

SP17-1 — In Search of Partnering Excellence

Executive Summary:

Introduction

The concept of partnering is an approach to conducting business that addresses the economic and technological challenges confronting the U.S. construction industry in the 1990s. This new approach focuses on making long-term commitments with mutual goals for all parties involved to achieve mutual success. It is also an excellent vehicle to help attain total quality management (TQM) for construction projects. Partnering is a term used to define an optimum relationship between a customer and supplier, not to be confused with the formal legal entity, "a partnership," and its associated mutual liabilities.

In 1987, the Construction Industry Institute (CII) established a task force on partnering to evaluate the feasibility of this method of doing business. The mission of the task force was to identify the benefits and risks associated with partnering, and to provide guidelines on the process of how to plan, organize, and select a partner, and how to implement a partnering relationship. Contract considerations for partnering relationships were also considered in the study.

Partnering refers to long-term agreements between companies to cooperate to an unusually high degree to achieve separate yet complementary objectives. The task force defines partnering as: *a long-term commitment between two or more organizations for the purpose of achieving specific business objectives by maximizing the effectiveness of each participant's resources. This requires changing traditional relationships to a shared culture without regard to organizational boundaries. The relationship is based upon trust, dedication to common goals, and an understanding of each other's individual expectations and values. Expected benefits include improved efficiency and cost effectiveness, increased opportunity for innovation, and the continuous improvement of quality products and services.*

Key Elements of Partnering

The three key elements of any successful partnering relationship are trust, long-term commitment, and shared vision. As these elements are developed, other sub-elements are achieved and the benefits to all parties are maximized. Both customer and supplier can profit from reduced overhead and workload stability. Competitive advantage is enhanced through improved cost, quality and schedule. Most importantly, total quality management and continuous improvement are achieved.

Growth and balance are important to the continual improvement of the partnering agreement. For example, in developing long-term commitment, a partnering agreement may grow from single to multiple projects. Likewise, trust may evolve from competitive bidding through complete disclosure of project costs in a cost-plus relationship. Shared vision can expand to open sharing and mutual development of business objectives. Partnering is a many-faceted

relationship needing constant nurturing to achieve continuous improvement and maximum benefit.

Other important aspects of successful partnering relationships are: equity, investment, synergism, shared risks, mutual rewards, a systemic relationship and competitive advantage.

Environment for Total Quality Management

Partnering provides an ideal environment for total quality management because it focuses on a long-term approach of improving ongoing processes rather than an emphasis on individual projects or tasks. Everyone involved in the partnering process must continuously focus on the business objectives set forth in the partnering charter or mission statement. The overall success of the business objectives and the participants will be achieved through effective resource utilization and the continuous improvement of the quality of products and services. Likewise, everyone involved in partnering should resist the temptation to focus on a single task or project, but should concentrate on the long-term aspects of the process.

Cultural Changes Required for a Good Relationship

Partnering relationships are characterized by key practices that represent marked departures from most organizations' cultures. The success of the relationship will largely be determined by recognition of and thoughtful, prompt change from past practices. Individuals and entire organizations may initially feel a loss of control, at risk or awkwardly dependent. Through commitment to partnering principles, cultural change can and must be made. The results will support and sustain the relationship.

The essential factor in installing a successful partnering relationship is to ensure commitment to the concept by both organizations, from the CEOs down through all employees who may be impacted. The major cultural changes and individual practices require that each individual's supervisor, customers and peers demonstrate their support. Operating in the new atmosphere with new practices is then much less awkward and threatening.

Management of change should be a joint activity of the partners, particularly since each will need to better understand the goals and culture of the other prior to their integration. The degree of difficulty in implementing major cultural changes can easily be underestimated. It is natural to address mechanics, procedures and early items of work while assuming the people issues be solved with time. In fact, the mechanics will be of no value if people are not both understanding and motivated to work in the new partnering culture.

CII Partnering Task Force Publication

This report from the task force includes an in-depth discussion of the research findings on current partnering practices in construction. Data is presented on existing relationships, espoused benefits and concerns, and applications to small businesses and projects. Especially useful are the detailed guidelines proposed for selecting a partner, developing a partnering agreement, and implementation of a partnering relationship.

Two videos developed by the task force are available from CII. The first concentrates on the definition of partnering and its potential benefits and concerns. The second video concentrates on the implementation of a partnering relationship. Both videos have been developed to complement this publication, but they also can be used independently.

Summary

Partnering offers many opportunities to participants in the U.S. construction industry to improve the total quality and cost effectiveness of construction projects, while developing an atmosphere much more conducive to innovation, teamwork, trust and commitment. Partnering also can enhance U.S. competitiveness in the worldwide marketplace. Rather than a new contract system, partnering is an improved process for cooperative business relations.

Partnering requires a long-term process to evaluate entering into a relationship. It also requires a long-term process to select a partner and implement the relationship. Cultural change is required by all parties to achieve success. It can be used by either large or small businesses, for either large or small projects. Relationships can be developed among all participants in construction: owner-contractor, owner-supplier, contractor-supplier and contractor-contractor.

Several partnering relationships are now in existence. Despite their limited experience, most are optimistic about the potential for future success. Many other companies are considering entering into partnering relationships.

Partnering is an excellent vehicle for attaining TQM in the construction process. An effective partnering relationship will facilitate improved quality by replacing the adversarial atmosphere of traditional business relationships with a team approach to achieve common goals. Team members can challenge directives when the impact on the work affects quality or is disproportionate to the benefits. The potential for improved quality also is increased due to a better understanding of project scope and an atmosphere more conducive to implementing new technologies.

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