

HOUSING ASSOCIATION PREFERRED FORM OF PARTNERING

David Liguori¹, James Sommerville² and David Manase³

School of Engineering and the Built Environment, Glasgow Caledonian University, Cowcaddens Road, Glasgow, G4 0BA, United Kingdom

Partnering has been implemented by many Housing Associations as the procurement arrangement to maximise value. There are two dominant forms of partnering being utilised, namely strategic and project partnering. The ethos of strategic partnering is long term collaborative working for a series of projects, as opposed to project partnering, based on short term collaboration. There are conflicting views on the appropriateness of each form of partnering and the value that can be achieved. This creates ambiguities for Housing Associations when attempting to implement a partnering arrangement, who may be confronted by a dichotomy between long term value and short-term savings induced by market prices. The form of partnering currently implemented by Housing Associations must be identified. Distinguishing between each form of partnering and the rationale for selection will assist Housing Associations with their decision-making process to implement the appropriate form. The methodology adopted was a fusion between quantitative and qualitative fieldwork. This integrated the numerical data for the frequency of use and the conducted interviews to achieve an understanding of the reasons for selection. Furthermore guidance has been provided to Housing Associations on the form of partnering being implemented within their sector and the perceived benefits that can be achieved. The findings unveiled that the strategic form of partnering is the preferred arrangement for Housing Associations due to the longer term benefits being achieved through continuity of relationships.

Keywords: housing associations, partnering, procurement, project, strategic.

INTRODUCTION

In an attempt to improve an inadequately performing construction industry, the United Kingdom (UK) Government and major clients advocated the implementation of construction partnering. The emergence of partnering within the construction industry was in the late 1980s and is now, a primary management strategy which is believed to improve both the project performance and organisational relations. The UK government endorsed a “Client-Driven” change, which was perceived as improving the ailing construction industry. Egan (1998) advocated the divergence of the UK

¹ David.Liguori@gcu.ac.uk

² j.sommerville@gcu.ac.uk

³ David.Manase@gcu.ac.uk

construction industry away from the traditional fragmented philosophies to a focus on a collaborative working ethos, which can be translated through partnering. The UK social housing building sector was specifically identified as a potential beneficiary of the partnering ideology. Egan compliance measures were introduced by the Housing Report Forum (2002), which specified the utilisation of Key Performance Indicators and a commitment to partnering. There are two dominant forms of partnering currently being utilised within the construction industry, namely strategic and project partnering. Strategic partnering embraces the notion of collaboratively working on a series of project over time. Project partnering is normally implemented on a single project basis. Upon reviewing the literature, there appears to be a divide in opinion on the appropriate form of partnering to be utilised. In support of strategic partnering, Jones and O'Brien (2003) suggested that the strategic form addresses the limitations of project partnering by building more synergistic and collaborative relationships and improving processes over a longer period of time. Opposing this view, Loraine (1994), believed that project partnering could maximise best value through embracing the ethos of partnering whilst stimulating competition and promoting market entry.

When considering the appropriate form of partnering for Housing Associations to implement, specific factors must be considered. Firstly, Housing Associations are quasi-public sector organisations regulated by the government therefore the necessary level of competitiveness during the tendering process must be demonstrated. Fisher and Green (2001) highlighted that partnering arrangements need to be equipped with appropriate tools to identify and provide sanctions to protect anti-competitive behaviour that can result from partnering agreements. The difficulty for Housing Associations is to ensure that there is a degree of competitiveness in accordance with Official Journal of European Union (OJEU). Even though some critics consider partnering to be more effective through long term strategic partnering arrangements (Love *et al.* 2002; Jones and O'Brien, 2003 and OGC 2007) perhaps a project partnering approach will actually be more suited to Housing Associations at this current moment. Differing characteristics of Housing Association clients compared with private sector counterparts, including prevention to include a provision to share savings with the contractor (Housing Forum, 2000) and their inherent risk-averse nature (Burnes and Coram, 1999), could also jeopardise long term collaboration, with Housing Associations opting for one off project partnering. The project partnering approach would ensure the required level of competition was evident. Housing Associations could also capitalise on the low price construction market induced by the challenging economic conditions. With both partners aware of the single project arrangement, the manifestation of complacency could be mitigated and the partnering contractor would be incentivised to perform effectively as there is no assurance of future work. Identifying the form of partnering that complements Housing Association partnering arrangements could contribute to achieving best value. The research will therefore attempt to identify the form of partnering that is currently being utilised by Housing Associations and the dominant reasons for selection.

