

PRIVATE DEVELOPERS' UNDERSTANDING ON THE IMPLEMENTATION OF STRATEGIC PARTNERING IN THE MALAYSIAN CONSTRUCTION INDUSTRY

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ABSTRACT: This research will attempt to reveal that private developers in the Malaysian construction industry have been practicing strategic partnering in their organizations. While the investigation was conducted using quantitative and qualitative approaches, this paper will only reveal results obtained from the questionnaire survey. Results from the questionnaire survey indicate that private developers in the Malaysian construction industry had implemented strategic partnering in their organizations. The elements of the partnering process, which are partnering formation, partnering application and partnering completion or reactivation were tested. The results show that all the elements of the partnering process have been exercised in their projects. Thus it can be surmised that strategic partnering has been practiced by private developers in the Malaysian construction industry.

Keywords: Strategic partnering, structure of strategic partnering, typical of partnering, process of partnering

1. INTRODUCTION

Strategic partnering has been highlighted in the Construction Industry Master Plan of Malaysia (2006-2015). As stated in the aims of the CIMP, under strategic Trust No.1, there is a need for a cultural shift from the traditional to the modern method of procurement using strategic partnering in the construction industry. Through strategic partnering, all the players are integrated under one management roof and work as a team as a way of achieving better value in the construction industry. Anita and Fellows (2001) describe strategic partnering as parties developing a longer term relationship over a series of projects for which contracts are usually negotiated.

The need for strategic partnering has been highlighted by Latham (1994) especially for developers to obtain the high quality projects which they aspire to. Latham (1994) also recommended that public and private clients should demonstrate best practices as practiced by leaders in the market. Today's competitive business context requires leading companies to advance their business priorities, drive innovation, and achieve competitive advantage (Laszlo, 2008). He also suggested that in maintaining viability and being competitive in the markets, the stakeholders should change their mind-sets and move from old style to new styles of leadership. He also emphasized that a stakeholder's mind-set should centre on ability, trust and reputation stemming from the

company's need to live up to its name and business standards.

Consequently, changing the method of construction and procurement approach by using strategic partnering will bring benefits to the construction industry in terms of costs, quality and time.

2. DEFINITION OF STRATEGIC PARTNERING

Review of literature shows that various researchers have defined strategic partnering in the following ways:

Lu & Yan (2007) defines it as a long term relationship which is based not only on the principle of partnering but also with the additional values of sharing resources, knowledge, risk and profit and losses. Strategic partnering can also be treated as a "moral/contract agreement between parties that facilitates effective resolution of problems to achieve mutual benefit". Anita & Fellows (2001) described strategic partnering as the parties developing a longer term relationship over a series of projects for which contracts are usually negotiated. Strategic partnering takes place when two or more firms use partnering on a long term basis to undertake more than one construction project, or some continuing construction activity (Bennet & Jayes, 1998).

In comparison, Rahman & Kumaraswamy (2005), describe strategic partnering as an umbrella procurement arrangement using relational contracting. This type of

procurement provides a structure for the selection and mobilization of different project partners at various stages of the project, how they interact and coordinate among themselves and how the project is executed.

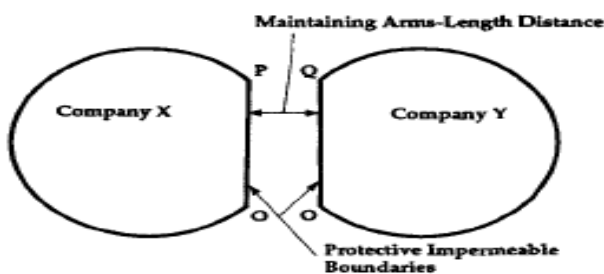
Understanding the definition of strategic partnering is central to the industry players' ability to enhance the implementation of the concept. Furthermore, this research found that strategic partnering can also be described as a long term relationship between two or more organizations over a series of continuous projects given to the same contractors.

