



Partnering in Nordic Construction

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- Complexity and co-ordination costs
- Partnering in the Nordic countries
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Fragmented structures in procurement

- design services separately from
 - construction services
 - operation and maintenance are subject to further, separate procurement actions
- complexity and volatility

These fragmented structures criticised for leading to

- lack of co-ordination, many defects
 - conflict and
 - ensuing litigation and high costs
- consequently overall inefficiency in organisation and delivery

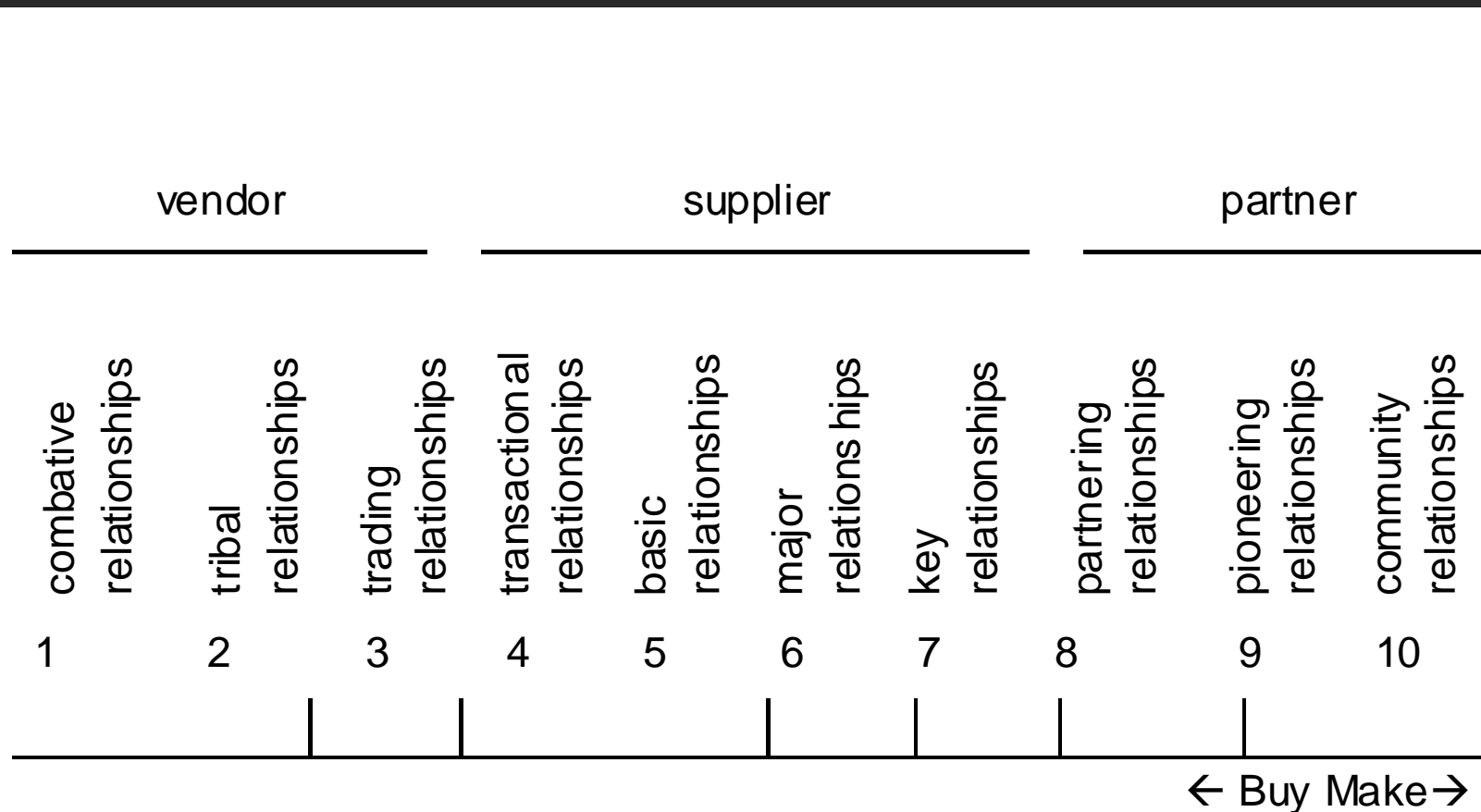
Collaborative forms of project delivery

- As a consequence there have been moves to promote more integrated and collaborative forms of project delivery
- Particularly in the UK this often happened in combination with the introduction of private finance in till then publicly funded building and infrastructure works (e.g. Public Private Partnership, PPP, Private Finance Initiative, PFI)
- In Nordic case largely no link between outsourcing and collaboration issues
- New forms of collaboration developed from last part of 1990s; early initiative in Danish construction sector reform programme

Partnering - US Army

- The aim to coordinate better and more has been taken a step further by some construction clients by adopting a much more collaborative approach towards project delivery, often known as *partnering*. This *can* involve contractual changes, but is more often primarily founded on agreements and commitments outside the contractual framework.
- US Army Corps of Engineers started already in late 1980s – in order to stop cost overruns, project delays etc – trying develop new interactive culture in construction projects

Inter-firm co-operation relations



Source: Lendrum (2000:13-31)

