

Relationship Maintenance in Construction Alliance Projects

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Abstract

Alliance projects are not based on low bid tendering. To be successful they depend on soft-dollar factors, particularly the participant's ability to work together within an agreed framework. Participants must be prepared to do business in an open environment that is based on trust and mutually agreed governance. The research evaluates the maintenance of relationship in the implementation phase of construction alliance projects. To determine the factors that contribute to relationship maintenance forty-nine experienced Australian alliance project stakeholders were interviewed. The main findings were; the development of relationships in the early stages of the project form the building blocks of success from which relationships are maintained and project value added; quality facilitation plays an important part in relationship maintenance and a virtual organisation that is created as a result of alliance development overcomes destructive organisational boundaries. Relationship maintenance is integral to alliance project control and failure to formalise it and pay attention to process and past outcomes will undermine an alliance project's potential for success.

Alliance Contracting

Alliance type projects are increasing in number and represent a large pool of work undertaken, for example Davis (2005) catalogued thirty-four Australian relationship style projects with an average value of \$150 million. Specific noteworthy examples are the National Museum of Australia project with a total budget of A\$155.4 million (Walker and Hampson 2003), the WA21 Alliance project in Western Australia with a total budget of A\$150 million (Whiteley 2004; Whiteley 2004) and Sydney's Northside Storage Tunnel project having a total budget exceeding A\$460 million.

The differences between alliance and traditional procurement is well documented (Davis and Walker 2003), essentially there are three factors that must be present if an alliance is to be successful (Hutchinson and Knisely 1999; Hutchinson and Gallagher 2003; Ross 2003; Davis 2005):

1. The first is *alignment of objectives* (Kubal 1994; Allen 1995; Pascale and Sanders 1997; Boyd and Browning 1998). To realise this participants attempt to align objectives through scope development, targeting relationships that build trust (Kubal 1994; Pascale and Sanders 1997).
2. The second is *win-win attitudes* (Kubal 1994; Hampson and Kwok 1997; Tomer 1998). Contemporary alliance research is punctuated with phrases that include; 'win-win outlook', 'common goal attainment' and a 'search for synergy'. These terms, whilst not explicit in contract documents developed for alliance projects, does form an implicit underpinning theme (Hollingsworth 1988; Hutchinson and Gallagher 2003). Benchmark documents that have captured a change in transactional contracting strategies advocate the use of alliance type strategies (Latham 1994; Egan 1998). These benchmark documents, when compared with more recent texts that discuss relationship based procurement, show

where enhanced value is provided to project participants in a RC environment (Keniger and Walker 2003).

3. The final factor for a successful alliance is *risk allocation/ commercial incentives* (Scott 1993; Fellows 1998; KPMG Legal 1998). By cooperating, the participants aim to reduce overall project costs, share project risk and reward and increase mutual profits (Allen 1995; Das and Teng 1998; KPMG Legal 1998; Hutchinson and Gallagher 2003; Ross 2003; Whiteley 2004). Successful alliances are not based on low-bid tendering. Awkward issues, such as price and change to the scope, are accounted for by participants at the earliest opportunity (Kubal 1994; Allen 1995; Pascale and Sanders 1997; KPMG Legal 1998; Walker, Hampson et al. 2000).

These three factors are founded on; trust, cooperative rather than adversarial relations, collaboration rather than competition, problem solving and innovation rather than sanctions or contractual penalties (Boyd and Browning 1998; Davis 2005). Most importantly, an understanding of relationship maintenance is required (KPMG Legal 1998; Thompson and Sanders 1998).

Relationship Development/ Maintenance

Relationship maintenance is an outcome of an evolving, incrementally redefined relationship development strategy that changes the context in which people act (Ford, Hakansson et al. 1985; Dwyer, Schurr et al. 1987; Wilson 1995; Pascale and Sanders 1997; Ford 1998; Thompson and Sanders 1998; Donaldson and O'Toole 2001; Walker and Hampson 2003). For expediency three phases are captured in a conceptual model (Figure 1) and represented under generic headings; Assessment, Commitment (both low-lighted) and Enduring (highlighted). The three phases in Figure 1 are founded on the literature abstracted in Table 1.

