NEGOTIATION AND CONFLICT IN INNOVATIVE PROCUREMENT ENVIRONMENTS: THE NATIONAL MUSEUM OF AUSTRALIA

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ABSTRACT

Constructive conflict resolution requires considerable management time, skill and an environment that supports a collaborative rather than adversarial approach. Destructive conflict resolution leads to additional costs and delays to a project, with potential for a breakdown in the relationship between client and contractor—a genuine lose - lose situation. This paper acknowledges that conflict in construction will always be present, but the culture of conflict and the way it is managed can be enhanced through a more collaborative approach to decision making. This may be facilitated through an innovative project delivery system that promotes team collaboration and cooperation, such as project alliancing.

The purpose of this paper is to report research undertaken into the nature of ethical negotiation and its impact upon conflict resolution. The research is focused upon the National Museum of Australia in Canberra as a case study and reflects data gathered on the project at a point just over half way through the project construction period. Three broad areas of factors impacting negotiation were identified: the aim of negotiation—relationship or contract; cultural setting of negotiation—individual or collaborative; and emotional awareness of negotiators—awareness of own and others' wishes, fears and beliefs. Construction of the National Museum of Australia provides a powerful case study to demonstrate how negotiation practices may operate on a project alliance.

KEYWORDS:

Negotiation, Project Alliancing, Procurement, Dispute Resolution, Project Delivery

INTRODUCTION

The aim of negotiation in project alliances has generally been to establish and maintain relationships. The cultural setting of alliances is collaborative and there is often a high level of individual emotional awareness of team members. This is in part due to team members participating in numerous facilitated workshops on team dynamics and communication. As a result of the project alliance environment, survey results from the National Museum of Australia project indicate that negotiation styles have changed from the business-as-usual (BAU) setting experienced in more traditional forms of project delivery. However more significantly, there was a clear indication that team members of the National Museum of Australia believe the project alliance environment established, has not only reduced negative conflict but also significantly reduced the negative impact of conflict.

Project alliancing in the construction industry has been defined as: "An agreement between two or more entities which undertake to work cooperatively, on the basis of a sharing of project risk and reward, for the purpose of achieving agreed outcomes based on principles of good faith and trust and an open-book approach towards costs" (Abrahams and Cullen 1998, p31).

The project alliancing ‘agreement’ is legally enforceable - but the intention is to establish and use ‘drivers’ that will stimulate parties to actively support and cooperate with one another. Moreover, a principal difference between alliancing and other cooperative forms of project delivery ethos (such as the use of partnering agreements), is that with alliancing each team member is jointly and not separately
anchored into project success (Walker et al. 2000a). This is in contrast to partnering for example where one team member may realise profits while another could sustain losses on a project. In the National Museum of Australia project for example each alliance partner places other’s profit margins at risk. Similar situations prevail in other alliancing projects such as the Wandoor B Offshore Oil Platform in Western Australia, the East Spar Development in Western Australia, and The Andrew Drilling Platform in the UK (ACA 1999; KPMG 1998; Walker et al. 2000b). Thus, in alliance projects there is a structural framework that not only encourages trust and commitment but also requires it.

The aim of the survey of the construction project team of the National Museum of Australia was to understand how teams negotiated with each other. Results help to ascertain whether the team changed their negotiating styles as a result of the project alliance and whether this had reduced or minimised negative impacts of conflict. Negotiation is viewed here as any interaction between individuals or teams where an exchange of views is offered by each party to arrive at a decision that all parties will feel bound by. Thus, negotiation in this context is perceived more broadly than for example agreeing on a price to undertake work or when or how to deliver on time commitments. In this sense, negotiation is perceived as a process of mutual adjustment as well as offering and accepting a particular point of view held by parties to the negotiation.

This paper is presented in five parts. First, the concept of project alliancing and partnering in relation to conflict management is briefly explained to provide the context of the argument presented. Second, a description of the National Museum of Australia project is provided to distinguish the industry setting for this research. Third, a brief discussion of negotiation is presented. Four, data gathered in this research is presented. Finally, conclusions are drawn and implications for procurement decisions are discussed.

