# Can the collaborative economy stretch to infrastructure?

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The collaborative economy is one of the hottest trends in business. Sharing apps and peer-to-peer services are disrupting sectors from hotels to financial services. But can 'heavy' industries – with little obvious connection to such consumer currents – build their own collaborative models? Infrastructure is one industry confronting the challenge.

How often do MBA students compare the business of infrastructure with the collaborative economy? Rarely, I imagine. Where one uses connected technology to instantly share knowledge or match buyers and sellers, the other is characterised by long lead times and lengthy negotiations around a physical asset. Where one is based on mutual benefit, the other can be a battleground of competing interests. And where one rapidly responds to consumers' demands, the other is resolutely business-facing and often relegates the interests of end users.

So far, so different. That does not mean that infrastructure cannot – and should not – learn some lessons. Collaborative ventures blur the lines between the producer and the customer. They pay no heed to the maxim "this is how we've always done it". And they rely on complete trust between parties. With its hierarchical, adversarial and traditional model, infrastructure is playing catch-up.

"Many organisations in infrastructure work in silos and, as a result, much of the industry's technology and processes have not evolved significantly in years," says KPMG Associate Director Emma-Jane Houghton. "Seen through the lens of Red Queen theory, where rapid evolution is essential to survival, much of the UK infrastructure industry looks vulnerable."

The existing model for infrastructure projects often involves a tangled web of contractors and subcontractors. Projects between firms might be presented as 'collaborative' – in reality, they are anything but.

Richard Threlfall, Head of Infrastructure at KPMG in the UK, estimates that failure to embrace the necessary cultural change is costing the UK £8 billion in lost economic output.

"A few isolated examples of excellence shine a light on the lack of collaborative models elsewhere," says Threlfall. A KPMG survey last year found that only 32% of firms had a high level of trust in their contractors.

The challenge for infrastructure, as with many other traditional industries, is one of mindset. Collaboration must become the norm. KPMG in the UK's 2016 report, Collaborate to Survive, argues this approach should result in greater efficiency, more innovation and less risk.

## So how can you set up joint ventures and consortia to deliver innovation and efficiency, whatever the sector?

## Set the tone at the top

Rigid, combative negotiations by the leadership teams of collaborating companies create an atmosphere that's poisonous to on-the-ground partnership. Leaders should show that corporate allegiance is secondary to the aims of the joint venture (JV) or consortium. Make it clear to members of the joint venture that successful outcomes are more important than job titles or a contract.

A great example is the current pan-sector drive to improve "customer experience". Management often talks about how important this is. But if a retail CEO, for example, is constantly talking about driving down delivery costs, the result might be poor relationships with crucial logistics providers. Their tone will inevitably affect working practices – and customer sentiment.

## Foster innovation by aligning goals

It's simple common sense that when faced with a problem, two heads are better than one. However, innovative thinking will only flourish if both parties have the same objective and incentive. When the ConnectPlus JV teamed up to deliver smart motorway investments on the M25, it developed a new technique to replace old sections of concrete motorway faster. They used RapidCure concrete – developed by the aviation industry – and started pre-cutting old concrete and inserting eyelets so they can be lifted out quicker. As a result, they cut road closures from 48 hours to overnight stoppages. Driver delays fell by 80%[1,2].

A focus on outcomes prevents contracts becoming a safety blanket in which hundreds of clauses – specifying things like delivery and performance metrics – perpetuate a parent-child dynamic. Digital services are a great example. The offering has components from network providers, hardware manufacturers, a platform layer, applications and content. The moment any partner in that ecosystem blames the other, the customer experience turns sour. Each part must focus on delivering the right outcome, regardless of the contract.

BT is another example. In 2015, its Home Hub 5 router won a design award, partly in recognition of the way it fits through a standard letterbox. That means Royal Mail doesn't have to manage undelivered items and customers don't need to wait at home to sign for them. This is innovative thinking that considers the benefit all along the supply chain, from manufacturer, to partner organisations and on to customers.

## Build long-term relationships

It takes time and effort to integrate teams. That is why long-term partnerships are the best method of aligning incentives and behaviour. The tangible financial rewards of integration may not come immediately. But over time, those rewards will be more sustainable as a result of the long-term mindset.

There must be space in the planning process to address any legacy of adversarial relationships, culture or regulation that encourages fragmentation or score-settling. Airbnb, for instance, wants to help its "landlords" set up and promote their properties in a way that is mutually beneficial. The business model is predicated on long-term recurring revenues.

[1] http://www.skanska.co.uk/cdn-1ce14fae448db04/Global/TEST%20AREA/Highways/0%20Hub/M25%20Media%20Pack.pdf
[2] http://www.constructionenquirer.com/2013/11/29/rapid-cure-concrete-reduces-road-works-on-m25/


## Incentivise practical teamwork

Collaboration should be embedded across people, pay structures and commercial models. It is too easy to say the right things in a day-long behavioural assessment, only to return to siloed ways of working. That means planning, assessment and practices have to be agreed and adhered to, leaving no room for deviation on site.

The Olympic Delivery Authority for London 2012 was a great example: programme-level incentives encouraged teams to integrate and work together[3], not just tick checklists at a JV management meeting. These types of multi-organisation projects are increasingly common in sectors from marketing and retail to financial services. Having team members incentivised to share ideas and use collaborative tools works as well on an advertising campaign as it does building a railway.

- **On your reading list:** Collaborate to Survive – KPMG's report on construction, consortia and the 'Red Queen hypothesis'.
- **On your board agenda:** How do we access the experience and expertise needed to tie down the detail in JV structures and contracts?
- **Anticipate tomorrow…:** International consortia and JVs are becoming the norm, with more overseas contractors taking leading roles in UK projects. This trend is set to continue. So how well prepared is your business to address differences around jurisdiction, methodology and culture at every level?
- **…deliver today:** Success or failure of large-project JVs and consortiums often comes down to the expertise and experience of both leaders and frontline managers. This is as much a talent issue as it is one for engineering solutions or tightly drawn contracts – and means we need to prioritise these skills and experience now.

[3] http://learninglegacy.independent.gov.uk/documents/pdfs/procurement-and-supply-chain-management/191-delivery-partner-approach-pscm.pdf

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