Identifying the Factors that Influence the Use of Construction Partnering as a Procurement Strategy

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Abstract
The use of construction partnering as a procurement strategy has been inconsistent across construction industries globally. An incongruity exists between the strong advocacy of the use of partnering in the construction literature on the one hand, and the lack of actual adoption in reality by construction firms on the other. This paper argues that a main reason why there is this gap between research and practice is that there has been insufficient systematic studies by academics of the critical factors that underpin the selection of construction partnering which construction firms continually take into consideration. This paper reports the results of an empirical study which looks at how much these factors influence construction partnering under different industry characteristics. The results demonstrate that construction firms are far more discriminating in their choice of procurement strategy than what the literature would appear to suggest, and therefore, construction partnering should not be viewed as a one-size-fits-all means of improving project performance. This paper highlights the use of construction partnering is likely is contingent upon a set of industry factors that affect firms. Suggestions for future research to expand on the current study are offered.

Keywords
Construction partnering; procurement strategy; procurement selection; project performance; institutional factors

INTRODUCTION

Construction partnering is still popularly regarded as “the most significant development to date as a means of improving project performance” (Wood and Ellis, 2005, p.317). The steady stream of literature highlighting the potential benefits of construction partnering is widely accepted as an endorsement of its use as a choice procurement method in the construction industry (Bennett and Jayes, 1995; Black et al, 2001; Egan, 1998; Chan et al, 2003; Cheung et al, 2004). However, despite the continued popularity of construction partnering, no apparent industry trend exists to show that it is now the dominant choice of procurement method. The once valid argument that the absence of the widespread use of partnering is due to negative perception and attitudes among practitioners could no longer be substantiated because recent studies have found that attitudes towards partnering are becoming more and more positive (Wood and Ellis, 2005). Thus, other pertinent reasons exist which account for the discrepancy
between the supposed tangible benefits that partnering brings and the lack of its adoption in reality.

This paper argues that one of the reasons for the patchiness of the adoption of partnering in the industry stems from the fact that construction firms do not appear to all jump on the partnering bandwagon despite its potential benefits. The commonly used term ‘potential benefits’ found in the literature would seem to suggest that in order to achieve the associated benefits, partnering must be contingent upon certain factors that make it an obvious choice of procurement method for construction firms in the first place. Therefore, the appropriate question here is not whether partnering is a more superior procurement method. Assuming that it is, given the positive endorsement that it receives, the question is why the majority of construction firms are still not using partnering to replace other traditional procurement methods? Following from this, the next question is what are the determinants predicting the likelihood that construction firms will adopt partnering? There are compelling reasons for asking these questions because if what is being preached by academics is not being practiced by the industry there is a need to understand (i) why does the gap exist and (ii) how can it possibly be bridged so that the rigour and applicability of the research and practice nexus can be strengthened further.

This paper reports the preliminary research findings that shed some light on the above questions and suggest ways in which this line of inquiry could be further developed to validate the results so far obtained.

Using institutional frameworks to explain partnering arrangement

Construction partnering as defined by Construction Industry Institute (1991) consists of “…a long-term commitment between two or more organizations for the purpose of achieving specific business objectives by maximising the effectiveness of each participants’ resources”. In this regard, it is no different to any other types of inter-organizational alliances which “operate in a relational context of environmental interconnectedness” such that “an organization’s survival and performance often depend critically upon the linkages to other organizations….” (Oliver, 1990 p.241). To this end, several theoretical perspectives exist to explain and predict the establishment, development, process, and outcomes of various forms of inter-organizational relationships. While transaction cost and resource dependency theories have been used in the past to explain construction organizational phenomena, one germane theory which has so far been neglected in the construction management literature is the institutional theory (DiMaggio and Powell, 1983).

A rich body of organizational and strategy literature exists to explain how and why institutional forces are important factors that contribute to the creation of different inter-organizational structures and alliances (e.g. Scott, 1987, 1998; Scott and Meyer, 1994; Zucker 1987). Institutional forces that arise from specific regulatory institutions (e.g. laws, regulations) and, normative and social norms (e.g. professional conformity, industry and societal expectations) will to a certain degree influence business decisions and organizational actions. In other words, the contexts in which business decisions are made are affected by pressures of firms seeking social conformity, and compliance with rules, regulations and norms which, in turn dictate what are regarded as desirable or legitimate business endeavours. The compliance with norms and regulations is deemed important because firms that conform “are rewarded….through increased legitimacy, resources, and survival capabilities” (Scott, 1987 p.498).

In addition, institutional theory suggests that because firms seek legitimacy, new organizational arrangements emerge as a result of firms attempting to achieve a fit with their institutional environments such that “firms within the same population facing the same set of environmental constraints will tend to be isomorphic to one another and to their environment…” (Dacin, 1997
p.48). Thus, when the same institutional pressures continue to exist over time, firms will become more homogeneous in what they do (DiMaggio and Powell, 1983) and as a result, a dominant organizational arrangement or ‘proto-institution’ (Lawrence et al, 2002) is likely to occur. Extending this argument to the construction industry, it can be argued that partnering arrangement has yet to achieve the status of ‘proto-institution’ where its practices, rules and technologies become so entrenched such that firms are compelled not to choose other practices, rules and technologies which are likely to make them less competitive.

