

# CONTRACTING AND COLLABORATING FOR ADVANTAGE

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Learn how high-performing companies design better contracts and achieve the benefits of collaboration

## CONTRACTING AND COLLABORATING FOR ADVANTAGE

With the continuing growth of major project contracting, strategic partnerships and outsourcing, well-designed contracting strategies are vital to business success. Collaboration between firms is getting cheaper and easier.

However the performance of many inter-firm arrangements has been contentious. What has been surprising is how difficult it has been for Buyers and Suppliers to create effective value-creating arrangements. Driving the well-publicised cost blow-outs and poor service outcomes has been an under-investment in inter-firm relationship and contracting capabilities.

Learning how to contract and collaborate must become a source of competitive advantage if companies are to prosper in the twenty-first century.

### Business Benefits

For organisations that master the methodology of Contracting and Collaborating for Advantage there are a number of important benefits: faster speed to market with new products and services, more innovative solutions, improved flexibility to manage disruptive change, reduced costs, and capture of new market opportunities.

If your organisation is planning to initiate a major contracting project, the Workshop can prepare executives to lead and manage the project.

For organisations that have already established contracts in place, the Workshop is an effective means of generating enhancements for the existing arrangements, showing the way to improving performance and outcomes.



A MESSAGE FROM THE COURSE PRESENTER

Jay Horton  
Managing Director  
Strategis Partners

*"Your next generation of contracting arrangements will benefit from the principles and Case Studies explained in this Workshop. You and your team will also learn how to apply some powerful frameworks for achieving high levels of collaborative success."*

*"Through a series of case studies from the energy, engineering, information & communications technology, infrastructure, logistics and transportation industries, you will learn how to design effective collaboration and contracting models."*

The two-day Programme draws on the experience of Strategis Partners advising companies on contracting and inter-firm strategy – and new developments in the economics of contracting and alliance networks.

Eight modules of instruction and interactive sessions cover all aspects of contract design and inter-firm collaborative strategy.



#### FEATURES OF THIS WORKSHOP PROGRAMME

It is a high-level, intensive and interactive programme that will move rapidly. The facilitators from Strategis Partners will introduce the sessions and then participants will have the opportunity to interact extensively during the workshop. Participants will be able to share their own ideas and together with colleagues, design strategies to achieve superior performance for their Company.

## PROGRAMME AGENDA, DAY 1

### MODULE 1: NAVIGATING IN A WORLD OF INCOMPLETE CONTRACTS

The rapid increase in the use of inter-firm contractual arrangements is one of the remarkable changes in the past two decades. This has been in response to increasing customer preferences for better quality and service at lower cost, and falling transaction costs. Furthermore the rapid pace of economic and technological change places a premium on building productive relations between firms.

This session introduces the model of ‘incomplete contracting’ which provides a powerful framework for understanding how to drive complex contractual arrangements.

#### THIS MODULE COVERS:

- Case Studies: Two very different partnerships

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- What causes problems in contracting?

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- What determines the contracting success of companies?

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- The key drivers of contracting and collaborative strategy

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- The economic and strategic logic of incomplete contracting

### MODULE 3: CONTRACT DESIGN

Contract design involves a risky trade-off between a more detailed contract which aims for completeness on the one hand, and a more flexible, higher-level or ‘relational’ agreement on the other.

The key is to match the contract design to the hazards of the deal. Hazards include: the uncertainty about delivering the performance required; the “lock-in” problem whereby specific investments need to be made by the Supplier or the Buyer; the difficulty in measuring outcomes; and the connectedness of the deal with other deals or projects.

#### THIS MODULE COVERS:

- Designing contracts to match requirements, using the foundations of transaction cost analysis

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- Key tradeoffs in contract design – the eight key levers for effective contracts

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- Contracting for innovation and prototype systems

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- How to design incentives into contracts.