STRATEGIC & PROJECT PARTNERING

The ethos of strategic partnering is continuity of relations and long term collaborative working for a series of projects. At the forefront of the partnering revolution, strategic partnering was viewed as establishing closer, long term and more synergistic relationships that would enhance the performance of construction projects (Bennet and Jayes, 1995 and Egan, 1998). According to Love *et al.* (2002), strategic partnerships are intended to prolong over significant periods of time and should include several

projects to seek gains for the long-term. In support, Jones and O'Brien (2003) suggested that strategic partnering addresses the limitations of project partnering by building more synergistic and collaborative relationships and improving processes over a longer period of time. OGC (2007) described strategic partnering as the integrated supply team and the client organisation working together on a series of construction projects to promote continuous improvement. Collaboratively working together over a prolonged period of time could increase efficiencies and produce cost savings, as long as trust is maintained (Black *et al.* 2000). A significant contributing factor for these savings could be increasing the effectiveness of systems and operations over a long term working arrangement. The OGC (2007) also stated that strategic partnering can produce significant savings, of approximately 30% in the cost of construction.

Project partnering is based on limited co-operative relationships involving two or more parties seeking short-term project related benefits, which is unlikely to extend to long term co-ordination and collaboration. OGC (2007) described project partnering as involving the integrated supply team and the client working together on a single project, usually following a competitive procurement. In support of project partnering Loraine (1994) suggested that this form of partnering may have greater long-term significance than strategic partnering for reasons including; It does not restrict market entry; price features somewhere in the relationship, allowing success and improvement to be more easily monitored; and there is still a stimulation of competition. Beach *et al.* (2005) noted that many organisations will experiment with project partnering and wait for provable, positive results before initiating any strategic partnering relationships. Project partnering is characterised by short term project related benefits received from a single project. OGC (2007) stated that project partnering can achieve savings of 2-10% in the cost of construction, in contrast to the potential 30% saving associated with strategic partnering. This shortfall highlights that perhaps investing in the processes to implement a long term strategic partnering arrangement may provide Housing Associations with more value for money. The notion of partnering is underpinned by long term commitment and continual improvement (Egan, 1998; Jones and O'Brien, 2003; OGC, 2007). It may therefore be unlikely that Housing Associations maximise best value, which is necessary during the challenging economic conditions, through implementing a project partnering arrangement.

The performance of a large scale strategic partnering arrangement for UK social housing, known as the AMPHION initiative, was observed and assessed by Jones and Kaluarachchi (2007). This initiative comprised of 15 separate Registered Social Landlords (RSLs) partnering with one contractor to deliver 2000 homes over a four year period. The Key Performance Indicators (KPIs) measured to identify the success of the initiative highlighted that the performance was disappointing compared to the UK house building sector. Consequently, during the AMPHION initiative, Jones and Kaluarachchi (2007) noted that the strategic partnering arrangement began to fragment into a series of smaller "project partnering" arrangements as these were considered easier to manage. This reversion to project partnering suggests that Housing Association clients may actually be more suited to these short-term partnering arrangements. Despite some of the AMPHION Housing Associations moving towards project partnering, Osei-Mensah *et al.* (2008) identified long term strategic partnering as providing significant benefits to Housing Associations, including a balance between low costs, high productivity and successful outcomes.

As Housing Associations are regulated by the government and are non-profit organisations, full compliance with all procurement competition legislation is vital. Implementing project partnering, as opposed to strategic, could therefore be beneficial as projects are procured on a "one-off" basis. For this reason, Woodrich (1993) believed that project partnering would be utilised within public sector procurement arrangements. Based on the AMPHION initiative, Kaluarachchi and Jones (2007) unveiled specific factors considered to have affected the social housing strategic partnering model, which included: a lack of communication; failure to share information; and a lack of understanding of the partnering process. The risk averse nature of quasi-public sector organisations (Burnes and Coram, 1999), in conjunction with the factors that affected the AMPHION social housing strategic partnering arrangement, could produce significant barriers to the effective implementation of strategic partnering. The conflicting social housing research findings, the quasi-public sector characteristics and the challenging economic conditions all highlight the need to clarify the current Housing Association position on the form of partnering arrangements being implemented and the reasons for selection.

