



Preparing to Fail by Failing to Prepare

The Paradox of Relational Contracting in the Planning, Appraisal and Delivery of UK's Critical Infrastructure

Speaker: **Peter Madden**

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ABSTRACT

This seminar sheds light on how risk is transacted and managed at the front end phase of major infrastructure programmes in the UK and more particularly on how this is influenced by policy and its influence on the adopted contract strategy. Major programmes have a poor record for benefits realisation relative to forecast time and cost and the seminar explores the extent to which this is influenced by contract method. Major programmes appear to be more successful if the actors are permitted to collaborate in the interests of managing emergence, complexity and risk over long time horizons. The contracting method most likely to enable this is relational contracting, yet it is the least likely to be adopted. The seminar explores this paradox and my recent research developed five propositions and seven sub-propositions to answer why this should be so. Whilst the research supported the basic hypothesis, it was suggested that relational contracting may be perceived as too complex and unlikely to secure investment to support it. Major programme managers themselves found it difficult to influence contract strategy with the majority of actors leveraging policy preferences for early risk transfer through stringent classical contracts perpetuated by a lack of trust and the short term (risk averse) attitudes of project and corporate finance. Relational contracting was deemed out of step with an adversarial industry culture and the promotional efforts of past governments, advocates and clients had largely failed to secure greater adoption. The seminar concludes by suggesting steps that may be taken to influence policy and planning to advance wider adoption of relational contracting as a 'contracting innovation', to prepare the UK Infrastructure and Construction Industry for the more successful delivery in future, of the huge wave of infrastructure investment that will present itself over the next twenty years.

BIO

Peter joined EC Harris as a director of the project management business in 1994 and became an equity partner in 2002. From January 2015, Peter is the new Managing Director for the UK Buildings business and EC Harris Board Member, with accountability for top line growth, proposition development, commercial outcomes and risk as well as service excellence, resourcing and capability development across a £150m business. Previously Peter founded a capability in EC Harris called the Transformational Programmes Unit (TPU) which led to securing large programmes of capital investment and cost reduction, such as the FIFA World Cup™ in Qatar in 2022, (\$undisclosed), the ASHGAL Programme of social infrastructure also in Qatar, (\$undisclosed) and Kingdom Tower in the Kingdom of Saudi Arabia, which at 1.3km will become the world's newest tallest building when complete. Peter also led the ARCADIS strategy for Programme Management for 2014-16. Prior to leading the TPU, Peter was the Regional Leader for Mainland Europe, North Africa and North America responsible for a network of wholly owned offices in 15 countries and establishing new businesses in Russia and Central and Eastern Europe. Peter is a Fellow of the Royal Institution of Chartered Surveyors (RICS) and was the founding Vice-Chairman of the RICS Project Management Faculty Board. He was formerly a member of the Project Management Advisory Board at the College of Estate Management. He contributed to the RICS competency framework for the Assessment of Professional Competence, (APC) and was an APC assessor. He is author of numerous articles in the construction press and has participated in several programmes for broadcast focusing on the property and construction sector. Based in the United Kingdom, Peter has considerable experience in the management of Major Change Projects, International Programme and Project Management Consultancy, Strategic Business Planning and assembling Joint Ventures. He was also responsible for the corporate strategic risk management strategy on behalf of the EC Harris group whilst on the EC Harris Board. He recently gained a distinction for his MSc in the Management of Major Programmes at SAID Business School, Oxford University (Pembroke College).

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All are welcome and participation is free

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