### MODULE 2: THE DECISION TO PARTNER

The question at the outset is: what partnering model is best suited to my company’s situation? Partnering structures can be selected from a continuum of choices, with “spot market” and highly “integrated” forms of organisation at the extremes, and “hybrid” or more complex contracting models as the intermediate forms.

The more complex the services to be delivered, the more tightly integrated the governance arrangements need to be. Buyers need to couple customised contracts with high levels of ‘relational’ governance whereby joint actions are the foundation of contractual relations.

#### THIS MODULE COVERS:

- Why partner?

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- The business logic of inter-firm cooperation

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- Choosing the right partnering model

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- Checklist for partnering decisions

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- How the strategic issues evolve through the life cycle of a contracting partnership.

### MODULE 4: GROUP SESSION

Case Study: Contract design group workshop, and group presentations. A series of Case Studies are used to show how the concepts of contracting work in practice. They provide multiple levels of learning, compelling participants to explore how parties choose contract terms to promote efficient adaptation and lessen transaction costs.

A range of industrial contracts are studied: capital projects in the infrastructure industry, the rail freight and trucking industry, coal and natural gas supply, and the offshore drilling industry.

#### CASE STUDIES COVER:

- Choice of contract duration

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- The mechanisms of quantity and price adjustment in contracts

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- The role of “take-or-pay” provisions in contracts as a mechanism to deal with uncertainty

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- How governance arrangements have evolved to manage opportunism and uncertainty.



#### PRE-COURSE INTERVIEWS AND QUESTIONNAIRE

Pre-course interviews will be held with key executives, and a survey questionnaire will be sent out to all participants prior to the workshop to establish the particular requirements of each participant. The completed forms will be analysed by the programme facilitators and integrated in the workshop—to deliver comprehensive and relevant solutions in a customised way.

#### CASE STUDIES AND PRE-COURSE READING MATERIAL

This course refers to a range of case studies and pre-course reading material to give participants frames of reference which they can then apply in the Workshop.

#### INTERACTION

The seating arrangements, discussion group settings and networking luncheons are designed to enhance interaction among the accomplished peers participating in the Programme. Participants are able to liaise and share experiences to boost collective learning.

## PROGRAMME AGENDA, DAY 2

### MODULE 5: THE RELATIONAL ARCHITECTURE AND STRATEGY OF COLLABORATIVE COMPANIES

Next generation inter-firm arrangements are based on “relational” contracting principles which aim to lower Buyer-Supplier coordination costs, less disputation and greater value-added. The fundamental challenge is that buyers and sellers pursue different goals. Buyers look for improvements in product and service quality, in lower costs, and in flexibility.

Sellers seek profit, profit stability and contract continuity. So how can companies cooperate with one another to mutual advantage?

#### THIS MODULE COVERS:

- The logic of relational contracting
- How is flexibility planned into contractual relations?
- How are contractual relations preserved when conflicts arise?
- How are economic activities terminated when they have outlived their usefulness?
- Case study: collaborative governance in action.

### MODULE 7: MASTERING CUSTOMER CENTRICITY—THE SUPPLIER’S CHALLENGE

Customer centricity has proven to be an elusive goal for many contractor organisations. This Session explores the challenges that hold back an organisation from becoming customer-centric in the delivery of its contract.

To overcome these barriers, the Session outlines practical steps and directions to implement a customer-centric approach to contracting—through changes in the culture, structure, processes, and performance metrics of the organisation.

#### THIS MODULE COVERS:

- Leadership commitment in mastering customer centricity
- Organisational realignment around the customer value proposition
- Systems, metrics and process support in the relationship-centred company.

### MODULE 6: GOVERNANCE OF SUPPLIER RELATIONS—THE BUYER’S CHALLENGE

The success of major Programmes and Projects relies on a lot of external help, so it is important to get the team of supplier firms to behave as though they are part of an extended enterprise and share a sense of common purpose. This requires the development and maintenance of good relations with key suppliers.

Informal agreements can be crucial between the Buyer and its Suppliers, since they help overcome the various factors which lead to problems. The more complex the contracts, the more benefit there will be to highly-developed governance arrangements.

#### THIS MODULE COVERS:

- How does Supplier Governance work?
- Determining factors for selecting supplier relationship
- How suppliers to achieve the strategic goals and objectives?
- What processes build trust?
- Governing and operating a strategic alliance.

### MODULE 8: CASE STUDY SESSION

**Case Study: The Journey towards Relational Contracting**  
This Case Study draws on the \$8 billion project to expand London’s Heathrow Airport. The units of analysis are the inter-firm relationships between the project client, British Airports Authority and the first-tier project suppliers. These relationships were framed commercially around a relational contract.

The project scope encompassed the delivery of terminal buildings, an air traffic control tower, aircraft stands, a baggage handling system, and an inter-terminal train. The contracting strategy aimed to encourage the suppliers to move away from “business as usual” to an environment where “we all continually challenge how we can be successful.”

#### THIS MODULE COVERS:

- Enabling client-supplier cooperation
- The production strategy for the Project and the design of the Agreement
- Making relational contracts work in projects
- Managerial implications: is relational contracting a one-size-fits-all strategy?

**BENEFITS FOR YOU**

- Understand the root causes of contracting problems – and what can be done to overcome them

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- Develop your skills to craft more collaborative arrangements with Customers and Suppliers

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- Master the tools of contract economics to design better incentive-based contracts

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- Know how to bridge the gap between contract design and contract execution;

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- Enhance your ability to re-shape contracts in response to changing business conditions

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- Train your project team to operate with a collaborative, extended enterprise model

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- Enhance your capacity to conduct contract negotiations strategically

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- Select the right partnering model for your next major project.

**BENEFITS FOR YOUR ORGANISATION**

- Build alliance processes to ensure successful delivery of complex projects

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- Improve your company's contracting arrangements, by exploiting the insights from the new economics of contracting and collaborative strategy

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- Enhance your firm's supplier / customer relationship management capabilities

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- Improve your firm's collaborative planning, coordination and decision making processes

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- Understand the full range of options for your company to avoid cost blow-outs and poor service outcomes in major projects

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- Expand the range of partnering models and contract designs for your company to apply and achieve its strategic goals.

**WHO SHOULD ATTEND?**

Executives and managers who have responsibility for designing, negotiating and managing major contracts – and buyer / supplier relationship management, sourcing and procurement – will benefit through mastering the concepts covered in this Workshop.

**PARTICIPANT PROFILE**

C-Level executives, general managers, senior managers and planners who are designing, negotiating, reviewing and managing major contracts—and managing buyer/supplier relationships and sourcing programmes

Business unit and functional managers looking to develop major capital programmes and inter-firm initiatives

Executives from across multiple companies who are working together to forge alliance goals and an interlocking strategy.



**DENIS HORDER**  
Managing Director,  
DHA in Sydney, and  
Director, Logistics  
Association of  
Australia

*"If you are looking to expose yourself to new ideas on contracting and collaboration, to stretch your thinking, and to challenge your current approaches, the Contracting and Collaborating for Advantage Programme is ideal. The material put my logistics and supply chain contracting experience into context, and expanded, broadened and deepened my understanding. As business-to-business commerce becomes more complex, you increasingly have to find innovative solutions to contracting problems, and this Programme provides the tools to do that. From a personal point of view, my approach to procurement has been refined and influenced by the methods and tools covered in the Programme."*



**INDUSTRIES PARTICIPATING**

- |                                    |  |
|------------------------------------|--|
| Engineering and construction firms | Information technology companies           |
| Infrastructure companies           | Telecommunications companies               |
| Energy and power utilities         | Transportation companies                   |
| Government procurement agencies    | Oil & gas companies                        |
| 3PL and 4PL logistics companies.   | Field service companies                    |
| Outsourcing services companies     | Building and property services             |
| Industrial products suppliers      | Plant and facilities maintenance companies |



