

## PARTNERING

### Definition

***Partnering is a relationship entered into by a client and supplier (or supply team) with the intention of delivering the client's projects in a way that provides continuously better outcomes for both client and suppliers.***

### Key Characteristics

A lot of "Partnering" tools and techniques are actually re-statements of project management tools and techniques. The "core" elements of Partnering that distinguish it from "normal" project management are:

- the drive to achieve continuously better results for the client,
- creating a project team environment that is conducive to people making that effort. This is achieved by motivating suppliers by offering work that is of commercial significance to them and generating time for people to think and innovate. This is done by fostering sequential negotiation of a series of projects in a work package, rather than tendering individual projects,
- aligning interests by using non-traditional incentive arrangements and
- nurturing co-operative working relationships.

The bases for drawing this conclusion are set out below, in the "Analysis of Partnering" and "Comments" sections.

***It should be noted that the opportunity to improve performance continuously is greatly enhanced if the Partnering environment is applied across a series of project, rather than a single project.***

## Analysis of Partnering

The purpose of Partnering is to deliver continuously better outcomes for all the participants (not least the client!). The delivery of continuously better outcomes requires constant **reductions in waste** of time and materials or identification of more efficient working practices, designs or systems (i.e. process improvements).

Constantly finding these improvements in efficiency is hard work and so it, in turn, requires:

- 1 a **willingness** on the part of client and suppliers to find those improvements i.e. a recognition that problem-solving requires **co-operation** between the parties and;
- 2 **time** to work at it.

Willingness to work co-operatively to find improvements (Point 1) is stimulated by:

- 3 arranging the **reward systems** in the relationship so that the benefits of the improvements in efficiency are shared between the parties. For example providing higher supplier profit when *lower* capital costs are incurred by the client, instead of higher supplier profit when higher capital costs are incurred by the client, as is normal in non-Partnering arrangements. In other words, providing incentives;
- 4 ensuring that the benefits of the project, and the benefits of working co-operatively to find improvements are of **significant** in business terms to the client, contractors and consultants.

Thus, the key elements of a successful Partnering environment are:

- a) generating time that can be spent on identifying more efficient ways of delivering the project;
- b) providing incentives;
- c) offering benefits to the suppliers that are of commercial significance to them.

Partnering achieves these objectives by:

- a) The client offers a package of work (a number of projects) to a supplier / supply team, allowing the opportunity to negotiate sequentially if performance targets are met. This reduces the amount of time to be spent on preparation and responding to tenders, and allowing that time to be used to identify efficiency improvements. Also, repeat working reduces the amount of time spent in "learning curves" between client and supplier when first working with one another (Point a);
- b) The client providing work packages that are commercially significant to the supplier / Targets are set for continuously improved performance, the achievement of which will benefit all parties (Point b);
- c) Suppliers are paid on an open book basis of cost plus price and overheads +/- incentive payments (Point b);
- d) supply team i.e. small suppliers for small work packages; larger suppliers for large work packages, and **not** large suppliers for small work packages (Point c);

Such an arrangement provides an environment that is conducive to client and suppliers working co-operatively to identify process improvements in order to achieve the targets.

Whether the people involved **will** actually work co-operatively, and as a team rather than as a group, depends upon:

- i) The personal culture of the individuals (their preferred or habitual ways of working);
- ii) The extent to which individuals perceive that they are working to shared objectives. This is achieved partly by being clear what the objectives are i.e. understanding the objectives, and partly about being open and honest about what each party's objectives really are;
- iii) Each individual's perception of how others in the group or team are behaving; most people work on the basis of "you get what you give". This can be positive or negative;
- iv) The relevance of the reward system to the needs and wants of the individuals concerned. Organisational reward is not necessarily the same as individual reward, and individual reward may be financial, but is often peer-group and / or management recognition. Whatever the rewards are, they need to be effective in encouraging the desired behaviour;
- v) The organisational culture. A management style of caution and blame inhibits innovation and sensible risk-taking; this point is linked to the one about reward systems above;
- vi) Pressures imposed through the formal contractual relationships used. Non-Partnering JCT contract processes tend to push the parties into adversarial positions if problems arise, resulting in a negative "you get what you give" cycle.

