CRITICAL SUCCESS FACTORS FOR PARTNERING IN THE TURKISH CONSTRUCTION INDUSTRY

Irem Dikmen1, M. Talat Birgonul, Beliz Ozorhon and Koksal Eren

Department of Construction Management and Engineering, Middle East Technical University, 06531, Ankara Turkey

Partnering is in the agenda of construction companies worldwide as it is an effective strategy that may increase competitiveness of companies and reduce risks retained by each party. In order for partnering to reach its expected benefits, partner selection is of vital importance. There are also some critical success factors (CSFs) that should be taken into account by the parties in order to maintain a successful partnership throughout its lifecycle. The aim of this research is to identify the factors affecting the partner selection process as well as the CSFs that are found important by the Turkish contractors. Within the context of this research, a questionnaire was designed to collect data and statistical analysis was conducted to reveal the perception of contractors about partnering based on the experiences of 49 Turkish companies. The scope of this paper is limited to short-term project-based joint ventures as it is the most widely used type of partnering in the Turkish construction industry. Results demonstrate that the most important factors while selecting partners are experience in similar projects, corporate image, relations with clients, and financial, technical, and managerial capability of the company. Cooperation among partners, clear definition of roles and responsibilities, mutual decision-making, dispute resolution, effective coordination and communication, and trust among partners are identified as the most important CSFs. After discussing the implications of identified CSFs for the Turkish construction industry, some strategies are proposed for maximising the success of the partnering process.

Keywords: construction industry, construction management, organizations, partnerships.

INTRODUCTION

Some of the prominent changes faced by the construction industry recently are the increased competition; higher standards for competitive success; limited resources; existence of a global market/economy; need for more flexibility and faster response time; and the increased risk in construction projects as summarized by Li et al. (2000). Partnering has been acknowledged by many researchers and practitioners for the last two decades as an innovative approach for the procurement of construction services effectively and it has become a primary management strategy for improving project performance and organizational relations (Badger and Mulligan 1995; Black et al. 2000; Li et al. 2000). Partnering can simply be defined as an arrangement between two parties that can be either open-ended for a specific term or for a single project (Black et al. 2000). Partnering provides the basis for project participants to adopt a “win-win” approach to solve problems and foster synergistic team-work among themselves by reducing the risk of cost overruns and delay as a result of better time and cost control over the project (Chan et al. 2004).

1 idikmen@metu.edu.tr

Despite the potential benefits gained through partnering, there are some barriers to implementing successful partnerships. Investigation of the key determinants of partnering performance has attracted the attention of researchers extensively. To explore the problems leading to unsuccessful partnering process, several studies were conducted (Li et al. 2000; Ng et al. 2002; Cheng et al. 2000; Cheng and Li 2004; Chan et al. 2004). These research studies revealed a range of issues including project environment; partnering structure; and personal/organizational knowledge, skills and attitude (Tang et al. 2006) that should be taken into consideration in the formation and operation of the partnerships. Such factors that are extensively discussed in the project management literature play an important role in devising effective strategies for minimizing conflicts and enhancing the project performance within partnerships.

The major aim of this paper is to identify the criteria affecting partner selection process and the critical success factors (CSFs) for partnering in construction. Joint venturing is the most common way of partnering practice in the Turkish construction industry. Within this context, a questionnaire survey was designed and administered to Turkish contractors that have established joint ventures (JVs) with Turkish partners. Findings of this research are compared with other studies and finally some strategies are recommended for a successful partnering process.

PARTNERING PROCESS IN CONSTRUCTION

Inter-firm collaboration has become a crucial component of the pursuit of competitive advantage as markets become more complex. The increasing magnitude, complexity, and risks associated with major construction projects force companies with diverse strengths to collectively bid for and execute projects. Construction companies complement skills, experience, and resources with their partners to successfully complete a construction project through the formation of alliances. Through partnerships, companies are able to enhance competitive position, increase market share, expand their markets, strengthen client relations, reduce risks, increase profits and improve productivity (Badger and Mulligan 1995). As the Construction Industry Institute (CII) suggests, partnering requires changing traditional relationships to a shared culture that is based on trust, dedication to common goals and an understanding of each other’s individual expectations and values (CII 1991). Partnering in construction is extensively investigated in the literature in terms of conceptual and behavioural aspects (Li et al. 2000; Cheng and Li 2004) and factors affecting the success of partnering process (Larson 1997; Black et al. 2000; Cheng et al. 2000; Chan et al. 2004). One of the most significant findings of these studies is that the success of partnerships mainly depends on the selection of an appropriate partner and the quality of the relations between partners during the operation (Ozorhon et al. 2008).