PROJECT ALLIANCING, PARTNERING AND CONFLICT MANAGEMENT

Project alliances are formed between the client, consultants and contractors to produce a specific building project. One opportunity that project alliancing offers is that it can be structured to suit requirements of a specific project and team members. A project alliance delivery strategy is not the easiest choice for the client to make—it requires a considerable commitment and involvement from the client organisation. However rewards for this high commitment and involvement include high product and delivery quality and an ability to shape the project as an equal partner with consultants and construction contractor teams.

The project alliancing ‘agreement’ is legally enforceable - but the intention is to establish and use ‘drivers’ that will stimulate parties to actively support and cooperate with one another—it is not just a feel good approach. To encourage cooperation in project alliancing, the hard contractual issues that affect the entities’ bottom lines, such as risk allocation and remuneration are used. This is an obvious difference between project alliances and partnering, which is solely based on soft issues (Clayton Utz 1998).

Much has been written about partnering and its impact on conflict resolution. Bresnen and Marshall (2000) provide an insightful assessment of the dilemmas and tensions that may occur in partnering arrangements that reaches beyond the hype delivered by many proponents of this cooperative form of relationship. They stress that behavioural change does not necessarily follow the adoption of a partnering charter and that a set of espoused standards of behaviours may vary considerably from that which is practised (Bresnen and Marshall). This is also a matter of concern noted in a Construction Industry Institute Australia (CIIA) survey in which 100% of respondents agreed that issues and problems were allowed to escalate and that 86% of respondents agreed that continuity of open and honest communication was not achieved (Lenard et al. 1996). Nevertheless, considerable gains have also been recorded as resulting from partnering including lower risk of time delay, cost overrun and better quality (CII 1996; Lenard et al. 1996). One USA study of 21 partnering relationships involving over 30 owners indicates that there was a 100% success in meeting budget/time for relationships where there was a collaborative relationship between teams (medium/high alignment of objectives) (Thompson and Sanders 1998).

While the number of case studies available for partnering is extensive, the number of project alliances in construction is few, and in building (as opposed to civil or petrochemical engineering) is probably currently confined to the National Museum of Australia project only. Certainly, there is a dearth of case
study literature in the way that alliancing performs in the building construction sector. Thus, much of the
evidence of how conflict is dealt with in relationship-oriented procurement options for the construction
industry is based on partnering experience.

One of the essential features of partnering has been the way problem resolution is managed (Bennett and
Jayes 1995). Problem resolution leads to discussion of trust and commitment—given the expectation that
problem resolution will be undertaken in a non-adversarial manner. It also leads to issues of the
application of power and nature of management style and leadership.

Problem resolution also benefits from a number of perspectives being applied to the surrounding
information and perceptions of what may be described as facts (Senge 1992). In a major treatise on
leadership, Burns (1978) stresses the link between leader and follower and the role of conflict. He argues
that conflict is necessary for change as it challenges the status quo or facts in the mind of those engaged
in negotiating a changed state. In order for change to take place, one party in a change negotiation must
create a conflict in the mind of the other party. This challenge results in a mental conflict taking place
about what was perceived to be the right way to do something based on new arguments, persuasive views
expressed, presentation of new evidence, or perhaps existing evidence presented from a different
perspective. Thus conflict expressed in this way may be constructive and valid without being coercive.

The need for diversity and an environment where alternative perspectives can be shared is well
recognised (Cope and Kalantzis 1997; Senge 1992). As Loosemore et al argue, "...the managerial
challenge is to harness the potential good in conflict rather than to develop methods of minimising it"
(Loosemore et al. 2000b).

The important link between trust, commitment and conflict is that it is necessary for open communication
to take place for better understanding to be developed of mutual positions. This means that one party must
feel it has the right to argue from perhaps a self-centred position but must respect the other party's right to
do the same. Moreover, in a more mature negotiation, this openness and preparedness to accept and
debate alternative perspectives on issues helps build trust and commitment which are essential ingredients
of alliancing (Hampson and Kwok 1997; Walker et al. 2000a). Thus conflict management from an
alliancing perspective requires open communication to facilitate equal-power negotiation between parties
and a mechanism allowing problems to resolved at the lowest level of management appropriate to the
knowledge and context of the problem. This later aspect is stressed by proponents of partnering and
strategic alliances (ACA 1999; Bennett and Jayes 1995; Lenard et al. 1996; Lendrum 1998).

