

THE CONCEPT OF INTER - FIRM PARTNERING PRACTICE BETWEEN CLIENT AND CONTRACTOR IN THE CONSTRUCTION PROJECTS

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Abstract

Interfirm collaboration is a cooperation between business organisations that allow achieving their common goals more effectively. Through partnering concept of collaboration, the organisation will gain the benefits in terms of the project successfully run according to the time, cost and quality. The understanding of this concept of Partnering is crucial for the clients in the construction project, without this knowledge of partnering concept the client will suffer cost overruns, delay, more variation order and dispute in the project implementation. The study conducted using a quantitative approach and involved the sampling from public and private clients. The main result indicates that that the public clients and private client understood the concept of Partnering. Public clients agreed that specific projects require partnering with contractors. Suitability of the projects is complex projects, critical project and long term development. High impact projects in the public clients are given to the contractors that shows the capabilities and good reputation from the previously completed project. However, Private clients stated that projects that are critical to the client's business are suitable for the partnering concept.

Keywords: Inter-Firm Collaboration, Partnering, Form of Partnering, Quantitative Method, Project Suitability

1. Introduction

Interfirm collaboration is an essential strategy for clients to ensure the contractors participated in the project produce the right product according to the time, cost and quality. Why is interfirm Partnering in the construction industry crucial? In the development, the developers always compete with each other to ensure the product produced, such as housing will receive a good demand from the buyers. To sustain this, the involvement of the contractor in the development project is crucial. To maintain a good product from the development, partnering between client and contractor is always practice in the private client or developer organisation. Why would organisations that compete for business in the same markets want to form Partnering? The rationale for partnering with potential competitors is the same as that Partnering with suppliers and customers: competitiveness. This is a strategy that applies more frequently to the small-sized firm, but even the largest organisation can also use it. Failure to understand the interfirm partnering concept could lead to the project failure and increase the cost, time and quality of the project.

Through Partnering, all players are integrated under one management roof and work as a team to achieve better value in the construction industry. Latham (1994) highlighted the need for Partnering, where developers could obtain high-quality projects to which they aspire. Latham (1994) also recommended that public and private clients demonstrate best practices similar to those utilised by market leaders. However, less knowledge of what Partnering is about would impact on the implementation of the construction project. Failure to collaborate using Partnering, the cost overrun, project delay, more variation order, and dispute could happen in the project. Therefore, the leadership in the construction organisation should be aware of the partnering concept to ensure the success of project implementation. The selection who are the right parties to be involved in the project should be appropriately evaluated before the client has made the decision. Today's competitive business context requires leading organisations to advance their business priorities, drive innovation and achieve competitive advantage (Laszlo, 2008). He also suggested that to maintain viability and be competing in the markets; leadership should change their mindsets and move from old to new styles of leadership. He also emphasised that a leader's perspective should centre on ability, trust and reputation, stemming from the organisation's need to live up to its name and business standards. Kakkonen (2014) highlighted for close collaboration to emerge in a social system, it is important that individuals have trust between the others. Therefore, changing the method of construction and collaboration approach by using Partnering will bring benefits to the construction industry in terms of costs, quality and time.

2.0 Definitions Of Partnering

Partnering is generally understood as a commitment by those involved in a project through work closely or cooperatively, rather than competitively and adversarial (Ronco & Ronco, 1996). It has also been described as a process of establishing a fair agreement or charter between the project team members, along with a moral framework to assist in its successful implementation (ACA, 1999). Partnering is a method which allows people to minimise or to avoid conflict when they are engaged in a project. It is a way of unifying all the parties as stakeholders in a project into a team (Lank, 2006). The other definition by Crowley and Karim (1995) defined partnering as trust relationship, shared vision, and agreeing to goal in between parties. Table 1.0 below lists the various definitions on partnering by different authors.

Table 1.0: Definition of Partnering

Authors	Definition of Partnering
Weston & Gibson (1993)	A relationship that exists between a customer and a supplier. In the construction industry, this relationship generally exists between the owner and a contractor to achieve a project goal .
Abudayyeh (1994)	Partnering is a commitment and trust in recognising owner and contractor relationships as integral parts of the daily operations involved in construction.
Bennett & Jayes (1995)	Partnering is a managerial approach used by two or more organisations to achieve specific business objectives. The procedure is based on mutual goals , an agreed method of problem resolution and continuous measurable improvements .
Lazar (2000)	Partnering is about people, relationships, trust and systems of project management. Partnering is not different from the usual project. Still, it is related to how the organisation deals with, or creates, proper management with the parties involved and the outcome received from the relationship practice in the organisation.
DeVilbiss & Leonard (2000)	The process of two or more individuals, groups or organisations coming together to pursue a collaborative venture . The collaborative was based on trust and shared a common goal .
Olsson & Espling (2004)	The partnering concept basically focuses on teaming together key personnel from the client, contractor and subcontractor, and building trust and openness between parties .

Authors	Definition of Partnering
Koolwijk, Oel & Bel (2021)	The Partnering is a delivery method in which the owner enters into a long-term agreement with a contractor in the construction project.

As seen in Table 1.0, they were stated by the various researcher, partnering as a relationship occurs through a trust established before with the parties in the construction project to achieve a common goal. Therefore once the trust created amongst construction parties, for the next project, the client should maintain the similar parties to be part of in client's project. Typically, the partnering concept can be implemented through competitive tendering. The client will invite through bid invitation of a trusted organisation from various disciplines such as contractor, architect, engineer and quantity surveyor to be part of the client's project. This invitation was based on the previous project completed with good quality, time and cost.

3.0 Forms Of Partnering

Forms of Partnering can be based on a single project (project-specific Partnering) or a long-term commitment (strategic Partnering). Both project-specific and strategic partnering can play a significant role in moving the construction industry away from the traditional adversarial relationship (Turner, 2003). Cartlidge (2009a) described the difference between Partnering and strategic Partnering as follows:

Strategic Partnering is concerned with a range of work—often unspecified at the time that the contract is made—over some time. The motivations are to achieve consistency and predictability of the workload, to remove waste and to achieve continuous improvement through experience and learning.

Project partnering focuses more on a single project.

Partnering and strategic partnering processes are intended to create a win-win situation between the parties and the benefits received. Based on the above, project partnering is partnering undertaken on a single project. At the end of the project, the partnering relationship is terminated, and another relationship is commenced on the next project. Strategic Partnering takes place when two or more firms use partnering on a long term basis to undertake more than one construction project or continuing projects given to the same contractors in the construction activities. In this thesis, the use of term *project partnering* refers to single projects and *Partnering or strategic Partnering* refers to the long term relationships that involve more than one project in the construction industry. The structure of an organisation in Partnering has been presented in a model of inter-firm collaboration by Bresnen and Marshal (2000), which shows the integration of two organisations. Both organisations have a clear project objective that has been stated in the partnering charter. Figure 1 shows the model of inter-firm collaboration.