Partner selection phase

Geringer (1991) states that partner selection process is considered to be of crucial importance to the formation and operation of a JV. Killing (1983) states that it is impossible to identify an exhaustive list of criteria which an organization should meet when attempting to assess a potential complementary partner. The strategic determinants of partner selection criteria can be distinguished as the partner-related and task-related factors. Partner-related criteria are specific to the character, culture and history of the involved partners, such as the experience of management, past association between partners, business compatibility between the partners, the corporate culture of the partners, and prior partnering experience. Task-related criteria
apply to the operational skills and resources (tangible or intangible, human or nonhuman) needed by a partnership to achieve project success including technical knowledge, market contacts, complementary resources, and relations with local authorities (Geringer 1991). Criteria for partner selection within the context of this study are limited to experience of the company in similar projects; project and market-based diversification of the company; image of the company; client relations, structure, management style and culture of the company; adequate resources of the company (financial, technical, and managerial capability and human and equipment resources); and previous partnership performance of the company.

Experience in similar projects: Complementarity of partners in terms of previous project experience is one of the key factors in partner selection phase since it also affects the success of partnership extensively. The partners’ ability to acquire, learn, process, assimilate, integrate, deploy, and exploit an inflow of new knowledge and skills may depend on how these relate to the skills already established based on the experiences in similar projects (Luo 1998).

Diversification of the company (project and market-based): Partners’ diversification plays an important role in the success of the project in terms of expertise and familiarity with the host markets and in determining the extent of effort and time they can allocate to the partnership as well. A partner with extensive project and market-based spread tends to reduce its commitment to the partnership (Beamish 1988), which in turn may affect the performance of the operation.

Image of the company: Corporate image implies a superior product brand, customer loyalty, or organizational reputation. Image of the company, as an important strategic asset, is essential for collaboration of potential partners. Companies that maintain good organizational reputation and image will significantly affect the competitive position of the partnership (Luo 1998).

Relations with the client: Strategic traits of partners are central to partner selection phase. The quality of partners’ relationship with the client is a good indicator of the strategic fit between parties. Since client satisfaction is an important measure of performance, strong relations with the client are useful in dealing with client-related issues and avoiding possible conflicts.

Organizational structure/management system of the company: Similarity between partners’ organizational structure and management systems is one of the most significant determinants of partnering success (Beamish 1988; Killing 1983) since differences in partners’ management styles can result in conflict and non-resolution of such conflicts can eventually affect the performance of the operation.

Organizational culture: Organizational culture refers to a pattern of shared basic assumptions about the environment, human nature, social relationships, and reality that employees have learned as they addressed and resolved problems of external adaptation and internal integration (Schein 1992). Differences in the organizational cultures of partners may result in conflicting behaviours, leading to misunderstandings and interaction problems that may lead to lower partner satisfaction and difficulties in achieving project targets (Pothukuchi et al. 2002).

Adequate resources of the company: Construction projects require a variety of skills and technology from different participants, therefore complementary resources and expertise is essential to strengthen the competitiveness and construction capability of the partners (Cheng et al. 2000; Chan et al. 2004). Strategic, organizational, and
financial attributes such as human, knowledge, technology, information, and capital are all crucial to partnership performance (Luo 1998; Cheng et al. 2000).

**Previous partnership performance:** Partnerships can benefit from partners’ past experience since potential mistakes could be avoided. Therefore, past partnering experience was postulated to have a positive influence on performance as a result of learning process (Beamish and Inkpen 1995).

**Operation phase**

Numerous CSFs were reported in several studies including mutual trust, effective communication, coordination, commitment of the senior management team, clear understanding, problem resolution, acting consistently with objectives, dedicated team, commitment to continuous improvement, good cultural fit, flexibility to change, technical expertise, commitment to quality, and complementary resources (Black et al. 2000; Cheng et al. 2000; Chan et al. 2004; Tang et al. 2006). Considering the overlaps among these factors, CSFs in construction partnerships were defined by top management support; clear definition of roles and responsibilities; mutual decision-making and dispute resolution; effective cooperation, coordination and communication; mutual trust, commitment to win-win attitude; long-term orientation; regular monitoring and control of partnership performance; shared corporate culture; and innovation.

**Top management support:** Commitment and support from top management has always been regarded as a pre-requisite for successful partnering projects. As senior management formulates the strategy and direction of business activities, their full support and commitment are critical in initiating and leading partnering spirit (Cheng et al. 2000).