3. STRUCTURE OF STRATEGIC PARTNERING

Understanding of the structure of partnering is vital in the construction industry. Crowley & Karim (1995) describe three (3) types of partnering structures that occur in the construction industry. The three (3) partnering structures are as follows:

a) PARTIES ARE BOUNDED BY ARMS-LENGTH DISTANCE

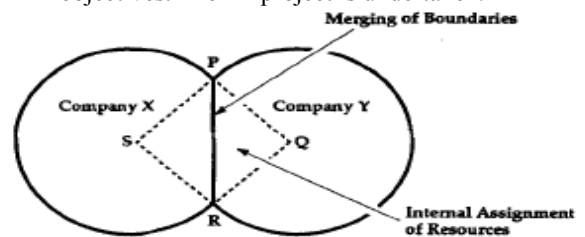
Through this relationship, boundaries are protective and impermeable. Parties are only bounded by the construction contract where partnering has not been formed. This is called the traditional or contractual relationship. Crowley & Karim(1995) illustrate a clear structure of relationship using partnering through a model of partnering relationship as below. Companies X and Y are shown with rigid and impermeable boundaries PO and QO under a traditional business relationship. These boundaries serve to shield individual company interests. The 1st project is undertaken.



b) PARTIES ARE MERGING WITH IMPERMEABLE BOUNDARIES

Parties are merging together and their contacted boundary segments are reformed. The united

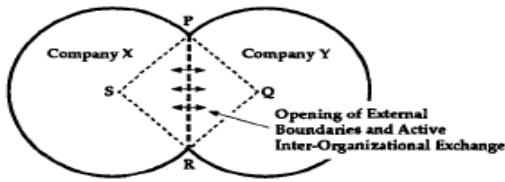
boundary is still impermeable, but some internal resources are reserved for collective use. This is called the formative stage. Crowley & Karim (1995) illustrate a clear structure of relationship using partnering through a model of partnering relationship as below. These companies begin to develop confidence in each other, which gradually influences them to merge their boundaries along PR. These companies also develop new boundary segments PQR and RSP which separate their individual company resources. The relationship begin through PQRS. Ideas are exchanged to accomplish the joint objectives. The 2nd project is undertaken.



c) PARTIES ARE MERGING WITH PERMEABLE BOUNDARIES

Through this relationship, a gateway for interorganizational exchange of resources is created. The united boundaries become more permeable over time until long-term cooperation exists.

From the above, these researchers describe the actual activities that happen in actual partnering relationships in the construction industry. Partnering includes the structure of relationships practiced in the organization. Each organization practices a different way of partnering based on their own understanding. Moreover, these researchers stated that an effective project partnering should establish permeable boundaries. In addition, the partnering structure should be able to separate information that is available to network members from the sensitive information that has to be kept confidential to individual members. Crowley & Karim(1995) illustrate a clear structure of relationship using partnering through a model of partnering relationship as below. Trust encourages these companies to make their merged boundary PR more permeable, allowing for the formation of a partnering organization. Over time, this united boundary becomes more permeable as a result of long term commitment and shared vision. The 3rd project is undertaken.



The other explanation by Tang et al (2006) describes the partnering relationship practiced in the construction industry which can be divided into three (3) phase as follows:

a) TRADITIONAL RELATIONSHIP

In traditional forms of project delivery the relationship between client and contractor is based on a contract. Partnering adds a cooperative philosophy to the traditional contractual relationship.

b) PARTNERING RELATIONSHIP

This relationship is also based on contract but cooperative philosophy is developed through trust developed during the relationship building process. This philosophy is a trust-based relationship between project participants to facilitate the completion of a successful project for the benefit of both parties. In partnering, the cooperative philosophy resides outside the contract.

c) ALLIANCE RELATIONSHIP

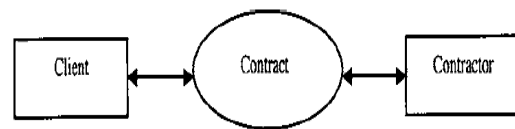
During this stage, merging between two companies into one, which is called alliancing, occurs. This is another type of partnering. However, alliancing links the ethos of partnering as a contractual requirement and uses clearly defined risk allocation with incentives to manage the process. Alliancing is “where the arrangement is underpinned by an incentive scheme, whereby the rewards of the contractor and, indeed, the owner are linked directly to actual performance during the execution phase of the project”. Through this relationship, the cooperative philosophy is tied into the contract by sharing rewards and risks among participants. Partnering is often used to refer to both the strategies of partnering and alliancing, because they both contain a cooperative philosophy.

