



Partnering in the construction industry—Problems and opportunities

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ABSTRACT

During recent years partnering has been on the top of the management agenda in the construction industry. Despite this attention there is limited and partly contradicting evidence of the impact of these efforts. The objective of this literature-based paper is to explore why it has been difficult to realise potential partnering benefits on the strategic level, while partnering in individual projects has improved construction performance. The analysis builds on a comparison of the features of business relationships in construction with the characteristics of so called 'high-involvement relationships' based on close cooperation. It is concluded that prevailing supply arrangements established to handle the particular conditions in the construction industry makes it unlikely for partnering to reach outside the individual project. Taking the step to strategic partnerships would require modification of some of the basic assumptions and norms of industry efficiency. On the basis of this analysis we explore potential consequences of modifications of current behaviour with respect to decentralisation and competitive tendering. The paper is finalised with a suggestion for a differentiated approach to partnering.

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1. Introduction

Over recent decades huge efforts have been made in order to "stimulate radical improvements in the construction industry in terms of value for many, profitability and reliability" (Beach et al., 2005: 611). These efforts originate from recommendations founded in comprehensive analyses of prevailing conditions in the construction sectors in the US (CII, 1991) and the UK (Latham, 1994; Egan, 1998). The underlying reason for these prescriptions seems to be a general opinion that construction was characterised by "inefficient business processes which feed through as overheads to total project costs" (Bresnen and Marshall 2000a: 230). According to Wood and Ellis (2005) such criticism put a lot of pressure on construction companies to reorganise their operations.

The above advices got widespread attention and resulted in "worldwide efforts of creating significant improvements in the construction industry" (Brown et al., 2001: 192). One of the main aspirations of this reorientation was to introduce processes that successfully had been implemented in other industries, most of which relate to the supply side of companies. For example, Wood and Ellis (2005: 31) claimed that one means of overcoming performance problems would be to apply "radically different approaches to procurement". In a similar vein it has been argued

that the problems with construction efficiency and performance originate from "failure of traditional procurement methods" (Naoum, 2003: 71).

The main attention in this reorientation was directed to the nature of the relationships between the various stakeholders in construction. For example, the Construction Industry Institute concluded that successful restructuring "requires changing traditional relationships to a shared culture without regard to organisational boundaries" (CII, 1991: iv). This shared culture is one important feature of the types of relationships that are covered by a common umbrella identified as 'partnering'. Wilson et al. (1995: 40) described partnering as "an increasingly popular management tool aimed at reversing the negative effects of adversarial relationships in construction".

According to Bresnen and Marshall (2000a: 230) partnering stands in contrast to the adversarial conditions that are said to be typical of the industry and which has "confounded previous attempts to encourage better integration and cooperation between contractual partners". Through a literature review Bresnen and Marshall identified the following opportunities associated with partnering:

- The potential net benefits that stem from increased productivity and reduced costs.
- Reduced project times owing to early supplier involvement and team integration.
- Improved quality through the focus on learning and continuous improvement.

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- Improved client satisfaction and enhanced responsiveness to changing conditions.
- Greater stability that helps companies deploy their resources more effectively.

Considering these potential benefits, it comes as no surprise that partnering received enormous attention and even has been referred to as “the most significant development today as a means of improving performance” (Wood and Ellis, 2005: 317). Several benefits concerning these partnerships arrangements have been reported. According to Bresnen and Marshall (2002: 497) “the literature is replete with case study examples of successful partnerships”. Furthermore, on the basis of a study of 280 construction projects it is concluded that ‘partnered projects’ achieved superior performance in controlling costs, technical performance, and in satisfying customers compared with projects managed in other ways (Larson, 1995). In addition, Wood et al. (2002: 4) found that “‘trust-based partnering’ encourages parties to adopt higher ethical standards, and achieve improved ethical performance”. At the same time, however, several authors claim that there are severe problems with achieving the desired outcomes of partnering in construction (see e.g. Anvuur and Kumaraswamy, 2007; Bresnen and Marshall, 2000a, 2000b; Brown et al., 2001; Cheng et al., 2000; Chan et al., 2003; Slater 1998; Tang et al., 2006; Nyström 2008). These contradictory opinions concerning partnering outcomes motivates a further exploration of this phenomenon.

