



February 2020

Supply chain leadership in practice

New Plymouth District Council

A resource CEOs can use to support discussions with their supply chains, executives, directors, workers and worker representatives.



Like many organisations, New Plymouth District Council relied on the *Lowest Price Conforming* model when tendering for work. But in 2017 with a new Head of Infrastructure and CEO in place, it knew something was broken and a new approach to procurement was needed. The Council had a vision to become a *supply chain leader*, where its role was to coach, mentor, lead and inspire its contractors.

“We’re trying to develop a culture where our staff are not just good at planning and execution but are prepared to challenge the status quo, be a bit curious, push the boundaries and do some innovative stuff.”

Craig Stevenson, CEO, New Plymouth District Council

Craig Stevenson

CEO,
New Plymouth
District Council



David Langford

Head of Infrastructure,
New Plymouth
District Council



The Council's new Head of Infrastructure David Langford had a vision for a new way of working with their supply chain – moving away from a *lowest price conforming* model, which wasn't working well.

"It set a tone of a master/servant relationship, where we exchanged money to make problems go away. It also sent a signal that the lowest possible price was of most value to us, and things like health and safety, training and quality could be sacrificed to achieve the lowest price," says David Langford.

■ Creating trust and a new path forward

David and his team spent time with the Council's suppliers, working to develop trust.

"We engaged early, and held our hands up to own our poor results and behaviour in the past. We were really clear about why we wanted to behave differently in the future and the outcomes we were hoping to achieve."

When a new Council CEO was appointed in 2017, it was also timely to ensure the support for a new procurement approach with management and Councillors. Incoming CEO Craig Stevenson was hugely supportive, and helped pave the way for David and his team. *"This change in procurement was a fundamental re-think of something we've been doing for decades. It was always going to be a challenge as a public sector organisation to implement change, especially if it meant explaining why lowest cost was no longer the priority,"* says Craig.

It took courage from all those involved to stay the course. *"Once you are convinced it's the right thing to do then as a leader it was my job to run defence for staff while they get on with it, allowing them to do some experimenting, and also evaluate and monitor,"* says Craig.

■ Trialling a different approach

After nearly three years of looking at different ways of working, and building trust with their supply chain, in 2019 the Council implemented a new approach to procurement when tendering for its annual maintenance contract – *doing things very differently.*

- Instead of using the model of *Lowest Price Conforming*, a *Weighted-attribute* system was used, putting the biggest weighting on how the contractor would invest in its current and future workforce within the civil construction industry.
- The Council moved the contract from three years, to ten years. This would enable those tendering to have certainty over their work for a significantly longer period and make long-term investments in equipment and people.
- The process also required those tendering to factor out the cost of traffic management, such as stop-go signs, to remove the risk to workers.
- They also capped the number of hours that contractors could work for per week.

Downer won the contract.

"When NPDC placed health, safety, diversity and sustainability ahead of cost, it made a significant difference to the approach. For Downer, and for the industry, this demonstrates they really care about our people and about safety," says Downer's Executive GM of Transport Services Craig West.



Whitaker Civil Engineering had been working on and off with the Council for years. It's General Manager Frances Boyce says the new way of working together is refreshing and beneficial for the whole community. *"Doing this kind of work with David's team, and looking at jobs from front to back end has been fantastic. It saves time and saves money, and involves innovative thinking to get projects built."*

■ What they've learnt

After six months into the ten-year maintenance contract, the Council was already seeing major benefits.

- Because of the certainty of work, Downer has made major investments into the region, including:
 - Purchasing machinery to eliminate the need for reversing trucks while building roads – the leading cause of worker deaths in New Zealand.
 - Development of a facility at Port Taranaki so it can import bitumen directly into New Plymouth. *"Not only is that giving us good health and safety outcomes, it's also a lower carbon footprint and will generate employment for the economy,"* says David Langford.
- The decision to remove traffic management has already seen a 15% cost reduction – and a 39% increase in productivity on some projects.
- A Talent Pipeline network has been established between all civil contractors involved in the region to work together on developing the skills of the current workforce and attracting people into the industry.



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■ The role of the CEO and leadership team

David says the support of the Council CEO and elected members has been crucial to making progress.

"Particularly when there can be some criticism to awarding contracts to suppliers who aren't the cheapest, having the courage to stay the course and keep the outcomes for long term in mind, instead of bowing to pressure to get the short-term gains today is essential. Without that support we couldn't achieve what we're doing today."

■ Where we need to be

New Plymouth District Council's approach is one that could be considered by others across the country.

"Applying the Council's supply chain leadership approach to other major projects would see a much healthier industry, much more collaboration and a significant change in the outcomes produced in the infrastructure industry. It would help to meaningfully contribute to communities, the growth of our people and the economic health and wellbeing of our regions," says Downer's Craig West.

David Langford also has high hopes for the future. *"For me success is when we've got a good strong culture of supply chain leadership across all government, central and local, and where we're no longer tendering our work at lowest-price conforming. It would mean being able to have mature conversations about the trade-off between cost and the additional value we can achieve by taking a smarter approach to procurement."*

■ How to use this case study

With your supply chain, leadership team, directors, workers and their representatives read the case study and watch the video version at www.zeroharm.org.nz/case-studies/npdc.

Then discuss the following:

1. What's your current relationship like with your supply chain? Do you treat your supply chain as part of your wider organisation, or as a separate entity?
2. How could a *supply chain leadership* approach support your organisation and your contractors?
3. What benefits can you foresee for your organisation, your supply chain and wider regional economies by adopting a similar approach?

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