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Two-year research study supports the use of Contract Change Management (CCM) in NEC Contracts

(London, 24 November 2008)

Management Process Systems (MPS) Limited, the firm behind the award winning internet based Contract Change Management (CCM) system, which supports The NEC Engineering & Construction Contract, has received a resounding endorsement for its product with the publication of a research report by the University of the West of England supporting the use of CCM in civil, power and building projects.

The report, which was presented by Professor Ming Sun of the University of the West of England at a seminar on 17th November 2008 hosted by Constructing Excellence Bristol Best Practice Club and the Association for Project Management, outlined the findings of a two-year research study on measuring the benefits of a collaborative and workflow IT business support system, such as CCM, for NEC projects. CCM formed the basis of the research carried out by the University of the West of England and was partially funded by the Government's Knowledge Transfer Partnership programme.

Historically, under traditional forms of contracts, project changes and variations often cause disputes, claims, delays and cost overruns in the construction industry. The NEC Engineering & Construction Contract, initially published in March 1993, is designed to promote good management practice of construction projects and improve the change management process. It encourages partnering and collaboration between all parties on a project, rather than an adversarial culture that was prevalent before 1993 and still exists on many projects today. Many professionals who are new to this form of contract find managing communications in NEC projects challenging, so CCM was designed specially to help simplify the process and facilitate the smooth running of the project for all parties in an easily accessible web based software package.

The NEC Contract came into being to help support and encourage the transition from an adversarial culture to a more collaborative one in construction. According to the research from the University of the West of England, the most important part of this transition is the moving away from a reactive and hindsight based decision-making and management approach to one that is foresight based, therefore encouraging a creative environment with pro-active and collaborative relationships. However, as Professor Sun summarised in his report, "The NEC contract requires project managers to be on top of things on a daily basis", and this is quite an onerous responsibility on the project manager. "Daily" according to Professor Sun, "means that the project manager must have global and updated information on contract status in order to ensure that the contract is operated with minimum delays and that costs are properly controlled." Hence the importance of a web based business

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support system, such as CCM, which allows continuous accessibility to project managers, even whilst on the move.

Prior to the report, the University of the West of England undertook a user survey, and found that 84 per cent of CCM users considered it either a 'good' or 'excellent' system. Further, according to the survey, CCM offered a number of tangible and intangible benefits, which could be identified in both financial savings i.e. cost and time savings, as well as process effectiveness. The University of the West of England then developed its own methods for measuring the tangible and intangible benefits of CCM when used in conjunction with the NEC Contract.

The measurement of tangible benefits focused on four key change management tasks that CCM supports. These are Early Warning; Compensation Event; Value Change before Instruction; and Value Change after Instruction. The process of each task was analysed and compared where CCM was used and where it was not used. Savings for each task were then calculated through detailed process analysis of how the task was carried out with and without CCM.

Following this analysis, a spreadsheet tool was developed to allow users to assess the tangible savings of using CCM in their project by simply entering the numbers of times that these four tasks were performed. For example, for a typical project with 100 early warnings, 110 compensation events, 30 instances of value change before instruction and 80 instances of value change after instruction, a saving of over £52,000 could be gained in staff time and consumable costs.

In addition to tangible savings, CCM can also help project teams to improve process effectiveness, reduce risk of process failures and increase compliance with NEC requirements. While these benefits are regarded as intangible, and cannot be easily measured in financial terms, they are as important as tangible benefits and in many cases they are more important because greater certainty and predictability and less risk can potentially lead to bigger savings.

As part of its research, a Change Management Maturity Model (CM3) was developed, based on the *de facto* standard Capability Maturity Model approach, which provided a measurement framework for assessing a project team's capability in dealing with contract changes. The Model defined five levels of maturity – ad hoc, informal, systematic, integrated and continuous improving. Measurement was carried out on six key process areas – management process, risk management, communication, management information, collaboration, and leadership/objectives. It was found that CCM, in conjunction with NEC, helped to improve project teams' maturity level in these key process areas from typical levels 1 and 2 to levels 3 and 4.

Dr Jon Broome, managing consultant of, leading edge cc ltd, and Chair of the APM's Contract & Procurement SIG and who gave the opening address at the seminar, further endorsed CCM when he said, "NEC is the best standard form of contract in the UK for clients and their key partners to achieve project objectives, however these can only be achieved with good systems - such as CCM."

Full details of the University of the West of England's research report, entitled "Improving NEC Contract Change Management with CCM" can be found at:

<http://www.built-environment.uwe.ac.uk/research/cprc/publications/CCM-june2008.pdf>

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About Management Process Systems Limited

Management Process Systems Limited is a management services company whose mission is to deliver innovative solutions that deliver identifiable business advantage to the construction industry.

The company has extensive experience in the business processes, methodologies, information and knowledge requirements of the construction industry. This expertise and knowledge is re-enforced by a highly experienced capability to deploy Information Technology in support of business processes.

Editors Note

Information regarding MPS is available on the website www.mpsprocess.com.

Contract Change Management (CCM) is an innovative and award winning British success story on the provision of IT support to a key business process.

Hundreds of construction industry professionals from most of the large PM, QS, Engineering, and Construction companies have been managing projects worth hundreds of millions of pounds using the system since 2001. These projects have included thousands of Early Warnings giving notice of new risks, and Compensation Events for change management.

Client customers include EDF Energy, Highways Agency, Environment Agency, Imperial College London, BBC Workplace, DEFRA, Metronet Rail, Transport Wales, several Local Authorities, and many more.

MPS are members of the NEC Users Group, Constructing Excellence, and the Association for Project Management.

Four key gains leading to reduced costs for customers using CCM are -

1. Increased productivity

Increasing workloads and shortages of skilled managers have led firms to maximise efficiency of their professional staff. CCM enables remote working, less travelling, and more effective use of key resources. Managers spend more time on decision making and less time on administration. They are also able to manage more projects.

2. Improved predictability of outcome (cost & time)

Predictability of cost and time are two of the top ten key performance measures for business excellence as identified by Constructing Excellence. CCM improves predictability, minimises surprises, facilitates speedy agreement of change, and provides very early close out of final accounts.

3. Reduced risk

CCM facilitates early warning of liabilities and opportunities, improved risk management, increased collaboration, and therefore better-informed decision making. CCM also improves contract management, which reduces the level of risk to all involved.

4. Compliance - Improved audit and visibility

CCM is a secure quality controlled system, which enables compliance in the most challenging and demanding environments. Process visibility and audit ability facilitate improved communications for all participants. Coupled with its ability to transcend location, CCM provides a powerful management tool for all members of the project team.

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