**Clear definition of roles and responsibilities:** A JV contract provides a legally bound, institutional framework in which each party’s rights, duties, and responsibilities are codified and the goals, policies, and strategies underlying the anticipated partnership are specified. The completeness of the agreement between the companies in an alliance is an essential success factor that can avoid a great deal of trouble and conflict in future operations (Bing and Tiong 1999).

**Mutual decision-making and dispute resolution:** Cooperation in the decision-making process and willingness to pursue mutually compatible interests is critical in meeting formal and informal obligations and in avoiding conflicts (Das and Teng 1998; Luo and Park 2004). High level of participation among parties may help them create a commitment to the mutually agreed solution (Cheng et al. 2000). Conflicting issues are common among parties with incompatible goals and expectations. Conflict among partners tends to cause frustration which in turn results in dissatisfaction (Anderson 1990).

**Cooperation among partners:** Understanding the nature and scope of cooperation is essential in analyzing the operation and success of a partnership. Cooperation is required to overcome the potential misunderstandings and coordination difficulties that can arise from differences in managerial or organizational practices (Das and Teng 1998). Previous studies have demonstrated that cooperation is positively and linearly associated with these variables that enhance partnering performance (Parkhe 1993).

**Effective coordination among partners:** Coordination reflects the expectation of each party from the other parties in fulfilling a set of tasks (Mohr and Spekman 1994).
Success factors for partnering

Good coordination resulting in the achievement of stability in an uncertain environment can be attained by sharing project information (Bayramoglu 2001; Cheng et al. 2000). The willingness and ability to provide and share information is a key factor in confirming an honest attitude and developing trust among partners.

Effective communication among partners: Successful alliance relationships are expected to exhibit higher levels of communication quality. Failure by partners to communicate effectively may lead to misunderstandings and suspicion, and eventually to poor economic results and dissolution (Doz 1996). Effective communication skills can help organizations facilitate the exchange of ideas and visions, which can result in fewer misunderstandings and stimulate mutual trust (Cheng et al. 2000).

Trust among partners: Mutual trust can be defined as, critical to open the boundaries of the relationship as it can relieve stress and enhance adaptability, increase information exchange and joint problem solving and promise better outcomes (Williamson 1985; Mohr and Spekman 1994, Cheng et al. 2000). Establishment of trust improves organizational learning and facilitates partnering success (Parkhe 1993; Park and Ungson 1997; Das and Teng 1998).

Commitment to win-win attitude: Commitment can be described as the willingness of partners to exert effort on behalf of the partnering relationship (Mohr and Spekman 1994). Commitment is necessary for success and is required at each step in the partnering process overcome initial uncertainties associated with a new project, market, or partner (Beamish 1988). Committed partners will consider long-term gains rather than short-term advantages. Partners that are committed to the win-win attitude work harder to prevent differences affecting the performance, to create and maintain a good relationship with their partner and thus they are less likely to let differences in functional approaches result in conflicts and negatively affect performance.

Long-term orientation: Long-term orientation can be regarded as the willingness of the involved parties to integrate continuously to unanticipated problems (Cheng et al. 2000). Parties that are committed to long-term orientation are expected to balance the attainment of short-term objectives with long term goals and achieve both individual and joint missions without raising the fear of opportunistic behaviour (Mohr and Spekman 1994).

Regular monitoring and control of partnership performance: Regular assessment, monitoring, and reporting of the progress of partnership against predefined key indicators allows partners to take action when necessary. Controlling the process and performance level against measurable goals via regular meetings and progress reports is required to ensure the stability of the partnership. Such mechanisms also enhance partner relations by supporting coordination and communication among the parties. Regular interim workshops are effective to strengthen the partnering spirit of all the parties over the life of project (Chan et al. 2004).

Shared corporate culture: Differences in management styles and organizational cultures may hinder the success of partnerships; however a cultural integration process may be useful in avoiding conflicts among the partners. Creation of a shared culture for a partnership is not very easy due to the project-based nature of the construction industry. Therefore, partners can avoid possible problems by trying to understand the partners’ way of thinking and behaving and to train their employees to foster cultural integration.
Innovation: Partners generally seek technological, innovational, and managerial skills from foreign partners (Beamish 1988). As strategic orientation determines organizational adaptability and innovativeness, it may affect not only the partner firm’s strategic but also organizational behaviours such as managerial style and long-term orientation, which may in turn influence mutual trust and collaboration between parties. The success of operations largely depends upon partner’s learning capability and innovativeness.