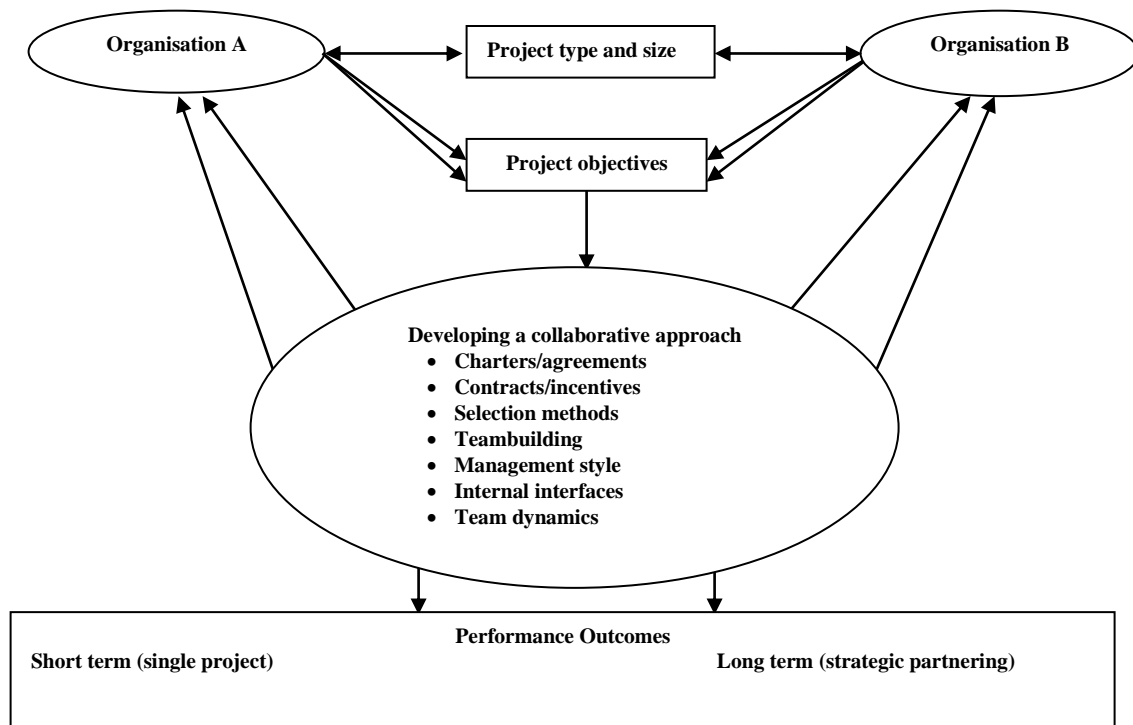


Figure 1 Model of Inter-Firm Collaboration

Inter-firm collaboration revealed by Bresnen and Marshal (2000) shows benefits received by clients in the project in terms of time, cost and quality of the product produced. Besides, similar contractor involvement will reduce tendering costs and increase the contractor's front-end input into costing, design and value or risk management. This is supported by Eriksson and Pesamaa (2007), who stated that the constant replacement of actors between construction projects creates cost inefficiencies in traditional competitive procurement and the learning curve must be climbed by the supplier each time (Cox & Thompson, 1997). Repeat business is prevalent, and many firms that start as project partners eventually move towards strategic Partnering. The long-term benefits of Partnering are realised when the same project team is brought together on multiple projects (Bayramoglu, 2001). Zhang C. et al., (2021) concludes in his research that business ties through interfirm partnering relationship create a business organisation's success.

3.1 Three Phases of Partnering Relationships

Tang et al. (2006) explained that the partnering relationship practice in the construction industry could be divided into three phases, which are discussed below and illustrated in Figure 2, 3 and 4 respectively. This explanation is evident in the stages of partnering practice in the construction industry.

a) Traditional or Conventional Relationship

In traditional forms of project delivery, the relationship between the client and contractor is based on a contract. Partnering adds a cooperative philosophy to the conventional contractual relationship.

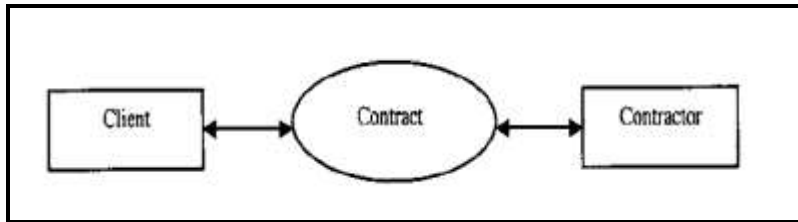


Figure 2 Traditional Relationship

b) Partnering Relationship

This relationship is also based on a contract; however, cooperative philosophy was developed through trust beginning during the relationship process. This philosophy is a trust-based relationship between project participants to facilitate the completion of a successful project to the benefit of both parties. In Partnering, the cooperative philosophy resides outside the contract.

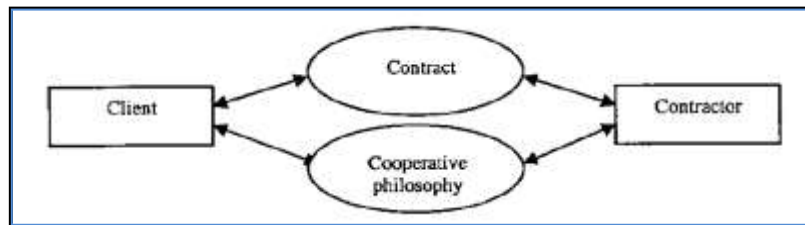


Figure 3 Partnering Relationship

c) Alliance Relationship

During this stage, the merging of the two companies is called alliancing, which is another type of Partnering. However, alliancing links the ethos of partnering as a contractual requirement and uses clearly defined risk allocations with incentives to manage the process. Alliancing is 'where the arrangement is underpinned by an incentive scheme, whereby the rewards of the contractor and, indeed, the owner are linked directly to actual performance during the execution phase of the project'. In this relationship, the cooperative philosophy is tied into the contract by sharing rewards and risks among participants. Partnering often refers to both Partnering and alliancing because they both contain a collective philosophy. However, if Partnering is used as a generic term, the use of incentives should be distinguished from other CSFs of Partnering because of their strong influence on cooperative philosophy.

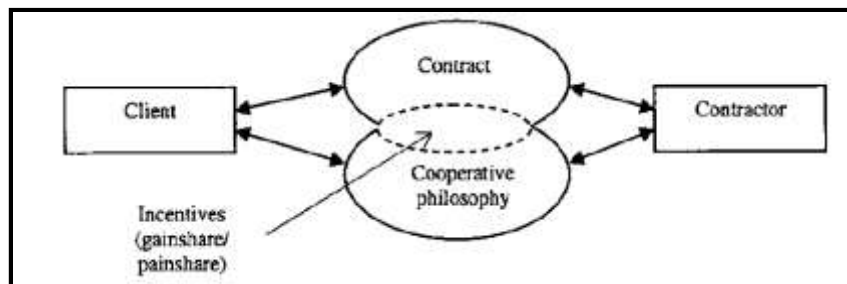


Figure 4 The Three Relationship Processes (Alliancing)

Therefore, to succeed in Partnering, they need to be developed and managed systematically. Openness and honesty in working relationships are pre-conditions of trust, an essential ingredient of the most successful partnership.

4.0 Research Methodology

This research aim is to identify the understanding of clients on the concept of the inter-firm partnering collaboration practice in the construction industry. The questionnaire survey was designed into five sections and ends with one open-ended question. The details of the sections are as follows:

- a) Section A: Information on the organisation’s background
- b) Section B: Information on the process and implementation of strategic Partnering (long-term relationship)
- c) Section C: Project’s information
- d) Section D: Development of trust attributes between the client and contractors in projects
- e) Section E: Outcome of strategic Partnering (long-term relationships) in the client organisation

The questions selected were based on the literature review. Creswell (2009) stated that the literature review accomplishes several purposes: it shares with the reader the results of other studies that are closely related to the one being undertaken, it provides a framework for establishing the importance of the research, and it gives a benchmark for comparing the results with other findings. The researcher took care in preparing the questions to ensure that respondents understood the questions and that there were no double-barrelled questions. The researcher ensured the questionnaire was piloted before it was sent to the respondents. After the preparation of the questions was completed, and before sending the questionnaire survey to the targeted respondents, it was piloted to ensure that the questionnaire contents were not ambiguous, that instructions were clear and that the time given was appropriate. Noor (2010) stated that it is crucial to pilot the questionnaire survey to ensure the validity of the questions before the final survey is sent to the respondents. Amendments should be made according to the feedback from the respondents. The targeted respondents are public and private clients. In this research, the sample of studies was based on the population of the private client, and purposive sampling was used for public clients. The response rate for private clients is 160 numbers from 181 responses received. As mentioned previously, the selection of respondents for public clients was using purposive sampling. Summary of respondents received are as follows;

Private Clients		Number of Respondents
a) Return with complete answer		160
b) Return without answer, with and without company letter		21
Total		181
Public Clients		Number of Respondents
a) Ministry Department		17
b) Public Works Department		9
Total		26

4.1 Result and Data Analysis

The analysis method of this research was using SPSS software version 16.0, and the results are presented in this paper as below.

