

POWER, INTEREST AND VALUE IN BUILDING PROJECT ORGANISATIONS

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In the majority of building projects the project organisation is temporary and dissolves when the project is completed. This results in a short term cooperation situation where immediate performance has absolute priority. This combined with the tendency towards an increasing number of parties in the project result in a dynamic management environment where power, various interests and values are addressed. Power is the ability of an actor to extract valued output from a system and to affect the system's effectiveness and efficiency. The objective of this paper is to explore the concept of power in construction project organisations and to investigate how it can influence the management of projects. Furthermore, to relate the concept of power to Value-Based Management and to explore whether power should be a barrier to holistic management. The applied method is a study of selected relevant and significant literature concerning power. An explanation of how the concept of power can be understood in a construction project context is given. Finally, the connections between Value-Based Management and power are discussed. The principal result is a framework of how to perceive power in building project organisations.

Keywords: Value, Power, Interest, Value-Based Management, Project Organisation.

INTRODUCTION

When working with improvement initiatives for the current state of building project management, it is often recognised that the well-thought academic ideas are difficult to realise in real projects. There are several reasons for this, and this paper stresses if the ongoing "game" of power and interest in project organisations is a hindrance for ideas which can improve the organisational performance. This is reflected in an initial research question: *Is the use of power (politics) between the actors in building project organisations a hindrance for organisational effectiveness and efficiency?* Furthermore, *if so, will this be a barrier to implementation of Value-Based Management?* This paper is a contribution to the understanding of power in company external organisations with multiple legal parties, i.e. construction projects in the building industry.

The outline of this paper is a study of relevant and significant literature within the area of power in organisations. A perception of how the concept of power could be understood in a construction project context will be given. Finally, it is discussed if the existence and use of power is a barrier to successful use of Value-Based Management. Throughout the paper the applied concepts will be defined. The principal result of this paper is a frame for understanding power in building project organisations. Finally, it can be concluded that power will always be present in organisations, but it is not a major barrier to the implementation of Value-Based

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Management. In fact, Value-Based Management could instead minimize the consequences of applied power.

LITERATURE STUDY ON POWER

Power is present in all relations between humans, and is, therefore, relevant for understanding project organisation and the management of organisations. The purpose of this literature study is to describe what power is in such a manner that it makes sense in a construction project context.

In the dictionary of Longman (1995) power can have different understandings like: “*The right to control something*”, “*The physical strength or effect of something*”, “*Energy that can be used to make a machine work*”, “*Political control*”, “*The ability to influence people*” and “*the right or authority to do something*”. As one can see, power has different meanings in different situations. The issue of power in organisations has not been paid much attention in the building industry research. It is, therefore, necessary to look into other areas.

Power is a quite new topic in management theory, but the debate on power can, however, be dated back to at least the 15th century, where Niccolo Machiavelli is one of the first well-known thinkers on power (Machiavelli 1532). His ideas are later denoted Machiavellianism, which basically denies the relevance of morality in political affairs (Emachiavelli.Com 2004). What Machiavelli stresses, is political power, however, not in connection with project management.

Roughly four hundred years after Machiavelli, the German economist and sociologist Max Weber writes about the interplay between economy and sociology in the organisation of work. He defines power as: “*Power is the probability that one actor within a social relationship will be in a position to carry out his own will despite resistance, regardless on the basis of which this probability rests*” (Weber 1966: 152). Weber describes the bases of power as either coercion or authority. Coercion is when people are forced to do as they are told under threat of punishment. Authority occurs in three legitimate types according to Weber. (1) Rational grounds, i.e. those in authority give orders because the office they fill gives them the right. (2) Traditional grounds, i.e. those who exercise authority do so because they continue a tradition based on existing values and social ties. (3) Charismatic grounds, i.e. people obey orders because of the personal qualities of the person. Charismatic figures may arise in any social grouping on the basis of personal qualities of leadership perceived in that individual by other group members.

In 1957 Dahl writes one of today’s most quoted papers on power (Dahl 1957). He argues that power is a social phenomenon that happens in relations between people. His definition of power is: “*A has power over B to the extent that he can get B to do something that B would not otherwise do.*” (Dahl 1957: 290). His attitude towards the concept of power is quite rational, but he also acknowledges that his definition is far from operational.

John French Jr. and Bertram Raven are known for their paper “The Bases of Social Power” (French and Raven 1959). In that power is viewed as a psychological change process in a dyadic relation between two agents (French and Raven 1959: 259). The agent is a person, a role, a norm, a group or part of a group. The source of power between agents lies in their relation the most common bases of power are: *Reward power* is the ability to give positive consequences. *Coercive power* is the perceived ability to punish those persons who will not conform to your demands. *Legitimate*

power is based on the perception that someone has the right to prescribe behaviour due to appointment to a position of responsibility (also called organisational authority). *Referent power* is potential power obtained through association with others who possess power. *Expert power* is based on having distinctive knowledge, expertness, ability or skills. Furthermore, they examine the effect of power derived from the various bases, and conclude that power from different bases have different consequences. For example, coercive power typically causes high resistance, whereas reward power increases appeal and creates minimal level of resistance.

Charles Perrow has an organisational view on power and investigates how different departments have power. He defines power as “*The ability of persons or groups to extract for themselves valued output from a system in which other persons or groups either seek the same output for themselves or would prefer to expend their effort toward other output*” (Perrow 1972: 259). An organisation is a tool, and if a person controls the tool, or some part of it, (s)he can use the tool in a desired direction and has, thereby, power. This is an organisation internal view and it deals with the type of pie and the division of the pie, not the size of it. In organisations there will be battles for control of power, and the problem in this sense is that organisations are leaky, i.e. one can push one’s own agenda.

In the 1980’s the debate on organisational power flourished. One of the main contributors is Jeffrey Pfeffer. He argues that power often is neglected in management for several reasons. Firstly, the concept of power is in itself problematic. Secondly, while power is something, it is not everything; other perspectives are applied in the understanding of organisational decision making. This confusion of the power concept is supported by several others, like Bierstedt (1950: 730) “...*the more things a term can be applied to the less precise its meaning...*” and Dahl (1957: 201) “...*a thing to which people attach many labels (...) is probably not a thing at all but many things.*” In general Pfeffer (1981: 3) agrees with Dahl’s definition of power, but adds that power characterizes relationships among social actors, and that value is relative, i.e. a person is not powerful or powerless in general, but only with respect to other social actors in a specific social relationship.

Another important discussion continued by Pfeffer is the difference between power, authority and politics. Authority is when power has become legitimate and expected part of formal organisation. Politics is the activities taken in an organisation to acquire, develop and use power to obtain one’s preferred outcomes in a situation, characterised by uncertainty and dissensus about choices (Pfeffer 1981: 7). Pfeffer and in particular Perrow find the vertical power direction inadequate for explaining power in organisations. In most organisations different departments and subunits exist, and they often fight for scarce resources, which can be described by a horizontal power relationship.

Henry Mintzberg continues Pfeffer’s talk on confusion of the concept and argues for a simplification of the power concept. He defines power as: “*Power is (...) the capacity to affect organisational outcomes*” (Mintzberg 1983). In general Mintzberg does not like the discussion on the definition of power, this is not relevant, he argues. Instead, he is interested in who gets power, when, why and how.

Another definition is “*Power is the capacity to influence another person or group to accept one’s own ideas or plans*” (Greiner and Schein 1988: 13). Greiner & Schein define three power directions, downward, upward and sideways. Downward is the most common understanding of power and describes the supervisor’s power over

subordinates. Upward power direction is the opposite. Sideways power is between organisations or parts of organisations, e.g. departments. Greiner & Schein emphasise sideways power as important in understanding how power works. They define three different power bases. (1) Position power base which basically is a combination of job title, description and responsibilities. (2) Individual power base can be built up of knowledge (expert in an area, holder of information or tradition), personality (charisma, reputation and professionalism) and finally other's support (political and staff support). (3) Departmental power bases describe the ability to cope with uncertainty, sustainability and centrality.