METHODOLOGY

The reviewed literature induced a mixed method approach to identify the forms of partnering being utilised by Housing Associations and the reasons for use. The conflicting view from the literature of the partnering form implemented by Housing Associations emphasised the necessity to clarify the current level of usage for each arrangement. Undertaking interviews with the personnel responsible for procurement within the Housing Associations provided a deeper and robust understanding of the main reasons for selecting a specific form of partnering. A questionnaire was compiled and distributed to Housing Association procurement personnel. This questionnaire was produced to identify the number of Housing Associations that implemented each form of partnering, calculate the proportion of work commissioned on this form of partnering and assess the level of importance placed by Housing Association on utilising a specific form of partnering. The survey sample was compiled by utilising the Scottish Federation of Housing Associations information on the current Housing Associations operating in Scotland. The investigation enabled the identification of 90 Housing Associations in Scotland that possessed the capabilities of answering the questionnaire. From the 90 surveys distributed, 52 responses were received, providing a response rate of 57%.

A series of structured interviews were also conducted to gain an understanding of the reasons for selecting a specific form of partnering and the subsequent benefits. Upon examining the Scottish Federation of Housing Associations information on the size and types of project that the Housing Associations are involved in, a list of eight possible interviewees was collated. These interviewees were key personnel working within the procurement section of the Housing Association. The Housing Associations are all anonymous therefore within the research are named Housing Association A to H. The template approach was utilised to examine the interviews, identifying common themes and sub themes.

QUANTITATIVE FINDINGS

Form of partnering utilised by Housing Associations

The initial question for Housing Association participants was to understand the form of partnering currently being utilised when procuring construction or maintenance

projects. The results of the quantitative analysis identified that strategic partnering is the most frequently used partnering arrangement by Housing Associations, with 32 of the 52 Housing Associations utilising strategic partnering, representing 62% of responses. The results conclusively identified that even during the challenging economic conditions the majority of Housing Associations have been persevering with strategic partnering. Project partnering represented 25% of Housing Associations, equating to 13 out of the 52 respondents, highlighting that the temptation of competition during the low price market conditions has not been completely resisted. Seven Housing Associations appear not to have engaged in any partnering, representing 13% of participants. Figure 1 illustrates the graphical representation.

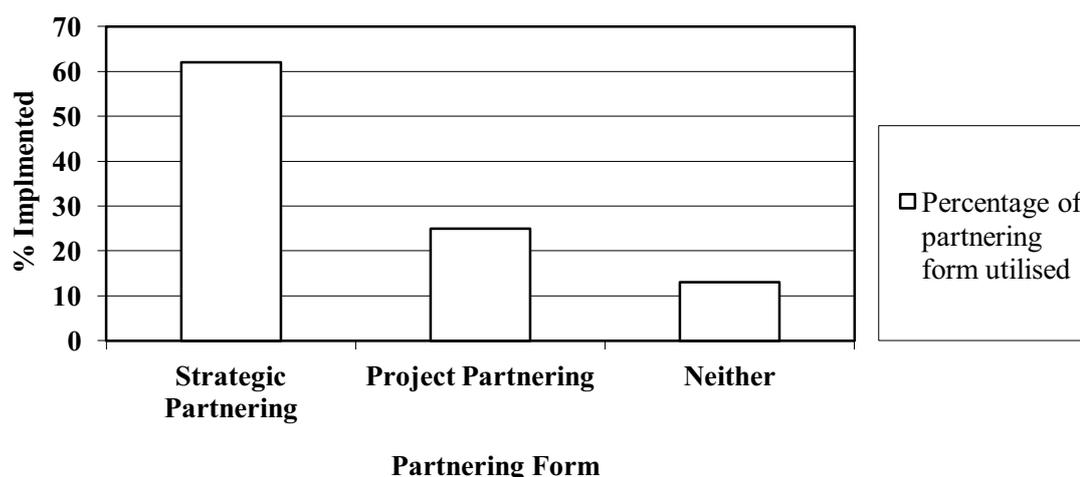


Figure 1 Most Frequently Used Partnering Arrangement by Housing Associations

Percentage of work commissioned on their selected form of partnering

The quantitative data for the percentage of Housing Associations' that commission projects on the basis of their preferred form of partnering, highlighted that the mean percentage of work commissioned through adopting their preferred partnering arrangement was a substantial 71%. This demonstrates that Housing Associations are utilising their favoured form of partnering when procuring works. A mode was calculated at 70% for the percentage of work commissioned on the basis of the Housing Associations selected form of partnering. This highlighted a significant proportion of work is being procured by Housing Associations on their favoured form of partnering. The results suggest that even during the challenging economic conditions, Housing Associations are placing faith in the long term benefits of partnering.

Housing Association importance levels

Housing Associations were asked to rate the level of importance associated with selecting their preferred form of partnering to understand if differentiating between each form of partnering is a key issue for Housing Associations and subsequently validate the necessity for undertaking the research. The results indicated that 37 of the 52 Housing Associations considered that adopting their preferred form of partnering was either important or very important. The results highlight that prior to Housing Association procuring a construction or maintenance project, significant consideration is given to the appropriateness of each form of partnering. 12 of the 52 Housing Associations regard the selection of a specific form of partnering as either very unimportant or unimportant, which includes the seven Housing Associations that

appear not to utilise partnering. Only three Housing Associations did not consider the selection of a specific partnering arrangement as important or unimportant.