Author	Sector	Phase 1	2	3	4	5
Wilson (1995)	Business markets	Partner selection	Purpose definition	Boundary setting	Value creation	Relationship maintenance
Pascale (1997)	Outsourcing services	Internal alignment	Partner selection	Relationship alignment	Project alignment	Work process alignment
Thompson & Sanders (1998)	Construction industry	Cooperation	Collaboration	Coalescence		
Donaldson et al. (2001)	Strategic business perspective	Initial contact	Lock-in	Institutionalisation	Dissolution	
Ford (1998)	Business interdependencies	Awareness	Exploration	Expansion	Commitment	
Boddy, Macbeth and Wagner (2000)	Manufacturing supply chains	Emerge	Evolve	Grow	Dissolve	
Dwyer, Schurr and oh (1987)	Marketing exchange	Awareness	Exploration	Expansion	Commitment	Dissolution

Table 1 Foundation of Relationship Development/ Maintenance

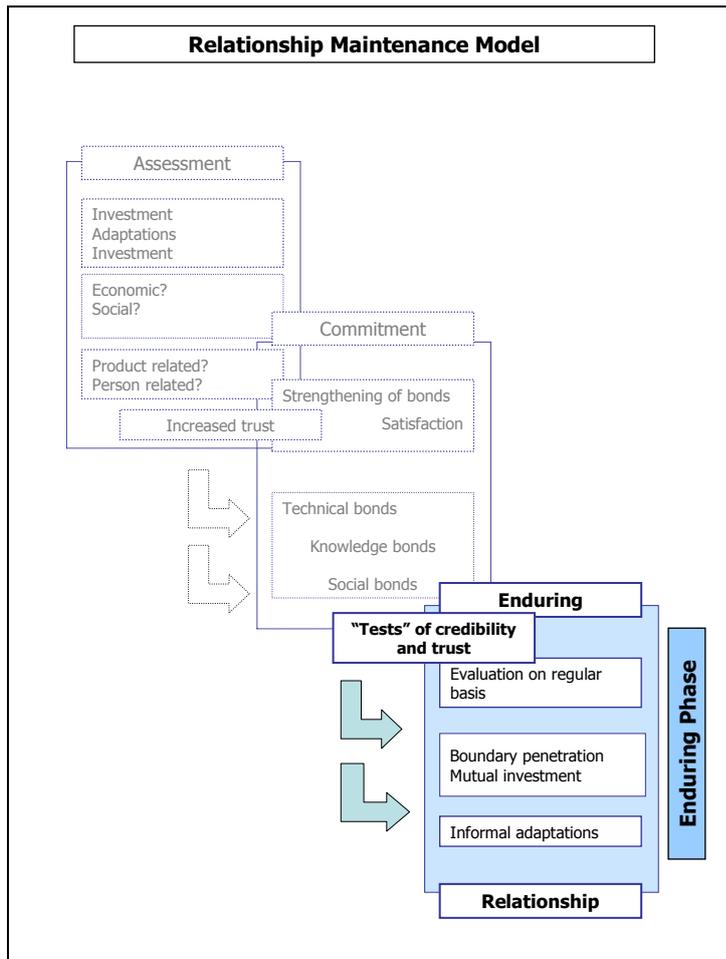


Figure 1 Relationship maintenance model

Assessment and Commitment Phase

In the assessment phase individual parties are not exclusively committed to one another and guarded exchanges of information take place that exhibit limited degrees of trust. Trust will increase as a consequence of perceived investments of an economic or social nature. They may be product or person related, designed to add project value. Comparison with alternative potential relationships may take place, but eventually a decision based on limited information available will allow continuation to the commitment phase.

From these phases a firm will move and focus on the enduring or maintenance phase to develop a successful alliance outcome.

