BUILDING PROCUREMENT: THE PARTNERING PARADIGM

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This paper forms part of the first stage of a three year doctorate research project that focuses upon partnering down the supply chain and it draws upon an in-depth literature review on project partnering concepts. Partnering is reviewed in terms of the various construction procurement options available to clients and contractors. Many within the construction industry see partnering itself as a procurement option. However, this paper explores the possibility that partnering and the partnering paradigm should be considered as a methodology for establishing a non-contractual working relationship in tandem with an established procurement route or contractual relationship. This paper highlights the need for a change in culture and approach to optimize partnering applications.

Keywords: culture, partnering, procurement, supply chain.

THE RESEARCH STUDY

The purpose of this research study is to investigate the owner/contractor/specialist trade contractor relationship within the sphere of construction project management and to undertake a detailed case study in order to determine which factors significantly effect the relationships. The data will aid in the development of a conceptual model which will have application in a construction operational environment with its main aim of maximizing the effectiveness of partnering down the supply chain.

Methodological approach

The first stage of the research will identify the rationale behind the partnering paradigm through an in depth literature review relating to project management and the inter-organizational relationships associated with teamwork and co-operation. A case study will form the next stage of the research. This will be an investigation with key site management in order to collect data to determine which factors significantly effect the involvement of specialist trade contractors. It is envisaged that using statistical analysis, a best practice model will be developed to aid project teams in partnering down the supply chain.

INTRODUCTION

The UK Construction Industry is characterized, in the main, by projects such as buildings and structures that require thorough planning and effective control to aid successful realization for both public and private sector clients. Managing a construction project is a complex process and managers are responsible for bringing

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together expertise and resources, through the various phases and in particular the construction phase of the project life cycle to achieve defined objectives.

Projects are temporary undertakings (British Standards Institute 1996) in which a very broad range of companies and individuals are employed to deliver on time, within budget and to the required specification certain tasks within the project and, given then that most tasks are interdependent, each dependent on the performance of all those who contribute. Construction is at times fraught with identifiable problems and ineffective procurement strategies throughout the value chain. Specialists and trade contractors are the project’s producers, their contribution of technological expertise and skills to the construction process enables solutions to be developed to meet clients expectations. Research relating to sub-contractors confirms that problematic issues exist which often leads to; poor quality construction, an adversarial culture and cost and programme overruns (National Contractors Group 1992).

Economic and technological factors impact on customs and management styles of the day, for example the 1970s saw a general shift away from direct employment of a construction workforce by a general contractor to the use of specialist sub-contractors (Gray and Flanagan 1989). The economic recession of the early 1990s saw a more assertive management approach. This ‘crisis’ or ‘macho’ management style greatly influenced the adversarial nature of construction. A number of key reports (Latham 1994; Egan 1998) highlighted key issues and fragmentation within the UK construction industry, advocating a number of key drivers of change. The drive towards developing strategic alliances has seen clients acknowledge that long term relationships could produce significant and continuous improvement in project performance.

With case studies for example Bennett and Jayes (1998) showing partnering between client and designers and contractors that purport to deliver benefits in terms of financial saving and reduced project times. However, not all parties to the project are acknowledged as contributors to project success nor are all the real or perceived benefits passed down the supply chain. Given that specialist trade contractors can at any one time account for as much as 80% of contract expenditure, Jones and Saad (1998) identified the need for specialists to play a more significant role. Advocates of the partnering ethos are now beginning to acknowledge that partnering down the supply chain bringing the minor specialists into the ‘team’ can greatly influence project success.

PROCUREMENT SYSTEMS

The selection of an effective building procurement strategy is essential to achieving the client’s objectives (Royal Institution of Chartered Surveyors 1996). Latham (1994) noted that the failure in the selection of an effective strategy had too often resulted in reduced time, cost and quality performance criteria. Figure 1 presents the most common forms of classification and traditional choices available to clients showing their potential advantages and disadvantages (adapted from Royal Institution of Chartered Surveyors 1996). Procurement systems, like most other systems have unique strengths and weaknesses and certain attributes that make them ideal in any given situation. No one method is therefore best in all circumstances, rather they are simply more appropriate.

Procurement systems used in conjunction with a project manager or other client representative in consultation with the design team and consultants can select the most
appropriate procurement option to meet the client’s needs and distribute the correct allocation of risks with all parties that will have certain contractual obligations within the given project. The use of a project manager has the natural advantage where an effective partnering arrangement between parties can be facilitated.

The common choices available are primarily indicative of the structure of the industry and how it reacts in recessions and booms, and as Rougvie (1987) opines, as a response to the limitations in use of existing procurement methods. Systems are continually being redefined to take into account new socio-economic factors. All projects are unique (BS 6079: 1996) in terms of time, geography and physical properties consequently preferred procurement methods most appropriate for any given client will depend on those factors that will contribute to project success.

**PROCUREMENT OF SPECIALIST TRADE CONTRACTORS**

Specialist sub-contractors, suppliers and the minor sub-contractors and suppliers would normally be procured initially through general enquiries then through the use of standard or non-standard contracts (which would include standard contracts with amendments). However, authors such as Huxtable (1988, 1994) and Ridout (1996, 1997) have noted the problems with contract abuse has been wide spread over recent times. With the lack of any real case studies available and research in this field it is questionable whether the partnering ethos is being passed through the value chain. Although Ndekugri (1988) argued that great care should be exercised in the selection of sub-contractors as all other control actions have little effect once a totally unsuitable sub-contractor has been chosen. Fryer (1997) goes on to note the limitations on site managers influencing and supporting sub-contractors performance levels when their effort would be of little value when the sub-contractors own management made little effort. Briscoe (1988) recognized that the quality of construction management throughout the firm is normally indicative of project success.

