

Partnering

Who should read this fact sheet?

Companies or individuals becoming involved in partnering arrangements for the first time will find this fact sheet particularly helpful. It is written for a wide audience - clients, contractors, architects, quantity surveyors, in fact anyone involved in the construction process.

What is partnering ?

Essentially, partnering promotes improved performance through collaborative business relationships based on best value rather than lowest cost. Contract awards are still subject to rigorous competition, but judged on pre-determined combinations of quality and cost. The development of openness and trust is in stark contrast to the confrontational nature that has increasingly characterised much of the construction industry over recent decades.

One of a number of authoritative definitions of partnering follows. Details of books from which all references are drawn are provided at the end of the fact sheet.

"Partnering is a management approach used by two or more organisations to achieve specific business objectives by maximising the effectiveness of each participant's resources. It requires that the parties work together in an open and trusting relationship based on mutual objectives, an agreed method of problem resolution and an active search for continuous measurable improvements."(1)

Importantly, "it is founded on an attitude of mind together with a set of procedures and it cannot succeed without both." (2)

Partnering can be either project specific, where the arrangement is for the duration of an individual project; strategic or long-term where the arrangement is for a specified period of time, normally covering a number of projects. Strategic or long-term partnering usually provides greater opportunity for improvement.

Why use partnering ?

Partnering is a collaborative approach that benefits all parties involved, while focusing on the needs of the customer. In the right circumstances the rewards can be substantial.

Partnering is not a soft option because it requires considerable effort to set up and hard work to maintain but most people who have experienced partnering have found it both satisfying and enjoyable.

Benefits of partnering include:

- Increased customer satisfaction
- Better value for the client
- Recognition and protection of profit margin for contractors and suppliers
- Staff development and satisfaction
- Creation of an environment that encourages innovation and technical development
- Better understanding between partners and driving down of real costs
- Design integration with specialists in the supply chain
- Improved 'buildability' through early involvement of the contractors
- Duplication eliminated
- Better predictability of time and cost
- Shorter overall delivery period
- Stability which provides more confidence for better planning and investment in staff and resources

What forms can partnering take ?

Early partnering arrangements tended to be on a one-to-one basis between combinations of client, main contractor and professional service providers. However, multiple partnering is now common with a number of parties bound under the same agreement, dependent on and co-operating with each other for overall success.

Although normally client-led, there are many examples of contractors and suppliers demonstrating the advantages to their clients, who have subsequently chosen this method of procurement.

To gain maximum benefit it is essential to extend the process through the supply chain (*see supply chain management fact sheet*) in order to harness the specialist expertise of subcontractors, material suppliers and manufacturers.

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How to set up a partnering arrangement

1. Commitment

There must be commitment from the highest level that is continually communicated and reinforced throughout the organisation.

Partnering requires a change in the culture in which most people have been trained and to which they have become accustomed for the whole of their working lives. If they believe that lip service is being paid to 'just another initiative', the partnering arrangement will not succeed. It is crucial to seek and achieve buy-in from all those who will be involved.

2. Self- assessment

Before embarking on the search for partners, organisations need to understand their own readiness for the journey including: -

- Have we determined what we want to partner and why ?
- Is our management structure appropriate ?
- Have we recognised our cultural attitude ?
- Are we communicating our intentions and listening to the concerns of our people ?
- Is the organisation sufficiently flexible and prepared to respond to change ?
- Do we have the right skills ?

3. Selection

Given that trust is such a critical factor in partnering, it is not surprising that a significant proportion of these arrangements have been entered into by companies that already have developed good working relationships.

However, having determined what attributes are required of the partner, a structured selection process must be employed. Typical considerations, in addition to financial and technical qualifications, may include:

- Understanding of partnering
- Previous partnering experience
- Compatible values and culture
- Health and safety procedures
- Customer care
- Environmental policy

- Management style
- Staff and resources

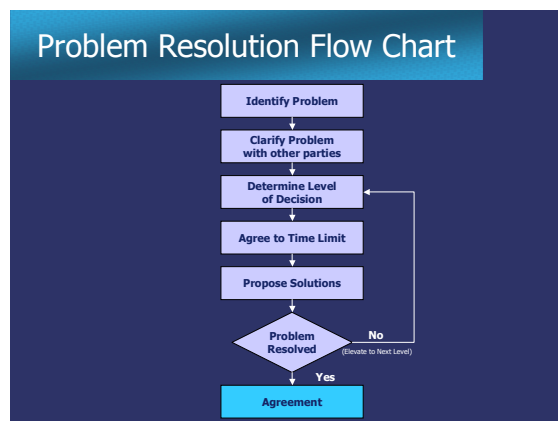
4. Mutual objectives

Successful partnering involves establishing clearly defined objectives that meet the aims of each of the parties. Unless realistic and achievable goals are mutually agreed, there is no basis for partnering. Perhaps the most important and critical goal, underpinning a range of hard and soft objectives, is the alignment of commercial objectives.

5. Problem resolution

It is vital that a joint problem resolution mechanism is established to enable decisions to be taken quickly and effectively. This should be focused on seeking the best solution and not apportioning blame.

To prevent minor problems from developing into damaging disputes, decisions should be made jointly within a given period of time, by empowered individuals at the lowest appropriate level. If not resolved the problem should be referred up to the next level.