Points i), ii) & iii) highlight the need to nurture teamworking. However, nurturing and sustaining teamworking is itself time-consuming, and so should be geared to the occasions when teamworking offers greater benefits than group working. These occasions occur when problem solving / value management / value engineering activity needs to be at its greatest.

Points iv) and v) highlight the need for the organisation considering Partnering to assess whether they have the organisational culture to support it, and consider what reward mechanisms are most effective for them and their people, and organisationally acceptable.

Point vi) highlights the difficulty of working with the "usual" contracts on a Partnering basis.

## Comments

- Partnering can be undertaken on a project-specific basis, but this is an environment that is less conducive to achieving continuous improvement. No time has been saved from avoiding tendering, and so the extra time needed to identify process improvements through value engineering workshops is an extra “overhead”. If in project-specific cases the constructors have not been selected early, the opportunity to avoid re-design or re-work through their early involvement in the design process is lost or reduced. Both these issues reduce the probability of process improvements being identified, and highlight the need for significant incentive arrangements to encourage the team to spend time seeking ways of reducing wasted time and money.
- An obvious process improvement for many project teams is to get better at basic project management, hence Partnering’s emphasis on:
  - Clarity over the client’s requirements through clearly stating them in the Charter
  - Effective communication of the client’s requirements to all those involved in design and construction to reduce the need for re-design or re-work (probably the major cause of waste and unnecessary cost). Hence the desirability of involving constructors, key sub-contractors and key manufacturers in the design process early on; it is to improve communication and understanding of the client’s requirements and improve the quality of the designs initially produced;
  - Effective Change Control processes (often called decision-making processes in the Partnering arena);
  - Placing responsibility for managing a risk with the party best able to manage it. In many Partnering arrangements a specific team member may be responsible for managing a risk, but the pain or gain arising from what eventually transpires is shared between the team i.e. splitting responsibility for managing the risk from carrying the financial burden or benefit of the risk. This is risk allocation, but not risk transfer within the team. Risk transfer within the team mitigates against shared pain / gain;
  - Measuring project and team performance.
- Volume procurement may be a process improvement that is applicable for some work packages, but isn’t applicable to all. It might be worth aggregating some work packages in order to get volume discounts, so long as other objectives of the projects are not jeopardised. Or, of course, it might not be. It is clear that volume procurement is **not** necessarily a part of Partnering.
- Partnering can be undertaken without formal incentive arrangements<sup>1</sup>. However, as Partnering is hard work, the absence of incentives lowers the probability of success, or of obtaining as great an improvement in efficiency as might otherwise be the case. But this doesn’t mean that it can’t be done – it just relies more on the enthusiasm of the individuals concerned. In reality, where Partnering does work without formal incentive arrangements it is probably because there are informal, but powerful, incentive arrangements in place, such as the enjoyment of working with colleagues of a like mind, and the kudos that comes from successful project delivery. These are powerful motivators for some people, but not for others, hence the reduction in the chances of success if the organisations rely on these informal incentives alone.

---

<sup>1</sup> Likely to be financial incentives for the organisations and non-financial for the individuals concerned.

- It is helpful to divide one work stream into (ideally) 3 work packages being delivered by 3 different supply teams<sup>2</sup> for the following reasons:
  - many heads are better than some, and process improvements identified in one work package are likely to be of use in another work package if the nature of the work is similar (one work stream);
  - it allows the use of constructive competition between the teams, as part of the reward system;
  - sharing of process improvements between different teams fosters co-operative attitudes and culture;
  - it reduces the client's risk exposure if a Partnering team fails to perform acceptably and their employment for the work package is terminated. One or both of the other supply teams are likely to be able to cover while a new supply team is recruited for the remainder of the work package.

The client's ability to divide the work stream into work packages may be affected by the availability of suitable supply teams of an appropriate (smaller) size, and / or there may be tension with the possible benefits of volume discount if the whole work stream were big enough to generate such a discount, which could not be obtained by individual work packages.

Andrew Drury

HATC Ltd

January 2005