**PARTNERING METHODOLOGIES**

Partnering, establishing better relationships, can be defined as: “a management approach to establishing better relationships between two or more organizations to achieve specific business objectives by maximizing the effectiveness of each
participant’s resources. It is based on mutual objectives, an agreed method of problem resolution and an active search for continuous measurable improvements” (HM Treasury 1997).

Other reports (Construction Industry Board 1997; Construction Industry Institute 1991, National Economic Development Council 1991; Baden-Hellard 1995) offer other working definitions that all share two primary factors, ‘mutual objectives’ and ‘continuous measurable improvement’. Alignment of organizational and project objectives together with a tangible benchmarking system provide the essential basis of any proposed partnering arrangement.

The partnering process model advocated by CIB (1997) summarized as a linear model, yet sequential in terms of the processes involved from the initial decision to partner through to project completion, the five case studies the report highlighted...
identified distinct developed procurement routes each incorporating the partnering process. Although Crane et al. (1997) identified a partnering process model consisting of five phases, viewed in terms of owner, partner, alliance, project and work process alignment. The model identifies project objectives as the penultimate phase. However, project management theory on the other hand advocates defining project objectives as the foremost criteria in achieving project success.

PROCUREMENT SYSTEMS/PARTNERING MODELS

Traditional systems
Figure 2 shows the partnering system implemented in tandem with the traditional procurement option. Inclusive partnering would consist of contractor and specialist sub-contractors and suppliers. Strategic partnering may develop amongst partners.

Management systems
Figure 3 shows the partnering system implemented in tandem with construction management or management contracting procurement option. Each tier would mean an increase in potential partners.

Single source systems
Figure 4 shows single source systems include design and build packages Private finance Initiative (PFIs) and other hybrids. Partnering runs in tandem with the procurement option and becomes more inclusive after each primary stage. Strategic partnering may develop amongst partners after work has completed.

Because of the complexity of non-linear dynamic systems such as procurement where each route in reality would have subtle differences between similar objectives and associated issues, it is stressed that the processes identified within each of the above procurement systems are merely indicative of such systems. Therefore simple modelling is used to identify the possible parallel relationship between different procurement systems and partnering.

CULTURE SHIFT

There are a number of definitions of culture, Tayeb (1988) defines it as a set of historically evolved learned values, attitudes and meanings shared by members of a given group. Lavender (1996) identifies the culture of an organization as: “simply the philosophy by which it operates”. Strong cultures inherent within many firms are double edged (Lansley and Riddick 1991) that is to say culture can help provide consistency and meaning, it can also stifle recognition of new and unfamiliar situations hence ineffective organizational response to new situations. Pokora and Hastings (1995) saw a need for a change of culture within organizations from an adversarial to partnering if there was to be any realistic and successful expectations. Kubal (1994) stresses that partnering attempts are made under contracts and that by their very nature are adversarial and negative relationships cannot be overcome simply by bringing the team together for pre-contract sessions. He states: “Partnering has not and will not be successful with the contracts, contract methods and contract clauses in use today. The Industry, having failed at resolving these issues of professional responsibility and risk, has chosen to depend on legal assistance to develop one-sided, protective contracts”. Partnering however, requires trust and openness, Hutton (1996) notes that: “the relationship of trust, for example between a
banker and an entrepreneur; the belief that a supplier can meet an order; the capacity to sustain a team of people around a business objective: all require trust, commitment and co-operation”.

Egan (1998) advocated continuous and sustained improvement through a number of key drivers, including an integrated process and a commitment to people. The report also identified partnering with participants within the supply chain given the opportunity to share in the rewards of improved performance, advocating a radical culture shift as the only way forward in which all participants can increase efficiency and quality with the construction environment.

CONCLUSIONS

Clients embarking on the procurement of a project are offered by advisers and representatives such as project managers the best option from the various methods or a bespoke hybrid. There is no one best method to suit all situations and to a greater or lesser degree all have identified potential advantages and disadvantages.

The number of firms engaged in the construction procurement process provides inherent difficulties in creating a unified temporary organization that can deliver for the client project success and at the same time be equitable for all parties within to achieve the ‘win-win’ scenario advocated by Latham (1994). This potential mismatch stemming from cultural ignorance and the historical adversarial nature of the UK construction industry through the incorrect allocation of risks, often results in ‘project’ failures for some firms within the supply chain and at times for the client.

‘Partnering’ used as a methodology for aligning mutual, organizational and project specific objectives and the development of methods in establishing continuous measured improvements, should be considered by project managers not as a separate procurement system as advocated by others, but used in tandem with an established procurement route.

This paper has highlighted the way in which partnering should be considered as a methodology for establishing a non-contractual working relationship used in conjunction with an established procurement route or contractual working relationship. It has also focused upon a literature review and satisfied the first stage of an ongoing research project and is coherent with the objectives defined within the 3 year doctorate programme. The issues identified will now provide a focus mechanism for the second stage by aiding the development of a case study. Overall, the outcomes from this PhD study may contribute usefully in the wake of and in addressing the requirements of the Egan report (1998).

REFERENCES


Partnering


