

# Successful Partnerships

For residential  
housing delivery

# Introduction

From initial design to completion, residential development is a complicated and multi-phase process which involves a diverse professional team from numerous companies working together in synergy.

At a time when the UK is experiencing a housing crisis due to a shortage of new homes and a growing population, efficient partnerships within property have never been more important. Failure to adopt effective working practices, underpinned by clearly defined roles, will make responding to the housing challenge highly problematic.

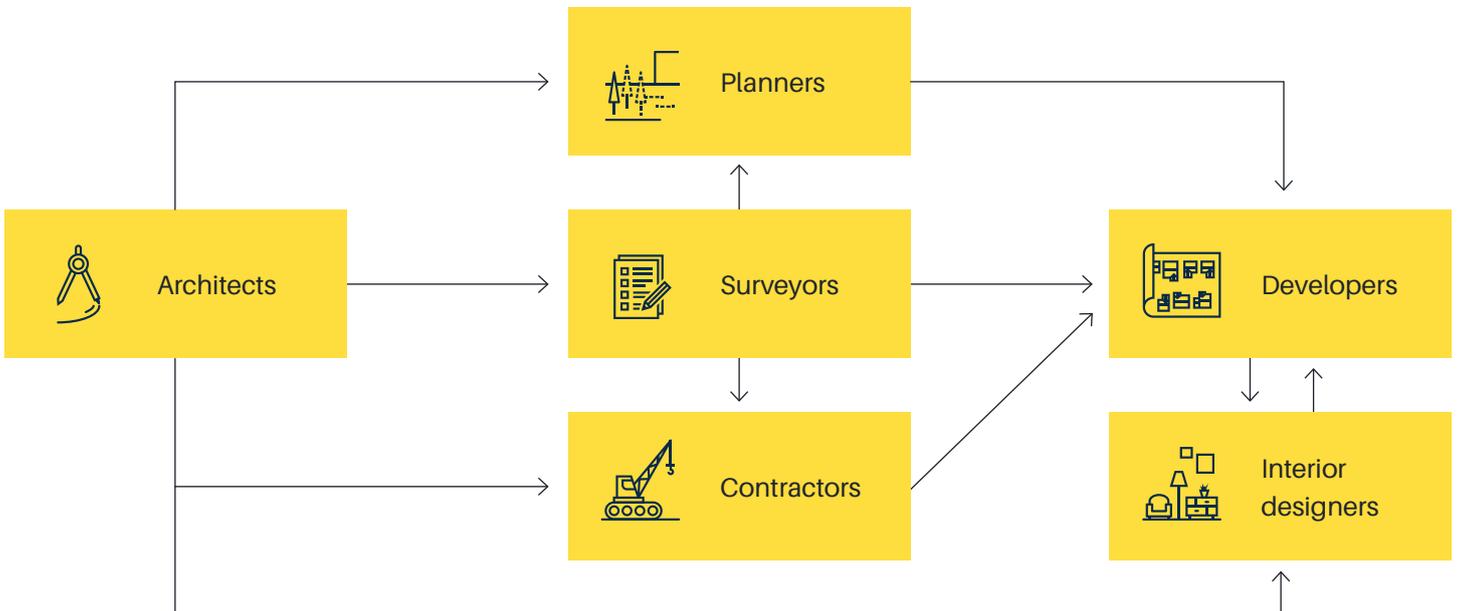
Thankfully, the industry has made positive progress on a number of fronts and collaboration between companies is increasingly standard practice. This is being assisted by technological innovations that are not only changing the way companies work together, but also the way we design buildings.

Collaboration involves the co-ordination of significant amounts of information, procedures and systems. While often complicated, the need to establish project-wide processes is vital to a scheme's success. This has become increasingly important in the modern housing supply chain, as project teams have evolved from straight-forward relationships to more integrated structures and often with complex financing arrangements.

Source: [thebusinessdesk.com](http://thebusinessdesk.com)

A typical housing project will include the following roles (amongst others):

Source: [hbf.co.uk](http://hbf.co.uk)



# The scale of the challenge

The UK is in the middle of a housing crisis, with not enough new homes being built to meet present or future demand.