NATIONAL MUSEUM OF AUSTRALIA

The National Museum of Australia project forms the unit of analysis as a case study. Uniqueness of a
phenomena provides a sound basis for choice of a case study approach (Yin 1994). The completed
Museum will house approximately 175,000 items and documents relating to three integrated Australian
cultural and heritage themes. It has a total project budget of A$155.4 million and a fixed scheduled
opening date of 12 March 2001. This is a 'flagship' project for Australia's Centenary of Federation
celebrations. The Australian Commonwealth Government Parliamentary Standing Committee of Public
Works (PWC) held public hearings in December 1997 and February 1998 and gave approval to seek
project alliance partners to design and construct the project. This approval was given after the design
architects had been commissioned following an international design competition. These designers formed
part of the project alliance team and took part in the selection process for the successful general contractor
and key services contractor alliance group. (The selection process and criteria is unfortunately beyond the
scope of this paper. Interested readers could refer to Walker et al. 2000a)

Construction of the project commenced in February 1999 (Auditor-General of the Australian National
Audit Office 2000). The project's design is highly innovative, complex and unique and makes significant
demands upon the construction team well beyond that normally to be expected for an institutional
building project. This places severe quality and buildability demands upon the construction management
team and the workforce. The Museum is a flagship project with highly sensitive political significance and
a fixed scheduled opening date. Moreover, the project's opening will be the first gift to the nation that will
initiate the national celebrations marking the Centenary of Australia's birth as a federated independent nation. Thus its uniqueness is well established and study of this project as a landmark is well justified.

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Figure 1 - The Process for Selection (CCC 1997)
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The alliance team selection process illustrated in Figure 1 indicates the advanced level of negotiation and communication skills required. It is interesting that the general progression through the alliance team selection process was completely different to that pursued for most traditional and non-traditional procurement approaches (such as design and build, construction management etc). The design team had been selected for the National Museum of Australia project on the basis of an open design competition before the client had accepted the alliancing approach. It was only after alliancing had been identified as the best delivery option, mainly based on considerations of time delivery, that the design team and client pursued an alliance approach. This required considerable negotiation skills, trust and commitment to project success as the design team had accepted their commission assuming that a more standard procurement choice would be made. Representation from the design team formed part of the selection panel for the alliancing process. The process required excellence in negotiation skills in several ways.

Figure 1 illustrates the rigour of the selection process and the advanced communication and negotiation skills required. The interview process for each of the four shortlisted consortia took 3.5 hours. Interviews were unstructured but with responses required from pre-set questions. Outstanding communication and negotiation skills were required to justify their worthiness in forming the alliance. It was decided that three of the shortlisted groups would take part in a 2-day alliance development workshop. Again this required exceptional ability to negotiate and communicate in a non-adversarial manner. Negotiations included developing the alliance guiding principles as well as discussing and identifying outstanding results to be accomplished by the alliance team.

After the two-day workshops were completed the Evaluation Committee reassessed the consortias against the selection criteria. Civil and Civic (now Bovis Lend Lease), Tyco and Honeywell were notified as being the preferred alliance team and were invited to a finalisation workshop. The finalisation workshop was used to determine the commercial and contractual issues that included risk and reward. Due to commercial sensitivities these details cannot be revealed in this paper. It can be appreciated however, that the successful alliance team went through a negotiation requiring a level of sophistication not common in the construction industry. Calls for this approach to enhanced behavioural attributes and team synergy have been made over the years by many government agencies and institutions (Australian Procurement & Construction Council and DOLAC 1997; CIDA 1993; DETR 1998; Latham 1994; NBCC 1989; Office of Building and Development 1997).
It is interesting to note that the National Museum of Australia project now features four sub-alliances that were each successfully formed between the core alliance group and the steel fabricators, glass and aluminium fabricators, landscapers, and audio-visual and information technology suppliers. Principal benefits include successful negotiations revolving around buildability and value engineering exercises and the ability for CAD/CAM data to be applied for the fabrication of the highly complex structure and building envelope. This was achieved in a manner that may not be otherwise possible between the design team and fabricators. Inter-organisational boundaries and issues of liability for interpretation of design details and workshop drawings, for example, were diminished as teams sought best-for-project solutions.

