

This guide is one of a series of brief introductions to integration within the construction industry.

There are various practices that promote integrated working and encourage the industry to work collaboratively to the benefit of the project. Advice on these can be found in the following brief guides:

Early Contractor and Supplier Involvement	Guide One
Selecting Your Team By Value	Guide Two
Common Processes & Tools	Guide Three
Performance Measurement	Guide Four
Long Term Relationships	Guide Five
Modern Commercial Arrangements	Guide Six

*ALL guides are available
as a download from:
www.arethereyet.co.uk*

**No
Nonsense!**
guide to...

*Modern
Commercial Arrangements*
*How to set up your contract to gain
maximum project benefit*



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The 'Strategic Forum for Construction' is the pan industry umbrella body that represents all facets of this varied and diverse industry. Its objective is to unite the industry around important initiatives to improve its performance and conditions. This series of guides has been produced on behalf of the Integration Task Group by Stepnell Ltd. and Visionality Ltd.



WHY ARE COMMERCIAL ARRANGEMENTS IMPORTANT?

All building contracts should be underpinned by a formal written contract. A contract will define the roles and responsibilities of each party to the contract. At a basic level the

contract provides a safety net in the event that disputes arise. At the traditional level the contract informs the behaviour of individuals and their expectations within the project. Traditionally this can be limiting as roles are prescriptive and a joint approach to a successful project is not encouraged. Best practice contracts go further by providing a proactive environment to effectively manage the project to deliver satisfactory results for each party.

Research has demonstrated that projects that integrate the client, designers and supply chain provide better results for all stakeholders. Contracts and commercial arrangements can underpin a collaborative approach. Choosing a form of contract that adopts a collaborative approach to managing the project risk will provide benefits throughout the supply chain.

Individuals will collaborate when there is a high degree of trust. An important element of trust is fair payment to the supply chain. Clients throughout the supply chain must appreciate that their payments will invariably flow through to many further organisations, all of whom the client will rely on for a successful project. Fair payment for all suppliers is therefore an integral part of a truly successful project.

A team charter is extremely useful in developing the team's culture by defining acceptable behaviours. It is not a commercial arrangement but it can be invaluable in keeping the team aligned and in the introduction of new team members.

1. Select a collaborative contract that describes a proactive collaborative approach to managing the contract and the project risks. These may be:-

- The NEC3 Suite by the ICE
- The PPC & TCP forms by the ACA
- The JCT/CE contracts

2. Produce and manage a project risk matrix that quantifies the project risks. Use this to agree who is taking what risk and ensure that all parties understand their liabilities. Such discussions usually allow an integrated project team to reduce the costs by managing these risks.

3. Agree and publish fixed valuation dates and insist that all stakeholders sign a Fair Payment Charter.

- Passing risk to those who are neither able to manage it nor the consequences, does not manage the initial risk. Best Value is achieved when risk is managed collaboratively by the whole team and rests with the organisation best placed to manage this process.
- Be very wary of altering standard forms of contract. Such amendments only add cost and uncertainty to all concerned. They may also invalidate insurances aimed at protecting the client.
- Insurances and warranties reflect the fragmented industry that normally buys them. Look out for insurance products which support integration and collaboration.

SO WHAT NEXT?
- DO THESE THREE THINGS!

BE CAREFUL OF
THE FOLLOWING TRAPS: