PARTNERING: AN AUSTRALIAN PERSPECTIVE

PART 1 - PARTNERING EXPLORED

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1. Introduction

Over the last two decades contractual claims and disputes have bedevilled the building and construction industry in Australia (the Industry) and significantly affected its performance in terms of productivity and efficiency. The reasons for and implications of this have been explored in a considerable number of reports and papers on the subject, including: the Royal Commission into Productivity in the Building Industry in New South Wales (the Royal Commission) Public Discussion Paper *Contractual Claims and Disputes: Towards Implementation of Existing Reform Proposals;* and the report of the Joint Working Party of the National Public Works Conference and the National Building and Construction Council entitled *No Dispute: Strategies for Improvement in the Australian Building and Construction Industry* (No Dispute).

These and other reports concluded that, largely as a result of bad planning and poor communications, the present system of contracting affects the performance of the Industry in three main ways. Namely:

(1) risks and obligations are often allocated in inappropriate and frequently unfair ways between the contracting parties (a process many say is encouraged by the competitive tendering system);

(2) imprecise delineation of the respective roles of the various parties involved in the building and construction process regularly occurs and confuses the responsibility for particular risks; and

(3) poor and incomplete definition of the required outcomes of projects produces defective design and other project documentation.

The end result is deficient contracts and contract administration, especially in project programming and co-ordination. This generates claims and disputes which, in turn, leads to aggressive, adversarial relationships between the contracting parties. It also, of course, adversely affects the time and cost performance of projects, which costs the Industry, its clients and the Australian community millions of dollars each year.

The high level of interaction between project participants, required to deal with the many complex issues and overlapping responsibilities they face, creates great potential for claims and disputes and makes co-operation between the participants particularly desirable. In the United States the concept of partnering, or co-operative contracting, has been developed and successfully tested as a means of improving relationships between those involved in the construction process (essentially by encouraging open communications between them and resolving problems quickly and in mutually beneficial ways), whilst increasing productivity and profits.

This paper outlines the concept of partnering in Sections 2, 3 and 4. The benefits and disadvantages are canvassed in Sections 5 and 6. The discussion then turns in Section 7 to the relationship between partnering and the ideas behind quality management. Section 8 looks at the necessary elements for successful partnering and the conclusions are in Section 9. The implementation of partnering arrangements and their implications for independent consultants are dealt with in Parts 2 and 3 respectively of this paper, which will follow in future issues of this journal.

2. What is Partnering?

Partnering is a private arrangement made between Industry participants such as owners and suppliers, contractors and suppliers, and clients (including their representatives and consultants) and contractors (both head contractors and subcontractors).

Partnering provides mechanisms for co-operation between the participants to occur. Under a partnering arrangement all parties to it agree, in a formal partnering charter, to focus on co-operation and to work to avoid adversarial confrontation. "Working relationships are carefully and deliberately built based on mutual respect, trust and integrity" (Cowan 1990, p. 2). This not only prevents disputes but encourages rational allocation of risks, sharing of information and the use of new technologies. The results are improved productivity and profits, with reduced costs, claims, disputes and stress.

Partnering therefore provides a more rational and cost effective approach to contracting. It can provide benefits not only to project participants but also to the Industry and the community generally. These potential benefits led Royal Commissioner Gyles to urge that there be a greater familiarisation with partnering in this country. Mr. Gyles felt that partnering has much to offer by:

1) giving both public and private sector participants in the building process a greater insight into the conceptual basis of that process in terms of the interpersonal relationships involved; and

2) providing practical guide-lines for structuring relationships in a manner which removes energy-sapping disputation and conflict, increases communication and achieves the best utilisation of the skills of all participants both in relation to individual projects and in the longer term (Final Report, p.77).

There are a large and varied number of forms that partnering arrangements can take. For any given organisation there will be forms that are more suitable than others, that are easier to implement, and match organisational objectives better. The following discussion looks at three broad categories: full partnering; limited partnering; and public sector partnering.

2.1 Full Partnering

The general view in the United States of America is that the full benefits of partnering can only be derived from the establishment of long-term commitments, in relation to either a single long-term project or a number of different projects over many years. A long-term relationship, it is argued, is necessary to engender confidence, trust and generally positive attitudes. This belief is reflected in the definition of partnering developed by the task force established in 1987 by the United States Construction Industry Institute (CII) to evaluate the feasibility of the concept. The CII Task Force defined partnering as:

> *a long-term commitment between two or more organisations for the purpose of achieving specific business objectives by maximising the effectiveness of each participants resources. This requires changing traditional relationships to a shared culture without regard to organisational boundaries. The relationship is based on trust, dedication to common goals and understanding of each others individual expectations and values (1991, p iv).*

It follows from this definition that partnering arrangements which do not stretch beyond the life of one short to medium term project cannot be expected to succeed. There is, the argument goes, simply not enough time to allow the openness, sharing of responsibility and joint problem solving vital to successful implementation of partnering to develop. "Between client and contractor it means that each project begins at the bottom of the learning curve rather than an empathy being built up over several projects" (Foster 1991, p.3).

This however is not necessarily the case. It assumes that:

1) clients, contractors and consultants cannot accumulate the experience of partnering, and learn on a project-by-project basis with different 'partners'; and

2) mechanisms do not exist within the techniques adopted in partnering to yield at least some of its benefits in the short-term.

2.2 Limited Partnering

More limited forms of partnering than that encompassed in the CII definition, which may be termed 'full partnering', exist. There are in fact many different possible definitions of the concept, stemming from the fact that there are many different applications and shades of partnering. Two examples are agreements with pre-selected, preferred contractors and project co-ordination agreements. Under a pre-selection agreement the client selects contractors or suppliers who agree to enter into standard contracts at some time in the future, while the client agrees to provide advance information on future requirements to facilitate planning on the part of the contractor or supplier necessary to meet these requirements (Loraine 1991, p.2).

Co-ordination agreements typically make provision for the establishment of a project team comprised of representatives of the client and the main contractor and possibly specialist sub-contractors also, to co-ordinate the carrying out of the relevant project(s). Often this is done with the assistance of a facilitator whose prime task is to monitor performance of the project(s) and the carrying out by the parties of their respective responsibilities. It is possible to progress from pre-selection agreements to co-ordination agreements and on to full partnering.

It is worth noting in this context that in Europe and the United States many full partnering arrangements grow out of informal contract by contract relationships between participants which stretch back over many years. The partnering agreement which presently exists between Du Pont and Fluor Daniel is an example of this. Not all 'partnerships' however fall into this category. The United Kingdom's National Economic Development Council (NEDC) Study Team which visited the United States to evaluate the application of partnering to the UK building and construction industry noted that while most of the partnered projects they examined followed this pattern, it was "interesting to learn from Kellog that they had no previous relationship with their 'partner' Proctor and Gamble, who had simply gone to the marketplace and undertaken a prequalification exercise. They had then invited the short-listed companies to tender for a partnering arrangement on a rather more formal basis" (Flint 1991, p. 3).

By way of further example, Foster considers that collaborative sourcing of materials between clients and suppliers can be a form of limited partnering (Foster 1991, p. 4). Taylor makes the same claim for some forms of repeat business. He states that if the repeat business is regular and based on good relations, good performance, the ability to improve the ways of working, and leads to continuous improvements in performance, it almost constitutes a full partnering relationship (Taylor 1991, p. 6). Relationships of this type are sometimes formalised in "ever-green" contracts "whereby a contractor is under contract to an owner to do repeat jobs as and when required often on the basis of a pre-agreed schedule of rates" (Hinksman 1991, p. 6).

According to Loraine, full partnering can be applied to:

- a number of large projects occurring over a number of years;
- a major single project lasting several years;
- a continuous well-planned and firmly budgeted sequence of medium sized similar projects with a long overall time duration; and
- projects with a high engineering content.

Conversely, he argues that full partnering is not suitable for:

- small to medium sized projects where the client is not able to plan and budget ahead to any great extent;
- projects with low engineering content; and
- 'bread and butter' medium sized civil engineering projects (Loraine 1991, pp. 6-7).

He nevertheless observes that many of the elements of full partnering can be applied in these cases to yield many of its benefits. The formality of the organisational structure used to implement partnering can simply be scaled to fit the objectives of the parties, the size of the project(s), and the resources of the participants.

2.3 Public Sector Partnering

Despite the reservations of many, partnering can also be utilised successfully in the public sector. The most comprehensive partnering arrangements in the construction industry to date have, in fact, been developed in the United States by the US Army Corps of Engineers (the Corps) which is a major public sector client of the US construction industry and is credited with pioneering partnering in that industry.

Doubts arise as to the application of partnering in the public sector because of the high level of public accountability of government construction authorities. The public interest demands value for money in the expenditure of public funds and such agencies must maintain objectivity and avoid impropriety or partiality, both in fact and in appearance. This means that normally contracts for public works are awarded on the basis of some objective form of competitive bidding, open to public scrutiny. Thus Commissioner Ian Temby of the New South Wales Independent Commission Against Corruption (ICAC) has stated that ICAC "would object strongly to any proposal which could be interpreted by public sector organisations as a way to avoid rigourous assessment of competitive tenders as the basis for selecting contractors who will be the recipients of substantial funds" from the public purse (ICAC 1991, 14.7).

Competitive tendering as a form of competition precludes long-term, repeat business commitments being made to selected contractors and consultants and thereby, in the eyes of many, rules out full partnering in the public sector, at least in its deepest and potentially most rewarding sense. Moreover, some see the essence of partnering as being the elimination of competitive bidding, which is seen as wasteful of resources and responsible for the introduction of conflict at the earliest stages in the life of projects. Foster for instance states that:

> *The acceptance of the lowest tender, which is [often] a requirement within the public sector, frequently ensures that relationships thereafter will be strained. On the one hand the contractor is looking to secure the [best] profit he can derive. On the other more often than not the client is clarifying his mind on exactly what he wants ... The result is the process - if one can dignify it with such a name ... of tendering at rock bottom prices and relying on claims [based on alleged variations to the works among other things] to produce a profit or even cover costs. (Foster 1991, p. 1).*

Unless appropriate safeguards are established it seems that so long as there is someone prepared to gamble and take unreasonable risks the competitive tendering system is itself at risk as an effective form of competition. Competitive tendering for private as well as public sector work is however not in fact precluded by partnering. The fact that the Corps is required by United States law to adopt competitive tendering and indeed accept the lowest conforming tender for the construction of its capital works provides cogent evidence of this fact. Not only has the Corps pioneered partnering in these circumstances, it has done so on a single project basis. Moreover these projects have been remarkably successful, recording results which include an 80 to 100 per cent reduction in cost overruns and the virtual elimination of project time overruns. This has been achieved with a 75 per cent reduction in project paperwork and completion of all projects with no outstanding claims or litigation. At the same time there have been significant improvements in site safety records and improved morale in the organisations involved (Cowan 1990, p. 1).

While a highly contested bidding process can create barriers, this need not necessarily be the case. Commissioner Ian Temby of ICAC has stated that any suggestion that competitive tendering leads to a high incidence of claims and disputes needs to be challenged. He considers that inadequate assessment criteria, resulting in the selection of unsuitable contractors, and subsequent poor management by them, are to blame. Poor tendering and contracting practices, he concludes, should not be used to discredit competitive tendering as a selection mechanism (ICAC 1991, 14.8 and 14.9). Conversely, effective criteria for the assessment of tenders and eligibility of tenders in terms of, among other things, their technical competence and financial capacity would go a long way towards eliminating excessive risk taking by contractor and consultants.

Moreover, it should be possible to develop a strategy for competitive bidding that is in keeping with the principles of partnering. Where partnering is contemplated the acceptance of its philosophy and a willingness to partner within defined parameters could be incorporated into the tender documents. This could be supplemented by other criteria directed toward ensuring that the potential partner (the successful bidder) has a corporate / organisational culture amenable to the partnering philosophy. Further, the traditional contract used for the project could incorporate rational risk sharing and be made consistent with the partnering process contemplated in special conditions in the contract.

3. What Partnering is Not

Whatever form the partnering arrangement takes, there are certain things that it is not. In particular, it is not the only way to successfully perform building and construction work, although it has the potential to significantly improve project outcomes. Nor is partnering an exclusive arrangement that precludes the participants having other project relationships, or maintaining relationships with non-partners.

Partnering is not a "partnership" in the strict legal sense of a common business enterprise with shared labour, capital and liabilities, and does not create the legal relationship and rights and obligations that those in partnership have. Nor is partnering a joint venture in the strict legal sense.

Finally, it does not fundamentally alter the contractual relationships of the parties. The traditional contract documentation remains substantially in place and operates alongside the partnering arrangements. This is so because partnering is concerned with the quality and nature of the daily working relationship between the parties, not their strict legal rights and obligations. Partnering arrangements may nevertheless be formally documented, to one degree or another. The degree depends on the size of the project(s) concerned and the resources of the parties. Care must be taken to ensure that the traditional project documentation and the partnering philosophy and procedures are compatible with one another, which would normally require some amendment to the traditional contract documentation.

4. Cultural Change in Partnering

Partnering relationships are characterised by a few key practices that are markedly different from most organisation's cultures, and the success of a partnering relationship is largely determined by the ability of organisations to change traditional practices. As noted by the United States CII Task Force the required change in practices "will not be easy [to make as in the process] individuals and entire organisations will feel a loss of control, at risk and awkwardly dependent. Through commitment to partnering principles, however cultural changes can ... be made" (1991, p. 4). These key partnering practices and the traditional practices they replace are set out in the following table produced by the CII Task Force.

5. Benefits of Partnering

Based on discussions with construction industry participants, selected case studies, survey data, and the collective experience of United States CII members, the CII Task Force identified a range of potential benefits that the parties to a full partnering relationship may possibly derive. These benefits were in summary an improved ability to respond to changing business conditions, improved quality and safety, reduced cost and project time, improved profit and value, and more effective utilisation of resources.

To these can be added the following further benefits:

1. Better project documentation, flowing principally from the involvement or, at least, the earlier involvement of the contractor and possibly specialist subcontractors in the design process and the more open communication and team work encouraged in partnering;
2. Improved site management methods and project co-ordination, stemming from the better project documentation, more open communications and the cooperative, team-orientated approach taken in partnering;
3. More effective performance measures, stemming from the commitment to continuous improvement, the importance of performance evaluation in partnering and the elimination or substantial reduction of conflict as a cost factor in performance measures;
4. Development of management systems and methods at all levels. Improvements in these

Table 1. Key Partnering Practices vs. Traditional Practices

Key Practices in Partnering Relationships	Traditional Practices
Mutual Trust forms the basis for strong working relationships.	Suspicion and distrust; each party wary of the motives of actions by the other.
Shared Goals and Objectives ensure common direction.	Each party's goals and objectives, while similar, geared to what is best for them.
Open Communications avoids misdirection and bolsters effective working relationships.	Communications are structured and guarded.
Long-Term Commitment, which provides the opportunity to attain continuous improvement.	Single project contracting.
Objective Critique geared to candid assessment of performance.	Objectivity limited due to fear of reprisal and lack of continuous improvement opportunity.
Access to each other's organisation; sharing resources.	Limited access with structured procedures and self-preservation taking priority over total optimisation.
Total Company Involvement Commitment from CEO to team members.	Normally limited to project level personnel.
Sharing of business plans and strategies.	Sharing limited by lack of trust and different objectives.
Absence or minimisation of Contract Terms that create an adversarial environment.	Routine adversarial relation-ships for self-protection.
Integration of administrative systems and equipment.	Duplication and/or translation with attendant costs and delays.

Source: CII, 1991.

Although, as already noted, partnering is not the only way to successfully conduct business, the alternatives cannot ultimately include the worst manifestations of the present system, ie. the traditional practices identified in the above table. This is because they largely involve relationships characterised by conflict and, whatever its causes, conflict saps the energy of all concerned. A system based it cannot and will not produce efficiency and productivity.

areas spill over into all activities, including design, purchasing, training, supervision and safety;

5. Greater scope for career development and improved training, especially for contractors and their staff due in large measure to the ongoing workload and continuity of employment that partnering can bring;
6. Problems tend to get solved not escalated;
7. Information is shared by the participants, not preserved for commercial advantage and adversarial case building purposes;
8. Significantly increased reliability enjoyed by all concerned. As Field notes, from the client's perspective "although it would be wrong to become complacent about the contractor's performance, it is reassuring to know that the key issues are in safe hands. To be confident that standards of quality will be met, that security and other procedures will be properly organised when working in occupied or sensitive areas, and to know that the project will be completed on time" (1991, p. 9);
9. Image may be enhanced by close association with respected, prestigious participants. Bovis Ltd, for example, acknowledges that it is proud to be associated with the leading British retailer Mark & Spencer (M&S) whose name, it claims, "is synonymous with quality" (Field 1991, p. 10);
10. Partnering associations provide a good base from which to expand business. To draw again on the experience of Bovis Ltd. it is acknowledged that "the regular and predictable workload which M&S has provided formed a solid base from which [it] has steadily expanded over the years." (Field 1991, p. 12);