QUALITATIVE FINDINGS

Form of partnering implemented

Housing Association participants were initially asked to identify the form of partnering that they utilise for construction and maintenance projects. Housing Associations A,C,D,E,G,H all implement strategic forms of partnering. Housing Associations B and F opt for the project partnering form.

Reasons for strategic form of partnering

Higher quality through continuous improvement

Receiving a higher quality through Housing Associations collaboratively working with contractors for a series of projects was viewed by Housing Associations C,G and H as being an important benefit of strategic partnering. Housing Association C and H both highlighted that the quality achieved for maintenance projects significantly increased as working with the same contractor over a series of projects developed the understanding of the Housing Associations expectations. Housing Association G believed that the effective communication between the parties enabled the Housing Associations standards to be adhered to and defects were rectified quickly.

Better Key Performance Indicator Results

Housing Association A believed that measuring the performance of the kitchen replacement cyclical contract with the contractor improved the performance each year, as the mutual objectives were clearly defined and the contractor fully understood the output expected from them. Housing Associations D and E both considered the measurement of key performance indicators for each year of a five year maintenance cycle and the continuity of relations with their respective contractors as key factors that continually improves performance. Housing Association C commented that tenant satisfaction surveys increase as the contractor is committed to providing high quality finishes over the duration of strategic partnering arrangements.

Long term cost savings

Housing Association A and C both commented that cost savings have been made through their respective partners offering discounts to the initial agreed costs after the first year of the partnering arrangement, as they are provided with continuity of future workload and the contractor becomes more efficient executing the work. Housing Association D also highlighted that long term contracting parties also suggest the utilisation of alternative materials or processes that provide the same function at a cheaper cost, thus providing savings.

Potential community benefits from long term partnering arrangements

Housing Associations G and H both received community benefits from long term partnering. A number of apprentices, who were tenants of the Housing Associations, were employed by the partnering contractor. Housing Association G noted that the long term commitment between the parties enabled the contractors to employ apprentices, who subsequently finished their training and became qualified tradesmen.

Effective execution of partnering processes

A common theme identified from Housing Associations A,C,D,E,G,H was that a partnering arrangement needs a prolonged period of time to set up operating systems and effectively implement the process. The consensus from the Housing Associations

was that partnering over a series of projects enabled partners to build trusting relations, commit to mutual objectives, more effectively communicate and continually strive to improve the partnering outcome.

Reasons for project form of partnering

Competitive market prices received

Housing Associations B and F believed that receiving competitive market prices for "one-off" partnering projects was a fundamental factor for selecting project partnering. Both commented on the current low price market and the need for them to capitalise to produce savings. Housing Association F commented that the savings made from low price competitive tendering for the partnering arrangement outweighed the potential long term savings gained from strategic partnering.

Competition easily demonstrated

Housing Association B emphasised the need to demonstrate the necessary level of competition in accordance with European procurement legislation. The respondent believed that project partnering offered the required level of competition at competitive prices. Housing Association F also highlighted the ease of adherence to procurement legislation through adopting a competitively tendered partnering project for individual projects.

Safeguards against complacency

Housing Associations B and F implement project partnering to safeguard against complacency entering into the arrangement. Housing Association B believed that project partnering incentivised contractors to optimise performance, attempting to extend the contract. Housing association F considered project partnering as taking the positives of partnering while mitigating the risk of complacency.

DISCUSSION

The quantitative analysis initially attempted to identify the form of partnering being utilised by Housing Associations. Gadde and Dubois (2010) believed that a rapid shift to strategic partnering was unrealistic. The research however challenges this view as 62% of the participating Housing Associations utilise strategic partnering, as opposed to the 25% that implement project partnering arrangements. Interestingly, despite the clear endorsements to implement strategic partnering forms (Bennet and Jayes 1995: Egan, 1998; and OGC, 2007) a quarter of Housing Associations are utilising project partnering. The interviews conducted suggest that driving costs down is the main reason for this. The percentage of work commissioned on the Housing Associations preferred partnering form equated to a substantial 71%, highlighting that Housing Associations are persevering with partnering during the challenging economic conditions. Latham (2008) emphasised that if clients abandon best practice, stop partnering, and return to lump-sum contracts, based solely on lowest price, the industry will go back to its undesirable practices. It would appear that Housing Associations have subscribed to this procurement ideology and are persevering with long-term partnering. The validation of the necessity for the research was evident as 37 of the 52 Housing Associations considered that adopting their preferred form of partnering was either important or very important.

