

NSW Government's Partnering - Guidelines

Partnering is an important attempt to change the culture of the adversarial, dispute-prone construction industry for the purpose of more efficient project procurement; partnering might be the vehicle to achieve that which was attempted by the NPWC/NBCC "No Dispute" report.

The New South Wales Government's Partnering Guidelines and policies implement the recommendations of the Royal Commission Into Productivity In The Building Industry.

As set out in these Guidelines (see 2.4 Implementation), the NSW Government is currently trialling partnering on certain projects with the intention of more widespread use, should it prove successful.

These Partnering Guidelines are reproduced from the NSW Government's Capital Project Procurement Manual with the permission of the Construction Policy Steering Committee.

1 Introduction

1.1 Background

One of the conclusions of the NSW Royal Commission into Productivity in the Building Industry research was that project outcomes were heavily influenced by the relationships between the parties involved in the industry.

In general, the Commission found that relationships had severely degraded into a destructive and costly adversarial approach characterised by mistrust, lack of respect and the ever-present threat of litigation.

This adversarial approach has evolved over many years. It often has its roots in the earliest stages of project inception with each party developing their own management team. Each team then independently formulates its own goals and decision frameworks for the project without regard for the other parties' interests or expectations.

As a consequence, communication is limited and often non-existent - with the result that conflicts are inevitable as paths diverge and expectations are not met.

An adversarial management style then takes over and the goals each party had for the project get lost in a proliferation of paperwork and posturing, with the sole purpose of guarding each stakeholders' position during the execution of the project. The stage is then set for conflict and, often, litigation.

The bottom line is clear. These current adversarial management relationships jeopardise the ability of any of the parties to realise their expectations. The result has been increased costs for the Government and declining profit margins for the private sector elements of the industry.

1.2 The need for change

This adversarial climate has severely reduced the productivity of the construction industry and consequently

its ability to achieve the primary goal of producing quality projects on time and within budget.

Clearly, there is a need for a change to a more cooperative approach - in essence a return to the old way of doing business based more on trust, respect and good faith rather than suspicion, contempt and scepticism.

A cooperative concept termed 'partnering' is a move towards such a cultural change. It has been adopted by the NSW Government as part of its integrated reform philosophy for the industry.

Who wins here?

The project engineer watched with arms folded as the contractor's crew began a complicated concrete pour. He shook his head and said,

'They'll never make their schedule with that equipment. The buckets are too small and they'll need another crane; they'll spend all their time filling buckets instead of pouring concrete.'

He turned and walked back to the site office, mentally preparing to deny the request for time extension that he knew would be coming.

Why didn't he let the contractor know of his concerns?

That's their responsibility. They'll find out soon enough!"

US Army Corps of Engineers,
IWR Pamphlet-91-ADR-P4, December 1991

The essence of contracting

Michael Murphy, executive VP of Donald B Murphy Contractor, Inc was a drilling subcontractor on the [US Army] Corps of Engineers' \$140 million [main lock construction on the] Bonneville Dam navigation-lock project on which Partnering was implemented. Murphy had installed some work that did not meet the specs for tolerance.

"It was a \$50,000 problem for us and had the potential of growing into a \$30 million problem because resolving it might have taken a year, and the task was on the project's critical path."

Murphy was called into a meeting with the Corps lawyers, engineers, contract administrators, and a general contractor representative.

The first thing he said was, *"I've made a mistake."*

In response, reports Subcontractor Magazine, the group put away their plan for Murphy's "crucifixion" and began to work as a team to solve the problem.

Recalls Murphy, *"There were no excuses. I asked for help and they gave it to me."*

In two hours the problem was solved, at a cost to Murphy of \$5,000. No construction days were lost.

1.3 What is Partnering?

The Partnering concept is a way of overcoming the traditional adversarial and litigious nature of the construction industry. It is a process for improving relationships among those involved on a construction project to the benefit of all.

Partnering uses structured procedures involving all project participants to:

- define mutual goals
- improve communication, and
- develop formal problem solving and dispute avoidance strategies.