The desire for these benefits should, as the concept of partnering becomes better known and understood, lead to its greater acceptance and use in the industry. Partnering however, does have limitations and pitfalls which must not be overlooked and these are the subject of the next section.

6. Disadvantages of Partnering

There are a number of potential disadvantages to partnering that have to be addressed. While the importance and relevance of each of the disadvantages discussed below will vary between organisations, they will need to be considered by those contemplating a partnering arrangement. The disadvantages discussed are: over reliance, perceived conflicts, cost of involvement, lack of competition, and complacency and value for money. This is followed by a discussion of some possible strategies for overcoming these disadvantages.

6.1 Over Reliance

Such evidence as exists shows that, as least as far as clients are concerned, partnering is mostly undertaken with the view of reducing the resources and overheads applied in non-core areas of their business to allow greater concentration on core activities. This clearly was the finding of the NEDC Study Team (NEDO 1991, p. 1). This primary motivation for partnering may well involve the client progressively running down in-house skills and expertise in the areas where 'partners' have been engaged. This may make it extremely difficult, expensive and disruptive for the client to withdraw from a partnering arrangement. These factors could, in turn, result in it being locked into that arrangement after this is no longer desirable or left in an invidious situation once the arrangement comes to an end.

6.2 Perceived Conflicts

Related to this is the risk perceived by each contractor and consultant that they "may be seen to be too closely tied to one particular client, whose competitors might then exclude [them] from their own tender list for a possible conflict of interest either real or imagined" (Loraine 1991, p. 4). Such missed opportunities could cost the excluded party dearly.

6.3 Cost of Involvement

Partnering, especially full partnering, is not an easy option. Its success often requires the commitment of considerable time and money as well as a genuinely held belief in the value and philosophy of partnering.

6.4 Lack of Competition

There is concern that full partnering, which relies heavily upon the integrity of the participants, could be used as a cover for collusive and anti-competitive arrangements. Temby claims, for example, that close knit working relationships over a long period tend to severely erode competition (ICAC 1991, 14.4). The possibility of this, or even the perception that it could be the case, is of particular concern in public sector contracting where value for money, fairness and probity are fundamental to public accountability requirements. Johnson notes however that, "a constructive working relationship with the private sector does not mean that the vigilance necessary to protect the public interest is lessened in any way" (1990, p. 9). All government procurement responsibilities and requirements must be observed in cases of public sector partnering in the same way that such a partnering relationship in the private sector is subject to the operation of all relevant laws and regulations, including trade practices legislation with its emphasis on anti-competitive behaviour.

Moreover, Foster claims that partnering, properly considered, is not only consistent with competition but may indeed be regarded as another effective form of it because "in most circumstances it is likely to lead to efficiency and both consumer and producer satisfaction as well as higher profits" (1991, pp. 2 & 4). The continuous achievement of this result depends on the sharpness of the competition being consciously and consistently maintained by the participants in the partnering arrangement.

6.5 Complacency and Value for Money

If strategies are not in place to ensure that this occurs, there is the danger that the parties may slip into a secure, comfortable relationship, become complacent, and lose sight of the market value of the products they purchase or produce. The participants must keep their eyes on where they stand in terms of their competitors rather than merely on the mechanics of the 'partnership'. There is a risk that they can get so involved in the details of running the 'partnership' that they lose sight of the customer/client relationship between them. This could well result in increased costs for consumers and lack of value for money for the client which may become increasingly less competitive and its reputation and business harmed as a result. There is also the associated danger of the participants becoming increasingly narrow minded and restricted in their experience and outlook.

6.6 Overcoming Disadvantages

These predicted disadvantages are not inherent in partnering and can be overcome by one or more of the following strategies.