There is a general consensus between government and industry that the UK needs to deliver in the region of 220,000 and 250,000 new homes a year to solve the housing shortage. Although housebuilding has largely been sluggish since the 2007 financial crash, in the last two years there has been a significant increase in residential construction and the number of new dwelling 'starts' is increasing.

Source: [hbf.co.uk](http://hbf.co.uk)

In addition to placing a strain on society, the housing crisis also has wider economic implications. The Centre for Economics and Business Research (CEBR) recently reported that escalating property prices in London, caused by a lack of homes, is costing the local economy over £1bn a year in growth. This is because the high cost of housing begins by creating local wage premiums and squeezing consumer spending. In turn, this negatively impacts business revenues and stifles the creation of new jobs - the CEBR estimated that almost 11,000 extra jobs could have been produced in London if housing was cheaper.

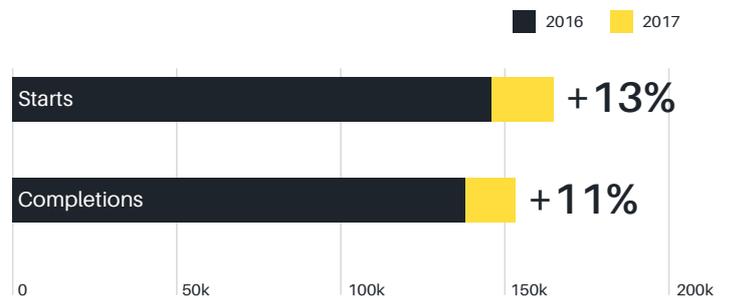
Source: [cebr.com](http://cebr.com)

The UK construction sector is struggling with a shortage of skilled workers, which is having a significant impact on its ability to deliver new homes. A recent survey by the Royal Institute of Chartered Surveyors determined that the skills shortage in the housing supply chain is at its worst level since 2007. Moreover, 60% of respondents cited labour shortages as the key factor constraining housing growth.

Source: [RICS\\_2018](http://RICS_2018)

## Annual new building figures

Source: [gov.uk](http://gov.uk)



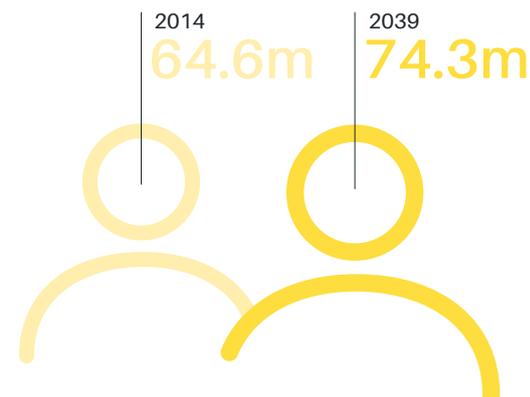
## Government housing targets

Source: [nao.org.uk](http://nao.org.uk)



## UK population

Source: [ons.gov.uk](http://ons.gov.uk)



# Revisiting Latham, Egan and Wolstenholme

**Poor collaboration within the property industry is not a new phenomenon and the results have previously been examined in three prominent government reports.**

Sir Michael Latham's 'Constructing the Team' (1994) was commissioned jointly by the government and the construction industry to identify problems based on the public sector's experience. The report's language was damning, labelling the sector as "ineffective", "adversarial", "fragmented" and "incapable of delivering for its customers".

Source: [Latham Report](#) (1994)

A follow-up report by Sir John Egan, 'Rethinking Construction' (1998), considered the introduction of ideas from other industries, in particular manufacturing, to increase productivity within construction. Examining the sector from a client perspective, Egan observed that even though management of the supply chain was generally neglected, in fact the process was critical to driving innovation and sustaining performance. The report highlighted the Canadian experience, where construction companies employed 'lean thinking', a production approach borrowed from the automotive industry, to reduce project times and costs by up to 30%.

