

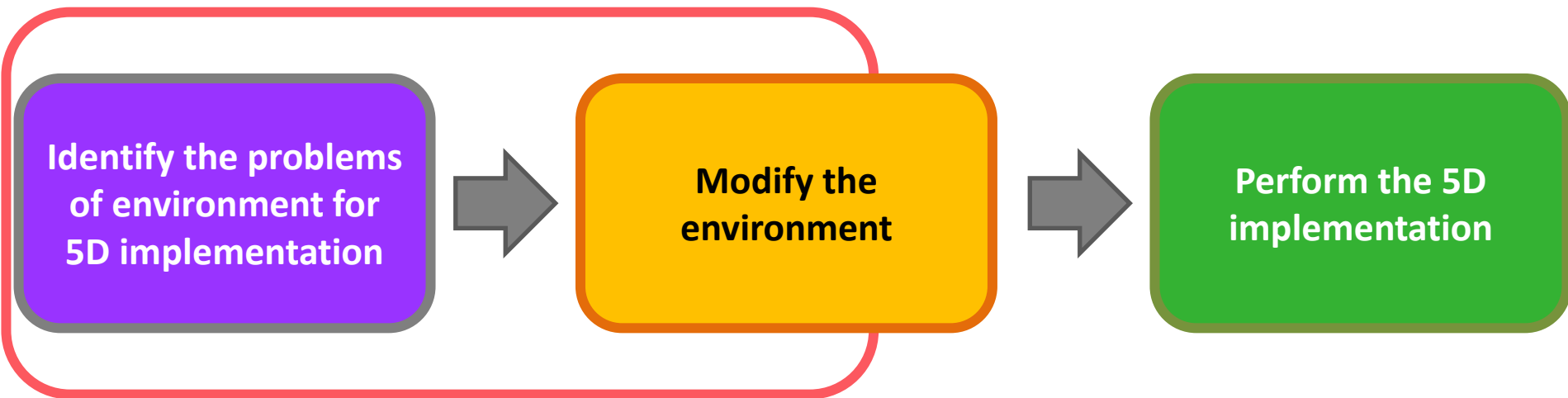
Improving Productivity through Alliance Implementation between Contractors

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A house department renovation = the time travel back to Middle Ages



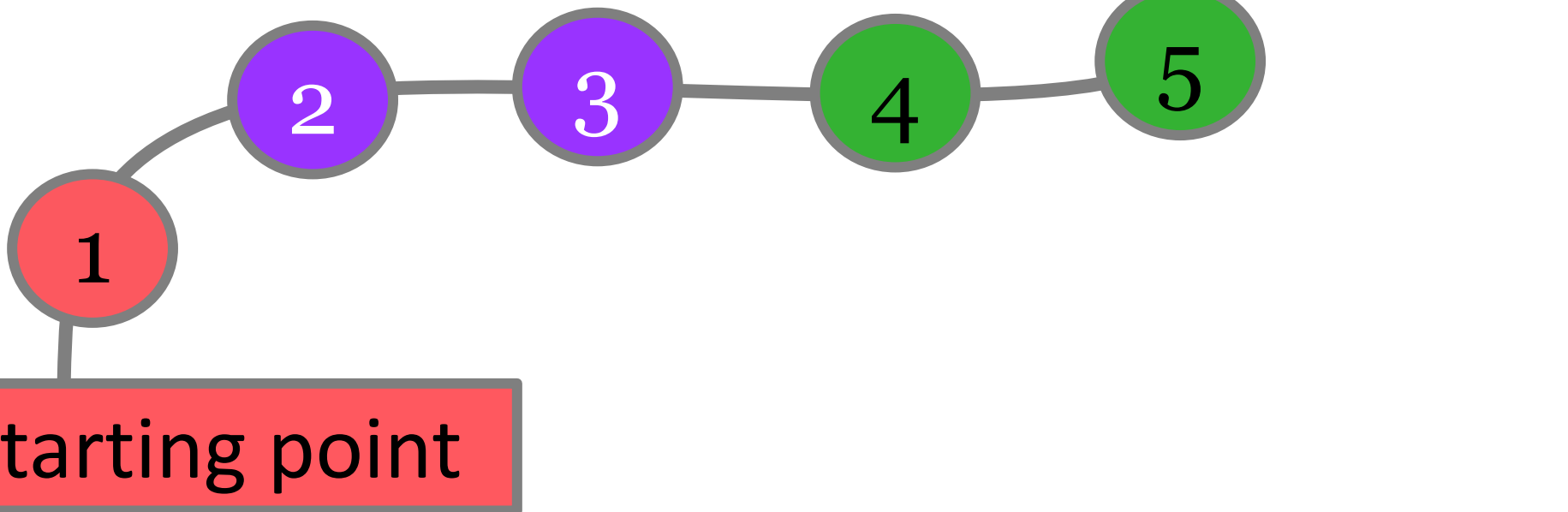
**At the field of renovating,
BEFORE true 5D implementation
we need to create the environment
for enabling the 5D implementation**



We have a plan

Three questions have been answered in this presentation:

- Why?
- How?
- Results?



O

**WHO ARE WE
AND
WHAT DO WE
SUGGEST?**

What is our vision?

Fira 2009 - 2015

Domestic service (and construction) company

FIRA
16 MEUR



Fira
100 MEUR

2025

~~FIRA 2030:~~
European service and construction
company, ~~revenue~~ 1 MRD EUR

Value



Fira is not one of traditional "customer oriented" companies...



**...with Fira, the customer and subs are in same
team *at same journey***



**Let's begin the journey toward
the environment of 5D**

To develop conservative environment we
have a key statement today:

PRODUCTION

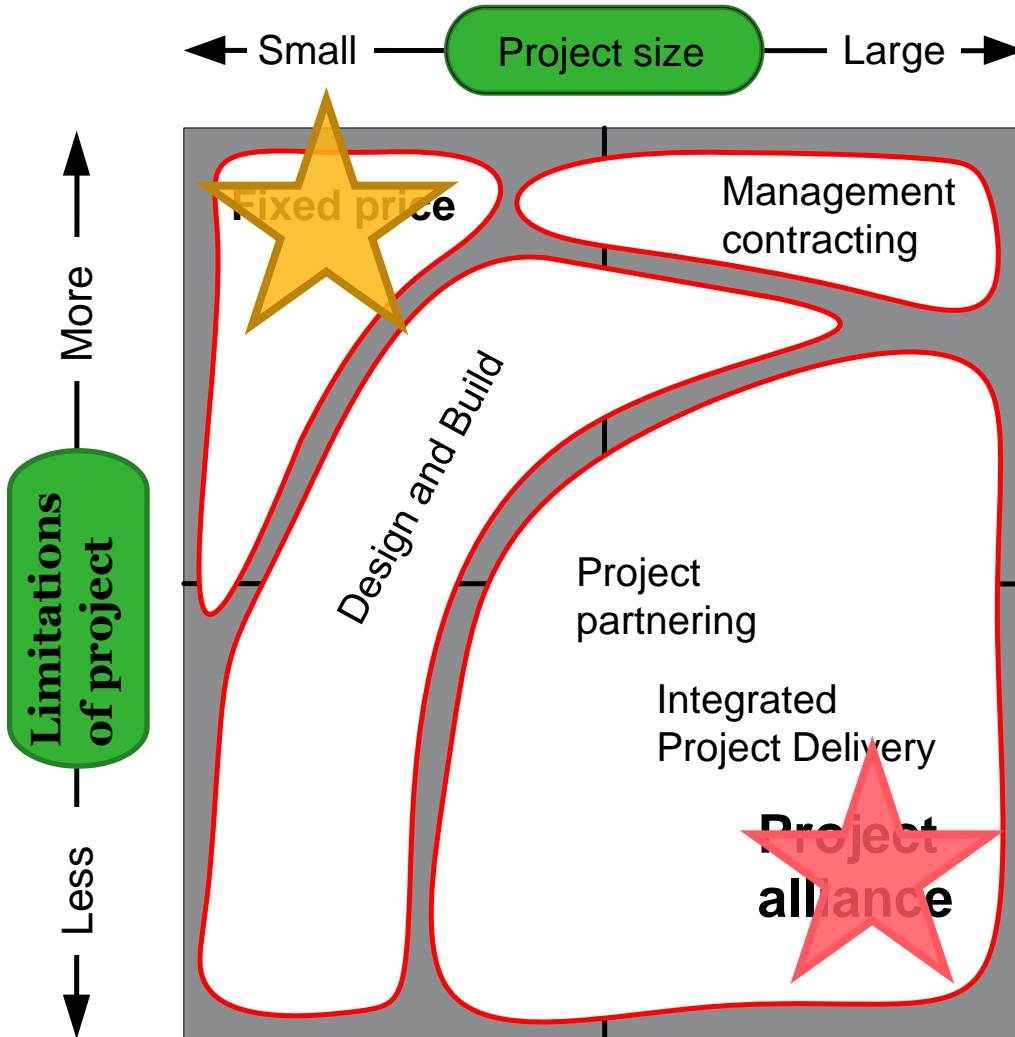
The $\sqrt{\text{alliance}}$ model
initiates growth of
productivity