## TESTIMONIALS FROM PREVIOUS WORKSHOPS

*"I find myself constantly referring colleagues to the training materials whenever we embark on planning exercises... I found it meshed fully with my own agenda and fulfilled my aspirations, both individually and organisationally."*  
Nuzulul Haq, Medco Energi, Indonesia

*"This is an excellent programme. I have recommended this Programme to the Human Resources Department to send other senior officers."*  
Usanee Wiwatchiwong, Corporate Strategic Planning, Banpu Public Company Limited, Thailand

*"Overall quality of the programme is excellent. I would recommend this to my colleagues and peers."*  
Matthias Goertz, Edward W Kelley & Partners, Singapore

*"By far the most informative course that I've attended in the last few years. Great elucidation of differences between new planning and conventional planning approaches."*  
Marcel Pordes, Retail Concepts Asia, Hong Kong.

## TESTIMONIALS FROM PREVIOUS WORKSHOPS

*"The approach is providing the Board with a framework within which good expenditure decisions can be made."*  
Eddie Tsui, Sydney Water



*"A fine presentation of strategic concepts."*  
Pat Cullen, Unisys, Wellington NZ

*"Excellent programme. Case studies, networking and learning about other industries and companies were among the best features of the programme."*  
Michael Goldman, Principal Consultant, MMA, Australia.

*"The course really energized me and I came away with new ideas and positive approaches to apply in my work."*  
Mongkhon Pojpongson, Strategic Planning Department, Ratchaburi Electricity Generating Holding PCL, Thailand.

## COURSE PRESENTER - JAY HORTON

Jay is the Founder and Managing Director of Strategis Partners, an Asia-Pacific consultancy advising corporations and governments on strategy and organisational planning for major programmes and projects. He advises clients in Australia, Hong Kong, Indonesia, Malaysia and Singapore.

Jay's distinctive approach is based on a deep understanding of the economics and management science of contracting and inter-firm strategy.

He has advised many companies on major programme and project strategy, reviewed outsourcing contracts, and developed contracting strategy for clients in agri-business, energy, manufacturing, mining, retail, transportation and logistics industries during his twenty-five year management consulting career. He has played a number of leadership roles: Partner of PricewaterhouseCoopers, McKinsey & Company, Founder and Managing Director of decision consulting firm ORG Pty Limited, and Principal of Everest Group, an international outsourcing advisory firm.

Jay's qualifications include Master of Economics from Australian National University and a Bachelor of Systems Engineering from James Cook University, Australia.

Jay's publications include:

"Keys to Successful Strategic Alliances," Strategis Partners White Paper, 2010.

"The Leader's Guide to Scenario Planning," Strategis Partners White Paper, 2009.

"New Approaches for Managing Supply Chain Relationships," Strategis Partners White Paper, 2006.

"Contract Economics," Strategis Partners White Paper, 2005.

"The Value Chain in the Twenty-first Century," Strategis Partners White Paper, 2005.



## ORGANISATIONS ATTENDING STRATEGIS PARTNERS' WORKSHOPS

Abacus International, Singapore  
Abbott Manufacturing Singapore  
Abu Dhabi Council for Economic Development  
AIU, Hong Kong  
AMIAD Singapore  
AMP Capital Investors, Australia  
Asia Pacific Breweries, Singapore  
Asia Society, Australia  
Bank Negara, Malaysia  
Bank Rakyat, Malaysia  
Banpu Public Co, Thailand  
BHP Billiton, Singapore  
Bluescope Steel, Australia  
Centro Escolar Uni, Philippines  
CGC, Malaysia  
CLP Power, Hong Kong  
Crocs Asia, Singapore  
CUEL Limited, Thailand  
Cyberview Sdn Bhd, Malaysia  
Defence Science & Technology Agency, Singapore  
DNP Land Sdn Bhd, Malaysia  
East West Seed Roh Ltd, Thailand  
Electricity Generating Public Company Limited, Thailand  
Energy Market Authority, Singapore  
Evans & Peck, Australia  
Everest Point Sdn Bhd, Malaysia  
Export Import Bank of Thailand  
Faculty of Economics & Business, University of Sydney, Australia  
Faysal Bank, Pakistan  
FELDA Berhad, Malaysia  
Gartner Group, Australia  
Goldman Sachs, Australia  
Great Eastern Life Assurance Co  
Green Crescent Insurance, UAE

