



left:
Collins Arch.
Woods Bagot
and SHoP
Architects.

“It does take a bit of extra energy and require an additional management overlay, but those investments are worth it to achieve the desired outcome.”

Of course, legal problems can arise on JVs that are beyond the remit of architects, but these still have the potential to impact upon a firm’s brand and reputation. When projects end up in court, parties are usually subject to confidentiality agreements, so the nature of the dispute and the resolution aren’t necessarily understood beyond those closed doors.

Such was the case on the Perth Children’s Hospital project, delivered by a JV comprising JCY Architects and Urban Designers, COX Architecture and Billard Leece Partnership, with HKS Inc. The project was delayed several times and legal disputes between the client and lead contractor are ongoing, although the architects are no longer involved.

According to a Public Accounts Committee report tabled in the Western Australian Parliament, the initial problems stemmed from the fast-track nature of the project, and were compounded by client changes, the use of non-approved building materials and a poor governance structure.

According to Andrew Rogerson, who was a director at JCY during the project, the architecture JV was successful, and problems associated with the project did not directly force the closure of JCY in 2017. While these issues contributed, he blamed a lack of new projects and the poor economic outlook in West Australia at that time for the practice’s demise.

“From our perspective, joint ventures are a good methodology to bring the correct expertise to a project; JCY used to go into working-in-association arrangements regularly,” he says. “We’d worked with both COX and Billard Leece Partnership previously, and we knew and trusted those firms and they brought different strengths to the team, which was key to the success of the project.”

MITIGATING DISPUTES

This case illustrates the important role of procurement processes, contractual arrangements and governance structures, all of which are

critical to the success or failure of a JV. Danesh-Mand says the most effective way to mitigate the likelihood of disagreements and disputes is not via complicated legally drafted agreements, but to clearly understand, assess, quantify, allocate and communicate the risks – appropriately and reasonably – from the outset.

“JV partners must find ways to balance the pressure on deadlines and targets with the demands of establishing a healthy JV – especially spending their time and resources in line with the potential key risks, for value and impact,” he adds. “No single approach will work for every company or in all circumstances, but if sharing the risks under uncertain circumstances is one of the objectives for executing a JV, it is intuitive that the most time should be spent to assess – preferably quantitatively – and allocate risks appropriately.”

Danesh-Mand says there is considerable scope for improvement in this area and points to KPMG Australia’s recent survey of construction and engineering firms, which found that only three percent of participating organisations were adequately investing in project governance, technology and people.

“Innovative leaders are significantly ahead when it comes to technology, governance and integrated project controls, and project management reporting systems,” he asserts. “Our survey indicated that less than 10 percent of Australian organisations have implemented the appropriate systems and platforms for delivering and controlling major projects, while 85 percent of ‘behind the curve’ organisations continue to use multiple spreadsheets or disparate systems, requiring manual reconciliation and updates.”

So what’s the best way for Australian architecture firms to remain competitive and profitable when executing large JV projects?

“Australian organisations face a race to improve their productivity by developing and implementing robust governance, project controls, data-based solutions and new digital technologies,” Danesh-Mand says. “These will enable them to enhance their profitability and improve the ‘fitness’ of their human capital, while selecting and administering the most suitable type of contract for their circumstances.” **ar**