The construction of the Australia National Museum will be a significant Australian architectural and construction achievement. The required negotiation skills are intended to encourage innovation and creativity, and reward outstanding performance. The project alliance sets out to achieve the best possible outcome for the project with all participants in the alliance sharing both risks and rewards. All participants are required to adopt an “open-book” approach on costs and the alliance is built on mutual trust and respect with all committing themselves to achieve common objectives and outcomes. Experience to date suggests that this project alliance fosters inter-organisational innovation and eliminates the adversarial culture that characterises much of the building and construction industry.

NEGOTIATION - RELEVANT ISSUES

Before changes to negotiation styles can be explored – it is necessary to define negotiation itself, it’s importance to the construction industry and identify styles and influences of negotiation. Negotiation takes place continuously on construction projects as a part of delivering contractual obligations and in the process of mutual adjustment. It also takes place between individuals resolving technical problems as well as trading energy and favours to make life easier and reduce friction involved in getting things done. Negotiation is a cooperative exercise, independent people communicate to explore ways to achieve mutual objectives (Thompson 1998). The way that negotiation takes place reveals attitudes, behavioural tendencies and value systems of parties to these negotiations. Figure 2 illustrates a model of ethical negotiation that idealises the process for mutual gain arising out of a negotiation process. The interesting aspect of this approach is that it is mindful of the parties’ feelings and attitudes and that long-term consequences are seriously considered (Lewicki et al. 1994).

In a study of dispute resolution in the UK construction industry, negotiation was found to be the most common technique used to resolve disputes in the construction industry (Gould 1999). Table 1 and Figure 3 show the level of favourable acknowledgment the construction industry attributes to negotiation. It is interesting to note that negotiation appears in Figure 3 to be by far the most positively viewed technique for resolving disputes. Also Table 1 indicates that negotiation is by far the most common approach for
dispute resolution and that relationship building and maintenance is an important outcome of the negotiation process.

<table>
<thead>
<tr>
<th></th>
<th>Negotiation</th>
<th>Mediation</th>
<th>Med-Arb</th>
<th>Executive Tribunal</th>
<th>Expert Determination</th>
<th>Adjudication</th>
<th>Arbitration</th>
<th>Litigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Reducing time to resolve disputes</td>
<td><strong>3.9</strong></td>
<td><strong>2.4</strong></td>
<td><strong>2.3</strong></td>
<td><strong>2.2</strong></td>
<td><strong>1.6</strong></td>
<td><strong>89.9%</strong></td>
<td><strong>1.3</strong></td>
<td><strong>89.9%</strong></td>
</tr>
<tr>
<td>b. Reducing costs of resolving disputes</td>
<td><strong>4.2</strong></td>
<td><strong>2.5</strong></td>
<td><strong>2.3</strong></td>
<td><strong>2.2</strong></td>
<td><strong>1.4</strong></td>
<td><strong>89.7%</strong></td>
<td><strong>1.2</strong></td>
<td><strong>88.9%</strong></td>
</tr>
<tr>
<td>c. Providing satisfactory outcome of your case</td>
<td><strong>3.7</strong></td>
<td><strong>2.3</strong></td>
<td><strong>2.1</strong></td>
<td><strong>2.0</strong></td>
<td><strong>2.4</strong></td>
<td><strong>88.9%</strong></td>
<td><strong>2.2</strong></td>
<td><strong>88.6%</strong></td>
</tr>
<tr>
<td>d. Minimising further disputes</td>
<td><strong>3.3</strong></td>
<td><strong>2.1</strong></td>
<td><strong>1.9</strong></td>
<td><strong>1.8</strong></td>
<td><strong>2.2</strong></td>
<td><strong>87.8%</strong></td>
<td><strong>2.0</strong></td>
<td><strong>87.0%</strong></td>
</tr>
<tr>
<td>e. Opening channels of communication</td>
<td><strong>3.9</strong></td>
<td><strong>2.5</strong></td>
<td><strong>1.8</strong></td>
<td><strong>1.8</strong></td>
<td><strong>1.6</strong></td>
<td><strong>87.3%</strong></td>
<td><strong>1.4</strong></td>
<td><strong>86.2%</strong></td>
</tr>
<tr>
<td>f. Preserving or enhancing job relationships</td>
<td><strong>3.8</strong></td>
<td><strong>2.3</strong></td>
<td><strong>1.8</strong></td>
<td><strong>1.7</strong></td>
<td><strong>1.4</strong></td>
<td><strong>86.2%</strong></td>
<td><strong>1.1</strong></td>
<td><strong>86.2%</strong></td>
</tr>
</tbody>
</table>