Tang et al (2006) clearly differentiate the actual partnering is about in the construction industry. Tang provides detailed explanations on the concept of partnering. From this explanation, it reveal that partnering actually happens in traditional projects. Once the party proves to be

reputable, trust begins to develop and this relationship continues into strategic partnering. Strategic partnering and alliances differ as alliance involves the merging of one company merging with another into one organization. Strategic partnering involves long term cooperation with other companies and sharing the benefits received in terms of project success, knowledge and technology.

Figure 1 below represents the three (3) processes of relationship as explained above.

a) Traditional Relationship



b) Partnering Relationship



c) Alliance Relationship

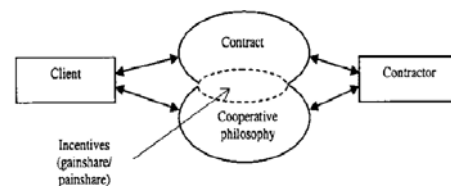


Figure 1 below represents the three (3) processes of relationship

From the above illustration, it can be said that 2(b) shows a clear strategic partnering relationship as practiced in the construction industry. Strategic partnering take places when the client creates a relationship with the contractor once trust is developed between them. The end product is good quality, savings on time and cost. Therefore, demonstrate a cooperative philosophy between two organization. Cox (2009) stated that the greater the abilities and capacities proven by the partners, the higher the chances of success of the project. Thus, the higher level of trust is also developed.

Based on the good reputation achieved through the project, the next project would be given to the partners accordingly.

4. PARTNERING APPLICATIONS

Ronco & Ronco (1996) attempted a classification of the partnering applications in the construction industry. From their explanation, partnering typically takes shape in one of the following approaches:

a) COMPREHENSIVE PARTNERING

Starts with the bidding process and follows through to the completed project. A variation of comprehensive partnering is condensed partnering, which uses all the tools of partnering but which are scaled down for use on smaller projects.

b) PROBLEM-SOLVING PARTNERING

This partnering method is used to address project problems that arise after construction has started.

c) RELATIONSHIP BUILDING

In this application, there is no specific project or problem, and the service provider and private developers use partnering methods to strengthen their ongoing working relationships.

d) PIECEMEAL PARTNERING

Project workers and developers use partnering methods outside the context of larger goals, priorities, and expectations.

Partnering applications can occur in the construction industry based on the above classifications as explained by (Ronco & Ronco, 1996). As such, the Malaysian construction industry may also be practicing partnering according to the typical partnering methods as described above.

5. PROCESS OF PARTNERING

There are various relevant studies on the partnering process and its related activities. Classification of this process is shown in Table 1. Although the table shows that various classifications are proposed as in the aforementioned studies, the underlying details of these classifications are similar.