First, not all the work carried out by a client, contractor or consultant should be undertaken in partnering relationships. A relatively large share of the work could be performed outside such arrangements. These other ways of carrying out work can then be compared and contrasted with the results achieved in partnering projects as a means of measuring relative efficiency and productivity. The client's quantity surveyor, for instance, could check a 'partner's' fees against tenders from contractors received on other, non-partnered, projects. It is significant in this context that the participants in the established partnering arrangements examined by the NEDC Study Team generally considered that is was not wise to commit all their work to partnering arrangements and conscientiously sought to limit these arrangements to cover no more that 30 - 50% of their workload at any one time. The UK retailer Mark & Spencer, for instance, although it has a long established partnering arrangement with Bovis Construction Ltd engages at least three other major contractors to carry out its extensive building works programme (Field 1991, p. 22).

In the same way that not all work is to be committed to partnering arrangements, so too should not all work that is so committed be with the one 'partner'. Where possible participants should seek to have two or more separate partnering relationships. This allows comparisons to be made between the different 'partnerships' of which the participant is a member and measurement not only of the performance of different 'partners', one against the other, but also their performance against that recorded on non-partnered projects. All these results can also be measured against such appropriate independent benchmarks of productivity and performance that exist or are being developed in Australia and elsewhere for use by the building and construction industry. The Construction Industry Development Agency (CIDA) established by the Federal Government to implement its Construction Industry Reform Strategy is playing a significant role in this regard. It is developing effective benchmarks for the industry that take full account of Australian conditions. CIDA's key performance criteria will cover matters such as technical competence, financial capacity, quality assurance and past claims and time performance of contractors and consultants.

Apart from these objective safeguards, a key element of partnering is that the individual performances of the participants are constantly monitored and evaluated on internal project specific criteria by the parties themselves. This helps overcome possible anti- competitive consequences flowing from the partnering arrangement, particularly if the measurements used to judge performance are themselves competitively based and centred around concepts such as industry best practice. However it must be noted that this does not appear to be the case with many of the performance evaluation systems presently used on partnered projects. The evaluation systems tend to be highly subjective and, as a consequence, the results recorded may pass the parties own standards, but not ultimately prove good enough from an industry-wide perspective.

The successful use of the above described measures should help eliminate the potential disadvantages of partnering and foster the drive towards its widespread use and acceptance in this country as an effective means to improve the building and construction process.

7. Partnering, Quality Assurance and TQM

The potential for partnering to improve the construction process and the productivity of the industry is enhanced by its positive relationship with Total Quality Management (TQM) and quality assurance (QA), which are currently being introduced into the industry. TQM provides principles, tools and techniques for effecting cultural change within organisations and implementing the process of continuous improvement of their operations. It incorporates Quality Assurance, which is all those planned and systematic actions necessary to provide adequate confidence that a product or service will satisfy given requirements for quality (AS 3900-1987). TQM has a wider concern and focuses on improving the quality of management, which requires long term commitment at high levels within an organisation and involves cultural change.

Full partnering and TQM share a number of core elements. Both are long term ongoing processes directed towards achieving continuous improvements in 'quality', in all aspects of the word. In the context of building and construction this means completing projects safely, to agreed quality standards, on time, and within budget.

These common goals are achieved under both TQM and partnering by breaking down the barriers that impede improvements being made, which involves bringing problems out into the open and resolving them in an atmosphere of mutual trust and cooperation. It also entails promoting teamwork, which is fostered by continuity. In the context of TQM and partnering this includes the contractor, for example, attempting to more fully understand the client's true needs so that sufficient resources can be mobilised to meet them. Other similarities include an emphasis on ongoing education and training, encouraging innovation, and monitoring, measuring and evaluating performance.

Given these similarities, the implementation of TQM on a particular project or within an organisation engaged on that project, is likely to be greatly facilitated if partnering arrangements exist between the project participants, and vice versa. Because of the very high level of interaction between project participants and their many overlapping responsibilities TQM needs to be implemented down the project chain of responsibilities to achieve its full benefits. Partnering can greatly assist in bringing this about. Kirk notes that this has been realised by many involved in implementing TQM within their own organisations. Furthermore, "It's difficult to see how TQM could be optimally implemented upon project work unless a long term relationship of one form or another has been established" (Kirk 1991; p. 3). There is little time during the life of a single, short-term one-off project, where short term priorities are imposed on the parties, to be concerned with the breaking down of traditional barriers which may not immediately result in cost reductions. It is also difficult, but not impossible, to accumulate sufficient meaningful data on an individual project to be useful in a continuous improvement process. Partnering, particularly full partnering, helps overcome these difficulties and supports TQM in developing a culture for continuous improvement and quality excellence.

