

PROBABILISTIC PRE-REQUISITES CONTRIBUTING TO SUCCESSFUL HOUSING ASSOCIATION PARTNERING

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The achievement of value for money has been paramount during the current economic climate. The reduction in investment into social housing projects has forced Housing Associations to further minimise waste and pursue the maximisation of value. The success of the continually endorsed utilisation of partnering arrangements to produce value for money is dependent upon the implementation of various pre-requisites. An in depth critical analysis was therefore undertaken to identify these necessary pre-requisites that facilitate a successful partnering outcome. This paper forms part of a wider research and provides a thorough review of the industry perceived pre-requisites to facilitate a successful partnering arrangement. This will enable an empirical assessment of the level of importance placed specifically by Housing Associations on the reviewed factors in future research and in the process contributes to a conceptual model for effective Housing Association partnering arrangements, however the model has not been considered in this paper. It is envisaged that the wider research, upon which this paper is based, will assist Housing Associations maximise value for money by increasing the likelihood of a successful partnering outcome through gaining an understanding of the most important pre-requisites to be implemented into the arrangement from a Housing Association perspective. It is also expected that this research will enable the differentiation between the most and least important pre-requisites identified within the literature, thus clarifying the necessary factors for Housing Associations to implement.

Keywords: housing associations, partnering, pre-requisites, procurement.

INTRODUCTION

Housing Associations in Scotland were established in the mid-1970s to provide high quality and affordable rented housing. A recently published report from the Scottish Federation of Housing (2011) highlighted that currently, Housing Associations and co-operatives own and manage approximately 47% of Scotland's affordable social housing stock. This translates into 279,144 dwellings, which equates to approximately 11% of all Scottish homes. The indicative value of Scottish Housing Association

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assets is approximately £7.6 billion. Delivering socially owned rented housing or maintaining existing stock within a Housing Association is an important and necessary function within society, especially during the current economic conditions. A recent report by Gibb and Leishman (2011) emphasised the reduced funding available for new build social housing. These reductions will exacerbate the need for more social housing in Scotland. The Housing Minister in the Scottish Parliament, Alex Neil Scottish Government (2010), highlighted to Housing Associations, that achieving value for money was an essential element to underpin the Scottish Government's future investment programme in housing. In recent times, partnering has been advocated as one of the preferred procurement methods for new build and maintenance works commissioned by Housing Associations.

Housing Associations have been encouraged for some time to utilise partnering arrangements as the preferred procurement method for delivering construction and maintenance projects. The Housing Report Forum (2002) encouraged Housing Associations to embrace partnering via long term strategic supply chain alliances. The success of partnering is significantly dependent on specific pre-requisites. Eriksson *et al.* (2008) noted that increasing the awareness of the pre-requisites that facilitate successful partnering arrangements is vitally important when adopting partnering. A plethora of research has been conducted to identify the key pre-requisites associated with successful partnering arrangements within the construction industry generally. There is however limited literature available that focuses on pre-requisites considered by specific client groups. The characteristics that differentiate Housing Associations from other clients highlight the importance of focussing exclusively on their needs. This research will therefore assess the appropriateness of the identified partnering pre-requisites from the sole perspective of Housing Associations. Unveiling the fundamental pre-requisites for Housing Association partnering will provide guidance on effective partnering and subsequently increase the probability of achieving value for money. A potential consequence is assisting Housing Associations commission more maintenance and construction projects as the capital invested will be more effectively utilised.

LITERATURE REVIEW

Housing Association Characteristics

Even though Housing Associations are private organisations, they are still non-profit bodies who are regulated rigorously by government departments. A substantial proportion of funding to enable the construction of new dwellings comes from grants provided by the government. These differences separate Housing Associations clients from private sector counterparts. A consequence of the thorough regulation is the requirement to demonstrate competitiveness. Fisher and Green (2001) highlighted that if partnering is to be followed, then those charged with public spending need to be equipped with appropriate tools to identify and provide sanctions to protect against anti-competitive behaviour that can result from partnering agreements. Another differing characteristic is that procedures implemented by the public sector can often work against the mutual trust and open relationship, which forms the prerequisite of partnering (Woodrich, 1993). Funding mechanisms also differ between Housing Associations and private sector clients, as tenants' rent and government grants are the drivers for investing in maintenance and new build. Another significant difference is that Housing Associations are not-for-profit bodies, who are committed to providing low cost social housing, as opposed to private sector organisations that may primarily

focus on profit. Housing Associations may also be prevented to include within the arrangement a provision to share savings with the contractor (Housing Forum, 2000). According to Burnes and Coram (1999), another barrier is the risk-averse nature of public sector organisations that is embedded within the ethos. These inherent characteristics separate Housing Associations from private sector counterparts, therefore effective implementation of partnering arrangements must be exclusively focussed on from this perspective.

