Partnering and the Role of Trust in Construction Projects

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Abstract : Partnering is the master key element for project quality. It opens the doors to commitment and communication between the parties and provides the mastic which turns disparate groups with varying aims into a coherent team with common objectives (Baden-Hellard).There has been considerable business emphasis placed upon the development of collaborative relationships across companies in recent years. Construction is no exception. The presence of trust in the relationships has been cited as central to successful business and project outcomes (Partnership Sourcing Ltd. 1994, Latham1994). Trust is central to the development of non- adversarial business relationships, and hence provides fertile ground for the development of practices such as partnering, strategic alliances and supply chain management.The paper focuses upon the partnering concept in construction and discusses the role of trust as a key dimension for reducing adversarial relations in project working environments.

Key words: Partnering, Trust, Communication, Teamwork, Project Management

Introduction

Partnering has become an extremely popular tool in recent years. Partnering has become a means to increase the levels of client satisfaction and secure a more stable workload than work available on the open market. A mutual benefit emerges for client and contractor. Yet the primary focus of partnering has been on the principle (Baden-Hellard).

The analysis concludes that there is scope for partnering as practiced, although there will be an increasing number of problems experienced in practice. These problems will arise from the way in which partnering is conducted.

The paper goes on to argue that partnering is not sustainable without the theoretical underpinning being applied in practice. Therefore, there are theoretical means to overcome these practical problems.

In practice, partnering is divided into three main types (Hedley Smyth):

-Strategic partnering: long term alliances that continue across a series of project opportunities

-Project partnering: objective driven, tactical and short term in approach

-Framework agreements: a hybrid, which packages a series of projects having a known life span.

The main emphasis to date has been upon project partnering.

In conceptual terms, partnering has mainly been viewed from a procurement perspective. This is a consequence of partnering being driven by the client. Coupled with the emphasis upon project partnering, the focus has primarily been upon tactical project objectives. The greatest potential benefits for the contractor arise

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from strategic partnering. The significant outcome of the current focus is that the benefits largely accrue to the client. The prime benefits are:

-Continuing cost reductions
-Tailored service provision
-Client satisfaction
-Repeat business
-Improved turnover and profitability.

In addition to the construction partnering concept, another issue that this paper raises is, "Can trust in partnering relationships be developed?
"(Hedley Smyth 2003,Developing Client-Contractor Trust) In other words, is trust something which managers can identify, facilitate and manage its form and development? This is an important question given its centrality to successful outcomes in project working environments for client, contractor and other parties.

Background

The development of a good customer/supplier relationship is essential and with it the recognition that both have a vested interest in continuing to trade with each other. Contracts for long-term supply exist and may well have been negotiated at length and in depth about both technical and commercial matters.
Then if something goes wrong in quality or delivery both parties recognize the benefits of a joint consideration to deal with the complaint, perhaps by a replacement of the faulty goods or correcting the wrong service but without resource to any penalty clauses that may be written in the contract. Commercial interests and financial benefit are more important than the fine points of law enshrined in a simple 'buyer' and 'seller'

contract.
The construction industry world-wide is frequently confrontational and conflict prone, and has been generally slow to adopt the principles and practices of project management.
Improvements have been made through the recognition that people and their motivation are the real keys to the development of successful businesses and service operations. Delegation or empowerment from top management to the lowest possible level of operation has brought real benefits to those managements that have truly adopted total commitment to quality management.
Without a truly team effort no construction project will ever be successful. The team in the case of construction must include the client. But it is the client who frequently sets the project off on the wrong foot by seeking to achieve his/her objectives by demanding impossible time schedules , then accepting tenders which are 'loss making' ,and then by seeking a quality of project far beyond the standards –and sometimes even beyond those specified.
Not surprisingly, this approach produces an attitude of mistrust, cynicism and a consistent approach to attempt to obtain more than you pay.
Partnering in construction industry has, therefore, a much more difficult ambience in which to operate. The first steps must be to overcome this culture of conflict which has evolved ever more strongly over the recent years.

Teamwork

Partnering may represent nothing more than a return to good relations, honesty, integrity and cooperation which has been the hallmark of good building in past and even in the present century, but it works. Cultural

changes are clearly needed.

Construction is not an individual endeavor like long-distance running but rather a business of team-working. The fabric of the industry depends on strong weaving of owner, architect, engineer, and contractor into a team. Successful teams are built on the strengths of each member.

Teamwork should involved all the stakeholders

The stakeholders in the construction project partnering activity are therefore(Baden-Hellard, 1995):

-Building owner(client)-and his/her financiers
-Design team
-Main contractors
-Specialist contractors
-Sub-contractors
-Major suppliers

All of whom stand to benefit from partnering.

The Process

The partnering concept is not a new way of doing business- some always conduct themselves in this manner. However, partnering is not a contract but a recognition that every contract includes an implied covenant of good faith.

The contract establishes the legal relationships, the partnering process attempts to establish working relationships among the stakeholders through a mutually-developed, formal strategy of commitment and communication. It attempts to create an environment where trust and team work prevent dispute, foster a cooperative bond to everyone's benefit, and facilitate the completion of a successful project. It does, of course, require a process of change in attitude.