PLUS: Our statement is proved in usual environment



The unusual environment:
the small house
department
renovation

⇒
**PRODUCTION
ALLIANCE**



The usual environment of
project alliance:
the hospitals



1

**WE BELIEVE THAT
THE SILOS IN
CONTRACTING NEEDS
TO BE DEMOLISHED**

HARD FACTS:

1. Construction projects are **unique and not repeatable**, because each unique construction is constructed in unique environment with unique organization
2. Best profitability can be achieved by tendering and **lowest price bidding**
3. Specialised companies and professional teams can provide best price as **subcontractors** for certain task

Survival of the fittest



HARD FACTS of REALITY:

1. Unique projects →

**Randomly chosen project
organisation,
zero learning curve**

+

**2. Lowest price
bidding** →

**Short time profits,
lack of commitment**

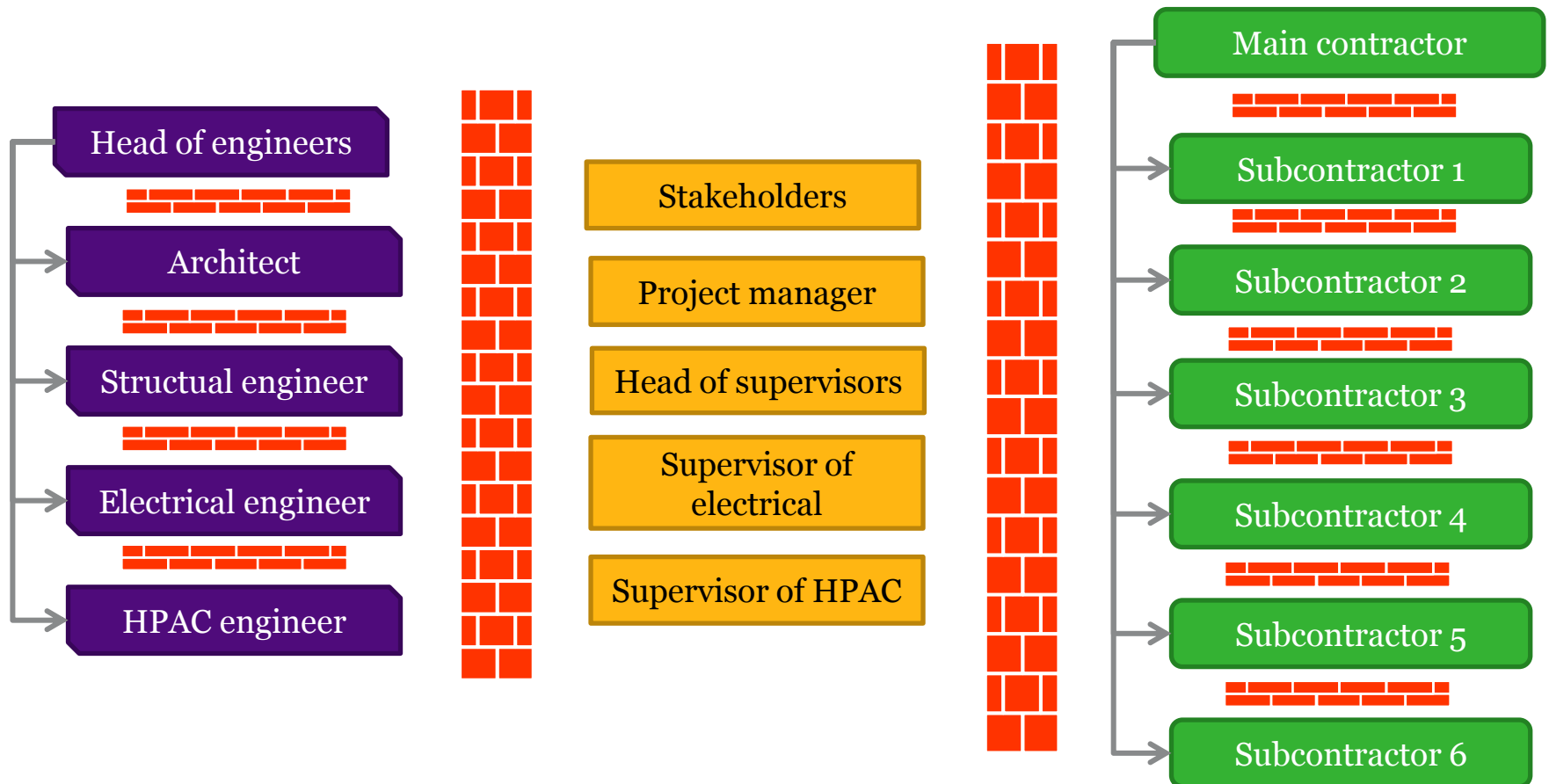
+

**3. Specialised
subcontractors** →

**Siloed organisation,
no common goal,
no loyalty**

At the age of service industry..

...we are still in siloes in construction business...



...where we have opposite interests



As a result of low bidding syndrome, the construction industry has failed in developing the productivity



We can not afford this anymore.



Construction business is worth of 25 MRD
EUR in Finland.