Table 1 shows partnering process by various researchers

Researcher	Partnering process
Humphreys, Matthews, & Kumaraswamy (2003)	<ul style="list-style-type: none"> a) Internal alignment; b) Identify potential partners; c) Screen and select; d) Establish relationships e) Evaluate relationship.
Li, Cheng & Love (2000)	<ul style="list-style-type: none"> a) Introduction of partnering to organization b) Identification of needs for partnering c) Selection of partners d) Organization of a partnering workshop e) Development of the partnering value/culture during the workshop f) Mobilization of the internal work process g) Execution of the project h) Repetition of the cycle
Manley (2007)	<ul style="list-style-type: none"> a) Selection of appropriate partners b) Shared goals c) Two way communication d) Roles and responsibilities e) Conflict management f) Risk management
Bushnell & Cross (1995)	<ul style="list-style-type: none"> a) Partnering design b) Team development c) Partnering implementation d) Progress Evaluation
Espling & Olsson (2004)	<ul style="list-style-type: none"> a) Familiarization of a broad group of personnel b) Provision of general guidelines in the partnering process c) Forming an operational partnering group
Crane, Felder, Thompson & Thompson (1997)	<ul style="list-style-type: none"> a) Owner's Internal Alignment b) Partner selection c) Alliance Alignment d) Project Alignment e) Work Process Alignment
Abudayyeh (1994)	<ul style="list-style-type: none"> a) Expressing interest in establishing an agreement between client and contractor. b) Conducting of a partnering workshop

	c) Participation of team members during this stage
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The partnering process should be understood by the various stakeholders in the construction industry to ensure the effective implementation of the required elements in strategic partnering. However, Crowley et al (1995) stated that different organizations practice different ways of partnering based on their own understanding.

6. THE AIM OF THE RESEARCH

The aim of this research is to demonstrate that private developers in the Malaysian construction industry have practiced the strategic partnering approach in their organizations.

7. RESEARCH METHOD

The research method employed in this research study encompassed literature review and postal questionnaire survey. Literature review was done to consolidate all previous studies related to the research study and the understanding of the strategic partnering practice. The questionnaire survey focuses mainly on private developers in the construction industry. Eighty (80) out of 289 (28%) questionnaires were received. The data analysis was conducted using SPSS version 16.

8. RESULTS AND DISCUSSION

The internal reliability of the instrument (questionnaire) was assessed using Cronbach's Alpha (α). Cronbach's Alpha is an index of reliability associated with the variation accounted for by the true score of the "underlying construct". Construct is the hypothetical variable being measured (Hatcher, 1994). Alpha's coefficient ranged in value from 0 to 1 and is used to describe the reliability of the instrument for multi-point formatted scales (i.e, 1= strongly agree to 5 = strongly disagree). The higher the value, the more reliable the instrument is.

Generally, the acceptable alpha (α) values considered for social science research purposes are above 0.65. In this particular study, the reliability of the thirteen (13) variables were tested in its entirety with Cronbach's alpha. The alpha's coefficient of 0.740 concluded that the reliability of the instrument was high.

8.1 Respondents' Positions in the Organization

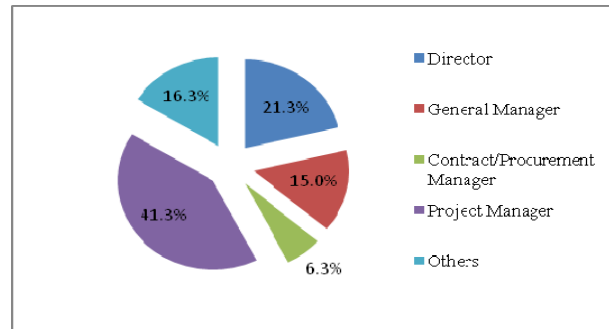


Figure 2 shows the respondents' position

Figure 2 shows the respondents' positions in this survey. The highest 41.3% (33) are comprised of Project Managers. This is followed by 21.3% (17) as Directors, 16.3% (13) others and 15.0% (12) General Managers. The lowest 6.3% (5) are Contract Managers in the organization. The response from the top level management in this survey is crucial for the collection of high quality data.

8.2 Definition of strategic partnering

Table 2 shows the definition of strategic partnering

Definition	Sum	Percentage (%)
As a working relationship between stakeholders in organization	44	55.0
Trust relationship between stakeholders	57	71.3
Teamwork between stakeholders	55	68.8
Commitment and shared goals between stakeholders	51	63.8
Long term relationship between two organizations	38	47.5
Sharing of resources, knowledge, risk & profit & losses	44	55.0
Win-win solutions	48	60.0
Other definitions	3	3.8

Table 2 above shows the definitions of strategic partnering based on the understanding of private developers in the Malaysian construction industry. For the highest percentage of 71.3%, the definition of strategic partnering was based on the trust relationship between stakeholders. This is followed by 68.8% who base their definition on teamwork between stakeholders and 63.8% who base the definition on commitment and shared goals between stakeholders respectively. Therefore, in Malaysia the definition of strategic partnering is largely based on

the trust relationship between stakeholders.