For the most effective results, stakeholders should conduct a partnering workshop at the early stage of the contract, the part which is truly lacking in our country of Iran!

The agenda of the workshop is to establish and begin implementing the partnering process.

Before discussing the workshop procedure, the key elements of partnering have to be introduced as follows (Baden-Hellard, 1995).

Commitment

Commitment to partnering must come from top management. The partnership charter is not a contract but a symbol of commitment within it. When the commitment is made it should be widely communicated to all the stakeholders and their employees and the whole project community.

Equity

All stakeholders interests are considered in creating mutual goals and there is commitment to satisfying each stake holder's requirements for a successful project.

Where many subcontractors are involved, they should at least be made aware of the initial partnering workshop and then attend another specially convened at the larger stage to ensure they are fully involved in the new project culture.

Trust

Teamwork is not possible where there is cynicism about other's motives. Throughout the development of communication about stake holder's risks and goals, there is better

understanding. With understanding comes trust!

Development of mutual goals

At a partnering workshop the stakeholders identify all goals for the project in which their interests overlap. These goals may include:

-achieving value engineering savings
-meeting the financial goals of each party
-limiting cost growth no lost time because of injuries
-minimizing paperwork
-Or other goals specific to the nature of the project and the parties' aims.

Implementation

At the workshop stakeholders together develop strategies for implementing their mutual goals and the mechanism for solving the problems.

Continuous Evaluation

In order to ensure implementation, the stakeholders should also agree to a plan for periodic evaluation based on the mutually agreed goals to ensure the plan is proceeding as intended and that all stakeholders are carrying their share of the load.

Timely Responsiveness

Timely communication and decision making not only saves money, but also can keep a problem from growing into a dispute.
Having discussed the major elements of partnering, we are now ready to give a sample agenda. Table 1 is an agenda for a simple one-day partnering workshop. For larger projects the parties may wish to expand the time and scope of the workshop.

Trust Known as The Most Important Element

 In previous sections we had a short review of the main elements for having a successful project partnering. However, from many specialists point of view, Trust is the most important issue among all.
On the other hand, those citing trust as important use it in a 'common sense' way. There is an assumption that it is understood what trust is, and so, it can be recognized when it is present. Although, in practice it may be the absence of trust that is most noticeable. Trust is an intangible thing (c.f. Ganesan 1994, McAllister 1995, Fukuyama 1995, Misztal). It is an attitude
(Luhmann 1979, Flores and Solomon 1998). Defining trust is important in determining the dynamics and parameters of application and operation in practice as well as for a workable framework. For example, profit is vital to a business and it is the bottom line of the balance sheet. Profit is well defined.
It can be analyzed in terms of its mass, in relation to turnover as a profit margin, in terms of return on capital employed and so on. This helps management concentrate decisions to effectively manage operations. Trust needs to be similarly understood in order to manage relationships between parties, especially in areas of uncertainty, characterized by project working environments. The greater the level of uncertainty the greater is the need for trust. Yet it is often in these circumstances that trust is minimal and adversarial relationships come to dominate.

Table1. Typical partnering workshop agenda

Time	Activity
9.00-9.15 a.m	Opening remarks of senior executives-why are we here.Client –contractor-others
9.15-9.30 a.m.	Introductions
9.30-10.30 a.m.	Partnering Overview (by project manager)
10.30-10.45 a.m.	Break
10.45-11.15 a.m.	Exercise 1 – Barriers, Problems, Opportunities
11.15-11.45 a.m.	Report and discussion in entire group
11.45-12.00 noon	Develop project mission statement
12.00-1.00p.m.	Lunch
1.00-1.15 p.m.	Exercise2. Interests, goals, objectives
1.45-2.15 p.m.	Report, discussion, identification of common goals and objectives
2.15-2.30p.m.	Break
2.30-3.15 p.m.	Exercise3.Issue resolution and team evaluation
3.15-4.00 p.m.	Report discussion, agree on process and format
4.00 p.m.	Sign charter

The Confucian requirement for being in command is threefold: weapons, food and trust. Trust is the most valuable of the three for "without trust we cannot stand". In construction the requirement can be paraphrased as technical capacity, resources and trust. This is the requirement for internal support, the management power base. Internally trust is a form of "collaborative capital" (cf. Dawson 2000).

The corporate investor or manager can expect a return on the internal investment, hence yielding external benefits, that is a transfer from client-contractor relationship to the bottom line of the balance sheet. That is the positive side where trust as internal collaborative capital lowers transaction costs (Smyth 1999, c.f. Williamson 1985).

Trust is needed internally in order to stand, but against what? The 'enemy' of trust is fear.

Fear focuses upon the external party. It is the uncertainty and associated risk that is external, invoking fear concerning internal vulnerability and insecurities.

Where we have guarantees or proofs, we don't need to trust. Trust is redundant.
(O'Neill 2002a)

Therefore trust implies a willingness to be vulnerable (Mayer et al 1995, Mishra 1996, in construction see Smyth and Thompson 1999, Wood and McDermott 1999).