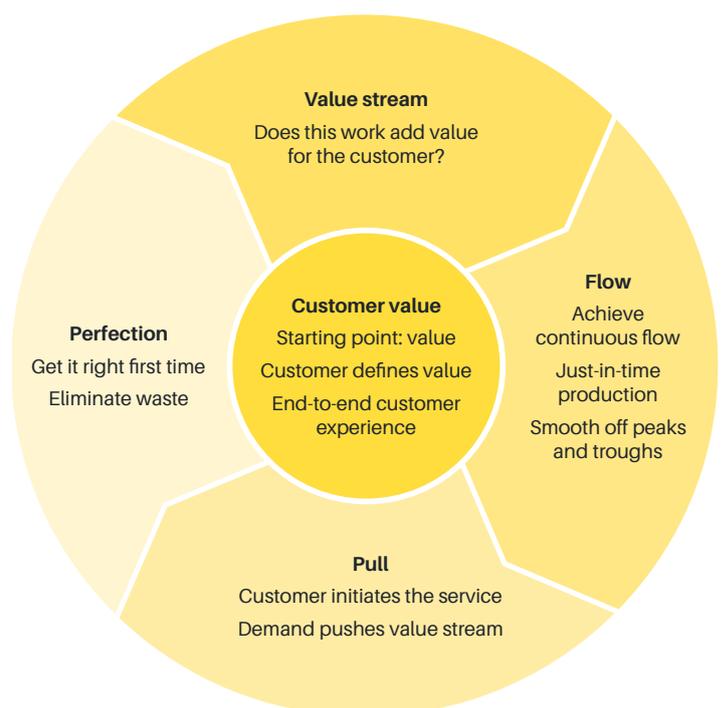
Source: [Egan Report](#) (1998)

The Latham and Egan reports have had an enduring impact, establishing a "consensus" within government and industry on the importance of client-supplier cooperation. In the two decades since, there has been progress in fostering collaboration between new players - from hedge funds to contractors - as well as further supporting technological innovation, such as off-site manufacturing. However, the Wolstenholme Review in 2009, 'Never Waste a Good Crisis' concluded that while progress had been made, this had not been on the scale deemed necessary by Latham and Egan.

Sources: [Government Construction Strategy](#), [gov.uk](#), [cbi.org.uk](#)

## Lean thinking

Lean thinking is a business methodology for optimising productivity and eliminating waste, particularly where complex processes are involved.



# Collaboration is a win-win approach for all parties

## Creating close working partnerships help businesses grow and can also improve the UK's housing output.

A study by the Institute for Collaborative Working found that businesses which collaborated across the supply chain achieved:

- Improved business and operational performance
- Increased business winning
- Enhanced risk management
- Innovation
- Multi-million pound efficiencies
- Increased client confidence and repeat business
- New product development

Source: [instituteforcollaborativeworking.com](http://instituteforcollaborativeworking.com)

As well as fostering better working environments, clients and suppliers with advanced external collaborative processes often outperform their competitors. A study by management consulting firm McKinsey & Company determined that businesses which regularly collaborate with their suppliers have an average EGBIT (Earnings Before Growth Interest and Tax) growth rate double that of companies which do not.

The relationship between clients and suppliers is symbiotic, with partnerships creating 'shared value' as both companies benefit from the arrangement. McKinsey found in instances of collaborative working that suppliers grew to be "more stable", "become more cost-competitive", and "improve their core capabilities." This then allows suppliers to provide an overall better service by delivering projects faster and passing cost savings onto the client.

Sources: [gov.uk](http://gov.uk), [mckinsey.com/practice-clients](http://mckinsey.com/practice-clients), [mckinsey.com/business-functions](http://mckinsey.com/business-functions)

In addition to offering commercial advantages, closer collaboration could also help alleviate the skills shortage that is constraining housing delivery. Small firms are regularly unable to hire and train new staff because of the industry's tendency to work to short-term contracts, which leaves them without guaranteed work. However, a study by the Home Builders Federation found that increased collaboration between housebuilders and contractors, resulting in longer term contracts and regular repeat business, could significantly ease the uncertainty that hampers recruitment and training.

Sources: [hbf.co.uk](http://hbf.co.uk), [The Telegraph](http://The Telegraph)

## A collaborative working cycle



# Organisational working practices that facilitate collaboration

Even though the benefits of collaboration are evident, forming lasting working partnerships can be time-consuming.

Robust communication processes need to be in place before attempting complex levels of collaboration. This is especially crucial in housing delivery where multiple companies are involved in highly technical roles, which can potentially create a supply chain where project components become compartmentalised.

This situation is best mitigated through establishing clearly defined roles and responsibilities. Positions including Project Manager and Lead Contractor can help suppliers and contractors gain greater overall perspective of objectives and keep the scheme on track. Good supply chain management and increased use of off-site manufacture also decreases the chance of repetition of duties across departments, and enable objectives to be completed on time.