RESEARCH METHODOLOGY

The major aim of this research was to determine the perceptions of the construction professionals in Turkey on the concept of partnering and to assess the most important criteria in the selection of partners and critical factors for the success of an established partnering. Based on an extensive literature survey, a web-based questionnaire was designed and administered to medium-to-large sized Turkish contractors that established JVs with Turkish partners. A total of 51 responses were returned, 2 of which were found to be incomplete and therefore discarded from statistical data analysis. Respondents are highly experienced and reputable firms that have operated in the construction industry more than 25 years and established successful partnerships so far. Participating companies were required to rate (using a 1-5 point Likert scale) the importance of listed factors in terms of partner selection process and success of the partnership. Data corresponding to 49 questionnaires were analyzed by SPSS15 statistical software package using a 95% of confidence interval (p<0.05). Findings of the study are reported in the following section revealing the significant parameters for establishing and operating successful partnerships.

FINDINGS OF THE RESEARCH

Criteria for partner selection

Table 1 shows the importance rankings of the listed factors in selecting appropriate partners. Based on the analysis results, experience of the potential partner in similar projects, image of the company, relations of the company with clients, and financial, technical, and managerial capability are found to be the most important factors; whereas similarity between the companies in terms of their organizational structures, management styles, and cultures; market-based diversification; and previous partnership performance of the potential partner are not found to be very critical to partner selection. Since each party in the partnership aims to gain both economic benefits and technical knowledge, having previous experience in similar projects and a special expertise can be a major strength. These previously acquired knowledge and skills are also expected to stimulate the trust and collaboration between partners and thereby increase the performance of the partner (Gunhan and Arditi 2005).

In the current competitive business environment, establishing a partnership with a company having a good corporate image is a source of advantage among the competitors. Companies having good images are more likely to have better relations with the clients and to have access to financial resources that are required to hire technical and managerial expertise which enhances the firms’ competitiveness and performance.

Strength and quality of relations of the company with clients assures the success of the partnership to a certain extent. Problems and possible conflicts can be easily avoided when good relations between the contractors and clients are maintained. Having strong relations with the employer brings not only project-based but also long-term
benefits for the companies in terms of future business opportunities. Since new economic gains emerge with the realization of new projects, quality of relations with the clients is considered to be a major indicator when selecting partners.

<table>
<thead>
<tr>
<th>Factors</th>
<th>Mean</th>
</tr>
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<tbody>
<tr>
<td>1 Experience in similar projects</td>
<td>4.347</td>
</tr>
<tr>
<td>2 Image of the company</td>
<td>4.347</td>
</tr>
<tr>
<td>3 Relations of the company with clients</td>
<td>4.313</td>
</tr>
<tr>
<td>4 Financial capability of the company</td>
<td>4.208</td>
</tr>
<tr>
<td>5 Technical and managerial capability of the company</td>
<td>4.102</td>
</tr>
<tr>
<td>6 Areas of expertise of the company</td>
<td>4.083</td>
</tr>
<tr>
<td>7 Organizational structure/management system of the company</td>
<td>3.857</td>
</tr>
<tr>
<td>8 Similarity of organizational culture of the companies</td>
<td>3.776</td>
</tr>
<tr>
<td>9 Markets of operation of the company</td>
<td>3.673</td>
</tr>
<tr>
<td>10 Previous partnership performance of the company</td>
<td>3.306</td>
</tr>
</tbody>
</table>

It is recommended that for higher partnership performance, partners should be complementing each other in terms of financial, technical and managerial capability (Ozorhon et al. 2008). Such strategic and organizational fit determines the extent to which mutual trust, commitment and collaboration between partner firms can be facilitated and anticipated synergies from the partnership can be realized (Parkhe 1993; Luo 1998; Yan and Duan 2003).

**CSFs for partnering**

CSFs for the successful maintenance, management and continuity of an established and active partnering are listed in Table 2. The most important factors for a successful partnership were found to be cooperation among partners, clear definition of roles and responsibilities, mutual decision-making, dispute resolution, and effective coordination among partners. On the other hand, innovation and long-term orientation were not considered to be critical in partnering success. Cooperation is a proxy for commitment, trust, and synergy. A highly collaborative relationship provides the flexibility and adaptability necessary to overcome uncertainties, resolve conflicts and achieve mutually beneficial outcomes. Partner cooperation that is being truthful and committed to agreements is critical in meeting formal and informal obligations and in avoiding conflicts (Luo and Park 2004). Basically, a partnership should be established based on mutual trust and understanding, but the agreement must be more concrete and precise regarding liability. Since there are many potential problems in construction projects, the agreement between the companies in an alliance should define the rights and responsibilities of each party clearly (Bing and Tiong 1999). A complete contract reduces the uncertainty faced by organizational decision-makers (Williamson 1985). Partnering is driven by a clear understanding of mutual objectives and cooperative decision-making by multiple firms to continuously improve their joint performance. As Das and Teng (1998) explain, mutual decision making serves the purpose of controlling, throughout the partnering process partners interact among themselves to gain a better understanding of each other and as a result, they develop collective norms and values that allow them to form a consensus gradually and stick with the preset objectives. Similarly, conflict resolution and negotiation skills are critical assets to maintain good relations and achieve success.
Table 2: Critical success factors for partnering