8.3 Knowledge of Strategic Partnering

Table 3 shows the knowledge of private developer on partnering process

Knowledge	Mean	Standard Deviation
Process of implementation	3.23	0.746
Process of relationship	3.24	0.783
Procurement establishment	3.11	0.763
Charters/agreement	3.03	0.746
Partnering workshop	2.95	0.855
Evaluation of performance	3.14	0.910

Table 3 above revealed the knowledge of the private developers about the partnering process. The results show that the process of relationship has the highest mean of 3.24 compared to the others. This is closely followed by the process of implementation which indicates a mean of 3.23. The lowest mean of 2.95 is that on partnering workshop. However, the majority results show a mean of 3.00 due to the fact that not much information and details of partnering or strategic partnering is available as there is a lack of such conferences or seminars in the Malaysian construction industry. A report from Rashid (2010) stated that only four (4) seminars regarding the partnering concept were conducted from 1999 until 2000 by the Malaysian Public Works Department. However, the contents of the seminars focused on general information of partnering. Thus, the concept of partnering and its implementation remains unclear to all the players in the construction industry.

8.4 Partnering Process Stages

There are three (3) stages in the partnering process which are partnering formation, partnering application and partnering reactivation. This process was tested using the partnering process model by Li et al (2000). Partnering formation is the early stage of an agreement involving all parties. At this stage, the first project is given to the players who are involved. Secondly, partnering application involves the activities carried out in the projects and all parties working together as a team under one roof. Partnering completion or reactivation occurs when the project is completed and the players show good quality of works and products. At this stage the intention of the client is to rerun the relationship with the existing parties in another project.

8.4.1 Partnering Formation

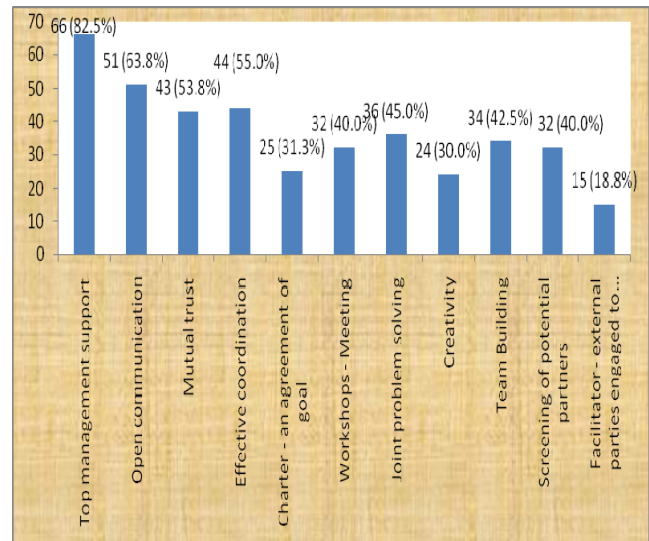


Figure 3 shows partnering formation

Figure 3 reveals the details of partnering formation as practiced by private developers in the Malaysian construction industry. The results indicate that the private developers show the highest commitment of 82.5% (66) in terms of top management support in the early stages of partnering. This is followed by 63.8% (51) who practice open communication between stakeholders in the project. Based on the performance of stakeholders, the private developers indicate that effective coordination, at 55.0% (44), is significantly important and therefore mutual trust was developed. The results indicate 53.8% (43) who stressed mutual trust. The other elements show percentages below 45%. This means that the elements of partnering have been practiced but according to the needs and priorities of each organization.