Implementing incentives for suppliers and contractors throughout the supply chain can be an effective way to form closer partnerships. Common mechanisms include contract extensions or splitting cost savings. A recent report by the Construction Leadership Council examined contracts within the aerospace and automotive industries, which are designed to improve working partnerships. Driven by Key Performance Indicators, it is standard practice for clauses to encourage “correct behaviours, relationships and working environment to deliver innovation, invest in capacity, improve quality and reduce cost.”

Sources: [mckinsey.com/practice-clients](https://www.mckinsey.com/practice-clients), [mckinsey.com/business-functions](https://www.mckinsey.com/business-functions), [Construction Leadership Council](https://www.constructionleadershipcouncil.org/)

## Working practices to encourage collaboration

- Clear lines of communication and authority
- Protocols for the preparation and dissemination of information
- Financial motivation (such as tying the consultant team and the contractor into a common target cost for which there is shared ‘pain’ or ‘gain’)
- Rewarding initiative (particularly important for members of the client team, whose careers are likely to be assessed solely on the basis of their ‘normal’ activities, rather than their involvement in a project)
- Regular workshops and team meetings
- Problem resolution procedures, (based on solutions not blame)
- Procedures to ensure continuous improvement (this might require continual benchmarking, target setting, assessment, feeding back and adaptation)
- Early warning procedures
- Social activities

Source: [designingbuildings.co.uk](https://www.designingbuildings.co.uk)

# Technology

Technology now plays a vital role in supporting collaboration across the construction supply chain.

The property industry is undergoing a technological revolution allowing clients and contractors to collaborate in real time. Survey drones, augmented reality, 3D printing, big data and the Internet of Things (IoT) are now being implemented across the industry to great effect. These technologies, among others, allow companies throughout the supply chain to provide updates almost instantaneously, ultimately shortening decision making times and enabling projects to be delivered faster.

In particular, Building Information Modelling (BIM), is transforming the way the supply chain communicates. A process of creating and managing digital information, the uptake of BIM has been driven by the government's 2011 Construction Strategy, which required all construction partners working on public sector building projects to be operating advanced levels of BIM by 2016. Initially intended for complex infrastructure projects, BIM has proved so successful that it is increasingly implemented on residential housing projects.

Sources: [architecture.com](http://architecture.com), [raconteur.net](http://raconteur.net), [rics.org](http://rics.org)

## What is BIM?

"At its core BIM uses 3D models and a common data environment to access and share information efficiently across the supply chain and so boost the efficiency of activities around asset delivery and operation. By helping the entire supply chain to work from a single source of information, BIM reduces the risk of error and maximises the team ability to innovate."

University of Cambridge  
Centre for Design Built Britain

# 61%

of construction professionals  
now use BIM technology  
KPMG

Source: [raconteur.net](http://raconteur.net)

# The view from Delph

## The time is ripe for successful partnerships

**It's no secret that the property industry has had mixed success when it comes to establishing and developing long term, sustainable and innovative partnerships.**

However, the UK is facing an enormous housing challenge and closer collaboration is clearly part of the solution. Collaboration within the housing supply chain is not just important to housing delivery, it also helps companies, no matter their discipline, achieve commercial success. What's more as innovative technologies create and enable new processes, the chance to create new alliances has never been easier and the rewards never greater.

In recent years, Delph has witnessed the benefits of a collaborative approach first hand. We have developed a series of funding models which allow us to work closely with builders and developers, thereby enabling them to build schemes with the certainty of a guaranteed exit strategy once the development is complete.

One of our recent projects, Orleans House in Liverpool, would likely not have been deemed feasible by institutional lenders. However, our forward funding model enabled the scheme to proceed. The result has been a development which is proving extremely popular with local first time buyers and buy to let property investors alike, as well as a financial success for all those involved.



**Paul Neto**  
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# About Delph Property Group

We purchase off plan residential developments between 50-400 units in city centre locations across the UK. By offering forward funding or forward commitment with large deposits, we reduce risk for builders and developers .

Since we were founded in 1948 we have been solely focused on developing and investing in residential property. This has given us unrivalled experience to collaborate with other companies to help deliver much needed housing to the UK.

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