



A Business Model For UK Construction: Built Environment Solution Provision

UK Construction is seeking a new business model. There is no need for this audience to rehearse the reasons why but the industry scores low on all four 'Results' boxes of the Excellence Model (1): Business Results, Customer Results, Society Results and People Results. A good starting point for the search for new strategies is the Excellence Model, coupled with the Strategy Map concepts of Kaplan and Norton (2).

The fundamental assumption of any business is that it has a "Value Proposition", a way to provide customers with what they seek which is desirable to customers and profitable to the business. The Strategy Map tool enables businesses or industries to analyse how they could on the one hand add more customer value and on the other reduce the cost of doing it, whilst at the same time enhancing their social "licence to practice".

Returning to the Excellence Model, the ultimate Business Results box depends on the satisfaction of three others – customers, society and the people in the business. They are not of equal weight but they are interdependent. UK Construction needs to move from weak results to strong:

	Current	Required
Business Results	Low profit and growth	Strong growth and profit
Customer Results	Unfocused service	Support for their value propositions
Society Results	Unsustainable	Sustainable quality of life
People Results	Poor recruiting and retention	Enthusiasm for the industry

The required results for success are reversals of the current situation. Solutions have to be radical yet achievable incrementally. They also have to be WIN-WIN, for Customers, Society, People and Business or they will not be sustainable. This paper suggests that there are strategies to get there, which are already being pursued in part by some players in the industry.

The Enablers in the Excellence Model, Process, based on Market strategies, Resource policies and People policies, steered by Leadership vision and values, are a good basis to consider how a suite of measures could be arranged. Egan et al have substantially concentrated on process and associated people and resources policies. The key area in Be's view is market strategy. Creating value for customers and



society is the economic and social motivator of any industry. If value can be released in greater volume, then satisfaction of all stakeholders is within reach.

Value perception has been a weak area for construction. Value is definable as Benefit over Cost, a positive value existing when the benefits of a proposition outweigh the costs. Construction has been famous for attention to costs but remote from the subject of project benefits. Customers were supposed to be in charge of those, aided by consultants. The design was deemed to express the benefits package; constructors just concentrated on minimising its costs.

Benefit originates in what the customer needs the project to achieve in order to enhance their own value proposition. Whether they are a private business or a public service, customers for built environment have a proposition to their own customers. This ranges from branded environments such as a supermarket, delivering goods to the public with assumptions about quality, conveniences and price, to a hospital aiming to deliver good patient outcomes.

Customers are rarely professional experts in how facilities add value to their businesses. Indeed, many customers buy facilities as a "distress purchase", reluctantly and without aspirations other than the relief of pressure. They may build only once, or be regulars but with ever-changing project leadership. Construction procurement is rarely core business outside of commercial development companies. All the work done to try to form a customer confederation to play a part in industry strategy making suggests that the number of enthusiasts is small. Customers, who often don't even know they are customers of construction until they have begun, are wishing that construction could be like other advanced industries: easy to buy from; full of ideas to meet their special needs; integrated to need no customer leadership.

Why hasn't construction got a better handle on providing customer value? This seems to stem from its generally episodic engagement with customers. There are few long-term partnerships or integrated sector specialist suppliers. It could also come from lack of perception of the whole value stream represented by customers' interaction with the built environment. Construction projects are but a blip in the life-cycle of a facility and a minor part of the whole life cost. An industry which doesn't see the cycle and which is not often involved upstream of the decision to buy construction nor downstream of handover cannot see the big picture. Customers don't see it either.

Perhaps construction is trapped in a definition box. The real sector is the entire built environment life cycle, from business case-making to appraisal in use. We urgently need to map and value this larger field as I suspect that it would release new



perceptions and business models, as well as changing the mindset of everyone concerned.