Enduring/ Maintenance Phase

As the participants within the process become more particular, their outcome begins to impact more significantly on other organisational interactions (Ford, Hakansson et al. 1985). Wilson (1995) refers to a 'hybrid team' to describe the participants in the process that commence to acquire communal assets. They begin to become more interdependent (Dwyer, Schurr et al. 1987) and organisational lines disappear (Thompson and Sanders 1998). Knowledge of norms and values of associated participants is acquired (Ford 1982). Dwyer, Schurr and Oh (1987)

indicate that when exemplary exchange takes place surpassing expectations, attractiveness increases thereby enhancing goal congruence and cooperativeness. Informal rules created in the team establish governance within the structure of the relationship (Wilson 1995). Organisations alter their procedures and make informal adaptations (Ford 1982). These reciprocal adaptations involve cost, as asset specific resources are difficult to transfer to other uses; these actions bind the participants together.

In this section a theoretical model of relationship development has been proposed using business and relationship marketing literature. The model was founded on analysis of similarities between the various stages proposed by particular writers. These writers argue that relationships emerge incrementally in stages and define learning that will subsequently emerge in the maintenance phase of an alliance (Wilson 1995; Pascale and Sanders 1997; Ford 1998; Thompson and Sanders 1998; Donaldson and O'Toole 2001).

Following this, the balance of this paper will: (1) test the enduring (maintenance) phase of a theoretical model described within the confines of alliance projects; and (2) show a conceptual fit of relationship maintenance appropriate for complex alliance/ construction projects.

Method and Research Design

To test the theoretical model a hybrid purposive/ snowball sample of forty-nine construction managers experienced with alliance projects were interviewed using a semi-structured instrument (Patton 1990; Oppenheim 1992; Robson 1993; Sarantakos 1993; Cassell and Symon 1994; 1996; Burns 2000; Collis and Hussey 2003). The focus of the data collection was directed toward individual construction managers and how their relationships were maintained within an alliance setting.

The context and content of the interview instrument were founded on two independent surveys; a quantitative mail survey to 898 construction personnel in WA that sought to determine the influence of such variables as; trust, commitment and mutual goals in relation to RD and a case based study that evaluated the development workshops pertaining to four contemporary Australian alliance projects (Davis 2005).

The interview instrument's focus was designed to assess processes and interactions that allow relationship maintenance (Patton 1990) together with the affect that key variables found associated with relationship building have on various alliance projects participants.

The stratification of respondents was typical of parties involved with alliance projects. It was balanced across the construction sector comprising; consulting engineers, consulting project managers, contractors, and client representatives.

Four-stage typology analysis of the transcripts; transcribing, analysing; generalisation and control were used with a focus on content analysis together with other unstructured methods to reduce the expansive data to meaningful content (Stewart and Shamdasani 1990; Tesch 1990; Robson 1993).

A three-stage alliance relationship model

The process of developing relationships draws together many facets from initial strategy, through commitment to durability and finally enduring relationship quality. These three phases are not mutually exclusive and each represents a collection of iterative macro processes. The boundaries referred to in the phases of relationship development are indistinct and dependent on supply chain activities; they may change with individual relationships, for example Araujo, Dubois & Gadde (1999) propose four interfaces from standardised, through specified and translational to interactive. These four categories of interfaces balance the costs and benefits of establishing and maintaining relationships. A further aspect known as boundary penetration (the degree each partner organisation overlaps the other in a joint action), serves to reduce a silo effect or participant partitioning (Heide and John 1990). Accordingly each phase interacts with subsequent phases through seamless boundaries that are punctuated with incremental investments.

A three-stage alliance relationship model that draws on key papers and forty-nine interviews focusing on relationship maintenance is shown in Figure 2 (Ford, Hakansson et al. 1985; Dwyer, Schurr et al. 1987; Wilson 1995; Pascale and Sanders 1997; Ford 1998; Thompson and Sanders 1998; Donaldson and O'Toole 2001; Walker and Hampson 2003).