The high degree of compatibility between the two processes can therefore be used as a catalyst for the greater acceptance, use and effective implementation of partnering in the Industry. This seems particularly true in light of the fact that TQM and, to an even greater extent, QA are at this stage better understood than partnering and have been or are being implemented by many organisations including government construction agencies. New South Wales Public Works, for example, has commenced a programme for implementing QA to control both in-house and external resources and has stated that in the future it will only do business with consultants and contractors that are able to satisfy its QA criteria and are proven performers.

8. Key Elements to Successful Partnering

To successfully establish partnering in the Industry there must be mutual trust and respect between participants and genuine empathy for the alternative viewpoint, as already stressed. At present this does not exist in most relationships but as trust develops teamwork is enhanced.

Mutual trust and respect should also result in the contracting arrangements being appropriate and this involves the rational (if not equitable) sharing of responsibility. Kyzer gives a practical example of how shared responsibility may operate which arose out of the partnering arrangement between the Chevron and the Bechtel groups of companies known as the Chevron Bechtel Alliance of which he was manager. He states that:

> *In typical negotiations we sit on either side of the table and push the risk back and forth and whoever ends up with it is the unlucky one. In our Alliance, in setting up the contractual relationships we tackled the issue head on. One area of concern was insurance. Typically, our insurance people never disclosed to the owner companies for whom we work what our insurance coverage or premiums were. Chevron operated in the same way. We got the two insurance groups together and had them disclose each company's insurance coverage relative to the Alliance's operation. There was a redundancy of premiums. We then decided on an insurance programme which brought cost savings to both companies. (Kyzer 1991, p. 7)*

Mutual respect and trust also opens the way for planning based on disclosure of what normally is confidential information. The greater the level of disclosure from one party to the other, the better one is able to plan its support for the other.

A leader from each organisation must promote partnering by continually encouraging enthusiasm for it and must maintain the focus on the overall objectives and goals of the relationship, as mutually determined by the participants.

All organisations involved should encourage change and continuous improvement because "no partnering relationship can survive without developing a dynamic approach that will allow them to foster and maintain an ever-improving partnering process" (Frankham 1991, p. 7). This means continuous questioning and monitoring of performance, investment in ongoing training and education of staff, and being receptive to new ideas, materials, techniques and procedures.

The cultural change involved in partnering is not likely to come easily. It takes resolve, dedication, constancy of purpose, time and effort "to aim for mutual trust; to eradicate the pursuit of blame; to avoid exploitation of gains at the other's expense; to make necessary changes to corporate rules and systems; to ameliorate the concerns and suspicions of the existing workforce; redesign the business organisation and structure. Clearly these are not small issues" (Taylor 1991, p. 2). To this list can be added preparedness or otherwise of the participating organisations to adopt each other's requirements and cultures. As Flint notes: "some staff, however professional and experienced they may be, may not have the temperament that enables them to work effectively within ... a partnering team. This must be recognised within [the relevant] organisations and such staff utilised to maximum benefit in more traditional roles outside the partnership" (1991, p. 3).

This applies equally to organisations as to individuals. There will be organisations that have corporate cultures that are incompatible with the partnering philosophy and are unwilling or unable to change. The organisations involved must develop compatible cultures and understanding of each others business and activities. Great care should be taken in this regard when selecting a 'partner'; only if this requirement is satisfied are the parties likely to fully understand each others needs and establish mutually acceptable objectives and goals without friction.

The client must have a genuine core of ongoing work, unless project by project partnering arrangements with different 'partners' are established in suitable cases. As already noted however, the full benefits of partnering are more likely to be forthcoming where long-term arrangements are in place. Loraine contends that "unless... a core workload can be envisaged with reasonable certainty over a five to seven year period, then the situation is not one which lends itself to partnering" (1991, p. 2). He states that the increased efficiency that results from contractor familiarity with the client's own requirements, systems and methods of working can take up to two years to materialise (1991, p. 5).

