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# Allied forces

Alliance contracting has been the catalyst for a quiet revolution in infrastructure development over the last decade, ensuring major projects come in on time and on budget, says Iain McCormick. Collaboration and teamwork are critical in building successful project teams, he says, and alliance coaching has a key role to play.

Yesterday's world of infrastructure development was not a happy one. Outrageous cost and time overruns were legendary—like the Sydney Opera House, which was completed ten years late and was over budget by more than fourteen times the original cost.

In the last decade, however, infrastructure development has undergone a quiet revolution with the aim of bringing major projects in

on time and on budget. This revolution is called alliance contracting. Alliance contracting can be defined as a coalition of two or more organisations to achieve mutual and strategically significant goals and objectives.

Alliance contracting began in the early 1990s when British Petroleum (BP) found that it had oil reserves in the North Sea that were becoming uneconomical to recover. The cost of contractors on the



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oil rigs was becoming prohibitive. They decided to change from the traditional form of contract that produced mistrust and conflict between the parties to a collaborative team-based contract. To achieve this, a new 'painshare-gainshare' commercial model was developed.

In this model, BP and the contractor would agree a total price for the work at the outset of the project and then, at the end of the project, everyone shared in any under- or over-runs. The total team would either win or lose financially based on the overall project's performance.

Contractor selection was undertaken not on the basis of cost alone but on non-cost attributes such as collaborative ability and leadership. The initial BP project was a great success as it reduced costs from an estimated £450 million to a final cost of £290 million, and it began producing oil six months before originally scheduled. Today, alliance contracting has spread to many countries and, in New Zealand, has been used extensively in infrastructure development.

### Careful alignment

Collaboration and teamwork are the keys to enabling all the alliance parties to work together to produce savings that can be shared. The process is extremely powerful because there is a careful alignment between the commercial incentive and the psychology of collaboration.

Building and maintaining alliance teams is the role of the whole team, but is done with the assistance of an alliance coach. The alliance coach is a seasoned professional who can assess potential alliance participants and also be involved in alliance team development and maintenance.

As an alliance coach, the processes that I have used in a number of alliances to build and maintain the teams are based on Graham Winter's book *Think One Team* (John Wiley & Sons). Winter suggests that there are five key practices that characterise effective teams (see box).

**Sharing the big picture** is about creating a winning mindset so the team generates the goals and values that stimulate contagious energy and focus. It is also about creating a graphically interesting poster with only a handful of words that succinctly communicate the vision and values of the team or the project. Effective big pictures have no corporate jargon or spin—they communicate in simple, plain English that everyone can easily understand.

Effective communication of the big picture is about having copies of the poster in every meeting room and including this graphic in almost every presentation done for the team. It means giving explanations of what the big picture means for everyone.

In high-performance teams, everyone knows the purpose of the team, the values, what winning means and why. With a common mindset team members can more easily understand each other's

## Five key practices that characterise effective teams

- **Sharing the big picture**—creating a common winning mindset;
- **Sharing the reality**—creating open communication and powerful feedback;
- **Sharing the air**—creating clear and open exchange of ideas;
- **Sharing the load**—working collaboratively; and
- **Sharing the wins and losses**—accepting accountability and celebrating successes.

From Graham Winter's *Think One Team*

contribution and the impact of their decisions on each other. The big picture generates a sense of energy and engagement that enables game-breaking performance.

**Sharing the reality** or creating open communication is another key practice for effective teams. Training in this area focuses on ways that team members can be open and critical yet respectful to each other. Feedback systems involve monthly feedback for all team members. The feedback may come in a short, clear individual session between the team leader and team member. It may come in the form of team feedback between members where each individual shares their perception of others' strengths and areas for improvement. More powerfully it may be a feedback from one sub-team to another about their service focus or collaboration.

High performance teams have much greater frequency of feedback than ordinary teams and certainly do not just rely on annual performance appraisal sessions. The process of effective feedback requires skill development, the building of a degree of emotional resilience, and the frequent practice of feedback to achieve the full benefits.

**Sharing the air** is about creating a clear and open exchange of ideas, which is vital to developing innovation. It is this innovation in alliances that drives down cost and speeds up progress—and in turn leads to the financial gainshare which benefits all participants. The organisations participating in alliances all have an open peer relationship and are respected as equals by each other. The old master-servant relationship that is core to traditional contracts is rarely seen. Instead the free exchange of ideas within the team is fostered and contributions are recognised both formally and informally.

**Sharing the load** involves the team jointly planning the project and working collaboratively to get to the best result for all. Participants in an alliance are carefully selected on the basis of their ability to communicate and collaborate. Without these abilities the team

will not achieve high performance levels. If members are not able to demonstrate these qualities on an ongoing basis then they rarely remain part of the team. There is no room for bitter cynics or game players in a high performance team. Sharing the load also means looking for opportunities to collaboratively streamline systems and processes to increase productivity.

**Sharing the wins and losses** means team members accepting accountability and celebrating their joint successes. In an alliance everyone wins or loses together. This draws people into a dynamic collective that is typically hell-bent on encouraging the right behaviours and reaching the stretch targets. Team celebrations vary greatly from a simple pat on the back, to a team lunch or to a massive wider team event that may involve 500 people or more.

**Team development integral**

Team development is not a one-off event but is integral to the project. It takes place at many levels. At an individual level executive coaching is important. This is an intensive one-on-one learning process that can build the critical attitudes and skills essential for alliances. These skills include self-awareness, self-confidence, empathy, influence, adaptability and organisational astuteness. All of these can be effectively taught to the team member in a highly tailored manner that meets their specific needs.

A project alliance board governs the project. The board is composed of members from each of the participating organisations. Team development at this level involves writing an overarching board charter that sets out the role and purpose of the board, the expected behaviours of members and the processes that will be used to resolve the inevitable tensions that arise in major projects.

The alliance agreement is typically structured so that the alliance board is the final arbitrator of major issues as all parties in the alliance have given away their right to litigation or arbitration. All board decisions must be unanimous so all the key practices of team development are highly relevant.

The alliance management team has overall responsibility for the day-to-day running of the project. The team is diverse and consists of members from all the participating organisations. The team must get to know each other well enough to develop trust. In alliance, this trust is seen as the key to being able to achieve the speedy delivery of the project.

The alliance management team typically builds and communicates the big picture so that the whole team has a clear understanding of its purpose, goals and values. Intensive skill development in collaboration, giving effective feedback, fair fighting and providing recognition is undertaken with the alliance management team.

The wider project team consists of everyone in the project. This team needs regular input to foster the alliance culture and values. They need effective feedback mechanisms to inform the alliance management team about their concerns and morale. They need to participate fully in the celebration of team success.

Alliance contracting is providing a different and highly effective way to manage large projects. Alliance coaching is the key to developing the high performance teams that deliver the breakthrough performance.

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*Iain McCormick has been the alliance coach for a range of collaborative projects in New Zealand and China. He heads the Executive Coaching Centre. Visit [www.executivecoachingcentre.com](http://www.executivecoachingcentre.com)*



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