

UK construction urgently needs challenging leadership

In a call to long overdue action barrister **Rudi Klein** of **KleinLegal**, formerly CEO of the Specialist Engineering Contractors Group, and risk management consultant **Stephen Woodward** argue that despite widespread recognition that the industry's business model is unsustainable, reform will not be achieved unless all those with a passion for radical industry improvement are prepared to join forces to put the industry on a healthier and viable footing.

The *Times* columnist Matthew Syed's excellent book *Rebel Ideas: The Power of Diverse Thinking*, is very germane to this article. In his book Syed delves into the power of cognitive diversity - the acceptance of and ability to bring together diverse perspectives and ideas to tackle, challenge and displace received wisdom. Different perspectives and ideas enlarge collective intelligence

In the UK construction industry too much received wisdom reinforcing widespread inertia has been allowed to persist so as not to disrupt an established procurement and delivery system that has not fundamentally changed in 150 years. As a result the industry remains chronically unproductive and uncompetitive. The focus has been on administering "sticking-plaster" to hide the "cracks".

No dynamic driving change

Currently there is no dynamic driving radical change. Bodies supposedly providing leadership for the industry see their function as maintaining a status quo to protect vested interests. In Syed's words we have "information bubbles" (not listening to voices from the other side) and "echo chambers" (not trusting people from the other side).

There is much talk of technical and digital innovation disrupting industry processes but the industry stubbornly persists in its outdated practices aided (actively or passively) by many of its clients including the public sector. It was primarily government clients which enriched Carillion at the expense of the appalling treatment of its supply chain.

At the time of Carillion's demise the government promised that it would take

measures (not defined) to address the abuses that emerged in the evidence given to subsequent Parliamentary inquiries. Needless to say nothing of consequence has materialised. This abject failure to act means that the deviant behaviour associated with Carillion becomes increasingly normalised. Dr Sara Hajikazemi, *Normalizing deviant behaviour in construction project organizations: a case study on the collapse of Carillion* (<https://doi.org/10.1080/01446193.2020.1804069>), has said of the Carillion research she led: "What is concerning is that, as happened with Carillion, construction companies currently lack an early warning system that could alert them to emerging signs of deviant corporate behaviour and malpractice. This means that the construction industry is still likely to be at risk of falling prey to 'normalized deviance' and its damaging consequences in future."

Transparency remains anathema

So, has nothing been learned from Carillion? There has been no great rush from the leadership of the UK construction industry to look to the industry's future. In spite of numerous reports urging measures to eradicate the widespread commercial abuse of SMEs in construction supply chains little has been done.

This continues to obstruct progress towards a more sustainable and value-driven industry. Effective reform requires the industry to be more transparent about its practices but transparency remains an anathema to the UK construction industry! Build UK publishes the payment performance figures for its major contractors (culled from the figures published under the

Payment Reporting Regulations) but they are never verified and only tell half the story (if that).

Unlike many other sectors in the UK economy, construction has lacked effective leadership for many years. In reality the Construction Leadership Council (CLC) is an offshoot of the Business Department (BEIS) - BEIS provides its secretariat. It is heavily influenced by representatives of the major vested interests, which include the large UK contractors and the so-called professional bodies. This immediately shuts out much non-conformist and constructive but challenging thinking (which suits BEIS).

CLC targets unlikely to be achieved

CLC was born out of the report, Construction 2025, published in 2013 by the (then) coalition government. It had a 2025 target of 33 per cent reduction in construction costs (at 2009 prices) and a 50 per cent reduction in construction delivery times. Needless to say, these are unlikely to be achieved.

Initially the CLC's 'claim to fame' was the publication of the Supply Chain Payment Charter in April 2014. This promised that 30-day payments would be standard by 1 January 2018! In fact Mace, which occupies a significant influence in CLC, fought against the inclusion of project bank accounts in the government's procurement manual, the 2020 Construction Playbook. Discharge of payments using PBAs takes far less time than 30 days.

Pointless and unenforceable roadmap

Other than adopting a pointless and unenforceable roadmap towards zero retentions (originally published by Build UK) BEIS/CLC has done little to address the key issue of overriding interest to the majority of firms in the industry. Cashflow! Over the last four years since the BEIS consultation on retentions was closed, SMEs have lost approximately £1bn worth of retention monies due to upstream insolvencies. Moreover, as Dame Judith Hackitt made clear in a recent webinar, retentions are an anathema to collaboration and, consequently, building safety.

They should at least be protected. More critically, long-term reform of payment practices is a pre-requisite for investment in new digital technologies, skills and innovation.

In its (now forgotten) Construction Sector Deal of July 2018 even BEIS/CLC had to admit: "The

current business model of the construction sector is not sustainable. Construction customers and businesses across the supply chain are focussed on price and risks of individual projects, and do not collaborate effectively." (Many in the industry might answer the question with a further question: "Why collaborate when you are not getting paid?").

But even when presented with procurement models such as insurance-backed alliancing (which addresses this conclusion head-on) BEIS/CLC remain stubbornly inactive. Given that insurance-backed alliancing can potentially save up to 20 per cent of project costs and is more likely to deliver the BEIS/CLC's much-vaunted net zero carbon strategy, this is inexplicable.

A report from King's College London's Centre of Construction Law concluded that a net zero carbon strategy is more likely to be achieved through alliancing arrangements which integrate all key supply chain inputs.

Industry must unite and lobby for improvement

It is now time to grasp the cognitive diversity exemplified in Matthew Syed's book. We all have our priorities and perspectives on what needs to change but nothing will be achieved unless all those with a passion for radical industry improvement are prepared to join forces to put the industry on a healthier and viable footing. Such a coming together of like-minded individuals can act as one to lobby effectively for an industry that is genuinely based on collaboration and integration of all its inputs including transparency around risk allocation and equitable sharing of risk.

Honest dissent is imperative

This has to be the only alternative to so-called 'leadership' muted by government control and manipulation. In Syed's words, "The very meaning of collaboration changes when we start to think about diversity in a new way. Honest dissent is not disruptive, but imperative." Divergent opinions are not a threat but a contribution to collaboration. Ignoring this is the biggest risk facing the UK construction industry and threatens not only innovation and sustained improvement, but the industry's future wellbeing. **CL**