

Relationship Management in the Australian Construction Industry - a Grounded Study

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Abstract: The significance of a link between organisational culture and organisational performance has long been recognised in both mainstream management literature as well as in the construction management literature. Within the construction research domain, the impact of culture and organisation on project performance is becoming an increasingly important topic for the establishment of sound partnering or alliancing, or to what has been referred to increasingly in recent years as relational contracting, in the overall approach to project management. However, studies of the efficacy of alliancing or partnering have so far produced mixed results.

The present study concerns two public sector organisations in Australia, where the interrelationships between organisational culture and structure, commitment and national culture were investigated. The methodology was triangulated; with a detailed questionnaire survey undertaken with both organisations, and with subsequent interviews and case studies carried out for validation. Multivariate statistical techniques were utilised to investigate complex relationships between variables.

This paper reports the perceptions of professional personnel in the public sector organisations, and some mismatches found between organisational structuring and organisational culture. Key issues affecting project performance, and the set of project team characteristics enhancing the development of a collaborative project culture, were found to include continuous commitment from all levels, right mix of people, formal and informal communication, continuous facilitation, education and training in the universities, institutions and industry. The combined outcomes of the research provided a framework of fundamental elements for successful relationship management application.

Keywords: Australia, Organisational Culture and Structure, Procurement System, Relationship Management

1 Introduction

Relationship based approaches are seen as the way forward for the construction industry towards cooperative and collaborative working and true teamwork. Business systems and strategies need to be redefined and move from a short-term project to project culture to a more strategic, long-term perspective (Walker, Hampson and Peters 2000). Numerous reports have been produced in recent years, such as the Tang Report on 'Construct for Excellence: Report of the Construction Industry Review Committee', the Hong Kong Housing Authority report on 'Quality Housing: Partnering for Change', 'Building for Growth' by Australia NatBACC and the Egan report on 'Rethinking Construction'; all indicate the way forward for the construction industry. These reports advocate a move away from adversarial relationships

and towards the use of relationship management approaches. However, such approaches require a culture change, a change of mindset.

The problem addressed in this research is the implementation of relationship management through a range of Government projects in Queensland, Australia with a focus on changing attitudes and perceptions of staff of the client (Queensland government). However, the efficacy of alliancing or partnering has thus far not been proven and projects have produced mixed results. This research aims to shed light on the practices and pre-requisites for relationship type contracts to be successful (see for example Bresnen and Marshall 2000a,b,c) and to understand how the interrelationships between national culture, organisational structure, organisation culture and levels of commitment affect an organisation's performance.

2 Research Methodology

Questionnaires, interviews and case studies were conducted in this research in order to validate the results. Both qualitative and quantitative approaches have different strengths and logics, and are best used to address different questions and purposes (Maxwell 1996). The qualitative approach derives primarily from its inductive approach and its emphasis on words rather than numbers. It focuses on specific situations or people. By involving inductive, theory-generating, subjective and non-positivist processes (Lee 1999), the qualitative approach seeks to gain insights and to understand people's perceptions of 'the world', as individuals and as groups (Fellows and Liu 1997).

The research methodology is a grounded, triangulated approach. By using independently collected data, it was possible to verify the thinking of key individuals in the organisations as to the strengths and weaknesses of the systems currently in place. The objective of this research is to investigate the impact of the various cultural variables on project performance, which then allows patterns, in which alliancing contracts work, and other patterns where traditional contracts work, to be defined. The research was carried out by investigating the organisational structure, culture and commitment in two public sector organisations in Queensland, Australia. Key issues affecting project performance were also identified. In order to do so, an audit was performed to find out where the organisations currently stand and questionnaires, interviews and case studies were conducted in order to validate the results. Hence, the results presented here distil the key research issues and findings that came from this research project.

3 Organisational Culture

Task culture is found to be more preferable by the professionals in both public sector organisations. Handy (1985) describes task culture as being best suited to groups, project teams or task forces which are formed for a specific purpose, which very much describes the job nature in the public sector organisations. Individuals in the organisations belong to his/her own project team for each project and are highly likely to work with a different team of people in each project.