6. Continuous improvement

This is one of the main drivers for partnering, leading to greater efficiency and competitive advantage. In order to demonstrate improvement, relevant indicators must be determined and performance measured. These can be compared with internal or external benchmarks.

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The elements to be measured must be important to the enterprise and, to be meaningful, should be relatively few in number. Measurement by itself does not result in improvement and the information produced should be used to promote action. A continuous cycle of "measure, review, identify and implement actions" is required.

Benchmarking has developed significantly in recent years and construction industry Key Performance Indicators (KPIs) are produced by a number of main and sub-sectors (*see benchmarking and KPIs fact sheet*).

7. Contractual Information

EU procurement directives apply to public bodies and utilities, subject to the details of the intended arrangement. Legal advice should be sought to confirm that the procurement procedures conform to the requirements.

All undertakings are subject to competition law and, similarly, legal advice should be sought.

Contracts have commonly been formed consisting of a partnering agreement in conjunction with an appropriately amended standard form of contract. The partnering agreement generally defines the provisions of the arrangement such as attitude, partnering performance, allocation of risk and incentives for reward or penalty.

In recent years forms of contract have been drafted that incorporate partnering principles and clauses. These include the NEC Partnering Option, PPC 2000 Partnering Agreement and the ICE Partnering Addendum.

Partnering charters are generally intended to be non-binding statements reflecting the participants' commitment to partnering principles.

All partnering arrangements, whether strategic or project specific, will have a finite life and it is imperative that a pre-determined exit strategy is built into the agreement.

8. Risk and Reward Issues

An exhaustive list of the risks that might be encountered should be jointly identified and assessed.

Responsibility for managing each risk should be allocated to the party best placed to do so. Some risks may be excluded from the arrangement if none of the parties is able to influence them.

Ideally, but not exclusively, the arrangement will be on a cost-reimbursable, target cost, open book basis with a percentage addition for on-cost and profit. Incentives are generally built into the agreement to reward good performance or penalise poor performance against agreed targets. Targets may relate to cost, time, KPIs or a combination of these. Reward or penalty may be financial or could affect the level, or continuity, of work.

Working together over time

Considerable effort is required to ensure that the enthusiasm and hopes with which the enterprise began, continue and mature throughout its period of operation. Fundamental aspects include:-

Communication - the intention of the arrangement and the necessary change in attitude, must be conveyed to all people directly and indirectly involved in the participating organisations. This must be reinforced at appropriate intervals.

However, communication is a two-way process comprising listening as well as providing information. An effective process must be established to encourage innovative ideas or suggestions that are accepted or rejected with an explanation within a reasonable period of time.

Champions should be appointed to promote the arrangement, capture experience, assist in developing procedures, keep abreast of developments and communicate with others.

Teamwork - it is recommended that a series of workshops are established, run by an external facilitator, to explore any issues and promote the culture necessary for developing integrated teams. These are often accompanied by social events to assist in breaking down barriers. Actions such as joint training programmes, co-location of offices and joint administration and records can help create the right environment.

Understanding each other's needs - more than merely co-operating or doing what is required, the relationship will produce dividends when the parties

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really understand the others' needs and then develop more effective ways of providing solutions.

Trust and openness - much is talked about the need for trust, but this cannot be imposed. It has to be earned by consistently being seen to be doing what one said one would do. By being open about concerns and potential problems, solutions can invariably be developed together that would not have been possible with one party alone.

Early involvement - participants should be brought into the process at the earliest appropriate opportunity in order to take full advantage of their expertise.

For more detailed references and guidance, the following publications could prove helpful:

(1) **Trusting the Team**, Bennett & Jayes, The Reading Construction Forum.

<http://www.thomastelford.com/>

(2) **PSL, Suite of Guides to Partnering**. Established by the DTI and CBI in 1990 to promote partnering across all industrial and commercial sectors. It's current chairman is Sir Michael Latham - www.pslcbi.com

The Strategic Forum Toolkit – web only - www.strategicforum.org.uk

The purpose of this web toolkit is deliver the integration described in [Accelerating Change](#).

The seven pillars of partnering; a guide to second generation partnering - Bennett & Jayes, Thomas Telford, 1998

<http://www.thomastelford.com/books>

Describes best practice in partnering in the construction industry, and identifies what needs to be done to meet the new demands arising from a rapidly changing market and from new technologies.

Strategic Procurement in construction, Cox & Townsend, Thomas Telford, 1998 – <http://www.thomastelford.com/books>

VM in construction CIRIA SP129, <http://www.ciria.org/acatalog>

Control of risk CIRIA SP125, <http://www.ciria.org/acatalog>

Modernising construction NAO

OGC Procurement guides

<http://www.ogc.gov.uk/sdtoolkit/reference/achieving/achievin.html>

Partnering and Alliancing in Construction projects

– Sally Roe and Jane Jenkins
Sweet & Maxwell Ltd 2003

Partnering in the public sector: European Construction Institute (ECI) 1997

Partnering in Europe: Incentive based alliancing for projects

– Bob Scott (ECI)
<http://www.thomastelford.com/>

Long-term partnering: Achieving continuous improvement and value - An ECI handbook

www.ciria.org

Partnering in the social housing sector

– Bob Lorraine and Ivor Williams (ECI)
<http://www.thomastelford.com>