Housing Association Use of Partnering

Egan (1998) recognised that the construction industry was underperforming, particularly in terms of cost, time and quality, and specifically identified social housing providers as a client group that could benefit from adopting partnering agreements. Housing Associations that adopt partnering believe there is a higher likelihood of achieving specific benefits. Loraine and Williams (2000) stated that partnering for Housing Associations is based on a number of key objectives, which include: cutting out waste; increased predictability of out-turn cost and time; reducing the impact of traditional client/contractor procedures; improve the experience of the user/tenant; secure life-cycle cost benefits; utilise innovation and technology to maximise resource potential.

During these challenging economic conditions, Housing Associations are faced with a procurement dilemma. The first option is to diverge away from collaborative partnering and revert back to more traditional single stage tendering to capitalise on low market prices for a single project. Strongly opposing this strategy, Latham (2008) emphasised that if clients abandon best practice, close down frameworks, stop partnering, and return to lump-sum, single-tender contracts, based solely on lowest price, the industry will go back to its undesirable practices. The second option is persevering with the advocated use of partnering arrangements to strive for long term value for money and uphold the philosophy that lowest price does not represent best value. Should Housing Associations persevere with partnering, it is important that the arrangement functions as effectively as possible. There are necessary pre-requisites to be incorporated into the arrangement for all parties to gain from a partnering agreement. Identifying the essential pre-requisites specifically for Housing Association partnering arrangements will increase the likelihood of achieving value for money and could justify the perseverance of partnering throughout the challenging economic conditions.

PROBABILISTIC PRE-REQUISITES

The literature contains a substantial volume of pre-requisites that facilitate the achievement of the theoretical benefits of partnering. The following pre-requisites are based on the construction industry generally, without focus on a specific client group. The validity and appropriateness of these pre-requisites will be tested in subsequent research, within a focussed Housing Association context.

Commitment from Stakeholders

Commitment from stakeholders is a common factor identified within the literature. Stakeholders entering a partnering arrangement must commit to partnering and should not initiate a partnering arrangement unless absolute commitment is evident from all parties. Black *et al.* (2000) believed commitment was of significant importance when implementing a successful partnering arrangement and that the organisations that developed experience of partnering always rated management commitment higher

than organisations without experience of partnering. Concurring, Bresnan and Marshall (2000) identified long term commitment as the willingness of the parties involved in a partnering agreement, to integrate continuously to ensure unanticipated problems arising are rectified as effectively and timely as possible. Housing Associations embarking on a partnering arrangement must ensure that their respective management structure commits to the partnering arrangement, which is filtered to all personnel involved in the process. The outcome of a partnering arrangement will be significantly compromised, with an increased risk of claims and disputation, should commitment from stakeholders be absent.

Mutual Trust between Parties

Adopting a partnering arrangement requires a deviation in philosophy and attitude, from seeking to fully maximise individual gains to the comprehensive and continual search for an outcome which benefits all parties. A large case study by Kaluarachchi and Jones (2007) highlighted that mutual trust between partners was a fundamental component of a long-term partnering arrangement. Partners should trust that others associated with the partnering arrangement are trustworthy and capable in fulfilling the requirements of the partnering agreement in a mutually trustworthy relationship. When considering trust in a construction context, Wong and Cheung (2004) argued that contrary to traditional types of trust, construction may rely on "system-based trust", embracing the notion of legally binding agreements. The difference in philosophy between a quasi-public sector Housing Association and a private sector contractor could subsequently result in difficulties when forming a trusting relation. However, if establishing mutual trust between the parties is achieved, it will facilitate the destruction of partnering barriers and will greatly enhance the exchange of information and mutually rectify arising difficulties that produce beneficial outcomes to all partners.

Effective Communication

Communication between parties involved in a partnering agreement must be effective, as the expectations of each partner must be clearly understood and recognised. Research conducted by Black *et al.* (2000) highlighted that effective communication was one of the most important factors associated with a successful partnering project. The partnering philosophy embraces the ethos of sharing and distributing information in an open and honest manner. When considering the extent and methodology of communicating information in a partnering arrangement, Beach *et al.* (2005) highlighted that the partners must carefully consider the forums and processes of communication, which will be most effective. The processes and forums of communication could be more challenging for Housing Association partners, due to complex departmental arrangements. Housing Associations normally comprise of procurement, technical and maintenance teams, who all liaise with housing managers and tenant committees. Managing the dynamics of a Housing Association partnering arrangement could be challenging.