Task culture can be found where the market is competitive, the product life is short, and speed of reaction is important. In this instance this fits well with the public sector

organisations as the participants generally work as a team, particularly a project team. The individuals form a team, a project team, for specific purpose. The success of the project is judged by results and work relationships within team are emphasised. However, when the results were analysed further it was found that the perceived culture existed within the public sector organisations was a role culture.

Role culture is often found where economies of scale are more important than flexibility or where technical expertise and depth of specialisation are more important than product innovation or product cost. In this context it is apparent in bureaucracy, heavy reliance on procedures and formal authority. The public sector organisations still exist when projects (e.g. schools, residential blocks, hospitals, highway up-grade, road and bridge construction) have finished. Professionals from the public sector organisations would not expect to be abandoned after each project completion.

4 Commitment

The same group of professionals were questioned at the same time on the concept of commitment, using Allen and Meyer's (1990) Affective, Continuance and Normative Commitment Scales. Affective commitment (emotional attachment to the organisation) was found to be a little stronger than continuance commitment (costs of leaving the organisation outweigh the opportunity costs of staying) and normative commitment (acceptance of the organisation's set of values). However, all scores are rather 'middling', indicating a 'non-committal' level of commitment. For the implementation of relationship management to be successful, it is essential for a high degree of support and commitment to the organisation's values, with the benefits and philosophy of relationship management filtered to all levels. This proposition is confirmed by follow-up interviews and case studies.

5 Organisational Structure

Organisational assessment from Van de Ven and Ferry (1980) was used to explore the type of structure prevalent in the public sector organisations and relate this to the nature of the tasks being undertaken by the organisation, with a view to identifying mismatches. The same group of professionals was again questioned, together with a follow-up survey sent to another group of professionals (here-in-after Other Units), who had work relationship with the respondent(s) in the past six months, as identified in the main questionnaire survey.

Van de Ven and Ferry (1980) suggested that organisational units that undertake work at high levels of difficulty and variability adopt what they termed a developmental group mode of structure. Table 1 presents the hypothesised patterns of their three design modes in complex organisations.

Table 1: Hypothesised Patterns of Systematized, Discretionary and Developmental Modes of Structure in Complex Organisations (extracted from Van de Ven and Ferry, 1980, p. 368-9)

	Systematized Impersonal Mode	Discretionary Personal Mode	Developmental Group Mode
Difficulty & Variability of Tasks, Problems, Issues Encountered by subsystem –	Low	Medium	High
Salient Dimensions of Managerial Subsystem			
1. Organizational Referent	Central information systems	Hierarchy & staff	Coordination committees
2. Coordination and Control by:	Rules, plans, schedules	Exceptions to hierarchy	Mutual group adjustments
3. Resource & Information Flows among Organizational Levels, Units, & Positions:			
a. Direction	Diffuse	Vertical	Horizontal
b. Amount	High	Medium	Low
c. Standardization & Codification	High	Medium	Low
4. Perceived Interdependence among Components	Low	Medium	High
5. Frequency of conflict among Components	Low	Medium	High

A developmental group mode is aimed at creating a programme for handling tasks, problems or issues that have not been encountered before, and/or are sufficiently difficult or complex, which require further work for solutions. It is also suggested that a developmental programme/mode of structure consists of (1) general goals or ends to be achieved in a specified amount of time, leaving unspecified the precise means to achieve them, and (2) a set of norms and expectations regarding the nature of behaviour and interactions among group members. The characteristics mentioned above seem to fit in with both public sector organisations' missions very well. One of the major roles of the organisations is to be part of the project team in a construction project, including being able to react to unforeseeable events that occur during the project, whether these events have natural or man-made causes. It is also common not to have the project thoroughly strategically planned and specified at the outset, particularly when dealing with complex 'multi-clients', as often happens with the organisations. Based on the facts and characteristics described above, a developmental group mode of structure is seen as being the most appropriate structure mode for both public sector organisations.