<table>
<thead>
<tr>
<th>Factors</th>
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<tbody>
<tr>
<td>1 Cooperation among partners</td>
<td>4.688</td>
</tr>
<tr>
<td>2 Clear definition of roles and responsibilities</td>
<td>4.667</td>
</tr>
<tr>
<td>3 Mutual decision-making</td>
<td>4.625</td>
</tr>
<tr>
<td>4 Dispute resolution</td>
<td>4.521</td>
</tr>
<tr>
<td>5 Effective coordination among partners</td>
<td>4.454</td>
</tr>
<tr>
<td>6 Commitment of team members to win-win attitude</td>
<td>4.392</td>
</tr>
<tr>
<td>7 Trust among partners</td>
<td>4.387</td>
</tr>
<tr>
<td>8 Top management support</td>
<td>4.350</td>
</tr>
<tr>
<td>9 Effective communication among partners</td>
<td>4.349</td>
</tr>
<tr>
<td>10 Regular monitoring and control of partnership performance</td>
<td>3.672</td>
</tr>
<tr>
<td>11 Shared corporate culture</td>
<td>3.638</td>
</tr>
<tr>
<td>12 Innovation</td>
<td>3.473</td>
</tr>
<tr>
<td>13 Long-term orientation</td>
<td>3.292</td>
</tr>
</tbody>
</table>

Top management support, commitment, effective coordination, and communication are also required to establish and maintain good relations and develop trust among the partners and avoid possible conflicts. During the operation of the partnership, these factors determine the extent partners’ information, experience and skills are shared, disseminated and integrated. When compared with the other studies in the literature, it can be stated that findings of this research are consistent with those reported by Chan et al. (2004), Cheng and Li (2004), and Ozorhon et al. (2008). In order to build and operate successful partnerships, companies should be aware of some key points that will enhance partner selection process and relations with partners. As suggested by Larson (1997) and Li et al. (2000) workshops and team-building sessions are effective in managing partnerships. Workshops are implemented to emphasize communication, coordination, teamwork, and negotiation skills, to discuss jointly established objectives, identify potential problems areas, and develop guidelines for resolving conflicts without violating the agreement or the integrity of the project partnering endeavour. These sessions are helpful in defining and assessing performance criteria and controlling the progress of the partnership.

CONCLUSIONS

Due to the competitive conditions in the highly challenging and demanding construction industry, partnering has become an alternative way of doing business by encouraging the parties to work together towards shared objectives and achieve win-win outcome. Partnerships allow companies to share financial and human resources as well as managerial and technical skills that are critical for achieving a successful project, which they would not afford on their own and help them exploit business opportunities and enter new markets abroad by increasing their competitive advantages.

Within the context of this study, CSFs for building and managing partnerships are investigated. Based on the 49 response data, perceptions of Turkish contractors on partnering process have been analyzed. Partner selection process is considered to be a pre-requisite for partnering success. Therefore, achieving success without selecting an appropriate partner is not feasible. Experience in similar projects, image, relations with clients, and financial, technical, and managerial capability of the company determine the level of match and appropriateness of the partner. It is recommended that partners have compatible technical and managerial resources and complimentary project experiences as these attributes generate commitment, cooperation and trust between the partners, which in turn enhances the decision-making process and
effectiveness of the operation. Essentially, partnering process involves formation of strong inter-organizational relationships that are effectively managed through some critical skills including cooperation among partners, clear definition of roles and responsibilities, mutual decision-making, dispute resolution, effective coordination and communication, and trust among partners.

Some strategies should be developed by the companies intending to engage in a partnership and manage it successfully. Independently appointed groups may be responsible for the whole partnering process from defining partner selection criteria, short listing possible partners, selecting the most appropriate partner, and facilitating coordination, cooperation, and communication among partners. These teams should establish shared values and culture, develop goals and objectives to increase partners’ commitment to the partnership, monitor the progress of the partnership, settle disputes and assure the smooth operation of the alliance.

REFERENCES