From the interviews that covered relationship development it is apparent that the assessment and commitment phase are the building blocks from which an enduring (maintenance) phase is forged.

In the maintenance stage of a relationship, enduring strong ties are founded upon commitment (technical, social and knowledge bonds). These bonds are manifest in an alliance as; process (of the workshops), attributes (of relationship development i.e. trust building), outcome (that leads to the enduring phase of the relationship) and interrelationships (both individual and organisational) (Davis 2005). Regular evaluations, often facilitated by a coach, are in place to ensure maintenance of the relationship quality. Reliability, informality and trustworthiness are the outcome of these bonds and are described as relationship quality (RQ) (Ariño, Torre et al. 2005). RQ can not be bought and is not readily available to competition in the market place; however it augments the competitiveness of an organisation through its continual reuse in the enduring relationship.

The interviews showed that respondent's placed a good deal of responsibility on coaches or facilitators to help develop and analyse behaviors in the early phases of the relationship. The respondents suggested that all alliance projects benefit from somebody with people skills able to provide coaching, initiate particular interventions and sense "Where the heat [disagreement/ misalignment] is coming into some of the relationships [and enabling it to be dissipated]." (R20). Clients expect their facilitators to put the non client participants to "the test" and ensure correct behaviors in accord with their alliance principles. They had no desire to revert to adversarial relationships.

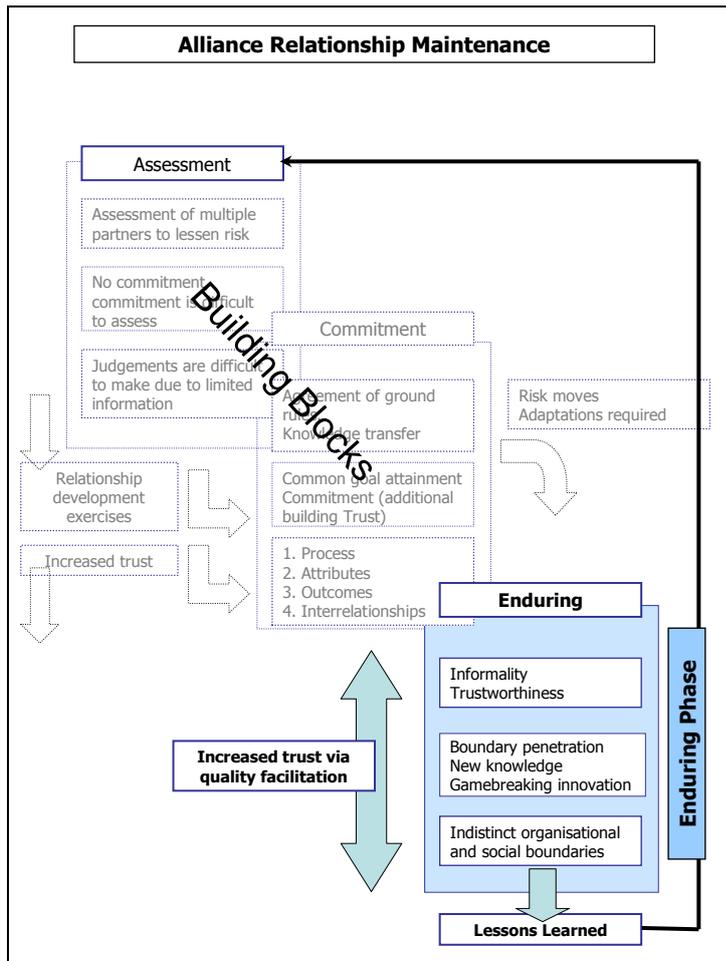


Figure 2 Three stage alliance relationship model

Particular activities also assisted in the early phases. Several mentioned a social function, as an example; “After a long hard day of considerable pressure there was the opportunity to build on connections that were touched on in the activities through the day.” It was suggested that any reserve that may have been in place due to perceived competition would disappear as participants were carefully brought out of their comfort zone. Experienced facilitators would use examples and draw on participants’ experience and expertise on other projects to do this. Coaches were said to have an enormous impact on relationship development processes and were used to deliver a fair workshop outcome that was balanced and objective. All respondents made use of coaches and/ or facilitators. It was apparent that the sample recognized their own particular shortcomings and used facilitation to overcome them.