Gareth Morgan is another organisation theorist who is also concerned with organisational power and defines power as: "*Power is the medium through which conflicts of interest are ultimately resolved*" (Morgan 1997: 170). However, he finds that no really clear definition of power exists. When stressing sources of power, Morgan finds numerous, and he explicitly defines the 14 most important ones, but states that more could exist.

Nearly no researchers have been interested in power connected with building projects. Few of the concepts emerging from the power paradigm have been applied to projects and project management in a rigorous way (Newcombe 1996). Clearly, there are relevant problems concerning power in a multi-organisational environment, but this issue dazzles with its absence.

Summary

You have now been lead through a chronology of some of the main contributions in the field of power. It is now time to summarize the main findings of the literature study. When stressing power all the authors define power as something that occurs in a relationship between at least two actors, but the perception of the actor differs.

Some explain the actors as individual humans (Dahl 1957, French and Raven 1959, Pfeffer 1981) in terms of actor A having power over actor B, due to actor A's power bases. Others (Perrow 1972, Greiner and Schein 1988) describe the actors as individuals and also apply a group view on the actors, e.g. subunits and departments. Finally, (Mintzberg 1983) and (Morgan 1997) broaden the definition of power to include whole organisations. Their definition is abstract and very broad, like "*power is the capacity to affect organisational outcome*" (Mintzberg 1983).

PERCEPTION OF POWER IN THIS PAPER

The literature in the field of power in organisations is characterized by an incongruent understanding of the power concept. Many of the different definitions regard, however, only nuances. This can be illustrated by an unstructured cloud containing all the different concepts, cf. the left hand side in fig. 1.

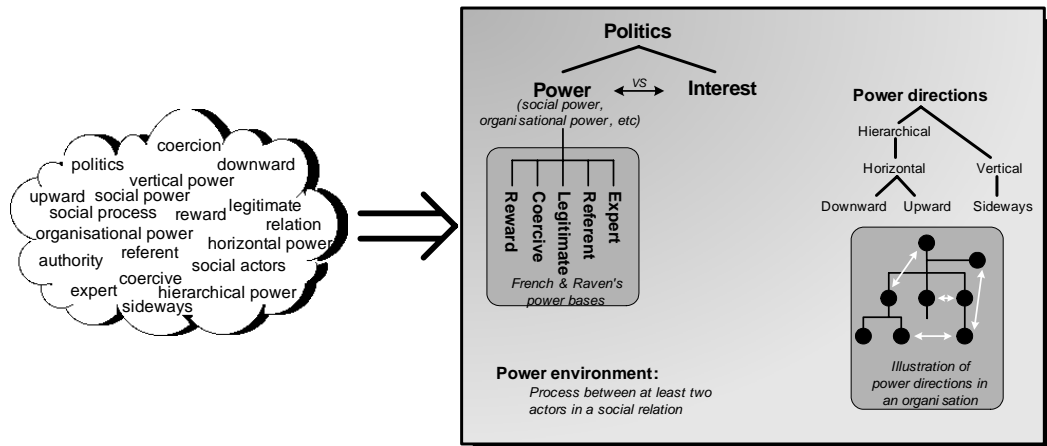


Fig. 1. From an unstructured cloud to an organised concept of power.

On the right hand side of fig. 1 it is illustrated how the concept of power is understood in this paper. Firstly, power is perceived as an actor's ability to extract valued output and affect the organisational outcome. The actor can be a person or a person representing a group or unit. The bases of power are as mentioned by French & Raven² (French and Raven 1959). Power is used both horizontally and vertically in a social relation.