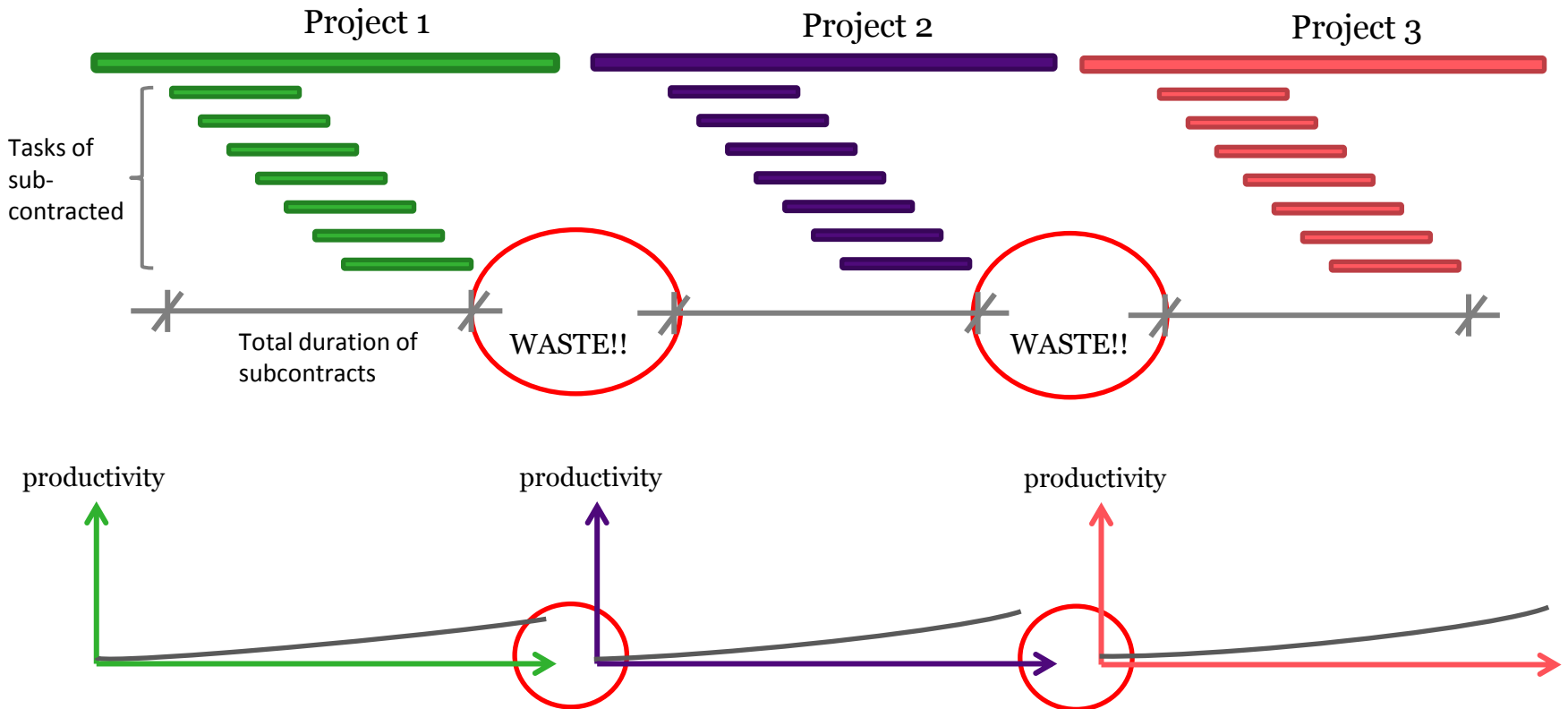
*If we would have increased
productivity say 3 % per year, we
would be thinking with Norwegians
where to put all the money.*



2

**WE BELIEVE THAT
CONTRACTING NEEDS
CONTINUITY AND
MORE INTERACTION**

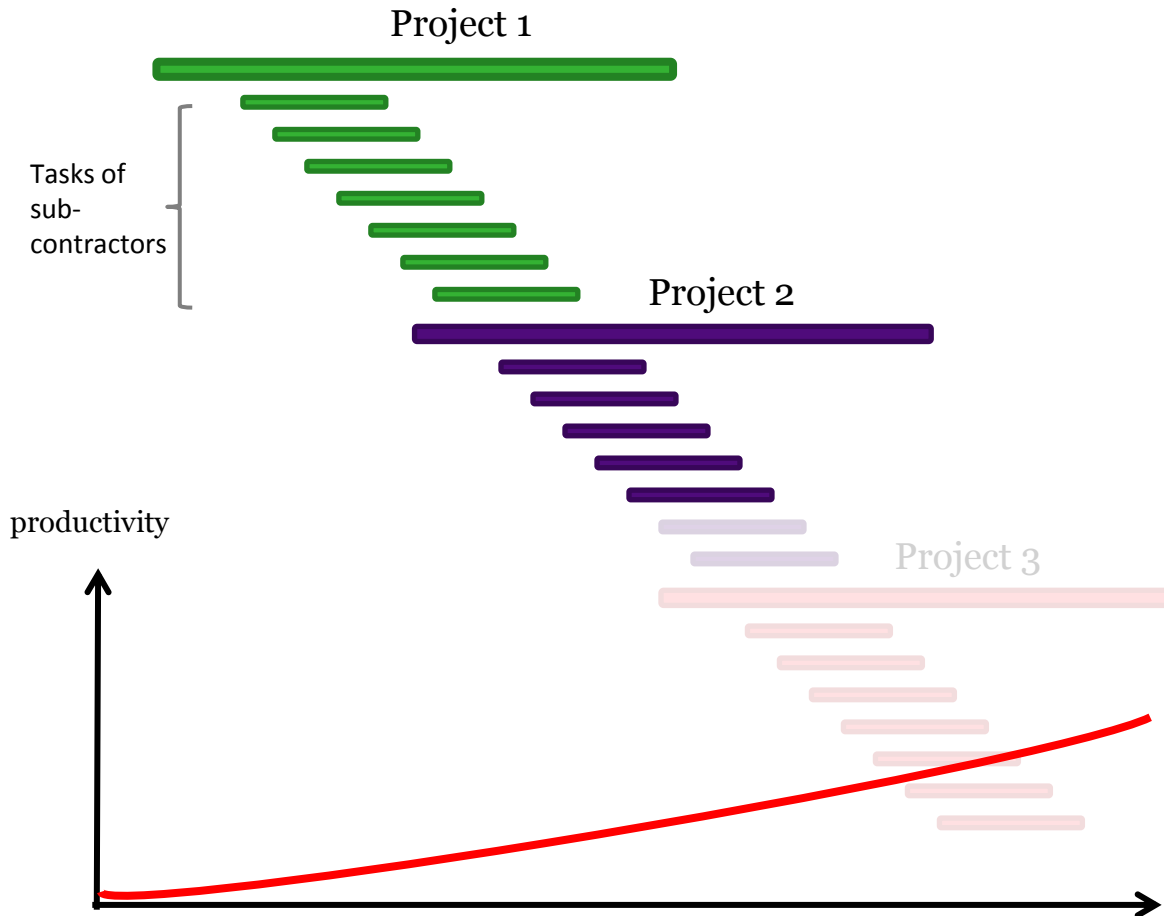
Step 1 – Let's focus over boundaries of one project