However, the essence of Partnering is based on the fundamental human value concepts of common sense, trust and commitment. Partnering is not a legal procedure, but a formal recognition that every contract should include an implied covenant of 'good faith and fair dealing'.

As such, some may treat Partnering with cynicism. This needs to be avoided at all costs since effective development and implementation of the structural procedures of a partnering relationship depend on a dedication to these fundamental human value concepts.

In this respect it is important to note that while the partnering process is relatively new in Australia, it is well established and has proven to be a remarkable success in the United States, Japan and the United Kingdom.

In particular, the US Army Corps of Engineers, a major public sector client of the construction industry has been in the forefront of developing and utilising the partnering concept.

The Corps has found that the use of Partnering on both major and minor projects had resulted in:

- an 80-100% reduction in cost overruns
- virtual elimination of the time overruns
- a 75% reduction in paperwork
- all project goals being met or exceeded
- millions of dollars saved
- significantly improved site safety performance
- no outstanding litigation, and
- improved morale within organisations involved.

1.4 Who are the partners?

The participants or 'partners' in a partnering relationship comprise those stakeholders which are directly involved in the delivery of a construction project. In the context of these guidelines, these 'partnering' stakeholders are:

- the government agency as client
- principal contractor
- design consultants
 - client's consultants (for construct only projects)
 - contractor's consultants (for develop/design/construct projects)
- subcontractors, and
- suppliers.

Depending on the scope and complexity of the project, the partnering stakeholders may also include other Government agencies having a significant statutory or regulatory role in the project.

Community groups may also become partnering stakeholders where major social and/or environmental concerns could have a substantial effect on project outcomes.

Your choice makes the difference

When we choose to live by the spirit rather than the letter of the law offering our hand and word as our bond we distinguish ourselves. When we don't, we give up treasured values and mirror the dark, litigious side of construction.

Lawsuits are inimical to the basic nature and goal of the industry. Construction is not an individual endeavour like long-distance running but rather a business of team building. The fabric of the industry depends on strong weaving of client, architect, engineer and contractor[s] into a team. Successful teams are built on the strengths of each member, while successful lawsuits are founded on capitalising on the weaknesses of team members.

Engineering News Record, Editorial,
11th February 1991
The Choice Makes the Difference

2 Government policy on Partnering

2.1 Introduction

This section outlines the Government's requirements regarding the application of Partnering to capital works procurement.

2.2 Partnering within the Government's reform program

Partnering has been adopted as a key element of the Government's strategy for developing a non-adversarial culture. It is one of several initiatives including:

- alternative dispute resolution
- contract provisions

which together provide the impetus for a shift from the current adversarial approach to one of commitment and cooperation.

2.3 Application

The objective is to establish Partnering as a management tool embraced by both the public and private sectors in relation to dealings with the construction industry and for the procurement of both private and public infrastructure.

It is recognised however, that it is inappropriate to simply import a management tool from overseas, without firstly adapting it to some degree to better suit the needs of Australian business. Therefore its introduction will be staged following trialling and adaptation.

2.4 Implementation

Initially, Partnering will be trialled on projects which have a value of \$5.0 million and above.

A target has been set within the Government's overall capital program that 20% of all projects which meet that criteria will be partnered in 1994.

Should the partnering process achieve, within that range of capital investment, similar levels of return on investment to that experienced elsewhere in the world, it

will be progressively applied to a wider range of capital projects.

2.5 Co-ordination

The Construction Policy Steering Committee (CPSC) will co-ordinate the trialling process to achieve the 20% target.

The CPSC will then assess the worth of the process prior to its consideration of wider application to the State's capital investment program from 1 July 1995.

3 The Partnering concept

3.1 Conceptual framework

The cooperative concept underlying Partnering is not a new way of doing business - some have always conducted themselves in this manner. It is a return to the way people used to do business when a person's word was their bond and people accepted responsibility.

Partnering creates an environment where trust and teamwork prevent disputes, foster a cooperative bond to everyone's benefit, thereby facilitating the completion of a successful project.