Based on the results generated from the survey, a similar table was developed to test the hypothesised pattern suggested by Van de Ven and Ferry and the shaded columns in Table 1 represent the findings. Although both organisations were initially expected to follow the logic of developmental group mode of structure, the logic of systematised mode is more closely followed. This again reflects the results from Handy's instrument.

Both public sector organisations have had long relationships with the other parties. The fact that the degree of relationship awareness was rated higher by both groups of Other Units than

the organisations might suggest the organisations have overlooked the other parties' knowledge or understanding of the organisations' goals; or perhaps the organisations find the other parties do not truly understand the organisations' objectives and goals. Either way, the public sector organisations should look into their client/contractor management for better understanding of each party's business and goals. Relationship management is about opening up communication and working with goals aligned. There will not be common goals and objectives in a project if members do not openly communicate and discuss each other's objectives for consensus.

When disagreements arise, the most frequently used resolution method was an open exchange of information about the conflict or problem and a working through of differences to reach a mutually agreeable solution. This is confirmed by follow-up interviews with respondents that Australian professionals prefer confronting issues when disagreements arise. A conclusion can be drawn from the findings so far – the Australian culture is very well suited to relationship management. Professionals are not afraid of confronting issues. Instead, this open exchange of information is accepted and very welcome in the construction industry. Open communication is a crucial element in relationship management

The most frequently used communication method by the professionals is telephone calls, followed by face-to-face talks. The quality of communication is found to be average (based on the degree of difficulty of getting in touch and getting ideas across to other party). It is interesting to note that although both public sector organisations and Other Units find it relatively easy to get in touch with the other party, the degree of difficulty in getting in touch and getting ideas across is rated higher by Other Units. This is confirmed by one of the follow up-interviews, an interviewee pointed out face-to-face talks or meetings were an issue between project teams - due to the distance between parties, physical meetings were not feasible and telephone conferences were used instead. With today's technology, one suggestion to achieve some of the benefits of face-to-face talks or meetings is to use video conferencing or Netmeeting© via the internet. Although physical presence is still not possible, these technologies do allow behaviour or body language of the other party to be observed.

Survey findings point out that the higher the degree of difficulty in getting ideas across to Other Units, the more the performance of the organisations is hindered by Other Units and visa versa. This is purely a consequence of the nature of construction in that all works are inter-related. Quality of information flow has always been crucial in the project team. This is again confirmed by the positive correlation between difficulty in getting ideas across and frequency of dispute, suggesting a poor quality of communication often leads to a higher frequency of dispute, reinforcing the relationship between quality of communication and work performance. All of these issues have surfaced as anecdotal evidence in case studies.

Positive correlations are also found between the extent of commitment by both parties, the degree of productive relationship and the relationship satisfaction level, suggesting these variables are interrelated. High commitment from both parties would result in a more productive relationship. During the follow-up interviews, one comment which appeared from time to time is that a high level of commitment from all parties is needed in order for the relationship and the project to be successful. All unsuccessful relationship management/partnering projects have one common theme – lack of commitment from all levels. The significant influence of commitment by project parties on a productive relationship is verified in this survey by the organisations.

Positive correlations are also found with equality of transactions and the extent of a productive and satisfactory relationship. Also, a positive correlation is found between equality of transactions and personal acquaintance, implying the better both parties know each other on a personal basis, the higher the degree of transaction equality. It was pointed out by various interviewees that personal relationships are very important for successful partnering/relational contracting. Parties became more cooperative, problems are discussed rather than disputed, there is positive problem solving rather than confrontation, and there is sharing of information which leads to reduction of risks and unreasonable claims. The observation was reflected by the positive correlation between consensus and resource dependence. The power of informal relations as identified earlier in the survey result is verified.