No continuity
can be created

Knowledge and know-how
is lost after one project

**Increase of
productivity
is wasted**

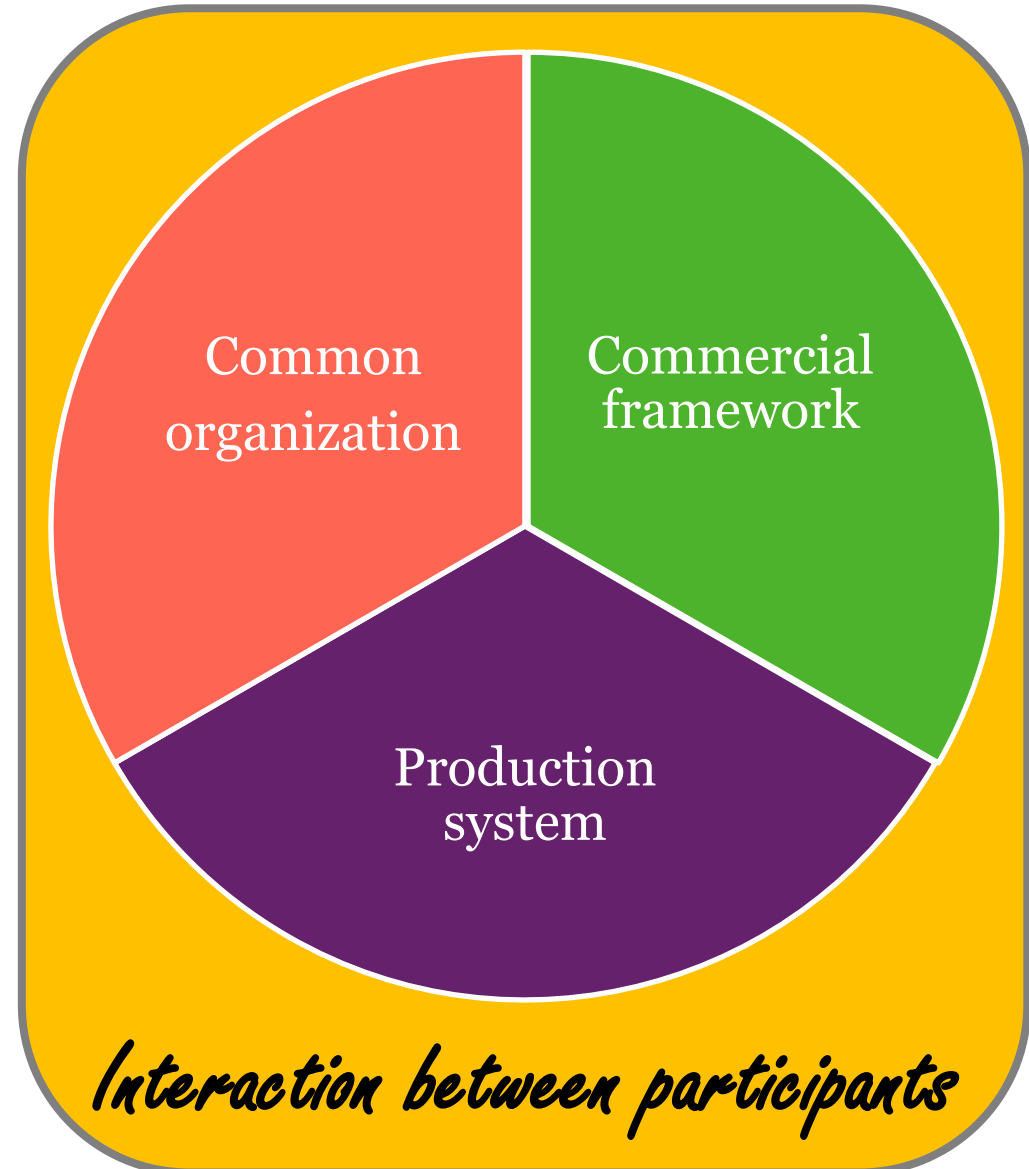


Benefits:

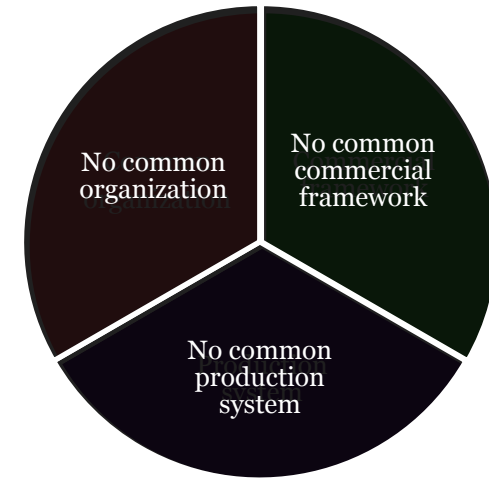
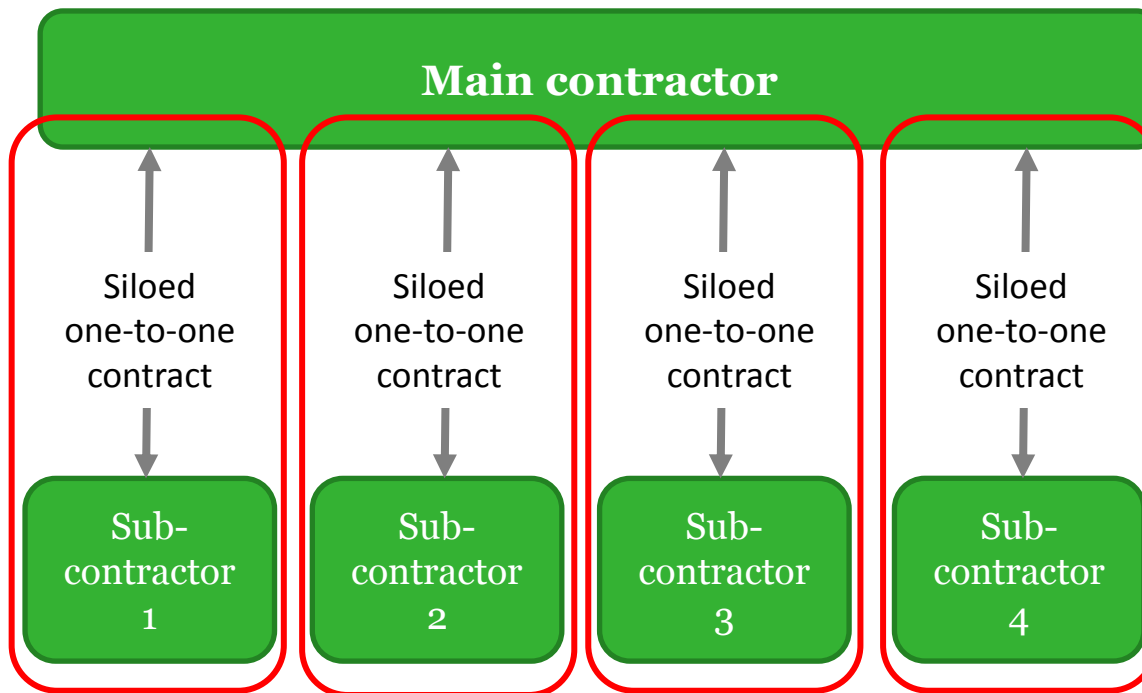
- Balanced production also for subcontractors
 - ⇒ Possibility to **sustain organization**
 - ⇒ Possibility to **gather know-how** and knowledge
 - ⇒ Possibility to **improve productivity**

Step 2 – Increase collaboration in a project

What do we need to manage successfully a project?



Which are the benefits of the traditional contracting model?