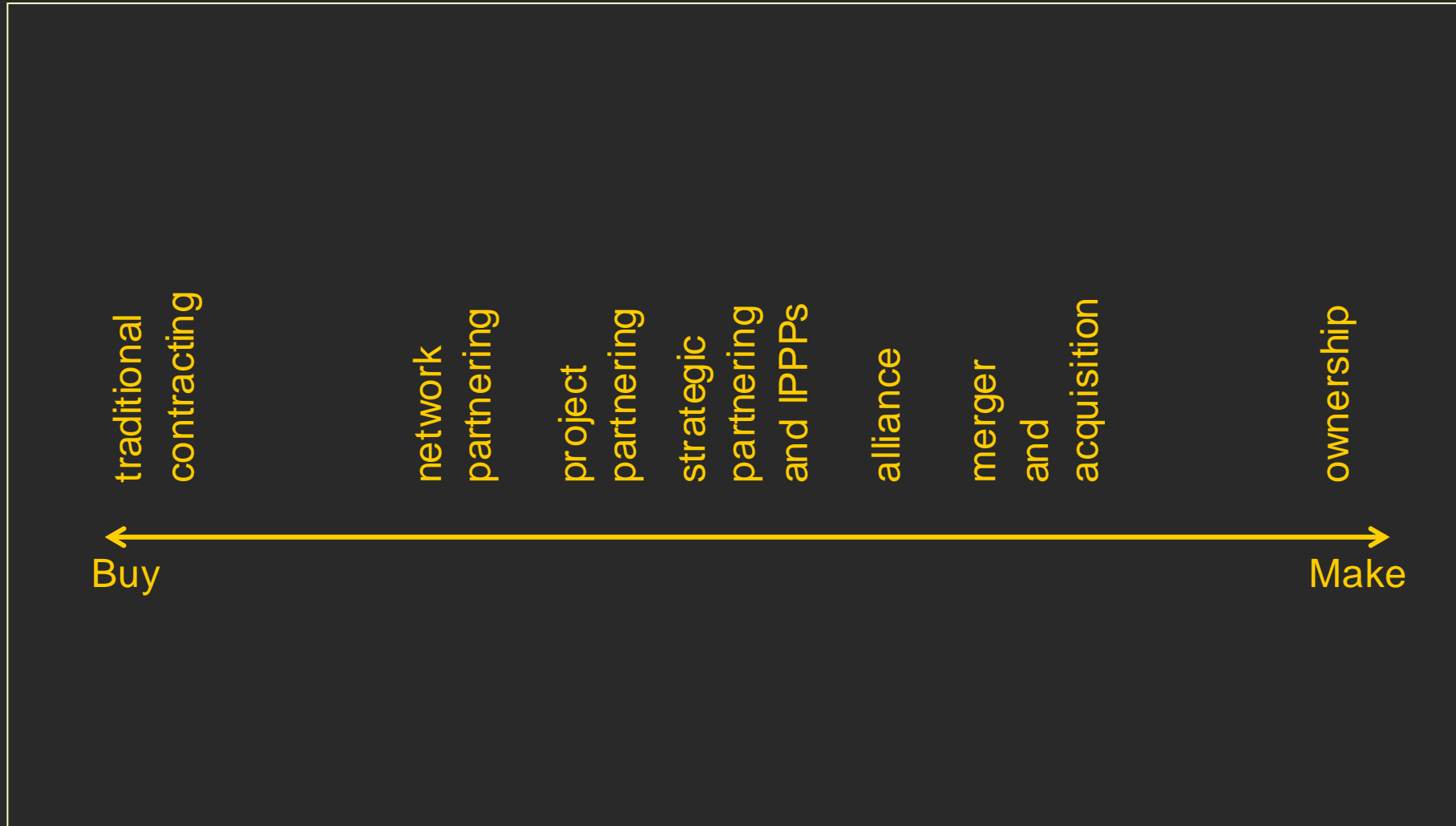
Procurement transaction costs

- frequency
- uncertainty
- asset specificity

- search and information costs
- negotiation and decision costs
- realisation and control costs

- growing complexity, huge and growing amount of information and number of transactions, actors, components, regulations

Make or buy



Why partnering arrangements exist?

- *“... because of the need to co-ordinate closely complementary but dissimilar activities. This co-ordination cannot be left entirely to directions within firms because activities are dissimilar, and cannot be left to market forces in that it requires not the balancing of the aggregate supply of something with the aggregate demand for it but rather the matching, both qualitative and quantitative, of individual enterprise plans.”
(Richardson 1972:892)*

Partnering – a definition (Denmark)

a certain way of organising collaboration in construction projects characterised by

- dialogue
- trust
- openness
- early inclusion of all partners
- shared goal
- shared economic benefit and
- shared activities (to facilitate dialogue and trust)

Research project

PARTBYG-project – Nordic Innovation Centre & construction clients, client associations and research institutes in five countries

Work in progress, preliminary findings

1. Survey of partnering initiatives, development, practices and experiences in five Nordic countries – Finland, Iceland, Sweden, Norway, Denmark
2. Thematic discussions and case studies presented at five Nordic workshops
3. In depth cases present various partnering models, practices and policies

Demand side pull – Sweden

- Construction clients' association strongly encourages the use of partnering as mode of collaboration in addition to traditional contracting etc.
- Provides extensive guidance, exchange of experiences
- Supports development of specialised partnering profession: training / education from process manager to partnering manager
- Big public clients, infrastructure
- Non-profit, social housing associations
- Big contractors actively use partnering in marketing