As a rough estimate of the real size of the sector, consider this: Construction is currently spending over £80bn per annum for customers, and is therefore rated at 7% of GDP, slightly larger than the National Health Service. Upstream of that trade spend however comes £12.3bn (2001) of construction professional services and an untold amount (£10bn?) of legal, financial and management consultancy. The whole property sector (£60bn for land, finance and management?) creates and trades space to provide both facilities and investment vehicles. The Facility Management industry, whether in-house or outsourced, spends £61bn on hard and soft FM, although the 'hard' piece of that is partly double counting the repair and maintenance element of construction. We may be looking at £200bn to value the direct supply of accommodation, infrastructure, and service, 18% of GDP.

The built environment is however the dominant customer of several other sectors and a major influence on others. The energy sector has 10% spent on making building materials and 50% on running building services. The transport sector could have 20% of demand from the business of building, whilst its non-construction demand pattern is created by development decisions. Water supply is embedded in the built environment sector, and drainage of runoff is an issue created by patterns of development and design. Materials mining and quarrying is predominantly for construction.

Information and Communications Technology (ICT) is deeply engaged in the built environment. Building and system controls link to business support systems in building networks. ICT is a partial substitute for space and travel, but also a cause of development and travel. Even the health and welfare sectors are engaged. The 10% of the population working in construction demand much more than their pro rata share of national resources because of the industry's present effect on their health and ability to work.

It could be said that the nation's lifestyle and economy rests in a cradle of built environment and utilities which could represent a quarter to a third of the economy in itself. Customer value propositions need informed support by the built environment sector to generate wealth and amenity. This means understanding of how performance is enabled, leading to benefit-cost definition. How could well-specified facilities improve national growth and quality of life?

In several industries today the pattern is one of Integrated Solutions (3). Customers don't just buy hardware, they buy the use of a system of products and services to



deliver the required result. Aircraft and trains are increasingly owned by the provider, not the airline or train operator, as finance is a customer need also. Topping off the design-build-finance-operate pile is consultancy. Sophisticated solution providers work with their customers to identify how their solution should be shaped to maximise customer value, specifying outcomes, not inputs. Expertise in customer business areas is required of a solution provider, to enable them to see strategically, adding customer value whilst reducing the cost of doing so. Operating the system or facility provides insight as well as drawing continuous improvement through feedback.

The Built Environment Solution Provider (BESP) is the Be model for the successful Integrated Solutions future of the industry. BESP's could be integrated businesses or, more likely, alliances of companies. Their strategy would be sector or even customer specific, aiming to create customer value and social approval and to share in the value stream created over the lifetime of the provision.

Whilst early experience of contractors diversifying into service provision is mixed, there are successful examples of property companies which build for themselves, and of PFI teams becoming long term alliances. The 1:5:200 (4) slogan, which really should include a customer-value-created figure at the end of 250 to 2500 or more, and a 0.1 for professional services at the start, suggests that an industry focussed on adding customer value would take a quite different view of the costs of design, construction and operating. Outcome-based solutions, say aiming at service levels from a hospital facility rather than specifying numbers of beds or maintenance costs, would release creativity and continuous improvement. The built environment sector enables the rest of the economy to operate. Taking a share of the value added, rather than positioning ourselves as a cost to be minimised, would transform the sector's value proposition.

The Excellence Model results boxes could all line up like this:

- Customer satisfaction at ever rising levels as solution sophistication develops
- Society satisfaction strengthening as the industry takes a socially responsible stance on environment, economics and equity.
- People satisfaction increasing as the industry is seen to be valued and to invest in its people.
- Business returns high, growing and stable, enabling all the long-termism and re-investment required to achieve the other results.

Sir John Fairclough (5) wanted the construction industry to provide itself with a proper vision and values statement, taking responsibility for the built environment.



Be has suggested a mission statement for the wider built environment sector:
"To add value for customers and society by shaping and delivering the built environment to meet their needs".

References:

1. The Excellence Model, British Quality Foundation
2. The Strategy Focussed Organisation, Kaplan and Norton, Harvard Business School Press, 2001
3. Integrated Solutions; the new economy between manufacturing and services, Andrew Davies and others, SPRU, 2002
4. The Long-term Costs of Owning and Using Buildings, Evans, Haryott, Haste & Jones, Royal Academy of Engineering, 1998
5. Rethinking Construction Innovation and Research, Sir John Fairclough, DTI/DTLR, 2002