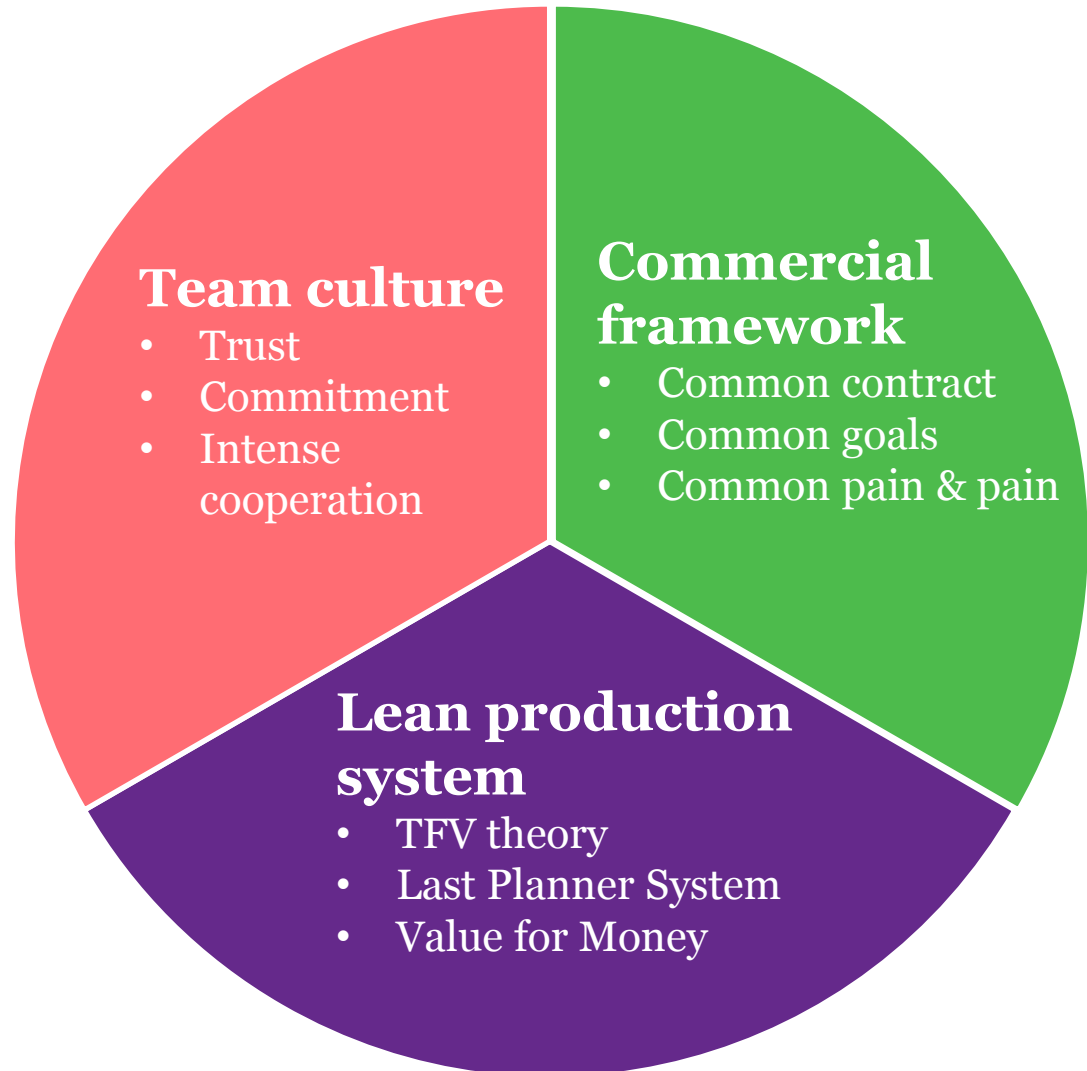
**There are
NO benefits.**

In siloed organization no interaction between participants can not be created naturally.

3

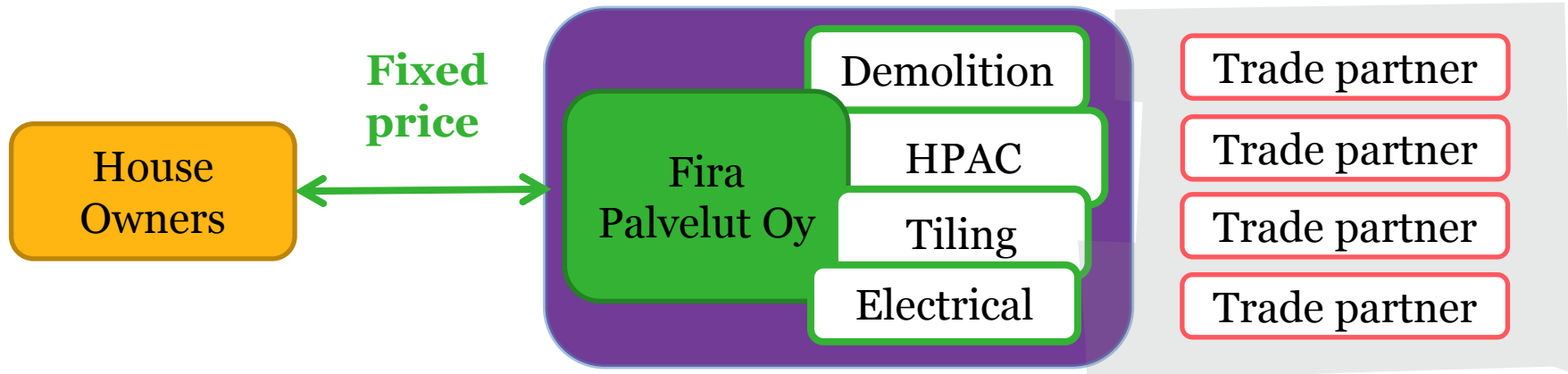
**WE BELIEVE
ALLIANCE
IMPLEMENTATION AS
A HOLISTIC CHANGE
IS THE ANSWER**

What the alliance offers?

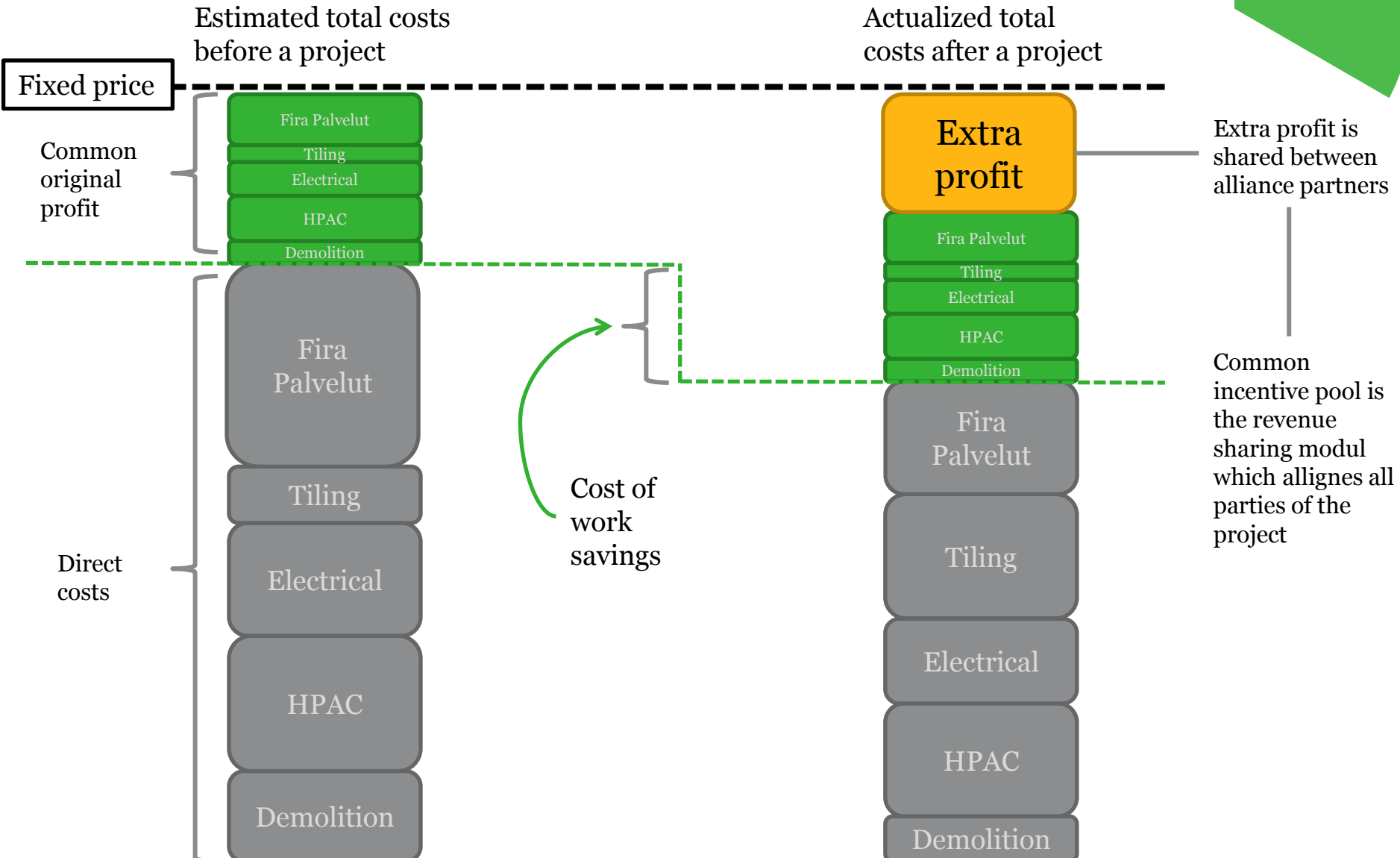
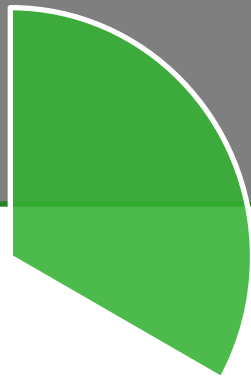