Equitable Relations

Beach *et al.* (2005) considered equity as the basis of the partners' relationship, and not the win-lose attitude associated with traditional relationships. Ng *et al.* (2002) emphasised that equitable relations will create mutual goals, with a commitment to satisfy each partners' requirements and continually search for solutions that confirm with the evolving expectations throughout the project. Establishment of an equitable relationship between Housing Associations and contracting partners can facilitate the

manifestation of mutual motivation and encourage parties to work together to ensure all objectives are met. The current economic conditions could tempt the manifestation of over powerful partners demanding control of the terms and risk distribution of the partnering arrangement.

Mutual Objectives

Formulating mutual objectives for parties involved in a partnering agreement, is a key element of the partnering philosophy. Partners should work together to ensure all objectives are successfully met. Swan and Khalfan (2007) highlighted the importance of mutual objectives and investigated the types of objectives established in public sector partnering. The importance of mutual objectives was emphasised by Ng *et al.* (2002), asserting that mutual objectives must be developed to satisfy each stakeholders requirements for a mutually successful project. The utilisation of mutual objectives will incentivise Housing Associations and contracting partners to work together to ensure a successful partnering arrangement. However, the mutual objectives must be communicated to all levels of the Housing association and partner to ensure a collective attempt of achievement, as failure to work towards mutual goals could ultimately result in the failure of the arrangement.

Continual Evaluation and Improvement of Performance

There is a consensus within the literature that continual evaluation and improvement of performance is a necessary pre-requisite that contributes to a successful partnering arrangement. Beach *et al.* (2005) identified continuous evaluation of a partnership would ensure that the agreement developed in accordance with the expectations of the parties involved. Continuous improvement techniques were identified by Kaluarachchi and Jones (2007) as a fundamental element of the partnering process and considered effective communication and coordination as key drivers for a sustained improvement of performance. The effectiveness of the continuous evaluation and improvement method is dependent on the regularity and format of conducted evaluation processes, ensuring objectives are on target, identifying improvement areas and measuring success. Housing Associations and the contracting partners should dedicate a team to continually monitor and evaluate key performance indicators to strive for betterment throughout all stages of the arrangement.

Conflict Resolution Process for Disputes Arising

Conflict between parties within a construction project regularly occurs. Parties normally seek to reconcile disputes as quickly as possible, without resorting to potential mediation or legal proceedings. Lu and Yan (2007) noted that the ethos of partnering can effectively facilitate the resolution of problems and conflicts, without destroying the harmony between partners. Throughout the literature, there is general belief that a successful partnering arrangement should incorporate a dispute resolution process. Partners should not however need to resort to the partnering charter, as the ethos of working collaboratively should defuse any potential disputes early. Should this not transpire, Housing Associations should ensure the existence of a partnering charter and conflict resolution processes as a safeguard.

Early Involvement of Key Participants

The early involvement of key participants has generally been identified as facilitating the success of a partnering agreement, as important decisions, which could affect the project, can be decided at the outset, thus mitigating escalating costs and time. Scott (2001) suggested that early involvement could seriously enhance the success of

implementing the partnering agreement. Concurring, Beach *et al.* (2005) highlighted the importance of early involvement of key participants to enable the involved partners to utilise the accumulated knowledge and expertise to facilitate and maximise the success of the project. This will only facilitate the partnering arrangement if key stakeholders understand the partnering process and scope of works. Should the knowledgeable Housing Association key personnel be involved from an early stage, there is scope for the removal of waste and poor value prior to project finalisation.

Stakeholder Strength and Enthusiasm

Ng, *et al.* (2002) emphasised that partnering organisations must operate beyond acceptance to a level of true commitment and leadership, therefore actively promote the ultimate working relationship. Strength and leadership should be evident from the stakeholders to encourage and motivate all levels of the partners to achieve the mutual objectives. Cheng *et al.* (2000) emphasised that one of the most important pre-requisites for successful partnering was that team members should provide strong leadership and problem-solving skills, which increases team spirit. Should there be any scepticism of partnering by Housing Association personnel, the potential benefits that could be received will be compromised. Key Housing Association participants should champion the partnering process and spread the enthusiasm among all parties and personnel. Stakeholders' strength and enthusiasm can facilitate the success of the partnering process, and provide other parties with the example of how to function within a partnering agreement.

Partnering Workshops

Partnering workshops are utilised to facilitate the communication between stakeholders, identifying the mutual objectives from the outset, and then evaluating the success. The Partnering workshops provide a forum for communication. There is criticism that a "one-off" workshop, prior to commencement is not enough. Bayliss *et al.* (2004) emphasised that regular workshops were one of the most effective tools to effectuate the partnering approach. The number of partnering workshops that should be conducted is intrinsically linked with specific circumstances, including level of experience, stage of the overall arrangement and the scale of project. Housing Associations and contracting partners should assess the reasonable number of workshops that are necessary from the outset. Each workshop should contain clearly defined objectives and points of discussion.

Acceptance of Mistakes

Mistakes occurring in construction project are not unusual. The effect of the mistake is heavily dependent on the actions and processes adopted for the rectification. Ng, *et al.* (2002) believed it is paramount for stakeholders to be accepting of other parties mistakes, as stakeholders can learn from each other's mistakes and improve efficiency in future relationships. As Housing Associations place significant importance on the satisfaction of their tenants, it may be more difficult to tolerate and accept mistakes. The adversarial nature of traditionally procured projects, can inadvertently promote stakeholders to take advantage of mistakes made, which is the antithesis of the partnering ethos.

Shared Project Risks

The sharing of risks associated with a construction project is a significant element of the underpinning philosophy of partnering arrangements. Partnering was emphasised by Lu and Yan (2007) as sharing the project risks, which contradicts the traditional

adversarial nature of the construction industry, where risk is always attempted to be placed with the other stakeholder, for a substantial price. Chan *et al.* (2004) highlighted that the sharing of risk was a contributory element to one of the critical factors associated with successful partnering. The theory associated with apportioning risk to the partner more able to respond is logical, however, in the event of over powerful partners forming, the majority of risks could be transferred to the weaker partner. Housing Associations must ensure that any risks that a contracting partner is more able to reduce and control, are transferred from the outset.

METHODOLOGY

This stage of the research has been conducted on the basis of an extensive review of the existing literature. This review of literature focuses on the perceived pre-requisites associated with a successful partnering arrangement. From the identified pre-requisites, a subsequent conceptual model will be developed, however has not been considered here. An empirical assessment will be undertaken to identify the levels of importance placed by Housing Associations on the reviewed pre-requisites within this paper. It is envisaged that a ranking technique will be utilised in subsequent fieldwork, to ascertain the Housing Association perspective on the most important pre-requisites that must be translated into partnering arrangements. Housing Association procurement personnel will be targeted as the most appropriate respondents to participate in the research. Understanding the necessary pre-requisites to be included into Housing Association partnering arrangements could assist in the achievement of value for money during the challenging economic period.

DISCUSSION

The review of literature highlights an array of important pre-requisites that will assist successful partnering outcomes. Each of them positively contributes to a partnering arrangement. Pre-requisites such as commitment, trust and communication appear essential elements that underpin the partnering ethos. Continual evaluation and improvement of performance could be another important factor for Housing Association as best value should be demonstrated for tenants. The literature did however unveil other pre-requisites that may not be essential to Housing Association partnering arrangements. Equitable relations reflect the ethos of partnering however, Housing Associations may not consider this as a vital element to assist the success of the agreement. Mutual objective was a factor vociferously argued within the literature as being vital for the attainment of an effective partnering arrangement. Conversely, the current economic conditions and lack of investment from the government by (Gibb and Leishman, 2011) may shift Housing Associations priorities and mind set to focus more on their objectives. Early involvement of key participants was also considered as an essential pre-requisite. However within the specific context of Housing Association partnering arrangements, there may be a consensus that this is not necessary as there may be hesitance to commit the required level of resources at an early stage to effectively implement the project. Share project risks is a pre-requisite that Housing Associations may struggle to embrace as there is an inherent risk averse philosophy within public sector organisations (Burnes and Coram, 1999). The reviewed pre-requisites and potential barriers are illustrated in Figure 1, which differentiates between the barriers more applicable to Housing Association as a result of their inherent differing characteristics, as opposed to conventional private sector clients. The level of importance placed by Housing Associations will be ascertained in

subsequent research and will contribute to a conceptual model for effective Housing Association partnering arrangements.

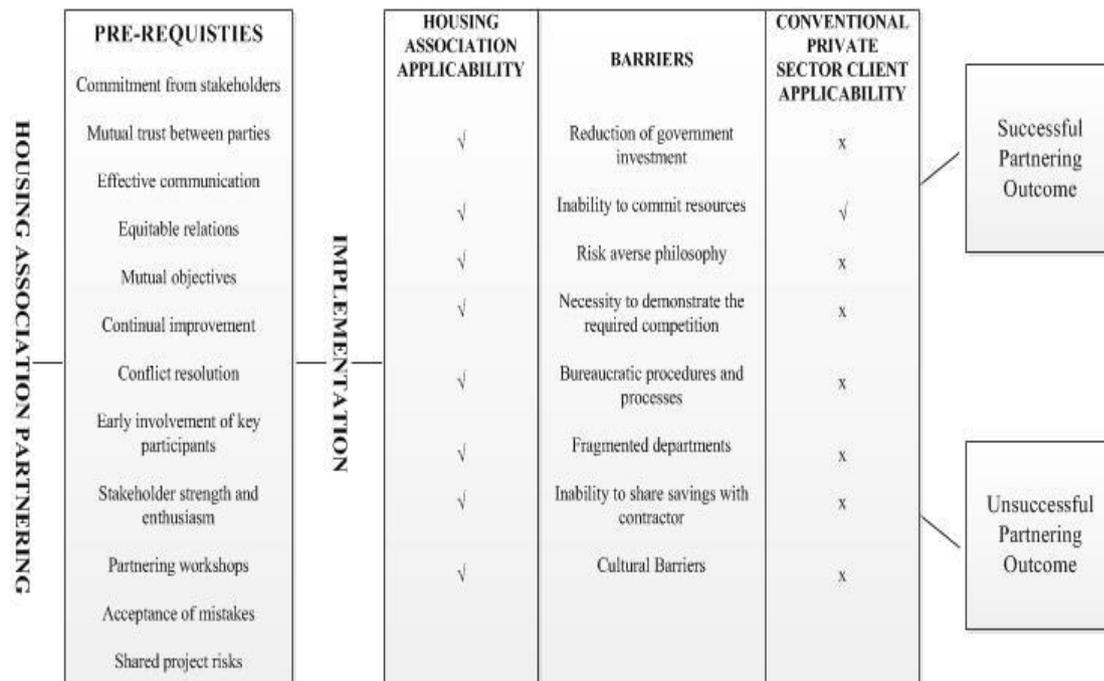


Figure 1: Identified Pre-requisites and potential barriers for Housing Associations

The evaluation of pre-requisites that contribute to a successful partnering outcome was based on literature associated with construction partnering generally. There is limited literature that focuses on specifically Housing Association partnering arrangements, as previously conducted research tends not to focus on a sole client group. The outlined factors that differentiate Housing Association clients from private sector clients highlights the need to establish the essential pre-requisites of partnering for solely Housing Associations, due to differing characteristics. There may be an argument however that these differing characteristics of Housing Association clients could prevent partnering from effectively functioning. The reviewed barriers associated with public or quasi-public sector partnering could compromise the success of a partnering arrangement. It is therefore important that the pre-requisites that contribute to a successful partnering outcome, specifically for the needs of Housing Associations, must be unveiled to increase the probability of obtaining value for money. The subsequent research will address any divergence in the considered levels of importance between the existing literature and the view of Housing Associations.

CONCLUSIONS

This stage of the research required a review of the literature to identify the dominant pre-requisites that assist effective partnering. The reviewed pre-requisites will be validated by Housing Associations in subsequent research to determine the most important pre-requisites from this exclusive perspective. The pre-requisites that commonly featured within the literature were commitment, trust and effective communication. These appear essential elements of the partnering mechanics however, there were other factors argued as being essential contributors to successful partnering. As the plethora of publications lack focus on specific client groups, there was minimal correlation between the pre-requisites and Housing Associations. It is therefore important to understand the pre-requisites essential to exclusively Housing

Associations and subsequently increase the probability of successful partnering. Achieving better value could assist more efficient utilisation of funds and consequently could enable additional construction or maintenance projects to be commissioned. Housing Associations that persevere with partnering during the challenging conditions should be made aware of the necessary pre-requisites that apply to these arrangements. The research will provide guidance to Housing Associations on the necessary pre-requisites and processes that must be incorporated into all partnering arrangements.

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