

# GLOBAL TRENDS IN CLIENT MODELS IN MAJOR PROJECTS



Highlights from the Major Projects Association event held on **28th February 2018**

The model used by clients when delivering a major project is fundamental to its ultimate success, yet surprisingly little research has been undertaken to analyse the trends and lessons that can be learned from the multitude of approaches used worldwide. Research by the Major Projects Association in the [Global Client Models report](#), published in November 2017, has shone a light on global client models, considering delivery function responsibilities; levels and timing of outsourcing; contract forms used to enable this; and other influencing factors.

These findings were shared and analysed at this Major Projects Association seminar in London, which was chaired by Dr Michèle Dix of Transport for London. Speakers travelled from Australia, Saudi Arabia and Sweden to share their experiences and bring to life the report findings. The international theme continued throughout the day, with the seminar webcast to a global audience.

Setting the scene, report author Bernadette Ballantyne explained that findings from the ten global case studies illustrated a trend towards outsourcing of delivery functions in immature clients, especially where schedule was the main driver. Where budget was the key factor client models tended towards deeper client involvement, with a greater proportion of investment in client capability compared to lighter models. This was demonstrated most clearly with clients running programmes of work, where centralisation of resources that are then used to support project teams was also a trend.

Other highlights included a strengthening of project and programme management expertise, both internally and within outsourced delivery functions; greater prioritisation and prominence of customer requirements within client models; and the importance of development of the model throughout and between projects.

Evolution of the client model has led to major changes at both Sydney Water and National Grid. Both of these major programme clients told delegates that they had restructured their models in recent years to take greater control of projects in-house.

*'We took the decision several years ago to move away from our previous operating model and to insource a number of functions, including project development, project controls, contracts and commercial.'*  
Ian Cartwright, Director Capital Delivery, National Grid

There was a debate about the definition and effectiveness of alliancing, with the audience questioning the speakers on why they felt that alliance arrangements had not been effective. Nekkhl Mishra from IPA Global said data collected from extractive industries such as mining and oil and gas showed that alliancing is the least cost-effective option.

This agreed with the experience at Sydney Water, which has also moved away from the alliancing approach, finding that it had led to a dumbing down of capabilities and a loss of competitive tension. At the same time the demands of Sydney's growing population – with over 570,000 new homes and 1.3 million people expected by 2030 – were putting further pressure on the organisation. The result was to strengthen internal capacity, create a more customer-focused client model with regional delivery teams, and a robust performance monitoring regime for its 14 delivery contractors.

At the same time the organisation is innovating with new delivery models and is the first utility to pioneer the delivery partner approach first used on the London 2012 Games.

*'We grouped three wastewater treatment plant projects together as a programme under the new delivery partner model. We are the first utility in the world to use it, and have found it a great approach. Some of the benefits that we have seen include: reduced commercial risk with prices agreed across all three sites, and strong community, environment and safety outcomes. It's a collaborative open-book framework, creating value through directly engaging tier two and three contractors, eliminating margin on margin and minimising interface costs.'*  
Mark Simister, Head of Delivery Management, Sydney Water

Conversely, in Saudi Arabia the Government is seeking to outsource project management on a national scale. Led by Mashroat, the national project management organisation, supported by Bechtel, the Kingdom has recognised that to overcome historic poor performance on major projects it needs to reform delivery. Fundamental to this is the outsourcing of the project management function for all 48 delivery entities in the country.

Using a standardised methodology which will see the creation of new Entity Project Management Offices (EPMOs) staffed by international consultants in every major client, the new approach will require a restructuring of the client model. The new model will close an existing gap between delivery responsibility and financial sign-off, as well as see the introduction of functionally important departments within organisations, such as portfolio planning, engineering management and construction management.

Some of the challenges for the Kingdom include a resistance from some entities to undertake the required changes, concerns over the cost of implementation and cultural challenges as international firms work with local organisations. The cultural challenge is one which other major project clients have also recognised, with the Swedish Transport Administration explaining that the growing scale of its project market has led to greater involvement of international contractors in its major projects sector. Although contract language and the legal framework is in Swedish, foreign contractors do not always have Swedish-speaking employees.

Consideration of the growing recognition of the importance of customers of major projects has led to new approaches in client models, such as earlier engagement with users, clients taking a more outcome-based and consultative approach to major projects, and in some cases the creation of internal clients within delivery organisations to monitor performance.

The importance of the user voice was recognised, but Dr David Marsh from the Ministry of Defence urged delegates to ensure that, when users are helping design solutions, they are taking a forward-looking view and are not solving yesterday's problems.

## CASE STUDY: TRAFIKVERKET'S INTERNATIONAL CHALLENGE

Head of Procurement for the E4 Stockholm Bypass, Ove Strömberg, explained that the Swedish Transport Administration (Trafikverket) takes an expert role in all projects, maintaining deep involvement across all delivery functions apart from capital construction work and maintenance. With an annual investment budget of SEK40bn (£3.6bn) the organisation is Sweden's largest infrastructure client.

Strong economic performance means that investment is rising and projects are increasing in scale, leading to growing internationalisation among its supply chain. Traditionally its model has assumed local presence of its supply chain, but this is changing and forcing the model to evolve, for example through enhancing construction management functions. At the same time the Government is seeking to enhance the quality of maintenance performance and is considering insourcing these functions.

## POINTS FOR FURTHER DISCUSSION

- Is your client model designed to address risks and desired outcomes, or is it a function of existing corporate structure and available resources?
- How does the client model affect project governance throughout the supply chain?
- To what extent are government initiatives impacting on client models?
- How are changing user requirements shaping client models?
- To what extent are client models trapped by the conventional service delivery models and how can these adapt to enable benefit-led, futuristic solutions?

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