**METHODOLOGY**

Using trade association and chamber of commerce directories, a questionnaire survey was administered to a population sample of 2602 foreign and local firms in Hong Kong which was framed from different sectors of the construction industry. The sample was believed to represent all construction firms operating in Hong Kong for which contact details, including the name of the most senior executive, were available. After two mailings, a total of 526 responses were obtained. A total of 270 firms were related to the construction contracting industry; 110 were construction consulting firms of one type or another, a further 101 firms belonged to the construction manufacturer and supplier industry; 15 firms were construction developers. Three hypotheses were developed to firstly test the relative importance of institutional factors and economic (financial) factors in predicting the use of partnering by construction firms, and secondly to test to what extent the use of partnering is influenced by firm perception of strong partnering norms within the industry. The variables used in the study were those that measure the (i) level of partnering use, (ii) perception of norms and expectations for partnering, (iii) firm competitiveness and profitability due to partnering use. Control variables such as size and age of firms were included to control for possibly confounding firm demographic effects, which may have an impact on firm’s likelihood to use.

**DISCUSSION OF RESULTS**

This paper forms part of a larger research project that is currently underway to study partnering practice and the detailed empirical study based on the 526 data sets to examine the role that institutional factors play in the creation of partnering arrangement is reported elsewhere. This paper highlights some of the key findings obtained so far and discusses the implications they have for future research in partnering practice.

In support of the research hypotheses, the findings have clearly shown that partnering use is much more heavily influenced by industry norms and expectations for partnering than by the sole financial benefits that are associated with its use.

This is in stark contrast to the widely held view that firms are able to benefit financially from using partnering and, hence the assumption that such benefits alone would necessarily predict the use of partnering, the findings have shown that none of the financial incentives in terms of increased profitability, increased competitiveness or increasing the likelihood of firms winning contracts and securing business deals has any significant impact on partnering use at all.

However, the findings suggest that firms with a perception that partnering norms and expectations exist strongly in the industry are motivated to adopt partnering as conforming to such institutional pressures would add greater legitimacy and credibility to what they do. By complying with institutionally salient norms, firms view their choice of using partnering as rational because the added legitimacy might result in improved firm profitability through
increased resource acquisition and reallocation. Therefore, the extent to which partnering is deemed profitable seems to be dependent upon how institutionally entrenched the practice of partnering is in the construction industry generally - the more embedded the practice is, the more likely firms will be inclined to its use.

Hence, the question of why there has been no visible pattern of firms using partnering across the construction industry can perhaps be pinned to the lack of systemic, overriding institutional pressures that drive its use. Without such pressures, it can be argued that firms view partnering as just one of the range of procurement methods that are available to firms and the decision to use partnering or any other methods will then rest more squarely on economic and market factors. Because the benefits, or more precisely, the economic and management advantages that firms could gain from using partnering is still debatable and difficult to measure, there is no \textit{a priori} reason to expect firms to favour its use over other procurement methods other than the fact that there is obvious institutional norms that propel firms to use it.

**IMPLICATIONS FOR RESEARCH AND PRACTICE**

Despite the strong advocacy of partnering use and of the purported benefits that it brings, it seems ironic that its implementation has remained at best, at a modest rate across construction industries. Past studies suggesting that the construction industry operates on a very competitively cost driven environment have helped to partially explain the reason for the lack of incentive for firms to use partnering (Bresnan and Marshall, 2000; Wood and Ellis, 2005). However, examining the issue from a totally different perspective, the results of this study show that institutional norms for partnering is an important contributing factor determining when firms are likely to use partnering. This has significant implications on the way research on partnering should be undertaken in the future. Rather than focusing on the purely economic determinants, studies should consider using institutional factors to explain and predict partnering formation. As far as this study is concerned, institutional forces far outweigh the importance of economic forces in determining partnering occurrence. Firms are inclined to use partnering not so much because they see it as a superior procurement method that brings increased firm profitability or competitiveness \textit{per se} but rather because they see that there is an advantage in the face of strong industry norms and pressures to use it. Hence, future studies could usefully focus on how specific institutional pressures (i.e. regulations, policies, rules) determine the occurrence of partnering and to what extent. It appears from this study that the lack of strong institutional partnering norms in the industry largely explains why the implementation of partnering has remained patchy. One possible research avenue that stems from this would be to explore differences in the level of institutional pressures that construction industries in different countries have in relation to partnering practice and determine how this may in turn affect the level of partnering use. Perhaps this will then inform practitioners about where to divert their resources that will bring about the most sustained economic performance. These new lines of inquiries will shed much needed light on what actually determines partnering occurrence and why – a timely endeavour given the history of partnering research has been predominantly focused on economic factors.

**REFERENCES**