**Table 1 - Perceptions of Dispute Resolution** - The top figure is the average response (the range being 1 to 5 with 1 being very ineffective and 5 very effective). The lower figure is the percentage of respondents for each (over 70% of respondents had over 21 years of industry experience). (Gould 1999 p581)

**Figure 3 - Techniques used by all respondents in positive and negative experiences** (Gould 1999 p584)

The construction industry is highly adversarial yet as shown above it identifies negotiation as being the most common and effective technique to resolve disputes. There are three commonly identified styles of negotiation. Of these, principled negotiation is argued to produce the best negotiation outcome, because parties are focusing on the problem rather than individual interests (Fisher and Ury 1991).
PROBLEM
Positional Bargaining: which game should you play?

<table>
<thead>
<tr>
<th>Soft</th>
<th>Hard</th>
<th>Principled</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participants are friends</td>
<td>Participants are Adversaries</td>
<td>Participants are problem solvers</td>
</tr>
<tr>
<td>The goal is agreement</td>
<td>The goal is victory</td>
<td>The goals a wise outcome reached efficiently and amicably</td>
</tr>
<tr>
<td>Make concessions to cultivate the relationship</td>
<td>Demand concessions as a condition of the relationship</td>
<td>Separate people from the problem</td>
</tr>
<tr>
<td>Be soft on the people and the problem</td>
<td>Be hard on the problem and the people</td>
<td>Be soft on the people, hard on the problem</td>
</tr>
<tr>
<td>Trust others</td>
<td>Distrust Others</td>
<td>Proceed independent of trust</td>
</tr>
<tr>
<td>Change your position easily</td>
<td>Dig into your position</td>
<td>Focus on interests, no positions</td>
</tr>
<tr>
<td>Make offers</td>
<td>Make threats</td>
<td>Explore interests</td>
</tr>
<tr>
<td>Disclose your bottom line</td>
<td>Mislead as to your bottom line</td>
<td>Avoid having a bottom line</td>
</tr>
<tr>
<td>Accept one-sided losses to reach agreement</td>
<td>Demand one-sided gains as the price of agreement</td>
<td>Invent options for mutual gain</td>
</tr>
<tr>
<td>Search for the single answer: the one they will accept</td>
<td>Search for the single answer: the one you will accept</td>
<td>Develop multiple options to choose from: decide later</td>
</tr>
<tr>
<td>Insist on agreement</td>
<td>Insist on your position</td>
<td>Insist on using objective criteria</td>
</tr>
<tr>
<td>Try to avoid a contest of will</td>
<td>Try to win a contest of will</td>
<td>Try to reach a result based on standards independent of will</td>
</tr>
<tr>
<td>Yield to pressure</td>
<td>Apply pressure</td>
<td>Reason and be open to reasons: yield to principle, not pressure</td>
</tr>
</tbody>
</table>

Table 2 - Negotiation Styles (Fisher and Ury 1991 p13)