Under Partnering, all participants agree from the beginning, in a formal structure, to focus on creative cooperation and work to avoid adversarial confrontation. Working relationships are carefully built and are based on mutual respect, trust and integrity.

Partnering is not a contractual agreement nor does it create any legally enforceable rights or duties. It is the contract that provides the legal relationship, with Partnering establishing the working relationships among the stakeholders through a mutually-developed, formal strategy of communication and commitment.

In summary, Partnering is a process of establishing a moral agreement or charter between the project team members along with a formal framework to assist in its successful implementation. The charter morally binds each stakeholder to act in the best interests of the project and project team members with the aim of achieving their common project objectives.

"Partnering is a new environment that nurtures team-building and cooperation. It is not 'we' versus 'them' but 'us'. The answer lies in the area of communications. Communicating goals and objectives and then allowing the organisation to decide what is the best way to achieve those."

Bob Hassold, Flour-Daniel Inc.
Oliver Lock and Dam Replacement Partnering workshop

"Partnering is much more than a buzzword, a philosophy or an attitude . It is a structured management process that is effective on all sizes of construction projects to focus the attention of all the parties on problem resolution, without prolonged disputes or litigation. An experienced contractor realises that good working relationships are essential for successful, profitable projects. I am committed to the partnering process it works!"

Richard A Lewis, Vice President
Granite Construction Company

Structural elements

Partnering charter

Stakeholders identify all respective objectives for the project in which their interests overlap. They then jointly develop a set of mutually agreed objectives which become the shared objectives of the project within the partnering relationship.

The shared objectives may be set down in a 'partnering charter' along with a jointly formulated mission statement.

Communication framework

The stakeholders jointly define the communication structure and roles for the on-site and off-site management teams together with a timetable for partnering meetings.

Evaluation procedure

An evaluation procedure is also jointly formulated by the stakeholders for regular monitoring and evaluation of how well the mutual project objectives are being achieved (and hence the success of the partnering relationship).

Conflict avoidance procedure

The stakeholders develop a mutually agreed procedure for speedy resolution of issues or conflicts at the lowest possible management level. This includes a structured 'elevation process' to pass issues to successive management levels if they cannot be resolved within a specified time.

3.2 The key elements of partnering

Partnering has a number of key elements which fall into two distinct categories:

- non-structural human value elements which embody the moral philosophy of partnering, and
- structural elements which provide the formal mechanisms for successful implementation of a partnering agreement.

Non-structural elements

Commitment

There must be a real commitment to partnering at all management levels within each stakeholder's organisation.

Equity

Each stakeholder's interests, needs, expectations, constraints and risks must be given fair and proper consideration by the other stakeholders.

Where possible, both the beneficial and adverse outcomes of risks should be shared among the stakeholders on an equitable basis.

Trust

Teamwork is not possible where there is cynicism about other stakeholders' motives. Through equity comes understanding which leads to trust and hence the ability of the stakeholders to function as a team.

3.3 Partnering with the Government as client

In the private sector, partnering can be extended into the establishment of long term strategic alliances in which two or more stakeholders agree to use each others' resources for all work in a given area before tenders arise or contracts are let.

However, probity considerations preclude such arrangements in public sector construction. Government construction contracts are awarded on a competitive basis where accountability of public money is of paramount importance in order to protect the public interest.

For Government construction contracts, therefore, partnering is implemented on a project-by-project basis. In this way Government agencies can establish partnering relationships with the private sector within the necessary levels of objectivity and propriety.

While there are obvious advantages of long-term strategic partnering relationships, the US Army Corps of Engineers has used partnering on a project-by-project basis with great success even though they are required by US law to accept the lowest conforming tender.

Partnering enables a Government agency to better serve the public by controlling costs. The construction industry is strengthened by increased productivity which in turn engenders both the Government's and investors' confidence.

3.4 Contractor/subcontractor/supplier partnering

While probity considerations preclude Government agencies from engaging in long-term strategic alliances,

such arrangements could be developed among contractors and their subcontractors and suppliers. Long-term arrangements could also be developed between the contractor and design consultants for design/develop/construct projects.