The partnering arrangement must be cost effective or it will not be supported (Kyzer 1991, p. 7). This underlines the critical importance of utilising strategies (such as those described above) for ensuring that participants remain competitive and provide value for money.

It is also important from the viewpoint of contractors and consultants that they receive proper and prompt payment for their work so that their businesses remain cost effective. It is noted in this context that the fees payable to Chevron under the Bechtel Chevron Alliance are negotiated yearly based on market rates to avoid any disaffection in this regard. The issue of cost effectiveness raises another fundamental concern. In Tayler's words:

> *There is always the danger that people will perceive partnering as a win-win relationship and think that there won't be any need to address the lose-lose problem - everyone will work hard to ensure success. But will they be able to? Will the mechanics, ability and maturity, as well as the capabilities to tackle difficult issues exist in both the organisations when chips are really down? This is when commitment statements and intentions will be tested to the full (Taylor 1991, p. 2).*

This concern really relates to the integrity of the parties and the quality of their partnering arrangements. This involves matters such as the selection of the right form of partnering and the right partners and key personnel for them. It also entails the integrity of the performance measurement, problem solving and other procedures put in place to implement their arrangement. A properly conceived and executed partnering arrangement should have the ability to clearly measure cost effectiveness and the general performance of each of the participants and to address any failing. It should also be characterised by a mature, cooperative and effective relationship. Proper attendance to these matters should go a long way towards dealing positively with those problems and finding ways around them, thereby generating success.

If ultimately this does not occur and the partnering arrangement proves manifestly unsuccessful, the parties can fall back on traditional contractual remedies for any breach of contract that may have occured. As previously stated partnering does not replace (although it may significantly modify) the traditional contract arrangements. Rather it supplements and works in conjunction with those arrangements. Thus, for example, litigation is ultimately available to the parties, but only after the cooperative problem solving procedures that are a cornerstone of partnering have been exhausted. Theoretically, the lose-lose situation is only a threat to the parties' relationship (as opposed to the success or otherwise of their project(s) together) if the loss results from the actions of one or more of the parties and the steps agreed to by them in their partnering charter to solve problems and work co-cperatively with one other have not been observed.

> *To enable the contractor to perform efficiently, there must be a clear brief. The client must set out the required standards, specifications and procedures and have these agreed to by the contractor. There must also be clear and simple lines of communication between the parties and regular contact at all levels (Field 1991, p. 20).*

To the greatest extent possible all participants in a project that is subject to a partnering arrangement (for example architects, engineers, service consultants, quantity surveyors and sub-contractors) should be part of that arrangement, or at least have similar relationships with the key participants (usually the client and the head contractor).

The higher the degree to which these key elements for successful partnering are already present in existing working relationships, the greater will be the ease with which partnering can be implemented in the industry. Some of these key elements are by their nature matters that must be nurtured and developed over time.

9. Conclusion

Provided partnering is entered into for the right reasons, with the right people and with sound procedures and safeguards instituted as part of the process, there are significant advantages to be gained for all participants and stakeholders in the industry from partnering. In particular, partnering has great potential to improve the building process in tandem with quality management practices. Because of the positive relationship between partnering and TQM, and its ability to overcome problems in implementing TQM down the project chain, and the foundations it lays for the generation of new and more accurate quantifiable performance measures, the acceptance of one of these approaches to improved performance makes adoption of the other easier and more effective.

The net results of successful partnering should be: better documentation, leading to greater buildability; improved site management methods and project coordination; new and more effective performance measures; improved cost performance and management as a result of increased communications between project participants; reduced claims and disputes; and a general decrease in tensions. These benefits can be realised without retreating from competition or dismantling the competitive tendering system, or eliminating project-by-project contracting.

It has to be recognised that full partnering is not appropriate for all participants in the building and construction process, nor is it appropriate in all circumstances. The results on partnered projects should be constantly compared and measured against other forms of operation and the worst elements of the present adversarial system should be eliminated from them. Wherever possible, efforts to improve the performance of the Industry should include elements of full partnering, which will lead to a less adversarial approach to contracting. In this way partnering can be a catalyst for fundamental change, leading to a more productive and competitive Industry that delivers better value for money to clients. Precisely how these results can be achieved is dealt with in Part 2 of this paper, which explores the mechanisms and implementation of partnering arrangements.

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