Power is, however, a sub-concept of organisational politics. Organisational politics are viewed as actions where actors use their power in their own interest. This statement is supported by Pfeffer "*Politics (...) is the study of power in action.*" (Pfeffer 1992). The scope of the paper is in this sense an investigation of politics in organisations and whether these are barriers to the implementation of management concepts.

THE BUSINESS CONTEXT FOR INVESTIGATING POWER

To define the business context, the organisation of construction projects should be in focus. The building project organisation is established to structure and coordinate activities needed to obtain the goal, i.e. a building (Daft 2004: 11). It has some distinguished characteristics. A **temporary organisation**. The organisation is created for the life of one project, with the purpose of enabling effective communication and decision making (Kelly et al. 2002). The temporality of a project often results in pressured deadlines, and to be successful within the deadline, the organisation is forced to perform immediately. Due to the fact that most projects are carried out in a design-bid-build tender mode with prize as the main selection criteria, the members of the organisation are often not the same as in prior projects. The possibility of immediate performance is, therefore, decreased. Construction projects are also **company external** which means that the project organisation consists of representatives from other legal organisations. When a person is allocated to a project outside his formal organisation, it may be a problem to define success and to measure success. The success of a person allocated to an external project is often not identical to the success of the project. Instead the success is measured as the company's success, e.g. contribution margin for the company's subcontract. There is an adage, which says "You'll get what you measure", and this is what can be in play here. The **number of legal parties** in construction projects is significant and increasing due to

² If a taxonomy over e.g. Weber's (1966) or Greiner and Schein's (1988) definition of power bases were made, it would be almost similar to French & Ravens's.

the many new technical trades. The fragmentation of the project escalates and the project gets more dynamic and complex. This results partly in planning and control issues and partly in organisational or human issues. The feeling of belonging to a group may decline and the responsibility of the project is divided. This may result in passivity, and more participants to share the pie (sub optimisation).

These characteristics produce a dynamic environment, often with different agendas. Furthermore, when the budgets are tight, and there are risks of low earnings, the use of politics (the actual use of power) seems mandatory. The business context of the building project organisation is viewed as an open system model (Daft 2004). The open system model basically implies that the project organisation is affected by the surrounding environment and vice versa. This is illustrated in fig. 2.

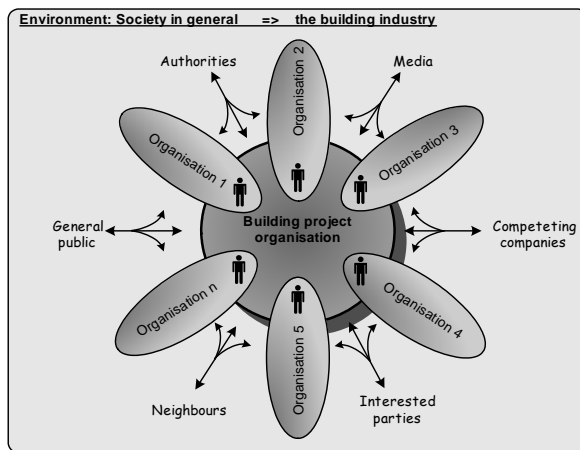


Fig. 2. Actors in the open system model of building projects. Adapted after (Wandahl and Bejder 2003).

The building project organisation is a compound of several representatives from organisations, mostly companies, which may operate in other projects in the environment. Several actors in the environment have the possibility (power) to influence the project. These could be authorities, neighbours, interested parties like environmental organisations, etc. It can, therefore, be concluded that politics can occur between parties inside the project organisation and from the environment into the project.

POWER IN BUILDING PROJECT ORGANISATIONS

When trying to identify power and the use of power in a building project organisation, it is important to describe the bases of power. None of the authors examined in the literature study have worked with the concept of power in such a dynamic multi-organisational environment as the building industry. The well-known power bases, initially described by French & Raven (1959) however still valid today (e.g. Munduate & Dorado 1998: 165, Ward 2001: 144), is in the following sought identified in this business context.