4.1.1 Internal Consistency of the Scale

The internal reliability of the instrument (questionnaire) was assessed using Cronbach's Alpha (α), which is an index of reliability associated with the variation accounted for by the true of the 'underlying construct'. The construct is the hypothetical variable being measured (Hatcher,1994). Alpha's coefficient ranges in value from 0 to 1. It is used to describe the instrument for multi-point formatted scales (i.e., 1=strongly agree to 5=strogly disagree) where the higher the value, the more reliable the instrument. For the acceptable alpha (α) values considered for social science research are above 0.65. In this particular study, the reliability of the six questions for the knowledge of strategic Partnering, five for criteria in implementing strategic Partnering, five for the importance of strategic Partnering, eight for statements referring to IBS projects, 12 for main barriers hindering increased use of the IBS, nine for successful strategic Partnering, four for main barriers hindering client's to implement strategic Partnering, 12 for development of trust attributes and nine for the outcome of strategic Partnering. These questions were tested in their entirety with Cronbach's Alpha. The alpha's coefficient ranged from 0.639 to 0.917, indicating that the reliability of the instrument was reasonable. Table 1 shows the results of Cronbach's alpha analysis.

Table 1 Cronbach's Alpha Results

Items	No of statements	Cronbach's Alpha
1. Knowledge of strategic partnering	6	0.917
2. Critical factor criteria in implementing strategic partnering	5	0.639
3.Importance of strategic partnering	5	0.803
4. Statement referred to the IBS project	8	0.757
5. Advantages of the IBS	10	0.793
6. Main barriers hindering	12	0.774
7. Elements of successful strategic partnering	9	0.810
8. Barriers hindering client's to implementing strategic partnering	4	0.640
9. Development of trust attributes	12	0.817
10. The outcome of strategic partnering	9	0.817

4.1.2 Demographic profile Current Post of The Clients

Table 2 shows a proportion of the current posts between public and private clients. 51.1 per cent of the respondents from public clients stated that they hold positions others than the main choices presented (consisting of the Deputy Director and the Head of the Project Department), followed by the Project Manager at 19.6 per cent (comprising Engineers), the Contract or Procurement Manager at 15.2 per cent (comprising the Quantity Surveyor), the Director at 8.7 per cent and the General Manager at 4.3 per cent. Meanwhile, 48.9 per cent of the respondents from private clients stated that they hold other positions (Quantity Surveyor, Head of Contract, Project Coordinator, Project Director, Assistant General Manager, Project Executive, Assistant Project Manager and Project Engineer), Project Manager at 32.1 per cent, Director at 20.6 per cent, Contract or Procurement Manager at 16.8 per cent and General Manager at 13.0 per cent. This result indicates the respondents received was from the highest post, therefore influenced the result of the data received. This is due to the knowledge, experience, and decision-making from the higher post that strongly impact the information received on the implementation of strategic Partnering in the construction industry.

Table 2 Current Post in Organisation

Current Post	Percentage	
	Public clients	Private clients
Director	8.7%	20.6%
General Manager	4.3%	13.0%
Contract Manager	15.2%	16.8%
Project Manager	19.6%	32.1%
Others	51.1%	48.9%

4.1.3 Understanding on the definition of partnering

Table 3 shows the understanding of the definition of partnering from the public and private clients. The public clients indicate that 95.8 per cent define it as the commitment and shared goals between stakeholders, followed by teamwork between stakeholders at 83.3 per cent and as a working relationship between stakeholders in the organisation at 75 per cent. More definitions include 70.8 per cent for sharing of resources, knowledge, risk, and profits and losses and win-win solution, 62.5 per cent for the trust relationship between stakeholders and long – term relationship between two organisation and other definitions at 4.2 per cent. Private clients define strategic Partnering as a trust relationship between stakeholders at 70.7 per cent, teamwork between stakeholders constituted at 68.2 per cent, commitment and shared goals between stakeholders at 67.5 per cent. More definitions stated by the private clients is a win-win solution at 64.3 per cent, as a working relationship between stakeholders in the organisation at 56.7 per cent, long-term relationship between two organisations at 52.2 per cent, sharing of resources, knowledge, risk, and profits and losses at 47.8 per cent and other definitions at 1.3 per cent. From the above result, public clients believe that Partnering is a commitment and shared goals between stakeholders. The public clients understood that Partnering requires an ethical commitment and shared goals from the stakeholders. Good involvement contributes to the ability to work as a team and therefore accomplishes the target in the project. On the other hand, private clients believe that Partnering is a trust relationship between stakeholders. For private clients, trust is essential due to the business environment requiring trusted partners to ensure the money spent on investment is allocated for something valuable and of high quality.