The qualitative analysis attempted to understand the reason for selecting a specific partnering form and the perceived benefits. From the eight Housing Association interviewees, six utilised strategic partnering and two opted for project partnering, echoing the quantitative data for the form of partnering utilised. The first common

reason and perceived benefit for strategic partnering was the potential for Housing Associations to receive higher quality through continuous improvement. A consequence of Housing Associations achieving higher quality was the increased key performance indicator (KPI) results achieved. One of the important KPI results was the increase in tenant satisfaction, believed to be attributable to the continuity of employing a single contractor over a long period of time, as they are more aware of the objectives of the Housing Association and their tenants. The conducted interviews challenges the AMPHION initiative as Kaluarachchi and Jones (2007) indicated that the quality of product suffered as the number and severity of defects were amongst the worst performing KPIs within this large scale strategic partnering arrangement. Long-term cost savings was also identified by Housing Associations as a benefit of strategic partnering. The interviews highlighted that as the partnering contractor becomes more efficient through undertaking a series of projects, savings have been offered to Housing Associations.

This research supports the findings of Osei-Mensah *et al.* (2008), who identified that lower costs were achieved through long term Housing Association partnering. Also, more effective value engineering is suggested by contractors to provide savings for alternative materials and processes with the same function. Housing Associations receiving cost savings through strategic partnering supports the assertions from Black *et al.* (2000) and OGC (2007) that substantial cost savings can be achieved through strategic partnering. Community benefits were also identified by housing Associations as an important driver for strategic partnering as Housing Associations can request that the partnering contractor employs and trains apprentices, who are tenants of the Housing Association. The main reasons for Housing Associations use of strategic partnering was that long term arrangements could improve the partnering process through building trusting relations, commitment to mutual objectives, more effectively communicate and continually strive to improve the partnering outcome. This view supports Jones and O'Brien (2003) suggestion that strategic partnering provides more synergistic and collaborative relationships and improving processes over a longer period of time.

Two of the eight Housing Associations did however utilise project partnering. One of the main drivers was the competitive market prices received during the challenging economic conditions. Both Housing Associations considered the low prices as outweighing the potential long term benefits of strategic partnering. This supports the view of Lorraine (1994) who highlighted that price features somewhere in the project partnering arrangement, allowing success and improvement to be more easily monitored. Another driver for project partnering was the ease of demonstrating the required level of competition, in accordance with procurement legislation. This concurs with Bygballe *et al.* (2010) who considered tendering procedures and public procurement arrangements as the main factors contributing to short term procurement arrangements. Another perceived benefit of project partnering considered by Housing Associations was the safeguard against complacency entering into the arrangement. They believed that short term project partnering utilised the partnering mechanism and protected the freshness and enthusiasm as there was no guarantee that the contracting partner would receive any future work. The notion of complacency within long term partnering arrangements was highlighted by Cartlidge (2002) as a significant limitation that could compromise the benefits of partnering.

The quandary for Housing Associations is between long term value against short term gains. This dichotomy has been discussed for decades and it would appear to even

apply to partnering arrangements. The question is, can short term "one-off" partnering arrangements for Housing Associations, embrace the true ethos of partnering, incorporating fundamental processes such as continual improvement, mutual trust and commitment? Previous research that focussed on social housing partnering suggests that this is feasible. Jones and Kaluarachchi (2007) highlighted that during the AMPHION strategic partnering arrangement, there was an implementation shift towards project partnering to assist the performance of constructing new build social housing. This research appears to disagree, highlighting that even during the challenging economic conditions, Housing Associations are persevering with long term collaboration and receiving long term value.

CONCLUSIONS

The research attempted to identify the form of partnering being utilised by Housing Associations and to understand the reasons for selection during the challenging economic conditions. The research identified that strategic partnering is the dominant form of partnering currently being implemented by Housing Associations. The main reasons for this are the identified long-term benefits that include higher quality, significant cost reductions and community benefits. The research has challenged the findings of previous research within this sector of the construction industry, as Housing Associations appear to have embraced and persevered with strategic partnering during the current economic climate. Project partnering was still utilised by a quarter of Housing Associations, predominantly to receive more competitive prices and more effectively safeguard against competition regulation and complacency. This research has importantly clarified to Housing Associations that strategic partnering has been persevered with during this economic period and has also highlighted the perceived benefits of each form of partnering from an exclusive Housing Association perspective.

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