6 Culture

The Value Survey Model by Hofstede (1980) was used to calculate the cultural values of individual participants. Australian professionals scored low on Hofstede's power distance index, indicating the low acceptance of a hierarchical or unequal distribution of power in organisations. A medium score is perceived in Hofstede's uncertainty avoidance index, suggesting Australian professionals are semi-comfortable with uncertain or unknown circumstances, and would create formal rules and procedures to deal with those situations. The degree of individualism was found high in the same sample, suggesting people would look after themselves and their direct family in preference to seeing themselves belonging to the larger group (organisation), which takes care of their interests in exchange for loyalty. Finally, Australian professionals scored low on Hofstede's masculinity index, implying people tend to sympathise with the underdog, rather than admire the achiever; interpersonal relations, gender equality and interdependence are emphasised.

Both public sector organisations professionals rate personal time, desirable living area and cooperation with team members very important for an ideal job. Cooperation with team members is a fundamental requirement for relationship management. Good working relationship in the project team is one of the main philosophies in relationship management. Australian professionals rated contribution to company's success utmost importance for an ideal job (the most important criteria), yet working in a successful company and the size of the organisation is considered to be not so important or desirable. These results actually indicate a strong linkage with the high score on the affective commitment dimension. Australian professionals have a strong emotional attachment to the organisation, and they also find contributing to the company's success highly important in a job. It appears that Australian professionals and their organisations have a common and positive goal alignment to the company success. In any successful project, it is not uncommon to find 'goal alignment in the project team' as one of the major criteria. Likewise, relationship management might not be implemented as effectively if project team members at all levels have no common goal.

Respondents reported that they do not often feel stress at work. Also, the majority disagree that a large corporation is a more desirable place to work than a small company. These all match well with what Hofstede suggested would be found in an organisation with a low masculinity index. With reference to earlier survey results using Handy's instrument, task culture is preferred by those in the organisation. It is also interesting to note that although

Australian professionals find formal procedures are necessary for project management success, at the same time, they also agree formal procedures may need to be disregarded to ensure successful project completion. According to questionnaire responses and in subsequent interviews, both formal procedures and informal arrangements are considered necessary for the successful management of a project. The majority's view was that relationship management is more successful in projects when it has been made formal in contract documents. This finding gives an excellent example of the importance of embedding informal arrangements in formal mechanisms and again verifies the mismatch between the perceived role culture and the preferred task culture, where Australian professionals are restrained by rules and procedures, with a lack of flexibility.

7 Different Issues at Different Levels

Subsequent interviews and case studies show that at the inspector/foreman level, the issue in the relationship is getting the job done. At the engineer level, the issue is quality and claims, and keeping the job moving. However, the engineers are not empowered to make final decisions such as claim issues, and are sandwiched between inspectors/foremen and superintendent/project manager. The main focus for the individuals is actually the quality of work life and, similarly to inspectors/foreman, getting the job done. At the superintendent (representative)/project manager level, the major issue is performance measures and claims, and contract administration. Lastly, at the principal/director level, the major issue is strategy and claims management. It can be seen that the relationships within the project team are focused on very different issues at these four different levels. The benefits of relationship management need to be recognised at all levels for it to be applied effectively. On the other hand, the relationship management process needs to be set up in a way that would benefit the project team.

8 Role of Facilitator

The role of facilitator is crucial in the relationship management process. However, the cost of employing an external facilitator is also very high, which subsequently affects the frequency of the facilitator's involvement in the process. Most participants felt that the facilitator should be a neutral party to the project but there are situations where one or other party has supplied a facilitator and the process has been successful. Either employing a third party as a facilitator or a contractor supplying his/her own facilitator are scenarios which can work successfully.

9 Education and Training

During interviews, it became apparent that the endorsement of the relationship management arrangement depends mostly on the client body. Clients must be educated to recognise the benefits of relationship management. They must be weaned away from the practice of letting projects to the lowest tender submission. They must have the right attitude towards relationship management; and must acknowledge that the contractor is entitled to a reasonable profit. The perception of relationship management as a one-off approach was also observed. Relationship management should not be seen as a one-off approach which can be switched on and off as necessary. It is in fact an overriding philosophy and a sea-change in the industry's culture, leading to changed attitudes and collaborative, proactive project

management. There is a need to promote the concept of relationship management as ‘business as usual’ and effectively drag the industry into a new era. This is an education and training issue that needs to be addressed at trades and tertiary/professional levels; and needs to be driven by the involvement of the construction industry groups – clients, contractors’ and suppliers’ associations, professional institutions and consultants associations.