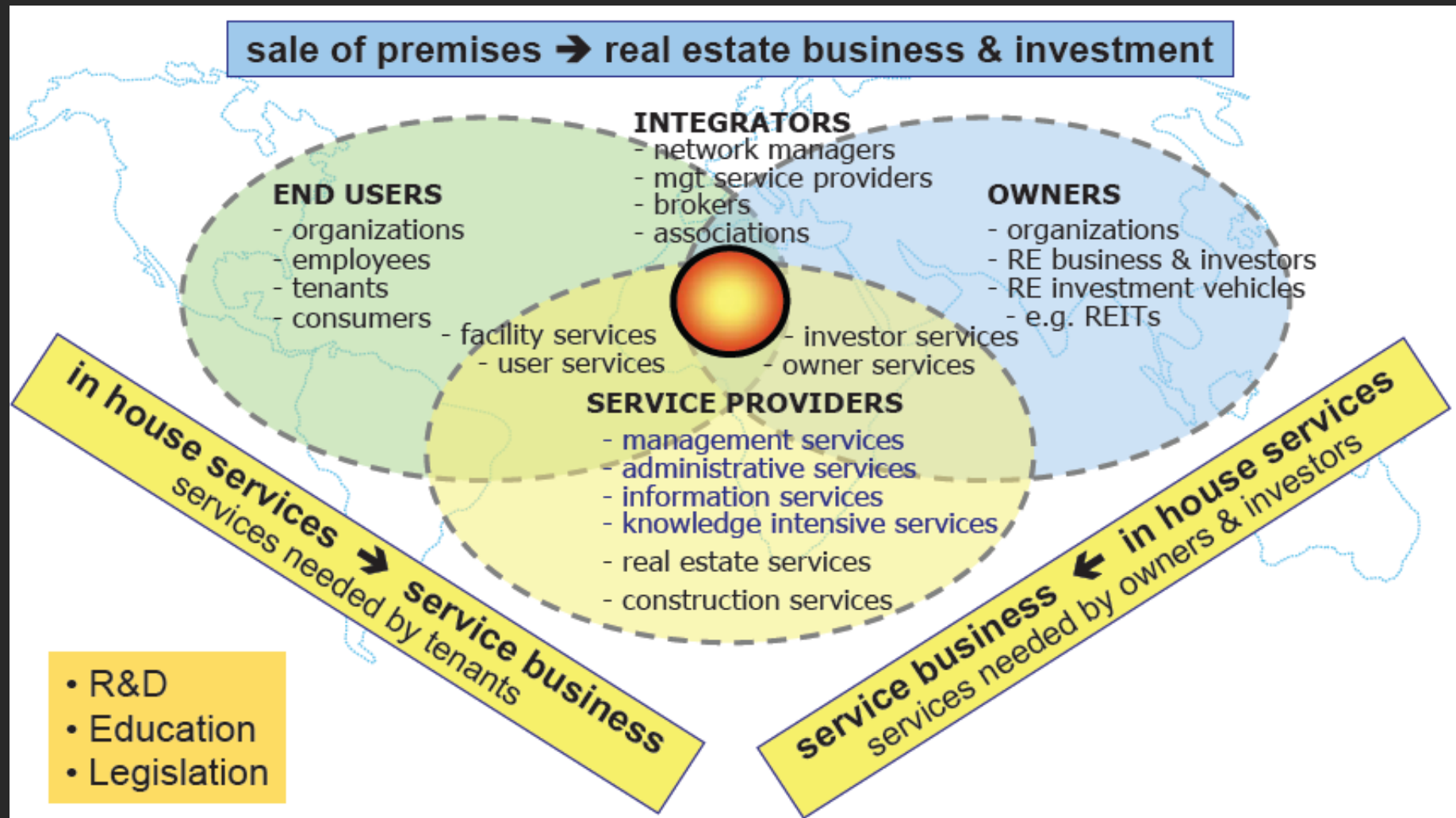
Assumed behaviour in partnering (Sweden)