Common organization and integrative commercial model enforce team culture

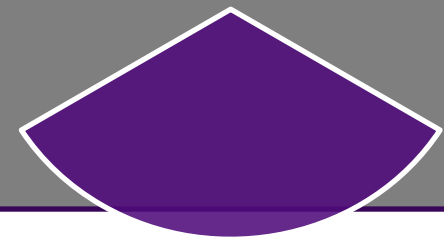
PRODUCTION Alliance Contract



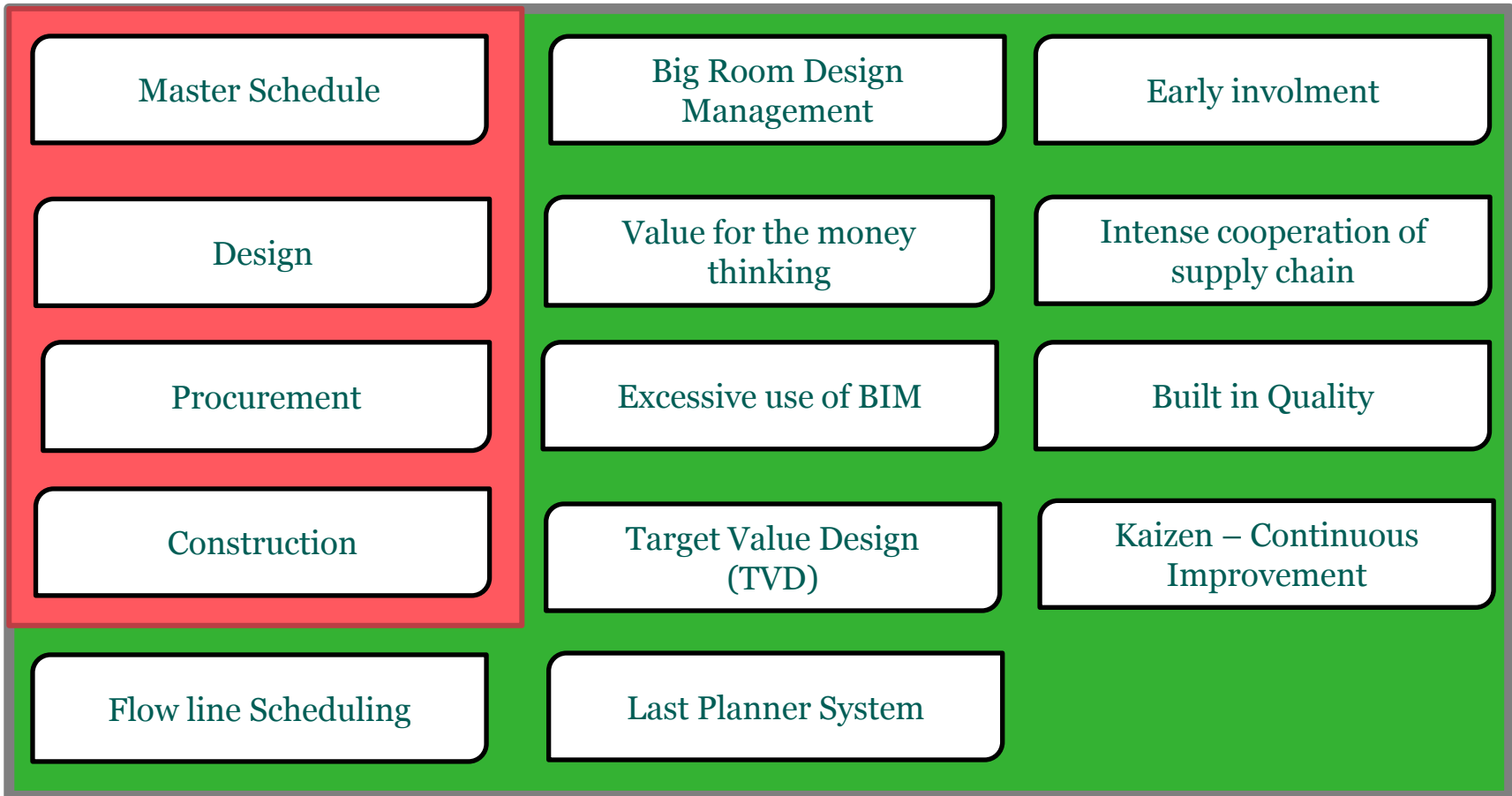
New commercial framework integrates participants via shared pain/gain



New commercial model enables introduction of Lean methods



Conventional vs. Alliance project



4

**BUT CAN THE
ALLIANCE
IMPLEMENTATION
REALLY IMPROVE
PRODUCTIVITY?**

Creation of first alliance concept 08/2014:

Our mission is to improve productivity through four cornerstones:

1. Excellent customer satisfaction
2. Development of cooperation
3. Innovations
4. Good financial outcome

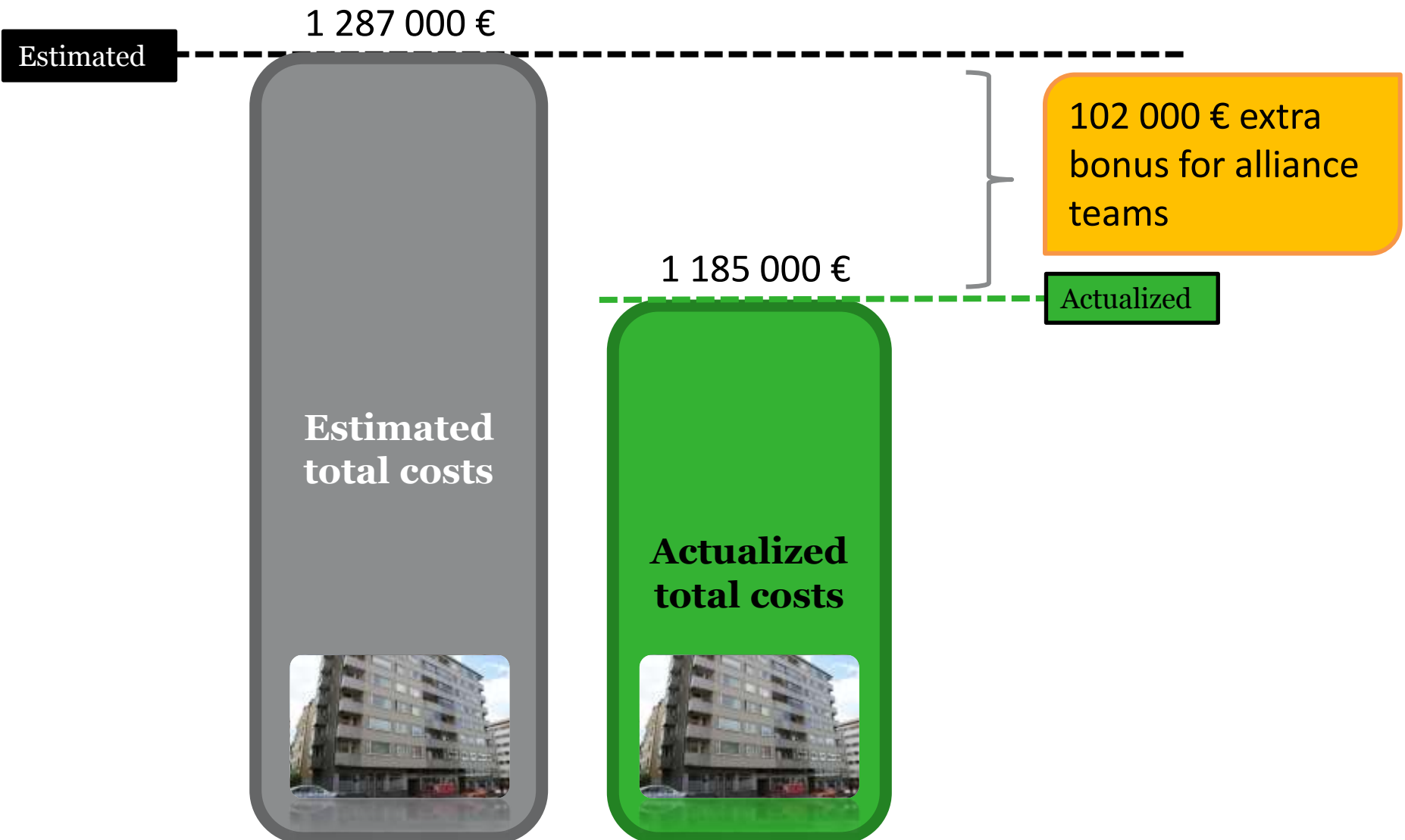
Observing moment 05/2015:

"let's observe how our first pilot projects performed and gather the know-how and knowledge to develop the alliance implementation better"

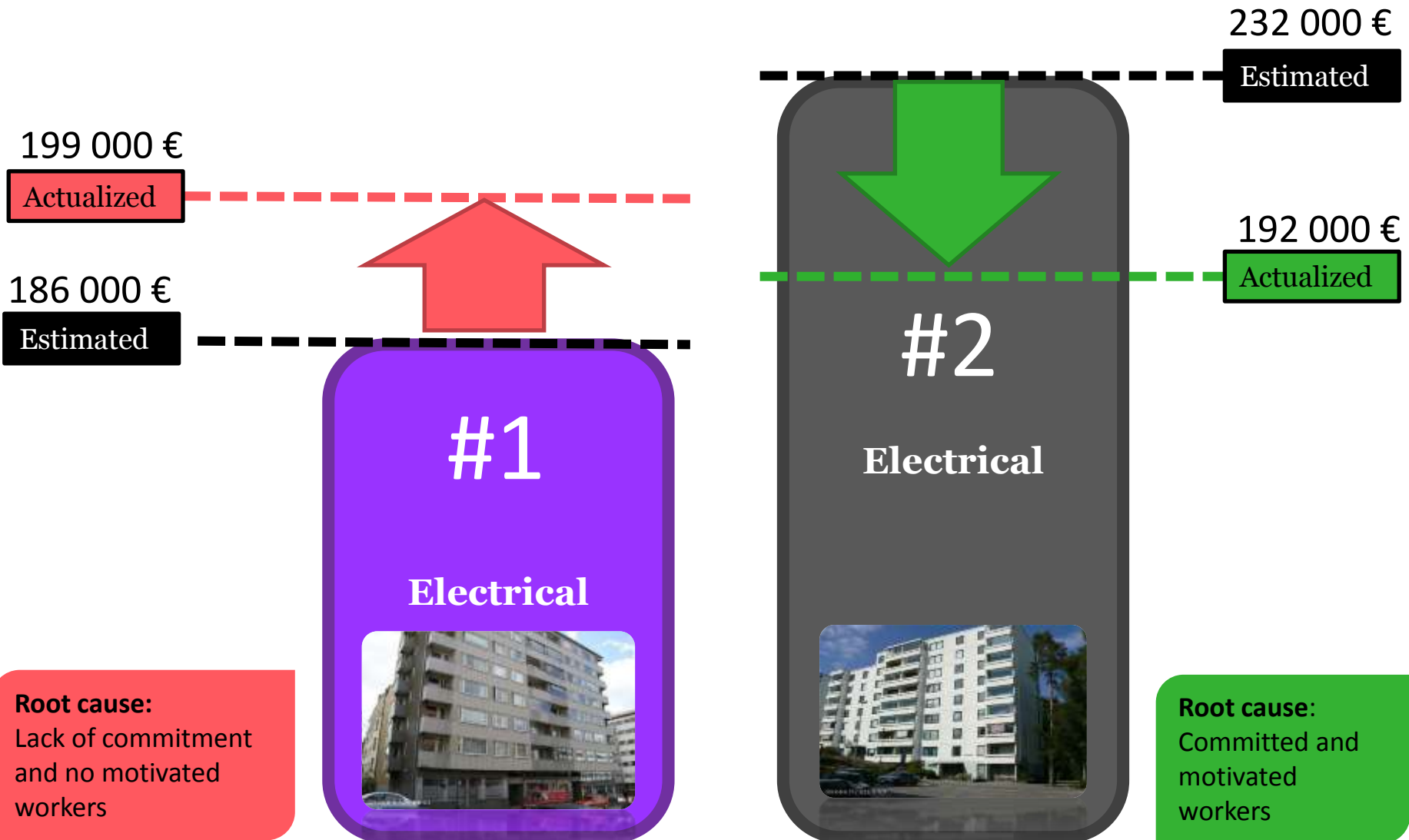
Starting point 01/2014:

"what if we stop project-based thinking and create continuity between projects with our best subcontractors?"

Proof of concept!



We have learned a lesson (or two)!



