach for the same money represents value from this perspective. In some cases we hear owners and non-owner alliance participants argue that an alliance delivered extraordinary VFM, even though the funds spent were at—or even above—the Target Outturn Cost. They will point to innovation and additional functionality, quality, environment, traffic, and/or community benefits etc. to demonstrate the additional value gained.

So are they wrong? Not when you look at it from the perspective of the project. Through the lens of what is of primary importance to the parties at this level, the value is unquestionable.

But what happens when we look at it from a Treasury or Whole of Government perspective? What do they see? They see functionality, environmental and community standards beyond what they consider necessary or at least beyond what was

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specified in the original business case. They see an additional level of expended funds that could have been spent on other infrastructure and public services. They see TOCs sometimes well above budget numbers and significant gain shares being paid out to contractors and consultants. While 50 percent of these gains are also returned to the owner, this again in their view is all money that could have been spent on other infrastructure and other social services. They therefore see elected officials' decision-making about where public money should be spent potentially undermined by these approaches.

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So are they wrong? Not when you look at it from a whole of government perspective, through the lens of what is of primary importance to the decision-making bodies at this level of government. Elected officials are the ones ultimately charged with the difficult determinations about whether roads, water treatment plants, schools or hospitals should take priority and be built or upgraded. So through this lens, the added value from alliances, particularly those that exceed their TOC or expend monies to deliver beyond the business case is questionable.

Let's see how this played out on a recent project. The project ended over the TOC but was deemed a success by many on other measures. The alliance believed that they had delivered excellent VFM; the owner was delighted as they had a working asset and had delivered it with few community disruptions and no service disruptions during construction, and safety was excellent. In addition, the owner had gained considerable skills and knowledge transfer (a big secondary benefit), and all the local politicians were happy.

But what Treasury saw was a significant overspend, with many of the secondary benefits (happy local politicians, knowledge transfer, etc.) neither in their original business case nor representing outcomes that they would necessarily have believed that they should pay significant extra dollars to get. Thus Treasury question the VFM, while locals say *'Good VFM'*, and the owner says *'Excellent VFM!'*

This example reflects one aspect of the situation and illustrates why peoples' perspectives can and do diverge. By definition, the alliance delivery model is best utilised on projects with a very high degree of complexity and "unknowns." So the original business case often includes less specificity and clarity about exactly what is needed, and rarely is a revised business case presented once more detail and definitions of value have been determined at the project level. The situation is a bit like having made a business case for a delivery van and getting a Volvo station wagon. There may be little debate that the Volvo is better quality, safer, more environmentally friendly and a better ride. It's just that was not what was originally requested.

So it is worth asking whether there can ever be a right or wrong answer to the question about whether alliances deliver VFM. *Will the debate as it is currently framed ever be resolved?* I would venture to say no.

There clearly needs to be much more rigorous dialogue to align the needs and interests of all players at various points during the procurement process. But I believe that there is also more at play. The situation is strikingly similar to the debates in the early days of alliances—between owner and non-owner participants - about whether contractors could ever make decisions based on social values and priorities, or whether public servants could ever see the drive to make profit as legitimate. These impasses were transformed by all parties' willingness to truly listen and understand each others' perspectives, to put past based conclusions and views aside - and through a shared commitment to the belief that the results of the alliance could and would, without question, satisfy what is of primary importance to all parties.

The same spirit and intention is sorely needed in the current debate and will require buy-in from all parties if we are to see the benefits of collaborative contracting reach a new level of performance. It will take the same commitment to ensure that all concerns are fully listened to, considered and addressed. It will take openness beyond the righteousness that has sometimes been evident in the current debate. And given where things now stand, it will take a willingness of all parties to take responsibility for their own contribution to the polarisation of the debate.

As we all know, in all endeavours once we move forward beyond "Us" versus "Them," we truly move forward.

About the author



Deborah Kiers,
Managing Director,
JMW CONSULTANTS
- ASIA PACIFIC

Deborah Kiers has over 20 years experience supporting organisations in Australia, the US and Canada to dramatically elevate their performance through leadership development, executive coaching, organisational transformation and building high performance teams. She has been at the forefront of breakthroughs in organisational performance and alliance contracting across a wide range of industries. Deborah designs and leads JMW's executive development programs, including the highly acclaimed *Leader of the Future™* program.