

## Case Study

### **Partnering in Hong Kong (the Tseung Kwan O Extension for the Mass Transit Rail Corporation)**

#### **Background**

Hong Kong's construction industry is fiercely competitive and adversarial. The pressure to deliver on time is paramount very often to the detriment of cost and quality. Poor financial returns and high margins had embedded a wasteful culture with wasteful processes. Contracts are generally structured around lump sum reimbursement payable on certified valuation. There were no comprehensive financial incentive schemes for contractors to identify innovative ways of cost saving in the contract provision.

#### **Cost and quality improvements through partnering**

The MTR Corporation undertook the Tseung Kwan O Rail Extension (TKE Project) in 1998 with the goals to reduce revenues and increase profits. To realise this aim they implemented the theory and practical applications of collaboration across the projects entire supply chain. The budget estimate was US\$4,3 billion.

Key to the project's success was the whole team approach. All members of the project, from management to site level, needed to understand the problems and challenges of the project. These were:

- Speed
- Dangerous working conditions
- Diversity of team members
- Safety and quality.

Collaboration as a strategy needed to be consistently applied to all levels and customised based on frequent feedback systems. In this way greater project certainty could be garnered. To achieve this outcome, JCP (SE Asia) was retained as the partnering consultant to facilitate the process across the whole project.

The adoption of partnering was significant because it drew pre-contractual competitors into post contractual cooperative relationships built on respect and trust. Traditional 'us and them' relationships had to be transformed into relationships governed by sharing of risk and responsibility through an understanding of broad based ownership of the programme. Goals were developed in a shared manner to complete work in a cost effective and timely manner. Such full integration of resources ensured that action-orientated collaboration delivered important early successes. These tested skills were then transferred to continuously boost the project. Collaborative relationships had to be flexible to harness the contributions of all partners for the overall benefit of the project. This also led to an agreed programme that produced significant improvements in:

- Programme certainty
- Removal of duplication
- Improved personal behaviour of everyone involved
- 'Hidden benefits' e.g. working relationships that established a foundation for future projects
- Job quality for the purpose that gave people pride in what they had done
- Project management
- Waste reduction
- Cost savings

#### **Quantifiable results**

- The TKE Project was completed 4 months ahead of schedule
- The out-turn cost was about US\$2,4 billion, a saving of almost US\$2 billion on the original budget of US\$4,3 billion - the result of ongoing innovation and improved design brought about through great partnering
- Many final accounts were concluded before completion of the actual works
- A significant drop in rejection rates demonstrated higher quality standards. A major precedent was set when key ancillary buildings passed the FSD inspection with no physical defects in any of the stations, ancillary buildings or trackside facilities.

## How were results obtained?

### The transition to partnering

So profound was the collaboration process that team members referred to the TKE Project as a 'journey of transformation'. To start with, most people on the project were unfamiliar with the culture of collaboration, being more accustomed to an adversarial culture. People needed time to make the transition from competition to planned cooperation. The early stages of the process were, as a result, difficult, particularly in cases where people had previously worked together and established negative impressions of each other. Therefore values central to collaboration needed to initiate the project. A key principle of collaboration is early involvement. Though time consuming, all strategy formulation was collaborative. Process thinking was a vital constituent of the project's continuity that engendered positive ways of dealing with conflicts and established a framework for old beliefs to be challenged.

### Overseeing the partnering process

Collaboration needs the full awareness and commitment by all involved - client, contractors and suppliers. These relationships were conducted in new and collaborative ways in the project. The implementation of collaboration needed to be managed. This was undertaken by two main groups, the Partner Steering Group and the TKE Partnering Management Team. The Partner Steering Group was responsible for formulating policy and overall strategic direction and overseeing improvement in internal partnering behaviour and culture change. The TKE Partnering Group ensured efficient implementation and effective involvement and communication throughout the project. Project managers then acted as partner champions to facilitate the integration and participation of co-operation internally and collaboration externally with outside partners.

Full participation was rendered by:



- Getting buy-in from all Contractors
- Running collaboration awareness workshops
- Agreement by managers about project vision and objectives
- Collaboration workshops for each specific contract to develop contract- specific charters
- Integration-interface workshops, bringing together contractors working on the same type of work in different location and contracts
- Cooperative working relationship workshops to share and exchange information and expectations so as to embed a common understanding of objectives
- Site-based interventions. The nature and contents of the general plan were constantly reviewed and changed to meet the needs of the project and the project personnel.
- Social events and celebrations built camaraderie and the opportunity to share stories.

### Conclusion

The overall results of the collaborative approach, adopted in the TKE Project and facilitated by JCP, demonstrate that effective cooperation can contribute to a more innovative working environment that delivers results and which vastly exceed targets and expectation in terms of cost, profit and quality.

But it's not only the outstanding results. It is the measurably enhanced performance of the people and their job satisfaction.

Copyright JCP (SA) 2005