8.4.2 Partnering Application

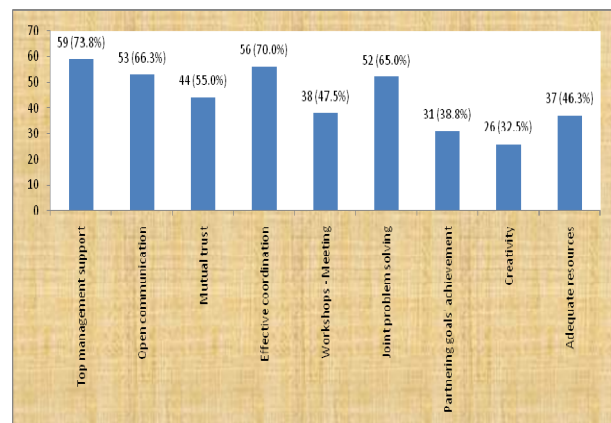


Figure 4 shows partnering application

Figure 4 reveals that during partnering application, the private developers view top management support, at 73.8% (59), as important to monitor partnering relationships in their organization. During this stage, the

importance of effective coordination between parties lies at 70% (56). These figures are followed by practicing open communication between parties involved which has a percentage of 66.3% (53).

8.4.3 Partnering Completion or Reactivation

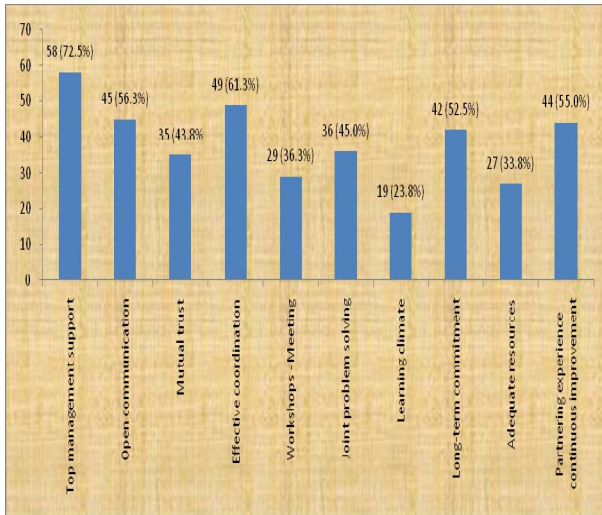


Figure 5 shows partnering completion and reactivation

Figure 5 shows the results from partnering completion and reactivation. During this stage the private developers will look to participate with the same organization for the next project, if they have shown good performance. The evaluation was based on the elements above. From the figures, the top management support shows the highest percentage at 72.5% (58), followed by effective coordination 61.3% (49) and the need for open communication during this stage shows 56.3% (45). The private developers state that partnering experience and continuous improvement in the project as quite important, at 55% (44). As a result of all this, the next project would be given according to the performance and quality of work done. The ensuing partnership is termed as strategic partnering. Bennet & Jayes (1995) describe that strategic partnering can be used in any situation where a client has a series of construction projects or some other on-going construction work such as maintenance works. It can be applied to all procurement routes, types of relationships, kinds of end products and market conditions. From this, it can be stated that strategic partnering is not exclusive to any special project but refers to the formation a relationship between stakeholders in any one project.

9. CONCLUSIONS

The literature review reveals the various definitions of strategic partnering from the different researchers. All the definitions relate to the long term relationship between stakeholders in the construction industry. In Malaysia, the definition of strategic partnering is understood as the trust relationship between stakeholders. The explanation provided by the various researchers on the structure of

strategic partnering gives impact to our construction industry with regard to understanding what strategic partnering is about. Misunderstanding of the concept of partnering or strategic partnering should be avoided. From the results obtained about the partnering process, it can be said that most of the private developers have implemented the strategic partnering concept in their organizations. The roles of top level management and their commitment are crucial for the successful implementation of strategic partnering. The results of this study indicate that the highest commitment from the top management in support of every stage of the strategic partnering process is vital.

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