A building project is founded on a contractual organisation, and the legitimate power base is, thereby, visible. A hierarchy is established, and persons from each company are appointed to the tasks. This power base is strictly due to the person's job and responsibility. The contractual organisation creates a basis for the use of coercive power (and also rewards power). It is often seen that the client uses daily penalties against the contractor if agreed deadlines are not met. The building industry is often characterized as a "hostile" environment (Loosemore 1998), where coercive power is

used daily in the continuing negotiation of tasks, responsibilities, etc. The building process is indeed very complex, and a lot of skill and expertise from all involved are often needed. However, the level of professionalism / expertise varies, especially within the client organisation. This gives growth to expert power base, which is very often used. Examples could be: The project team uses its expert knowledge against the client to impose his will. A non-professional client with no prior experience cannot argue against this expertise. This does also occur between the different subject areas in the project team, e.g. between the architect and the general contractor. On the operating level the different trades possess an expert power base. It can, therefore, be concluded that the expert power base primarily occurs when trades / subject areas are crossed. In a project consisting of numerous parties different sub cooperation or alliances may arise. This is a referent power base and is widely used in building projects. The five different power bases, as illustrated in fig. 1, is all present and used in building project organisations.

In the organisation of building projects both vertical and horizontal power directions are commonly used. The two main power aspects in vertical power are between the client and the project partners, and between the general contractor and his sub contractor / craftsmen. The power used in vertical direction is often referred to as authority (Weber 1966). A real case example is available in (Bejder and Wandahl 2004), which describes experience from a building project. During that building project the site manager used his coercive power base to make the craftsmen redo work, even though the craftsmen were the ones with the knowledge. Horizontal power direction is frequently used between the project partners in a conflicting manner to get as big a piece of the pie as possible.

POWER AND VALUE-BASED MANAGEMENT

Power has now been theoretically defined and identified in building projects. In this paragraph it will be examined whether the presence of power and diverse interest in the building project organisation is a barrier to holistic management like Value-Based Management (VBM). In order to do this a short introduction to VBM is provided.

Value-Based Management is a supplementing management tool to well-known management tools such as planning, quality, financial, etc. VBM uses soft values like good cooperation, agreement discipline, common responsibility, etc. (Bejder & Wandahl 2004) to improve the project organisation's effectiveness and efficiency. As most activities in construction involve humans, there is a need to influence human behaviour. Several areas influence human behaviour, for example: Values, goals, market framework, systems and structures. A model for this is shown in fig. 3.

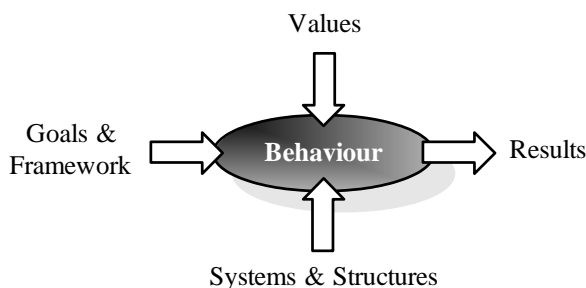


Fig 3. Behaviour regulation in Value-Based Management. Adapted after (Wandahl and Bejder 2003).

The purpose of influencing human behaviour is to ensure that the results reflect the initial goals. The means for ensuring this has traditionally been management systems and organisational structures, but VBM also suggest values. Soft values are, therefore, only means. The recently accepted understanding of construction projects as chaotic and dynamic (e.g. Baccarini 1996, Bertelsen 2003, Bertelsen and Koskela 2003) strengthens the importance of decision-making and cooperation. The more complex the environment is, the less one should base one's decisions on rationality, i.e. systems and structures, and instead use values. Investigations have showed that the different groups of partners in a construction project have different perceptions of values (Wandahl 2002, Bejder and Wandahl 2004, Wandahl 2004a). The intention of VBM is not to enforce similar values to all participants and, thereby, to make the participants uniform. Instead the cooperation of the project team should be based on some common, shared values and leave space for individual values too, as long as they are not directly conflicting with the common values. Theoretically, it is acknowledged that values directly influence behaviour (Rokeach 1973, Williams 1979), values are, however, only one of a number of forces that effect behaviour. But in situations of absence of other tasks and situational variables (e.g. incentives, limitations) that influence behaviour, values should have great impact (Enz 1988, Meglino and Ravlin 1998, Pinto 2000). This is often the situation we are dealing with in a construction project, i.e. the chaotic and dynamic building process.