There may be a willingness to trust the other party in principle at the outset. This willingness can be tested over some modest exploration and if the outcome is positive, trust can be taken to another level. The intention may be made known to the other party and both agree to proceed without opportunism. If both parties keep to this agreement, trust is built and the relationship becomes closer. Both parties begin with the best of intentions. There may be no evidence that either party is departing from the agreement, but the thought arises, "What if the other party reneges on the agreement?" This means the initiator is making itself vulnerable, hence open to opportunism. The consequence of this thought is that it makes sense to break the agreement first, hence become opportunistic and take advantage of the other party. This can lead to a further thought that there is now a willingness to be opportunistic, in which case it is better to definitely break the agreement in order to benefit from opportunism at the other party's expense. The other party may think the same, even though they have no evidence to doubt the trustworthiness of the other party. Therefore it is always better for both parties to break trust and hence to break to the agreement. This philosophical position has

been set out by Hobbes (1994), who claims that even modest agreements and agreements with a set time scale, such as a construction contract or framework agreement, are likely to fail, it being a question of circumstantial timing for the breaking of trust to maximize opportunistic advantage.

Even taking responsibility for a relationship may not rule out opportunistic behavior as the relationship nears the end of its usefulness. At the client-contractor interface this may be manifested as:

-Clients pretend to still yield the commanding market position and contractors the competitive market position to create a mutually co-operative or collaborative position of interdependence, but act in other ways behind the scenes .

-Clients know they will not reappoint the contractor out of preference or there is insufficient work and this information is not known by the contractor.

-The client may not pay the entirety of the final account in the knowledge that seeking justice is both risky and costly to the other party.

-Contractors are nearing the end of a contract or partnering agreement where there is little prospect of more work.

-Contractors are facing intensified competition, for example entering a recession and opportunism surfaces on both sides.

It is interesting to note that the means to regenerate trust is not based upon utilitarian theories, thus in line with Kant whereby people should respect others, behaving as you would wish them to behave towards you. The strength of the relationship between organizations, in construction case the client-contractor relationship, can only be as strong as internal relations in the firm. Therefore internal trust has to first be fostered.

In order to provide a framework for building trust in a project working environment ,it is useful to identify and analyze the elements of this framework.

The main elements of the framework of trust are(Dr Smyth, 2003):

-Characteristics of Trust
-Components for Trust
-Conditions of Trust
-Levels of Trust
-Operational Basis for Trust
-Evidence of Trust

The characteristics of trust concern the primary types of trust. This commences with definition (Lyons and Mehta 1997). Two types of trust are identified, self-interested trust and socially orientated trust. The two characteristics concern the depth of willingness of one party to trust another and an analysis is provided of how and when to move from one type towards another. These characteristics determine behavior experienced by the other party.

The components for trust deals with the attributes and attitudes that underpin trust. The way in which trust relates to other feelings and beliefs has to be analyzed. (Hartman, 2000)

The conditions of trust concerns an analysis of how those attributes and attitudes are translated into behavior patterns that combine to create an atmosphere of, or conducive culture, for trust (Butler 1991).

Trust operates at different levels in organizational terms. The expression of trust

is therefore different at these levels. The role at each level and the organizational dynamics is important to grasp for the client-contractor interface to be managed effectively.

Having an understanding of each other's business, combined with a common interests and empathetic business approach, provides the chemistry to begin to build trust in particular practical circumstances. This provides the operational basis for trust.

Each party must have good reasons to trust. Evidence of trust in operation and being able to measure trust is therefore important for maintenance and development of client-contractor relations (see for example Dawson 2000). Therefore trust has to be demonstrated through transparency and communication to each party for it to be valued.

Conclusions

The partnering process empowers the project personnel of all stakeholders with the freedom and authority to accept responsibility to do their jobs by encouraging decision making and problem solving at the lowest possible level of authority. It encourages everyone to take pride in their efforts to dispense with cynicism and so get along with each other better. The partnering workshop is a particular opportunity for all the stakeholders to obtain a greater degree of mutual understanding and consequently be more comfortable with the perceived risk in trusting. In order to overcome cynicism and the existing confrontational culture a fundamental cultural change is required.

The paper has also stated the importance and workings of trust between the client and contractor. It has demonstrated that the concept of trust is complex. Trust can be understood as the "bottom line" of the business relationship in as much complexity as profit and loss can be understood as the

bottom line of the balance sheet. Trust has the following elements: characteristics, components and conditions of trust, which are located and operate at different levels in the organization. As such trust is also to be understood and evident as collaborative capital that adds service value in enterprise operations. Trust needs to be developed.

The importance of analyzing trust in a framework is twofold. First, the elements of trust have been identified. Second, and arising from identifying the elements, is the implication that trust can be developed. Developing trust may arise out of relationships. It is also active and thus constitutes a management process.

Activating detailed management processes to build trust and arguing the process of making change in the parties' culture is beyond the scope of this paper and is a research issue for investigation.

The next steps for research are to examine how these elements of trust can be understood in specific contexts, which will help refine the analysis and provide insights into activating detailed management processes to build trust.

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