Guinness Anchor Berhad, Malaysia  
Insight Partners, Australia  
Institut Jantung Negara, Malaysia  
Intelligent Energy Systems, Australia  
Invest-in-Penang Berhad, Malaysia  
iPerintis Sdn Bhd, Singapore  
JTC Corporation, Singapore  
Keppel Land International, Singapore  
Khazanah Nasional Berhad, Malaysia  
Leighton Contractors, Australia  
Leighton Holdings Limited, Australia  
MTR Corporation, Hong Kong  
Muhibbah Engineering (M), Malaysia  
NSW Dept of Commerce,  
NSW Treasury, Australia  
Majlis Amanah Rakyat, Malaysia  
Malaysia Telekom Bhd  
Malaysia Transformers Manufacturing  
Malaysian Agrifood Corp Bhd  
Maxis Mobile Sdn Bhd, Malaysia  
MHD Supply Chain Solutions, Aust.  
Ministry of Defence, Singapore  
Ministry of Manpower, Singapore  
MMA, Australia  
MMC Corporation, Malaysia  
Mount Alvernia Hospital, Singapore  
Pacific Road Capital Management, Australia  
Papua New Guinea Department for Community Development  
Papua New Guinea Department of National Planning & Monitoring  
Petronas Carigali, Malaysia  
Petronas Dagangan, Malaysia  
Petronas Gas, Malaysia  
Pfizer Global Pharmaceuticals, Thailand  
PM Link Pte Ltd, Singapore  
Power Seraya Ltd, Singapore

Prime Minister's Office, Singapore  
PT BADAQ LNG, Indonesia  
PT Bank Central Asia Tbk Indonesia  
PT Bank Negara Indonesia  
PT Djarum, Indonesia  
PT Medco E & P Indonesia  
PT Nutrifood Indonesia  
PTT Chemical Public Company Ltd, Thailand  
Public Service Division, Singapore  
Ratchaburi Electric, Thailand  
Rayong Purifier Public Company Ltd, Thailand  
Sarawak Concrete Industries Berhad, Malaysia  
Securities and Exchange Commission, Thailand  
Siemens Pte Ltd, Singapore  
Sinclair Associates, Australia  
SingTel Ltd, Singapore  
S-OIL Corporation, South Korea  
ST Engineering, Singapore  
Sydney Water, Australia  
Tandem Corporate, Australia  
TDM Bhd, Malaysia  
Teras Control Systems, Malaysia  
Thai Summit Autoparts Industry Co. Ltd, Thailand  
TOT Public Company, Thailand  
UBE Group, Thailand  
United Malacca Berhad, Malaysia  
Volkswagen Group, Singapore  
Westports Malaysia Sdn Bhd



## ABOUT STRATEGIS PARTNERS

Strategis Partners is a management consultancy and executive development firm operating in Australia and across Asia. It is recognized for its insight and focus on complex strategic and organizational initiatives.

The Firm works with clients in agri-business, energy, infrastructure, energy and water utilities, financial services, government agencies, logistics and retailing, manufacturing, mining, oil and gas, telecommunications, transportation and mass transit companies.

## STRATEGIS PARTNERS' EXECUTIVE MANAGEMENT TRAINING AND DEVELOPMENT PROGRAMME'S

Creating Better Futures with Scenario Planning

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Strategy in a World of Great Change

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Strategic Planning Masterclass

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Real Options for Tomorrow's Growth

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Decision & Risk Analysis for Major Projects

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## CONTACT US TO FIND OUT MORE ABOUT THE PROGRAMME

For more information on this Programme – or any of our other management development programmes – and how they might be tailored to suit your needs, please contact us by phone or email:

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## CONTACT US

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