Table 3 Understanding on Definition of Partnering

Definition	Public client	Private client
As a working relationship between stakeholders in the organisation	75.0%	56.7%
The trust relationship between stakeholders	62.5%	70.7%
Teamwork between stakeholders	83.3%	68.2%
Commitment and shared goals between stakeholders	95.8%	67.5%
The long-term relationship between two organisations	62.5%	52.2%
Sharing of resources, knowledge, risk, and profits and losses	70.8%	47.8%
Win-win solution	70.8%	64.3%
Others definition	4.2%	1.3%

4.1.4 Project Suitability for Partnering

Table 4 shows the results of the suitability of projects to implement in partnering concept stated by public and private clients. Public clients revealed the complex projects using high technology are more suited to perform partnering at the mean value at 4.25, followed by projects that are critical to client's business at a mean value of 4.17, long term development at a mean value of 4.04 and public project at a mean value of 3.64. This result indicates that public clients agreed that specific projects require partnering with contractors. These projects are complex, critical project and long term development. High impact projects by public clients are given to familiar contractors that have proved their capability in completing projects. However, public clients stated that specific projects in the government sector are not suited to Partnering due to the distribution of projects need to be fair given to the contractors at a mean value of 3.64. Private clients stated that projects that are critical to client's business are suitable for partnering concept at a mean value of 3.97, followed by long term development at a mean value of 3.96, complex projects using high technology at a mean value of 3.91 and public projects at a mean value of 3.44. Both results by public and private clients stated that all types of the project could be applied in Partnering. This statement is supported by Bennet and Jayes (1998) saying that all projects such as complexity of a project, projects that are critical to client's business and long term development are suitable to use Partnering.

Table 4 Project Suitability to Implement Strategic Partnering

Project suitability	Public client				Private client			
	Mean	Mode	Std. dev	Rank	Mean	Mode	Std. dev	Rank
1. Complex project using high technology	4.25	4	0.608	1	3.91	4	0.762	3
2. Projects that are critical to client's business	4.17	4	0.491	2	3.97	4	0.753	1
3. Public projects	3.64	4	0.727	4	3.44	3	0.694	4
4. Long-term development	4.04	4	0.638	3	3.96	4	0.675	2

5.0 Conclusion

The understanding of the concept of inter-form collaboration using Partnering is crucial for both public and private clients. Through Partnering, the public and private client organisation can work together with the contractor to enhance project development. The base criteria for the collaboration between both parties must have a good quality in delivering the project on time and cost. However, in the public sector, the given project under the government needs to distribute equitably to the contractors in Malaysia. A specific complex project that is very high risk and sophisticated, the public sector agreed through partnering it is give the benefits to the government as compared with private client stated that projects that are critical to the client's business are suitable for Partnering. The private developer attaches great importance to the involvement of the partnering contractor in the development. Thus, most of the products sold are well received by the buyers. The house produced by a partnering contractor in the client project meets in terms of completion period, cost and quality.

6.0 Future Research

While much has been learnt from this research, there is clearly more scope for continuous exploration and expansion of the knowledge that can improve the current understanding of the partnering scenario in Malaysia. Further, several suggestions for future research are made.

- a) A similar research that focuses on relationships between contractors and subcontractors, clients and consultant should be introduced to the industry.
- b) A case study research on a similar topic is suitable for public and private clients to show the actual business activities practised.
- c) A case study research on the differences between partnering and alliancing and benefits to the industry should be explored.

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