2. Aim and outline of the paper

The aim of this literature-based paper is to analyse why it may be difficult to achieve the intended effects of partnering. On the basis of a literature review we begin by describing the problems construction companies have experienced in the exploitation of potential partnering benefits. We go on to analyse these problems by comparing supplier relationships in construction with the features of so called ‘high-involvement’ relationships that obviously served as role-models for construction partnering. This analysis shows that prevailing supply arrangements established to handle the particular conditions in the construction industry makes it unlikely for partnering to reach outside the ‘project partnering’ that seems to be predominant. Achieving the benefits of what is identified as ‘strategic partnerships’ would require modification of some of the basic assumptions and norms of industry efficiency. On the basis of this analysis we explore the consequences of possible modifications of current behaviour with respect to decentralisation and competitive tendering and suggest a differentiated approach to partnering.

3. Problems in the exploitation of partnering

Although several studies have identified substantial improvements from partnering it is no doubt that the total outcome of these efforts does not keep up with expectations. Bresnen and Marshall (2002), for example, claim that only few empirical studies analyse partnering consequences in sufficient empirical depth. Wood and Ellis (2005: 318) share this opinion in arguing that there has been too little examination of “the nature of partnering in practice and whether the claims made for it are consistently justified”. Their own research confirmed a number of the assertions of partnering benefits and particularly pointed out that both the partnering process and the outcome of partnered projects are beneficial. However, at the same time they found that “beneath the veneer of partnering some of the traits that have characterised the construction industry for years are still

apparent” (Wood and Ellis, 2005, p. 324), and deep-rooted cost driven agendas still persist in most transactions.

The above conclusions by Wood and Ellis relate to the partnering experiences of a main-contractor and these findings showed to be valid for the relationships with both clients and subcontractors. Packham et al. (2003) analysed partnering in house-building from a subcontractor’s view and found that partnering might be a way forward for project management in this sector. However, in current arrangements partnering does not provide subcontractors with many tangible benefits. Moreover, they become vulnerable to bullying by main contractors and therefore subcontractors have to be convinced that partnering can improve their chances of survival. Without this mobilisation partnering is unlikely to have a significant impact on small subcontracting firms. Ng et al. (2002) explored the partnering consequences for contractors and found that despite the fact that the potential impact is great, partnering is not always successful. The main problems identified were the unwillingness of the client to fully commit to the partnering agreement. Furthermore, the authors observed a failure of stakeholders to develop the attitudes required for making partnering effective. Bresnen and Marshall (2000b) analysed nine projects of medium to large scale, based on client-contractor partnering and found a very high level of satisfaction with the quality of work in more collaborative projects. This conclusion was expressed by clients, contractors and designers. They also discovered some other consequences in the partnering projects that are important for our further analysis. Firstly, they found that collaborative approaches did not necessarily remove conflicts. A second observation was that “fully fledged collaborative approaches do not always appear to be necessary, desirable or feasible” (Bresnen and Marshall, 2000b, p. 829).

The problems related to successful implementation of strategic partnering in construction have been explored in various publications. Anvuur and Kumaraswamy (2007) claim that several issues raise serious difficulties with the uptake, approach and implementation of partnering within and across organisational contexts. In particular, they point out the characteristics of the institutional setting, into which partnering is introduced. The historically developed adversarial culture between the stakeholders in the industry has been “blamed for the poor uptake of new processes and management strategies”—partnering included (Anvuur and Kumaraswamy, 2007, p. 226). Similarly, Phua (2006) explains the apparent problems related to partnering with the lack of strong institutional partnering norms in the industry. These conditions are supposed to clarify why the implementation of partnering has remained patchy.

Another stream of explanations relates to the difficulties of transmitting messages about major strategic changes through complex organisational arrangements. For example, Bresnen and Marshall (2000a) observed severe difficulties in converting strategic decisions concerning partnering arrangements into real behaviour at operational levels, because of the gap between expressed intention at corporate levels and actual behaviour at construction grounds where operations are influenced by a wide range of factors. Moreover, another study found that there appears to be “considerable uncertainty as to how to translate general principles of partnering into any sort of concrete application” (Tang et al., 2006: 217). In the study by Bresnen and Marshall (2000b) major difficulties were observed in diffusing the concept throughout the organisation and in translating agreements reached at senior levels into practice. One of the reasons for these problems is the observation of Brown et al. (2001:195) that “many are only paying lip-service to the principles of partnering”. Similar tendencies have been found by Slater (1998), Cheng et al. (2000) and Chan et al. (2003).

This review points out the main problems related to the implementation of partnering in construction. In the following

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