



THE CHALLENGE OF CHANGE
Procurement
-V-
Supply Chain Management

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THE CHALLENGE OF CHANGE
Procurement -V- Supply Chain Management

- ◆ Introduction
- ◆ History
- ◆ Challenge
- ◆ Future
- ◆ Behaviour / Culture
- ◆ Holistic Approach




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- ◆ Introduction
 - The Case For Change
 - Many years of adversarial relationships
 - Low margins for GC's
 - Increases in Sub-Contractors costs
 - Claims, disputes escalating
 - Risks if No change
 - Businesses being marginalised
 - Project Economics do not stack up
 - Diminishing Sub Contractor workforce




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- ◆ History
 - Dusseldorp – The Challenge of Change




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 - Dusseldorp – The Challenge of Change
 - Client Procurement Models




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 - Client Procurement Models
 - Risk Reward



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• Challenge
Change the traditional methods of managing risk/reward

<p>Focused on Cost Savings Master Slave All risks Hard Dollar Lump Sum SOS Responsibility Argued</p>	<p>Safe Environment Satisfied Happy Delivery People Cost Plus – Measured and Managed No Blame Responsibility Accepted Supports Fast Track Design Costs understood and controlled</p>
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Smart Loans

Source: 1999 Ken Burt

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♦ Challenge
Construction Industry
– Deep Supply Chains – Many People

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The Future

- Supply Chains
 - What are they and who is involved
 - What can be leveraged
 - Building the basics of "RICE"

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♦ The Future
Supply Chains: What are they and Who is Involved
- It is the Chain of Value from Conception to Completion

Stakeholders	Client Architect Consultant engineers Government bodies General Contractors Cost Planners
	Sub Contractors Trade Suppliers Wholesalers Importers Manufacturers

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♦ Behaviour – Culture
♦ Sea-change required

	People - Safety Behaviour	Processes Metrics
	1st	2nd

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- ◆ Behaviour – Culture
 - Radical Thinking
 - Industry moves from Financial Performance Measures to other Humanistic Measures
- People
 - Safety
 - Quality



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- ◆ Safety
 - Incident & Injury Free
 - Creating a safe, productive environment in which to work
 - Not only statistics - the human side of safety
 - Safety is a behaviour driver to achieve Quality Results
 - The balanced scorecard, and the balanced project
 - Alcoa – Paul O’Neill
 - Rockefeller Centre
 - Hoover Dam
 - Vision and the brutal facts
 - The deal



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- ◆ Quality
 - “Six Sigma has changed the DNA of GE — it is now the way we work”
 - Where would the Australian Construction Industry rank
 - Maybe it’s time to change the DNA of the Construction Industry.

σ	DPMO	Yield
6	3.4	99.9997%
5	233	99.977%
4	6,210	99.379%
3	66,807	93.32%
2	308,537	69.2%
1	690,000	31%

Defects per Million Opportunities



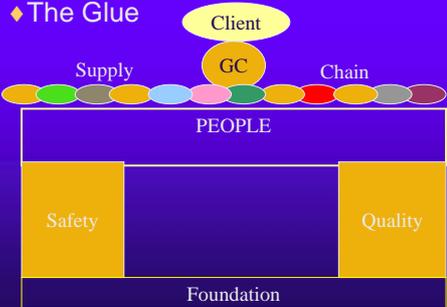
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- ◆ Holistic Approach
 - For Clients to change (Accept different Risk Profiles) - GCs have to earn the right through major process change to reduce waste and become efficient.
 - For GC's to earn reasonable returns on reduced Risk, GC's have to embrace and lead behaviour change and Manage Efficiently, Constructively, Compassionately and Conclusively – Change the Metrics to change the Behaviour
 - Safety
 - Quality



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- ◆ The Glue
 - Client
 - Supply
 - GC
 - Chain




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In summary

- Rather than continue to practice Procurement as we all know it, there is a case for change to Supply Chain Management
 - a more holistic approach
 - Addressing people
 - Addressing behaviour
 - Addressing humanistic metrics as well as financial metrics
 - Which will provide an overall more satisfactory outcome for all
 - Remember – the definition of madness is doing the same thing over and over and expecting a different result

