Executive overview

EQUAL PARTNERS identified a number of key areas where customers had serious criticisms of the performance of the industry:

Pace of Change

While there is strong evidence to suggest that UK construction has a willingness to improve, change is too slow – and too often initiated and driven by the customer, rather than the supplier. Consequently, the perception is that the majority of the industry is reluctant to move forward.

In 2004 this perception had not changed markedly. Roughly half the sample does not think the industry has changed and *nearly two-thirds* do not think it is more innovative.

> *The culture and quality is improving but only slowly.*
>
> Investor/developer

> *They still only focus on delivery. They are still only achieving base line, not adding any real value.*
>
> Corporate – 2004

Alignment of Objectives

On a project, the customer's objectives are often interpreted differently by each supplier, leading to acute misunderstandings.

The standard of dialogue between suppliers and customers needs to be improved.

Nearly 85% of customers, *in 2004* think suppliers make more of an effort to understand their needs today and two-thirds think that the customer/supplier relationship has improved.

> *Some suppliers are listening and understanding that clients do not always want to spend more or less money but they want to spend the existing money more wisely.*

Supplier Leadership

The study found that customers expect suppliers to take a lead in improving the supply side of the industry, with greater co-operation and a co-ordinated approach that delivers sustainable progress.

> *Some of the better suppliers are learning to say no, declining opportunities that they cannot do well rather than taking any work they are offered.*
>
> Investor/Developer – 2004

About half *of the 2004* sample think suppliers are more proactive and slightly more (60%) think that suppliers are taking more of a lead.

Investment

Most customers consider the level of inward investment by the construction industry as too low. Poor levels of innovation, migration of talent and inconsistent service continue to be serious issues. Low IT-awareness and use of technology, in conjunction with a lack of effective processes, is restricting wide-scale efficiency improvements that could fund greater inward investment.

All the customers who participated in this review believe that the industry has not increased the level of investment although half the sample think IT investment has increased.

> *Perhaps traditionally suppliers did not want to give the impression that they had surplus money 'to waste' on training. Absolutely wrong. People development should be a normal function of business.*
>
> Corporate – 2004

People and Skills

Customers are very focused on the quality of the individuals in a supplier team. A major concern is the lack of highly qualified, experienced and motivated personnel.

The perception is that not enough is being done to attract, develop and retain talented staff. A proportion of customers would be prepared to pay higher fees for higher quality personnel.

Two thirds of customers in the review do not believe that the industry is doing any more to attract and retain staff, although a high percentage (83%) would consider paying higher fees if it guaranteed better people.

> *It is difficult to find a supplier that understands the issues faced by corporate customers and addresses the provision of customer sensitive staff.*

Relationships and understanding

Lack of appreciation of the customer's core culture often results in the failure of projects and business relationships. In parallel, customers must significantly improve their supply-chain management skills and create environments for fostering co-operation and best-value solutions.

Generally, major customers did not consider that the contract was that important in the management of their suppliers (notable exceptions are large corporate customers who either build infrequently or have strict requirements for audit purposes).

Customers are seeking to develop long-term, more productive relationships with a smaller base of suppliers. There is the recognition that shared knowledge and collaboration delivers better results.

In 2004 over half the sample (some 60%), think suppliers make more of an effort to understand their customers, business and all customers' have reduced their supplier base still further since 2002.

> *Tend to treat corporate clients the same as developers. They misunderstand the role of corporate real estate.*
>
> Corporate – 2004

Structure and organisation

Suppliers and their representative bodies need to work more closely to drive change. The fragmented structure of UK construction and the vested interest of specialist groups is slowing cohesion and improvement.

Full integration of teams and process is needed to improve co-ordination. Complete business solutions should be on offer to customers, rather than disparate design, management and construction services. As customers' in-house teams get smaller, their management effort is becoming more strategic, so suppliers are expected to deliver higher levels of management and co-ordination.

Over 80% of customers in the review think there is more integration of teams and processes since 2002. Only half think that suppliers are offering better solutions.

> *Some movement towards integrated supply chains, but even then the disciplines are often treated as separate profit centres, so although it looks like a complete solution in reality it is still several different companies cross trading.*
>
> Corporate – 2004

Customer-driven solutions

A more customer-focused approach by the industry is required. Customers are often provided with products that do not meet their needs. The briefing process has been identified as a particularly weak link between customers' requirement and the delivery of solutions. *There is no evidence in 2004 that this has improved.*

Measurement

Customers carry out little formal measurement and benchmarking, due to the wide-scale lack of availability of meaningful construction metrics. Most customers, with the help of suppliers, need to develop processes and systems that provide appropriate measurements and support investment decisions. The industry needs to capture, measure and share data to underpin improvement.

> *Getting bad news early is good news. If we know about potential problems at least we can deal with them. In the past suppliers were often reluctant to raise issues.*
>
> Corporate – 2004