It has been suggested that a negotiator's style is affected by whether the country, industry or organisation has a culture of individualism or collectivism (Kopelman and Olekalns 1999 p374). Salacuse argues that negotiating styles are also influenced by what parties are trying to establish - a contract or a relationship and concludes that the alliance revolution is taking place in many different sectors and this will have an influence on future negotiating styles. The negotiator will be focussing on establishing a business relationship rather then just a contract (Salacuse 1998). In his survey he made a comparison between countries and occupational groups as to their preference of an individual or collaborative approach to negotiation. Tables 3 and 4 display the results. The Australian culture can be considered in general as being close to the UK and USA. In Table 3 these are indicated to favour a style between the individual and consensus approach (63-65%), and in Table 4 engineers and managers are also shown to be in a similar range of cultural preference for single leader or consensus approach (68%, 61%).

<table>
<thead>
<tr>
<th>One Leader (%)</th>
<th>Brazil</th>
<th>China</th>
<th>Mexico</th>
<th>UK</th>
<th>USA</th>
<th>Spain</th>
<th>Argentina</th>
<th>Germany</th>
<th>Japan</th>
<th>India</th>
<th>Nigeria</th>
<th>France</th>
</tr>
</thead>
<tbody>
<tr>
<td>Military</td>
<td>100</td>
<td>68</td>
<td>62</td>
<td>62</td>
<td>61</td>
<td>56</td>
<td>50</td>
<td>43</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 3 - Team Organisation: One Leader or Consensus (Salacuse 1998 p235)
A commonly overlooked influence that is integral to every negotiation is the emotional awareness of the individuals taking part in a negotiation. Nelken states the following when describing negotiation in terms of a legal context: "Approaching negotiation psychoanalytically, I try to acquaint lawyers with the ideas of unconscious mental processes and the influence of such processes over them, illuminating the internal and interpersonal dynamics at work in all negotiations". (Nelken 1996 p423)

It is outside the scope of this paper to identify all the influences that have the power to alter negotiation styles, however for the purposes of this paper the following three broad areas have been identified:

- Aim of Negotiation - relationship or contract
- Cultural Setting of Negotiation – individual or collaborative
- Emotional Awareness of Negotiator - awareness of own and others’ wishes, fears and beliefs.

In project alliancing the aim of negotiation can be argued as being to establish/maintain relationships. Its cultural setting has been argued as collaborative with a high level of individual emotional awareness due to the facilitated workshops on communication. We argue that there is a high possibility the negotiation styles used in a project alliance environment will be different from that used on standard construction procurement forms.

**Interim Data from the National Museum Case Study**

A survey was conducted to establish if negotiation styles altered in a project alliance environment. This survey was implemented as part of a broader overall research program currently being undertaken on the Acton Peninsula Project Alliance (The National Museum of Australia). The objective of this research project is to identify and report on lessons learned on the construction of the project in order to promote best practice in the Australian construction industry. The final report for this research project will take the form of a case study focussing on two main issues:

1. the application of project alliancing method of project delivery, and
2. the use of information technology in the design, construction and project management of the Acton Peninsula Development.

The lessons learned will be disseminated to the construction industry in order to achieve a high level of local, national and international professional and industry recognition.

The following research methodology and response is directly related to the negotiation survey administered in January 2000.

**Research Methodology**

The initial negotiation survey was pilot tested on the Acton Peninsula Project Alliance team in September/October 1999. The Acton Peninsula Project Alliance team is multi disciplinary and, with the exception of the Alliance Leadership Team (ALT) members, are all based in one building on the Acton Peninsula site in Canberra.

In response to the pilot test the survey was amended and distributed to the ALT and all the project management team, service consultants, architectural/exhibition designers and site foremen. Of the 32 surveys administered, 25 replied (78% response rate) – this is a relatively small sample group in total however a large sample group representing a single project alliance.

In general, respondents were asked to compare their experience of negotiation in the following three situations:

1. Average to Normal BAU (Business as Usual) – most common – usually high/constant conflict.
2. Best BAU – occasional project where all parties to project work exceptionally well together as a team.
3. Project Alliancing – the project delivery strategy that the parties are currently using on the Acton Peninsula Project – aim is to encourage collaboration as the only means to achieve the best outcome for the project and hence all teams involved.
Discussion of Research Results
The following is an analysis of a selection of the responses directly related to – Do Negotiation Styles Alter in a Project Alliance Environment?