To discuss whether or not power is a barrier to successful implementation of VBM, one must look into why people use power. Power is used in one's own interest, i.e. to get valuable output from the system. Power is, therefore, especially widely used in situations characterised by high fragmentation, no common goals, low feeling of belonging to one unit, high risks and sub optimisation. All these factors are hindrances to management in general. VBM uses soft values to obtain common goals for the project organisation, a feeling of commitment for each participant. Power will, however, still be used, but only with a project as a whole objective.

A subsequent barrier to the use of power is the loyalty and commitment to a single project, i.e. the maturity of the organisational participants. In many cases the advantages of a common effort (synergy) will be indistinct and entail a comparatively long time scale. This might get the legal parties to give in to the temptation of pursuing one's own success (sub optimization), because the gains are more visible and obtainable in a short time. Not to give in to the temptation (which most likely will be a single chance due to future reputation) requires a certain degree of maturity. This is necessarily not something all persons have, but it can be developed over time, i.e. through experience. The maturity of the organizational parties can, therefore, be a barrier for not using power. It is hence advisable actively to work with the maturity of players, partly in the selection process and partly during the building process by developing and maintaining common values and thereby commitment to the project.

An intense use of power due to the mentioned characteristics is a barrier to VBM. But VBM actively works to decrease the use of power for individual purposes.

DISCUSSION AND CONCLUSIONS

In the introduction two small research questions were provided, the first question was: Is the use of power (politics) between the actors in building project organisations a hindrance for organisational effectiveness and efficiency? This paper did not provide an unilateral answer. On the one hand the use of power is a barrier for the project organisation's effectiveness and efficiency because power is often used to push one's

own agenda which results in sub optimisation. This phenomenon is widely seen in construction projects. Power is used in this direction if the project team is not committed around a shared goal. On the other hand power is an influential and effective mechanism for ensuring successful projects, but only if used towards the right common, shared goals. The second question was asked in extension of the first and was: if so, will this be a barrier to the implementation of Value-Based Management? An extensive use of power will be a barrier to all kind of management, but through this investigation it was clear that VBM could be viewed as an option for minimizing the use of power for individual purpose. Through values, power structures, develops, and are legitimised (Enz 1988). Others have argued that the true task of leadership is to create a social structure that embodies shared values (e.g. Selznick 1983).

The investigation of power in building projects is most relevant, which can be illustrated by the lack of research publications within this specific area (Newcombe 1996). This might be because power is often seen as something negative, and some has gone as far as stating that it is easier to talk about money – and much easier to talk about sex – than it is to talk about power (Rosabeth 1979, Pfeffer 1992). In recent years a lot of aim at improving the cooperation in building project organisations. However, it seems that many of these initiatives fail to properly consider the use of power, values and the diverse interest in building projects. The everyday habits and the values behind have great impact on the actual performance. It is, therefore, necessary in every project to consider how consensus on the common goals is obtained, and how the use of power for personal purpose (sub optimisation) thereby is minimised. This paper is thought as a contribution to the understanding of power in company external organisations with multiple legal parties, like construction projects.

A few unsettled points in this investigation exist. Firstly, an unambiguous evidence of the empirical connection between the use of power an unsuccessful management is not provided. Secondly, the different agendas / interests are hard to explicitly prove, because people will not admit that they have their own agenda.

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