10 Conclusions

This research has investigated the impact of the various cultural variables on project performance. The basic concepts and variables relating to cooperation, collaboration, organisational issues and performance were examined through questionnaire survey and follow-up interviews with survey respondents. Cultural barriers to change exist at both management and operation levels. There was a mismatch in both departments between the organisational culture as perceived by the professionals and the organisational structure that was being implemented. Professionals in the departments preferred working in a task culture, but in fact they were working in a role culture. Matrix organisation is particularly suitable to construction project environment (Bresnen 1990, Rowlinson 2001), and such an organisation will only work effectively with a task culture. In the Hong Kong study conducted by Rowlinson, the mismatch between the actual organisation culture and organisation structure is one of the factors that created barriers against implementing changes in the department (Rowlinson 2001).

Relationship management suits the Australian culture very well. Professionals were not afraid to express their ideas or disagreements. Direct confrontation between individuals was accepted and preferred for collaboration as well as conflict resolution. Australian professionals have strong individualist attitudes; open discussion of matters is preferred, which has an implication for decision-making styles and problem-solving techniques. Further support for this argument is the finding that being consulted by one’s direct supervisor is very important. Australian professionals are not afraid to express disagreements with their supervisors. However, uncertainty avoidance was an issue that might impact the efficiency of implementing relational contracting. Ineffective rules and procedures might be imposed to satisfy people’s emotional need for formal structure. This study has demonstrated Australian professionals prefer a flat organisation structure and have a strong desire for decentralisation, yet also a medium level of formality. Professionals from both public sector organisations were actually working in a role culture and systematised structure mode. Although having roles clearly specified assists the relationships between parties, excessive formalisation, rules and procedures do not necessarily contribute to relationship productivity and might in fact have a negative effect on the decision-making process. Decision-making processes were prolonged due to extensive layers of procedures that affected work efficiency. The importance on having both formal and informal mechanisms in place was highlighted in the study.

Findings showed that should one’s level of commitment increase, the other party’s commitment level would also increase significantly. Strong support and commitment from project parties is crucial for project success and implementation of changes. Also, findings showed that the more the parties are satisfied with their relationships, the more productive their relationships would be; and both levels of relationship satisfaction and productivity would increase with the degree of personal acquaintance. Australian professionals strongly agreed personal relationships are important in managing projects. The importance of personal

relationship in the project process is agreed by the respondents and shown in statistical analysis.

Low to medium levels of commitment were found in the professionals. Commitment to the goals and objectives of an organisation is crucial in facilitating successful implementation of relational contracting. As noted earlier, one party's commitment levels have a significant effect on the others'. It is suggested the degree of match and mismatch between organisation culture and structure has an impact on the staff's commitment levels.

The advantages and importance of face-to-face and continuous open communication were identified in both the survey and interviews. However, finding time for communication seemed to be a major problem. This is clearly an issue the organisations need to investigate. The effect of communication quality and frequency on parties' relationships was clearly shown in this study, and the professionals clearly stated better communication is needed. This is obviously an issue both organisations should address promptly.

Relationship management should not be seen as a one-off approach which can be switched on and off as one wishes. It is an overriding philosophy and sea-change in the industry culture. Concepts of relationship management should be promoted as 'business as usual'. Relationship management needs to be constantly maintained and facilitated to retain effectiveness. Relationship management maintenance and review process should be set up before a project begins. Facilitation is needed to enable open, blame-free communication and this facilitation must be ongoing throughout the life of a project. The role of facilitator in achieving a relational contracting culture is highlighted in this research.

Project parties need to be familiar with relationship management principles and relationship management in practice for effective integrations. This brings us to the last conclusion of this research, that education and training is an imperative element for achieving effective relationship management application. Relationship management culture must be championed in organisations through in-house workshops. Relationship management culture and correct principles should be embedded in people's mindset at an early stage. This research suggests the relationship management concept should be promoted through continuous training and education in universities and institutions.

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