Please tick the boxes that best describes your negotiation style – not what you think your negotiation style should be.

Table 5 - Negotiation Styles

<table>
<thead>
<tr>
<th>Negotiation Styles</th>
<th>Average to Normal BAU</th>
<th>Best BAU</th>
<th>Project Alliancing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Soft Negotiation:</strong> Involves avoidance of any personal conflict and making of many concessions.</td>
<td>8%</td>
<td>8%</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Hard Negotiation:</strong> Involves treating negotiation as a contest between stronger and weaker where 'hanging tough' and 'holding out' are treated as virtues.</td>
<td>34%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Principled Negotiation:</strong> Involves deciding issues on their merits rather than through a 'haggling' process.</td>
<td>58%</td>
<td>88%</td>
<td>87%</td>
</tr>
</tbody>
</table>

Table 5 indicates respondents believed their negotiation styles were quite similar for Best BAU and Project Alliancing. There is however a significant difference between Average to Normal BAU responses and Best BAU and Project Alliancing. Graeme Thomson (Solicitor for the Alliance) from Mallesons Stephen Jaques believes this response is not surprising – because Project Alliancing is trying to create the same if not better team/collaborative environment that occurs in the Best BAU situations. So, from an operational perspective, there is little difference between Best BAU and Project Alliancing. The problem is Best BAU only occurs occasionally and Average to Normal BAU is much more common. The structure of the Project Alliance is to take the hit or miss characteristic out of achieving the Best BAU situation.

If the assumptions above are correct then the percentages in Table 5 acknowledge a fairly significant negotiation style difference between Average to Normal BAU and Project Alliancing. With 29% more respondents using Principled Negotiation in Project Alliancing and 30% less respondents using Hard Negotiation in Project Alliancing.

Please tick the boxes that best describes how you feel at the end of negotiation - not how you would like to feel.

Table 6 - Negotiation Outcomes

<table>
<thead>
<tr>
<th>Negotiation Outcomes</th>
<th>Average to Normal BAU</th>
<th>Best BAU</th>
<th>Project Alliancing</th>
</tr>
</thead>
<tbody>
<tr>
<td>At the end of negotiations do you feel:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>You have been exploited and compromised</td>
<td>18%</td>
<td>11%</td>
<td>13%</td>
</tr>
<tr>
<td>You have damaged relationships</td>
<td>35%</td>
<td>6%</td>
<td>0%</td>
</tr>
<tr>
<td>You have dealt with issues harshly but people have been respected</td>
<td>47%</td>
<td>83%</td>
<td>87%</td>
</tr>
</tbody>
</table>

Table 6 is similar to Table 5 with a similar response rate for Best BAU and Project Alliancing. Therefore, for similar assumptions that were made for Table 5, a direct comparison between Average to Normal BAU is made with Project Alliancing.
There are two interesting points to identify from Table 6:

1. 0% of respondents believed they had damaged relationships negotiating in the Project Alliance environment, and
2. 87% of respondents under Project Alliancing believed they focussed on issues and respected people, whereas only 47% in Average to Normal BAU believed they behaved that way.

<table>
<thead>
<tr>
<th>Do you feel being involved in a Project Alliance has encouraged you to revisit your negotiation style?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Do you believe Project Alliancing has encouraged others in the team to revisit their negotiation styles?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Do you believe the style of negotiation developed under Project Alliancing environment has reduced conflict?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Do you believe the style of negotiation developed under Project Alliancing has reduced impact of conflict?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
</tr>
</tbody>
</table>

Rate your responses for the appropriateness and the likelihood of your using the following negotiating tactics in the following situations:

(Where: 1 = Very low (strongly disagree), 7 = very high (strongly agree), 0 = Unsure/don't know)