Achievements so far at the mine field of traditional contracting

OUR SCORE SO FAR: 13/16

~~Project based~~

~~One-to-one contracts~~

~~Separately tendered~~

~~No common big picture~~

Lowest price-oriented

Early involment

Common goals defined together

~~Best-for-me~~

~~Shattered~~

Horizontal organization

Common alliance contract

~~You win, I lose
You lose, I win~~

~~Hierarchic and vertical~~

Management system of Alliance

Common economics with shared pain & gain

~~Focus on past~~

~~"Command and conquer"~~

Value-for-money thinking

Continuous improvement

~~No gain, only pain~~

~~No commitment~~

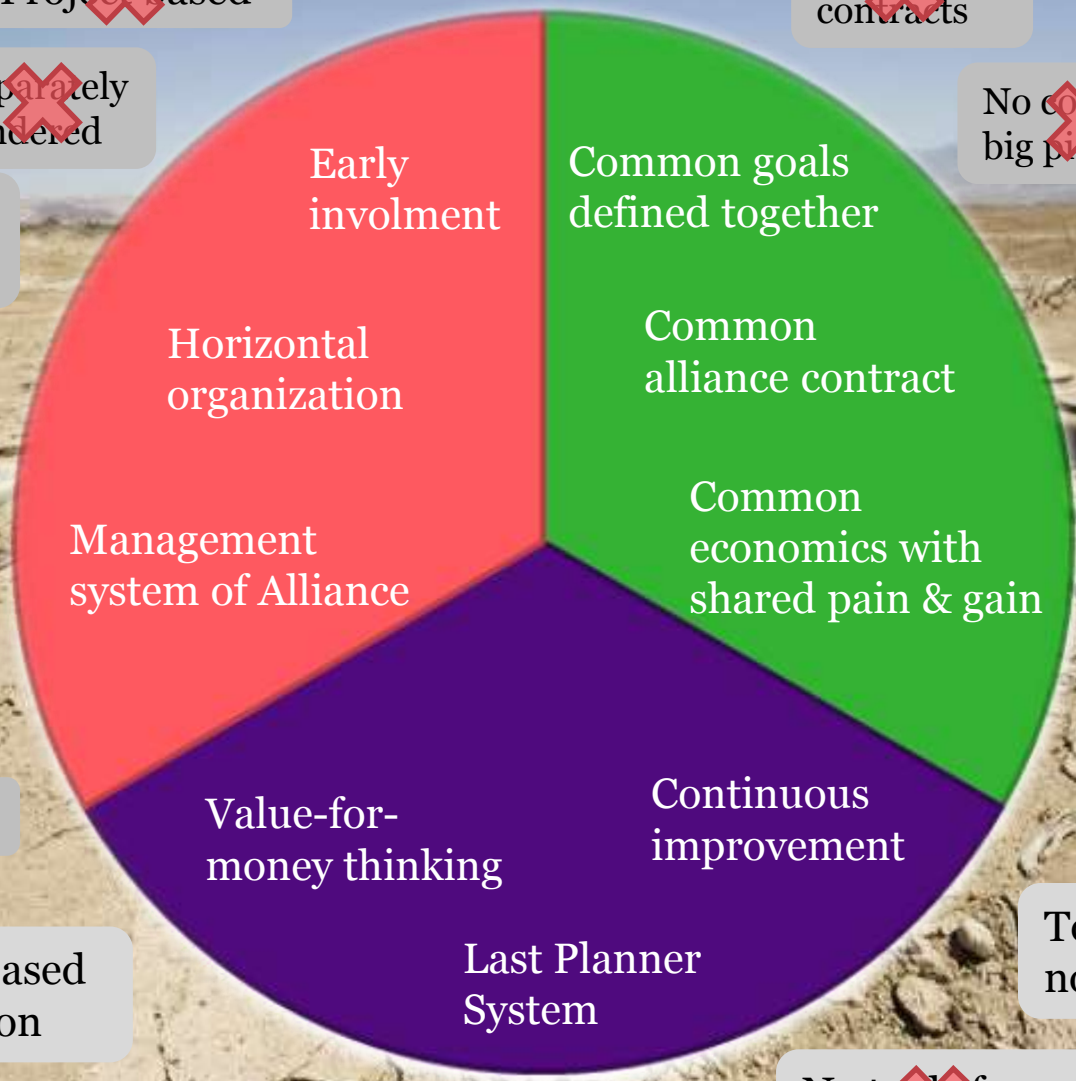
~~Project based production~~

No visual goals

~~"Command and conquer"~~

~~No tools for lean leadership~~

Tolerable quality, not best I can



5

**CONCLUSIONS
SO FAR**

Can the alliance model be implemented to unusual environment?

- renovation
- small project size
- between main contractor and subcontractors



Does the alliance model initiate growth of productivity?



Does the Alliance pave the way for 5D?



6

**WHAT NEXT?
WE BELIEVE THAT
THE FOCUS NEED TO
BE AT CREATION OF
THE TEAM CULTURE**

Creating a team culture is the key to improve productivity

- ➔ Create **continuity** over projects
- ➔ **Stable** the organization
- ➔ **Create team culture** where know-how and knowledge is gathered and people **can learn**
- ➔ **By learning** we can improve productivity

The alliance implementation is the key for creating a team culture

- ➔ Stable organization needs **common goals** and **commercial framework**
- ➔ As a holistic relational model of contracting an alliance offers **a great environment** to develop the team culture

The journey has just begun



"Working together is success"

"Keeping together is progress"

"Coming together is the beginning"

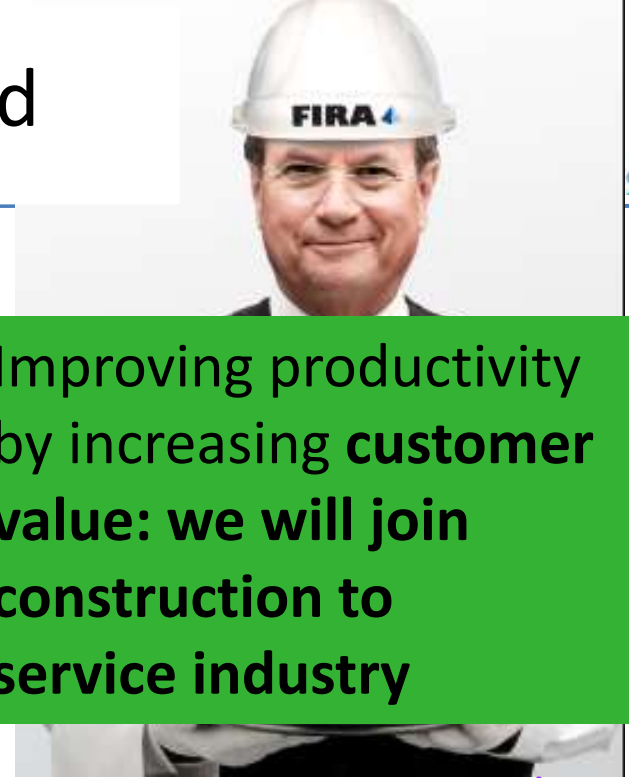


**MOREOVER, WE
BELIEVE AN
ALLIANCE IS THE KEY
FOR SOMETHING
MUCH GREATER**

0



A radical change is ahead



Improving productivity by increasing **customer value: we will join construction to service industry**

Value



Processes of construction company

Processes of customer

Improving productivity by **changing contracting culture**

Costs



Key questions which will change the whole construction business

Are you really creating customer value together with your customer?

#Do you know who are your customers and how to reach them for value co-creation?

Are you able to change your business model and acting accordingly?

A child's hands are shown stacking colorful wooden blocks on a black mat. The blocks are various colors and patterns, including solid colors like yellow, blue, red, and purple, and patterns like polka dots, chevrons, and zebra stripes. The child is wearing a black and white zebra-striped shirt. The background is a wooden floor with a red cushion and a green sock.

We are.

**We will make it through
alliance implementation.**

To be continued...



A word cloud centered around the phrase "Thank You" in a large, bold, olive-green font. Surrounding it are various translations of "Thank You" in different languages, including: "dankujem", "grazzi", "efcharisto", "tanana", "obrigada", "havala", "dekuji", "spasibo", "paldies", "dakuji", "blagodarya", "tack", "Merci", "dekuji", "gracias", "dzieki", "multumesc", "Danke", "dank", "obrigado", "kiitos", "grazie", and "koszi". The words are in various colors (orange, yellow, purple, green) and orientations (vertical, horizontal, diagonal).

dankujem
grazzi
efcharisto
tanana
obrigada
havala
dekuji
spasibo
paldies
dakuji
blagodarya
tack
Merci
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gracias
dzieki
multumesc
Danke
dank
obrigado
kiitos
grazie
koszi