In a successful partnering project

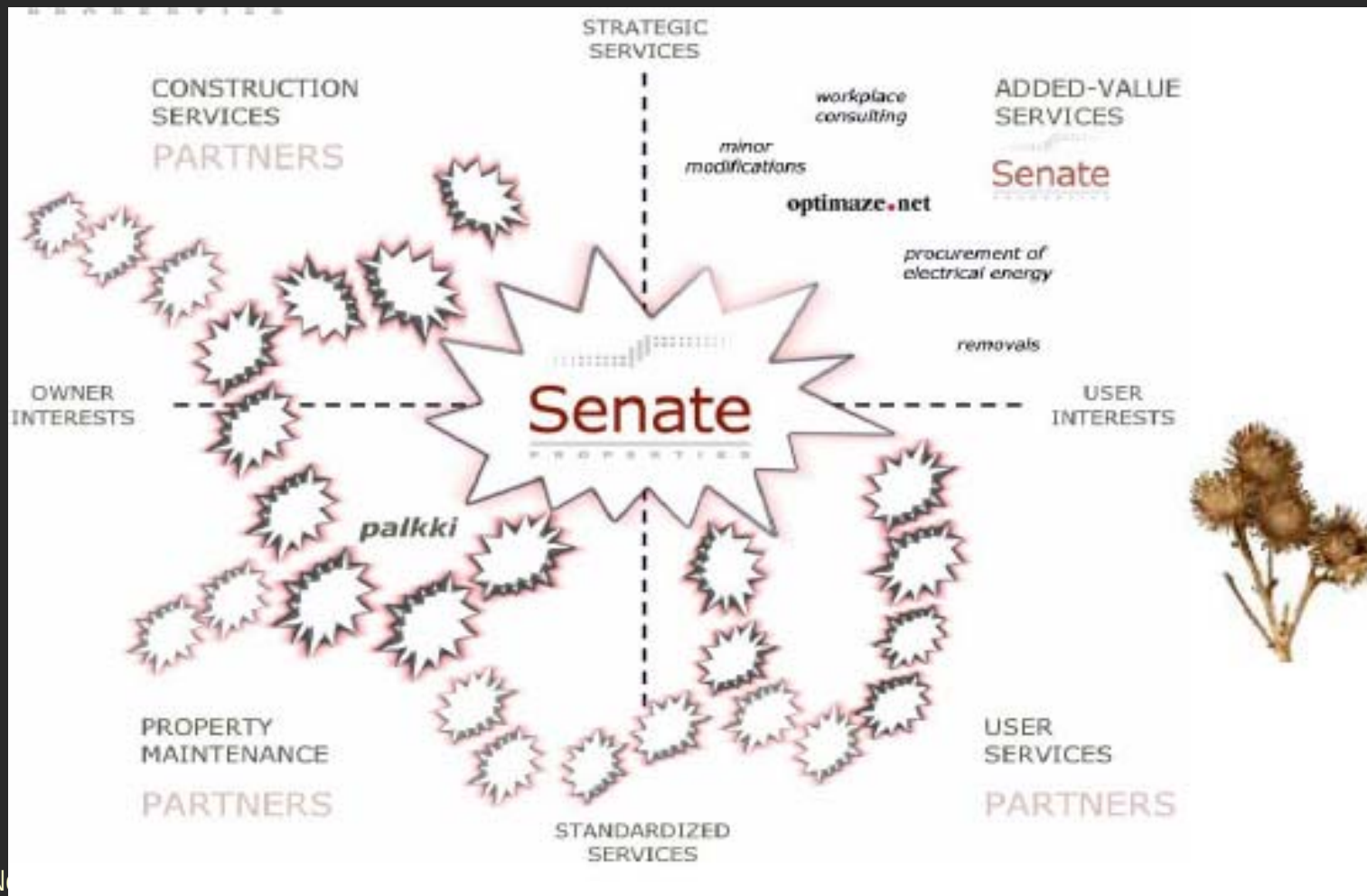
- all partners work to obtain a shared goal
- all contribute with their experience
- all take responsibility – cannot blame anyone else
- all relevant information to all participants – early
- early problem solving – everybody contributes
- continuity in project is responsibility of all partners
- all partners take pride in working at the project

(Fernström 2006)

Construction clients' association – Finland



- permanent business partners collaborate in networks
- construction procurement only one component; not predominant in day to day operations



Public procurement policy – Denmark

- particularly in big projects in engineering, infrastructure and publicly owned buildings
- politically decided national guidelines
- since December 2004 mandatory for government construction clients to organise building and engineering projects in partnering
- shared activities, shared goals, shared economic benefits etc.

- some very good experiences: on time and budget
- and some disasters
- not yet systematic impact evaluation

Conclusions ...

- partnering – in a Nordic context – develops continuously, is a dynamic and somewhat elusive phenomenon
- partnering is interpreted and practised differently due to different business and political cultures, norms and values
- vary from voluntary trust-based, strategic networks and supply chain management to official government (procurement) policies

- partnering gives rise to service innovations: add-on services, consultancy services, training etc.
- successful partnering teams grow independent of firms
- gives rise to more guidelines, policies, information → more complexity
- long term impact uncertain: integration or disintegration ?

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Heathrow's new terminal is on time
and on budget. How odd.

- The Economist, Aug 18th 2005