<table>
<thead>
<tr>
<th>Tactic #</th>
<th>Tactic Description</th>
<th>Average/Normal BAU</th>
<th>Best BAU</th>
<th>Project Alliancing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Appropriateness</td>
<td>Likely- hood</td>
<td>Appropriateness</td>
</tr>
<tr>
<td>4</td>
<td>Hide your real bottom line from your opponent</td>
<td>40%</td>
<td>41%</td>
<td>33%</td>
</tr>
<tr>
<td>5</td>
<td>Make an opening demand far greater than what you really hope to settle for</td>
<td>34%</td>
<td>34%</td>
<td>26%</td>
</tr>
<tr>
<td>10</td>
<td>Make opening offer or demand so high (or low) that it seriously undermines your opponent's confidence in his/her ability to negotiate a satisfactory settlement</td>
<td>12%</td>
<td>13%</td>
<td>9%</td>
</tr>
<tr>
<td>13</td>
<td>Convey false impression that you are in absolutely no hurry for a negotiated agreement, putting more time pressure on your opponent to concede quickly</td>
<td>22%</td>
<td>23%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Table 7 - Negotiating Tactics

Table 7 highlights how the construction team on the National Museum of Australia perceive their own negotiation tactics changing from average to normal BAU to Project Alliancing.

It is important to acknowledge the small survey size and the limited conclusions that can be made from such a survey. However if the survey is viewed as an indication of a potential trend, then it is clear that in relation to the following survey areas:

- Negotiation Styles
- Negotiation Outcomes
- Direct Questions
- Negotiation Tactics.
Respondents indicated a difference between average to normal BAU negotiation and Project Alliance negotiation. Respondents also believed that this change in negotiation style reduced conflict and more importantly reduced the impact of conflict.

**CONCLUSIONS AND IMPLICATIONS**

Existing forms of dispute resolution in the construction industry allows disputes to grow until they become a major issue (Loosemore 1999; Loosemore et al. 2000a). Many hours may be wasted taking different approaches to finding a solution until eventually either a solution is found or the claim moves to arbitration or litigation. This approach leads to large expenditures in time and cost and bad feelings developed between participants. Eventually relationships may completely break down making future business unlikely.

Project Alliancing is a delivery strategy that offers construction professionals an opportunity to play different roles. Instead of being cast in an adversarial role determined by a traditional contract, business imperatives encourage parties to form a team and make decisions based on what's best for project rather than individual or organisational motivations.

The National Museum of Australia offers an exceptional opportunity to study the nuances of behavioural change with the implementation of project alliancing. Team members are chosen for their expertise and personal skills—price is not part of the selection criteria. The Project Manager and the Alliance Leadership Team believe that the best people available were selected for the project to make decisions based on what's best for project rather than pursuing their own or employer's interests at the expense of the larger project good.

The following three broad areas were identified to have an impact on negotiation styles:

- **Aim of negotiation - relationship or contract**
- **Cultural setting of negotiation – individual or collaborative**
- **Emotional awareness of negotiator - awareness of their own and others’ wishes, fears and beliefs.**

The structure of Project Alliancing addresses all three of the above:

- The **aim** of negotiation should be relationship based - as there is an ongoing relationship for the length of the project
- The **cultural setting** is collaborative
- The individuals that make up a project alliance are well trained in communication and the underlying psychology behind the negotiation process and therefore have a high level of emotional awareness.

It is important to note that Project Alliancing in building construction is very new. All team members (including the team on the National Museum of Australia) have been part of intensive training in communication and behavioural/cultural change - to assist the individuals reject past destructive habits and more confidently operate in the collaborative environment created.

As the structure of Project Alliancing addressed the three areas identified to influence negotiation styles, it was not surprising that the results of the survey conducted on the National Museum of Australia demonstrated a significant change in negotiation styles. There was also a strong belief that the project alliance environment had reduced the amount of conflict and the impact of conflict.

These results are a positive indication that project alliances have the potential to change the adversarial culture of the construction industry. Follow-up surveys are being undertaken to better understand the link between trust, commitment, and excellent communications and to monitor changes over the project life cycle. This will help us better understand how negotiation styles can constructively impact conflict resolution and decision making that is more inclusive than on most traditional projects. More extensive research needs to be completed over several projects before final conclusions can be made.
ACKNOWLEDGMENTS

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REFERENCES


