Extract from Strategic Partnering Handbook

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Tony Lendrum in his book Strategic Partnering Handbook: The Practitioners' Guide to Partnerships and Alliances uses Paul Lanskey's work developing partnering arrangements for Lanskey Constructions as an example of successful business partnerships.

The following is an extract from Tony Lendrum's book Strategic Partnering Handbook: The Practitioners' Guide to Partnerships and Alliances

Retail sites for oil companies are literally the shop front and window to the marketplace. BP Australia has established a partnering approach and a highly successful partnering relationship with Lanskey Constructions involving all aspects of service station and retail shop development. This takes in everything from the identification and evaluation through to design and construction.

BP has effectively implemented a structured approach to partnering. Stuart Moodie, BP Relationship Manager for the Lanskey partnership, adds further, 'We have a clear process for deciding whether a partnering relationship is appropriate. Mutual alignment of goals, establishing a joint partnering charter, and linking each partner's Key Success Factors (KSFs) or business drivers to agreed Key Performance Indicators (KPIs) and appropriate Performance Measures (PMs) has proved critically important. There is then an ongoing process of open dialogue, regular measurement and review.'

Typical of many partnering relationships and alliances, the BP/Lanskey relationship has evolved from a relationship based on tenders and negotiated contracts, to a more formal partnering arrangement now in its fourth year.

The BP/Lanskey partnering relationship involves a Memorandum of Understanding (MOU) setting out the relationship goals and rules of engagement. The MOU sits over a commercial contract, which because of the nature of the services involved, is required by law. It is an open-ended agreement with no period or term involved - that is, the tender process has been removed from the relationship. An open-book arrangement based on cost, plus a guaranteed margin is in place with incentives, split 50/50, applying for better-than-expected performance against targets of quality, cost and schedule. Performance as measured against agreed KSFs, KPIs and PMs is reviewed on a three-monthly basis. To ensure transparency and openness, an independent third-party review of the cost outcomes takes place to ensure best-in-class benchmarks are being achieved.

Paul Lanskey, CEO of Lanskey Constructions, is delighted with both the process and the relationship developed: 'In the construction industry most companies would do themselves a big favour by partnering. The open-book, trusting approach allows us to achieve both a fair and acceptable profit margin and a continuity of work. This in turn allows us to more effectively manage our resources and to offer greater stability of employment for our people. The uncertainty that surrounds the traditional tender approach and the associated fixed price, lump sum based, tightly managed contracts has been removed. BP in return get a better quality outcome at a lower total cost.'

As is always the case with partnerships and alliances, trust is the basis upon which the relationship works. With BP and Lanskey, trust looks like having a willingness to share what was previously considered 'sacred' information. This included sharing each others business strategies, receiving input and taking advice from each other in the development of tactical plans. Lanskey has been empowered to make decisions involving BP funds, thereby saving time and ultimately reducing costs. They are involved in everything from site evaluation through to the approval process with regulatory authorities.

The results so far have been significant. Through innovation and team-work, $150,000 has been removed from the cost of each retail build. There is now a consolidated team across all trades and disciplines involved on each site build. There is on-time delivery of projects with no rework. Contract variations and disputes have disappeared. Risk is now managed out of the project cost base and not transferred 100 per cent to the contractors as with the traditional contracting. The cost levels achieved for a retail store build are the best within the BP Amoco group and are used as a global benchmark. Through early Lanskey involvement in the design and planning phases, building of a retail site can start with 100 per cent defined cost in a matter of days from approval of BP's Financial Memorandum (FM) or business case. This is regarded as the leading edge benchmark in the industry and is of considerable competitive advantage to BP. The completed retail sites are regarded as world-class as bench marked internally on a global basis with the BP Amoco retail business units, and occasionally bench marked externally with organisations like McDonald's.

As a result, the BP/Lanskey relationship has had a positive effect elsewhere within BP. For example, the partnering approach was used for their QSR (quick service restaurant) strategy development, as a value creation benchmark generally, and is being used as a template and role model for other critical supplier relationship development.

Expansion of site builds continues throughout Australia. The partnering process for which the BP/Lanskey partnership is a role model is being investigated in Asia, with considerable interest from Europe.

It is too easy to underestimate the strength of leadership, the challenging of organisational norms and the level of risk-taking that has occurred to bring this partnership to its current state. It is the same vision and courage combined with good long-term strategy, sound process and outstanding people that will take the BP/Lanskey relationship to its next level of profitable growth and competitive advantage.