

Sorting out the essence of owner–contractor collaboration in capital project delivery



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Abstract

Despite the relatively widespread recognition of relational-based contracting in engineering and construction projects, literature indicates a range of paradoxical issues in practice. This study attempts to reconstruct project practitioner's perspectives regarding the essence of collaborative relationships. Applying Q-methodology, subjective opinions and reflections of 30 project practitioners from 19 owner and engineering-construction firms were systematically analyzed. The result suggests four distinct perspectives towards effective working relationships, namely a) shared team responsibility, b) execution focused team, c) joint capability and structure; and d) senior leadership pair. Across perspectives, all practitioners shared a belief that an effective owner–contractor relationship should be based on affective trust, shared vision, and mutual attitudes such as open and honest communication, solution seeking instead of blaming, and senior management leadership. In contrast to prior research, long-term orientation and contractual functions were perceived to play a relatively limited role in improving owner–contractor relationships.

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1. Introduction

The nature of working relationships between owner and contractor in engineering and construction projects is considered to have a major effect on project performance (Drexler and Larson, 2000; Larson, 1995; Meng, 2011). If both parties can align their interests and develop a collaborative working relationship, potential conflicts can be dealt with before becoming claims, knowledge is freely exchanged, problems can be solved, and in turn parties can integrate their specific capabilities to complete the project successfully. On the other hand, adversarial or deteriorated relationships between project parties might lead to poor project performance (Black et al., 2000; Humphreys et al., 2003; Meng, 2011). Under adversarial

relationships, owners are likely to challenge requests for approval, force compliance by withholding funds, and overly control the contractors' works. Meanwhile, contractors might exploit potential claims by aggressively negotiating change orders and withholding vital information. Often, small issues easily escalate into major disputes causing costly delays and ending in formal litigation.

In the light of improving project performance, focus on developing and practicing better ways of working between owners and contractors has intensified. This resulted in prescriptive models of relational contract such as project partnering and project alliancing (see Anvuur and Kumaraswamy, 2007; Bygballe et al., 2010; Chan et al., 2003; Kumaraswamy et al., 2008). In essence, such prescriptions aim at developing a collaborative relationship characterized by quality such as aligned goals and interests, open and honest communication, mutual commitment and trust, long-term orientation, and joint problem solving (Anvuur and Kumaraswamy, 2007; Bresnen and Marshall, 2000; Rahman and Kumaraswamy, 2004a).

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In one stream of research, project partnering or alliancing was reported to be practiced successfully (Barlow, 2000; Bayliss et al., 2004; Davis and Walker, 2008; Larson, 1995). Larson's (1995) examination of 280 construction projects suggests that partnered projects were more successful in controlling costs and resulted in better performance and customer satisfaction than projects managed under more adversarial conditions. Based on the BP Andrew Alliance case, Barlow (2000) claims that the partnering approach had not only delivered very significant performance gains, but also brought in technical and process innovation.

Another stream of research however also revealed the difficulties encountered in such practices. Bresnen and Marshall (2002) highlight that current practices might put too much emphasis on formal mechanisms (i.e. contracts, tools and techniques). Formalized practice often trivializes the important social dimensions of collaboration and the dynamics of relationships among different individuals within the permanent organizations and the project organization. Similarly, in Hong Kong construction projects, Chan et al. (2006; 2003) find the major obstacle of partnering success to be the failure of introducing desirable partnering attitude due to commercial pressure. Based on a case study of two projects in the UK, Alderman & Ivory (2007) highlight the 'partnering paradox' where the intended collaborative behavior is hardly realized mainly due to the existence of adversarial attitudes. A study of five projects in Norway and Canada (Aarseth et al., 2012) confirms the existence of 'practical difficulties' due to a lack of collaborative mind-set and insufficient initial effort to establish shared norms.

The authors aim to extend current literature on project-based collaborative relationships by empirically reconstructing the project practitioner's perception on essential ingredients to improve the owner–contractor relationships. The main question is: how would practitioners improve their working relationships to ensure successful project delivery? This paper is structured as follows: firstly, we discuss the concept of collaborative relationship — what we know about it and its essential elements. Then, we briefly discuss our approach, based on Q-methodology, to data collection and systematic analysis of the project practitioner's opinions. Next, we systematically present the revealed practitioners' perspectives on the essence of improving owner–contractor relationships. Finally, we discuss the practical and theoretical implications of the results.

2. Owner–contractor relationships in projects

The effects of the nature of owner–contractor relationships have been investigated in a series of project partnering studies (Chan et al., 2004; Drexler and Larson, 2000; Larson, 1995; Meng, 2011). There is a mixed result in project performance when some degree of partnering (*informal partnering*, *project partnering*, and *strategic partnering*) was used to measure the owner–contractor relationship efficacy. Almost two decades ago, Larson (1995) reports superior project performance achieved by both informal-partnered and fully formal-partnered projects. Recent findings by Meng (2011) however, show that partnered

and even strategic partnered projects did not significantly differ from projects managed by traditional relationship. When the relationship quality indicators were used to measure the effect of owner–contractor relationship, more convincing results emerged. Based on 100 respondents, Meng (2011) concludes that schedule performance can be improved by joint working; cost performance can be improved through open and effective communication, clear and fair risk allocation, regular performance measurement, and no-blame culture; and quality defects can be reduced through effective problem solving mechanisms.

Building on Meng's findings, our focus is on investigating the essential ingredients of owner–contractor collaborative relationships, and not on the effect of different levels of relationships on the project performance. Extant literature suggests two different types of relationship in projects: *adversarial* and *collaborative* (Cheung et al., 2009; Humphreys et al., 2003; Smyth and Pryke, 2008b). It is clear that an adversarial relationship is undesirable and assumed to lead to short-term, opportunistic behavior and confrontational interactions between owner and contractor. A collaborative relationship, on the other hand is desirable and generally characterized by commitment, cooperation, and connectedness of owner and contractor striving for a common goal. However, collaborative relationships may also take a range of approaches such as *strategic alliances*, *project partnering*, *project alliancing*, and *supply chain management* (BSI, 2010; Bygballe et al., 2010; Xue et al., 2010); *relational contracting* (Gil, 2009; Rahman and Kumaraswamy, 2005, 2008); and *integrated teamworking* (Baiden and Price, 2011; Baiden et al., 2006; Bosch-Rekveltdt et al., 2011; Kumaraswamy and Rahman, 2006; Thomas and Thomas, 2005). We therefore define owner–contractor collaborative relationship in a project as the behavioral interaction between owner and contractor working together for the purpose of achieving specific project and business objectives by effective utilization of each party's specific resources and capabilities based on shared values and norms.

Based on a review of related literature, we found an extensive list of elements or components of collaborative relationships. We further identified six key categories emerging from literature, namely: (i) teamworking, (ii) relational attitudes, (iii) capability, (iv) team integration, (v) joint working, and (vi) contract. These six categories are chosen arbitrarily to reflect different conceptual angles on what constitutes collaborative relationships. These categories are not meant to classify different types of relationships (as the terms such as partnering, alliance, or strategic alliance do) but are considered as high order factors of the elements of collaborative relationship. The six categories will be further detailed in the next six paragraphs.

2.1. Teamworking

The role of teams to the success of organizations is well documented in the management literature (Ilgen et al., 2005; Mathieu et al., 2008; Stewart, 2010). In project context, teamworking can be defined as the extent to which members in

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