Cohen & Levinthal (1990) use the term *absorptive capacity* to describe the acceptance of new knowledge which includes a propensity toward openness and tolerance of mistakes. In this context having a history of gamebreaking ideas suggest absorptive capacity is important to this stage of the alliance relationship development model. People that have an ability to note an opportunity of an idea transferred from one discipline to another are useful to the relationship at his stage. For example in one of the projects discussed by the respondents several were able to cite an example of technology transfer of a significant nature that was indeed gamebreaking.

In the interviews participants spoke of commitment to particular project benchmarks as lead indicators. There was a conscious effort to simply utilize lagging indicators based on past effort. They referred to knowledge management and knowledge transfer that is typical in an alliance project as indicators of relationship maintenance. It was said that the alliance creates a “knowledge bank” that is held by any of the organizations. For example, particular problems that have occurred elsewhere can be revisited and avoided on a current project. So it’s organisational learning coming to a peak and there’s no reluctance in providing information in the alliance context.

The third stage of relationship development was referred to in the literature as *enduring*. As indicated in the literature, the relationship would be becoming close to fruition. Indistinct organisational and social boundaries would become less evident as boundary penetration of participants creates an informal hybrid team that is to be in place for the duration of the project (Wilson 1995). In the interviews over 20% of the respondents referred to the integrated nature of the team and the fact in the maintenance phase of the alliance process individual corporate identities were replaced with an alliance team. Several describe the nature of the team as “a dynamic team with a life of its own”. Others would simply indicate “we work for the alliance” and were not interested in the fact that a colleague came from another company. The culture of the team put in place and generated in the relationship building phase of the alliance was an important aspect monitored throughout the maintenance phase. It was enhanced in three areas; the team’s identity, its relationships and physical location. Individuals found that they were prepared to put the project ahead of their own corporation’s interests and this was supported by the higher level leadership team. The culture of the lead team was such that the overall team was treated equally with regard to reprimands and accolades; there was no evidence of blame in any situation. Individuals cared for the well-being of one another and “created a feeling of empathy”. Physical location enabled the team to operate as a “virtual organisation” communicating effectively and share information; knowledge was created as a consequence and individuals collaborated to “think outside the box” and productively solve problems.

Conclusion

It is argued that the relationship development process is crucial to a successful relationship contract/ alliance. It is also argued that there is a recognisable structure to RD that is underpinned with specific themes that should be considered when managing the RD process (see Figure 2). It is indicated that relationship based procurement is dependent upon and is reinforced by joint learning from joint problem-solving activities established in the relationship development workshops.

In the study, when asked about relationship maintenance associated with alliance projects, the respondents were positive. Essentially they believed that the selection process that included relationship development workshops added significantly to the benefits that they all accrued in the maintenance period. The benefits were not limited to process benefits but flowed into product or relationship benefits. The alliance development provided a context for building personnel connections; effectively a framework or scaffolding from which the relationship would be built upon. The actual process of the relationship development/ maintenance would provide value to the project. Often, however, value created in the process would not be captured in a tangible way; through reporting for example. This failure caused several respondents, mainly clients, to underrate the value and presume that the relationship afforded little gain to the overall project.

Finally the benefits from the literature were wholly supported; for example Han (1993) and Wilson (1986) cite examples where relationships between long-term buyer-suppliers save inspection costs and consequently provide benefits in quality and reduced lead-in times. The primary benefits that all the respondents in the study spoke about were trust, commitment and the development of mutual goals that were engendered at an early opportunity and reinforced throughout the project maintenance stage.

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