



# A conceptualisation of relationship quality in construction procurement

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## Abstract

Relational contracting is often regarded as means to improve performance and profit margins in managing projects. A continuum of contracts in construction projects attempts to provide fit for purpose relationships to different working conditions; hosting levels of relationship quality. This study aims to explore contracting methodologies within construction procurement in search of practical and manageable relationship quality attributes. Initially relational attributes such as teamwork, commitment and trust along with seven main strategies for achieving these attributes are extracted from relevant studies. In the second stage construction expert interviews suggest that performance satisfaction is also a practical attribute and necessity of relationship quality. The study proposes a framework of actions and seven strategies which can facilitate the attributes associated with relationship quality. Finally based on the framework and three case studies five levels of *transaction*, *action*, *strategy*, *attribute* and *relationship* are demonstrated for relationship quality evaluation in construction project's procurement practices.

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## 1. Introduction

Project management has a practical and theoretical initiative to focus on collaboration, communication and performance based selection of project participants. This is regarded as a solution to problems arising from the project oriented and adversarial nature of the construction sector (Meng, 2012; Yeung et al., 2012). In theory relationships are often treated as a competency or essential asset required for managing project networks. These are the catalysts to develop collaboration and provide better opportunities for future business as an intangible asset to construction organisations (Eriksson et al., 2009;

Pauget and Wald, 2013; Voss and Kock, 2013; Zou et al., 2014). Nevertheless, from project management and business perspectives, the ultimate goal is to achieve better overall performance and better profit margins. In addition, good relationships with business partners may overcome fragmentation and facilitate collaboration. This can be regarded as a strategic effort for improving performance. Therefore relationships are not the goal, but are the means for achieving strategic goals (Jelodar et al., 2013).

Although working relationships in construction starts with acquaintance and commencement of projects, they are largely articulated and governed by contracts. Traditionally contracts were formulated to assign responsibilities, accountabilities and liabilities to parties involved in different projects. MacNeil (1974) introduced the notion of relational contracting; the idea was to apply mutual planning and relationship development. It is believed that contracts follow a continuum to serve a purpose

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from fully transactional at one extreme to vertical integration at the other; therefore all contracts except the fully transactional carry a relational element (MacNeil, 1974; Sako, 1992). However standard forms of contract are not usually good hosts for good working relationships since their initial goals are to place the blame where there is liability. As a solution contracts with greater capacity for collaboration were structured and popularised in order to stimulate better quality relationships; thus they are known as relational contracting methods.

Ever since these initial research endeavours on relational contracting have emerged; connections and bridges have been made to the construction industry. What is obvious is that in the course of the past few decades' attempts have been made to procure for better relationships in construction projects. Hence managing project is being pushed towards more relational approaches. The problem of collaboration and better relationship in construction still subsists to this day and research and practice of such approaches are still rudimentary (Wolstenholme, 2009; Yeung et al., 2012; Zou et al., 2014). The dominant perception is that relationships should be determined by legal boundaries and arrangements such as partnering and alliancing. Subsequently various research work have focused on relational contracting approaches such as partnering and alliancing (Alderman and Ivory, 2007; Bygballe et al., 2010; Eriksson et al., 2009). Therefore the working relationships in general are formally orchestrated through contracts; nonetheless arrangements such as partnering recognise that difference and even divergent goals of parties need to be met and aligned in order to achieve desired strategic outcomes such as maximizing profit (CII, 1991). In addition relational approaches may include informal alignment of goals and agreements outside the contractual setting as well as the more formal structure of relational contracting. The relational approach regardless of its formal (relational contracting) and informal construct carries a certain level of Relationship Quality (RQ) which could be a measure of assessment for the relationships between the project participants.

Apart from the mentioned approaches in studying relationships individual research has also been performed to identify certain factors or elements which may affect relations and bonds between the parties in construction. Attributes such as trust and mutual goals can also effect collaboration and relationships (Meng, 2010). Harper and Bernold (2005) also mention lack of trust as impediments to partnership relationships. Accordingly because of the formal and structured focus to relationships in construction practices; contracting strategies such as the commitment to fair construction contracts charter based on "gentleman's agreement" notion, and the engineering and construction contract based on a spirit of mutual trust and cooperation have been developed to fulfil the relational prerequisite (Cox and Thompson, 1997). Some of these contracting techniques try to build in trust into a relationship by formal approaches; however there are contradicting views that trust cannot be orchestrated and is in need of time and effort to be developed.

Other sectors have tried and formulated relational approaches especially through the concept of RQ long before the construction industry. Consequently they have obtained a

level of maturity and also professionalism in both research and application of collaborative and relational approaches. Since the early 1990s RQ is used in marketing as a means of implementing relationship marketing which focuses on customer retention (Crosby et al., 1990; Da Silva et al., 2002; Hennig-Thurau, 2000; Storbacka et al., 1994; Wray et al., 1994). In business context RQ allows for the evaluation of buyer–seller relationships (Da Silva et al., 2002). Many different factors such as trust, ethical conduct, behaviour, satisfaction and commitment have been attributed to RQ (Bejou et al., 1996; Lagace et al., 1991).

Historically there has been a general movement towards better collaboration and relationship development with the aim of stronger more constructive bonds for better problem solving and troubleshooting. The ultimate goal is improving performance and project outcomes in a more business oriented environment which has a clear long-term focus. However such movements have not been unified and tools such as RQ have not been explored in construction projects. The other problem is the formal orchestration of relationships in construction which may reduce flexibility and make relationships more superficial and unrealistic. The relational contracting and the whole relationship development agenda in construction are similar in concept to the relationship marketing movement therefore a notion such as RQ could be used in evaluating construction relationships. Hence the main purpose of this study is to identify and conceptualise the possible attributes associated with RQ in construction projects and explain how RQ could be maintained and developed in construction procurement practices.

## 2. Relationship quality: definition and theory

Initially the concept of RQ was suggested as an indication of how appropriate a relationship is for particular purposes; therefore it was soon applied in relationship marketing. Many definition and conceptualisations have emerged, and accordingly there are disagreements and consensus over different dimensions of relationship quality. Hennig-Thurau and Klee (1997) defined RQ as the "the degree of appropriateness of a relationship to fulfil the end needs of a customer", however such definitions do not depict the theoretical implication of the concept. Other researchers have tried to identify factors, attributes, and a construct which can explain the concept realistically which is applicable in theory and practice. However there has been disagreements as to what should these factors or attributes be since relationships are human driven ventures and have significant complexities. From very early stages it was generally agreed on that RQ is "high order construct" (Crosby et al., 1990); implying that it is explained by more than one layer of latent variables or attributes (Hair, 2010). Based on popular literature and mainstream research of marketing and business, Roberts et al. (2003) advocated an attributional definition, and propose that conceptual meanings of constructs are anchored by the properties and/or attributes they possess. Consequently it is widely believed that RQ is attributed as a high order construct made of several distinct though related dimensions or attributes,

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