It is important to note that as indicated previously, a partnering relationship, whether long-term or not, is not a legal partnership, joint venture or any other form of legal entity. It is simply a formal commitment between two or more parties to focus on creative cooperation and to work to avoid adversarial confrontation.

The Royal Commission into Productivity in the Building Industry has examined the characteristics and operation of contractor/subcontractor/supplier partnering. The resulting findings are summarised in Appendix C.

Where subcontractors and suppliers are involved on a project-by-project basis, they need to be brought into the partnering relationship at the outset. On most construction projects they undertake 70-90% of the work and hence their full involvement in the partnering relationship is essential.

In a partnering relationship, the contractor should understand and appreciate the government agency's regulatory requirements, and the government agency should understand and appreciate the contractor's expectations.

4 The partnering process

4.1 Overview

Before embarking on project partnering relationships, there are a number of essential pre-requisites that must be met. These include education of stakeholders organisations on the partnering concept; commitment from top management; and the identification of partnering leaders or 'champions'.

Once these pre-requisites have been satisfied, the partnering process comprises the following three stages:

- 1 Preparing for partnering
- 2 The partnering workshop
- 3 Implementation

Each of these stages are described more fully below. However, it is the partnering workshop which is the central element of the process. It is here that all stakeholders first develop a cooperative relationship and where the structural procedures are developed to ensure its successful implementation.

Consequently, an independent facilitator is generally employed to conduct the workshop and guide the participants in the development of the partnering relationship. To this end the CPSC is maintaining an approved panel of partnering facilitators.

4.2 Pre-requisites to partnering

Education of stakeholder organisations

All potential stakeholders must educate their organisations about partnering.

Understanding is essential otherwise there is a tendency for the concept to be confused in worst extreme with joint venturing or some other commercial relationship.

Because of the intuitive nature of partnering, the education process is not long and involved.

This document is a first step in the education process.

Commitment from top management

Commitment from the highest levels of management in each stakeholders organisation is essential for partnering to achieve its potential.

Visible top management commitment sends the vital message that partnering is acceptable and will be supported. This instils enthusiasm and overcomes obstacles, thereby empowering people to act.

Where necessary, management frameworks on partnering projects should develop a flatter structure so that decisions can be made in the functional areas. Quick decision making should be encouraged and employees given the confidence that they can make such decisions without fear of punishment.

Top managers can most visibly show their support by attending initial partnering meetings, introducing the concept in person and encouraging the adoption of a clear decision making framework.

Identification of off-site partners

Each partnering project should also have a 'partnering champion' who encourages communication, promotes early problem solving and generally assists in maintaining the focus on the project objectives rather than on day-to-day issues.

This person must be a senior executive and is the individual responsible, with their counterparts in other partnering organisations, for the resolution of issues which cannot be dealt with on-site.

4.3 Preparing for partnering

The first steps in developing a partnering relationship on a project involve notification of intentions to establish partnering and preparing for the partnering workshop.

Making partnering intentions clear

A government agency as the client must convey its intention to use partnering at the earliest stages of project inception. A sample statement of intention to be included in the call for tenders is given in Appendix B.

Such advice must emphasise the voluntary nature of partnering and that the costs associated with implementing it are to be shared equally with no change to the contract price.

A letter should be sent to every CEO on the contractor/consultant lists and any pre-bid briefings could include a presentation on partnering.

Notwithstanding these requirements, it is noted that any stakeholder can initiate a partnering agreement (indeed they are encouraged to do so) even after the award since the partnering process does not change the form or intentions of the contract.

On awarding of the contract, the CEO, or their representative who should be a member of the executive management team, of the client Government agency should

personally contact the successful tenderer and welcome them to the project as a first step in developing a successful partnering relationship. This should be followed up with an appropriate letter.

Each stakeholder should then identify their management teams for the project and ensure that the personnel are fully briefed on the concept, procedures and benefits of partnering.

Preparing for the partnering workshop

The client and contractor jointly select a neutral facilitator for the partnering workshop. They then meet the facilitator to discuss the workshop structure, participants and venue.

All stakeholders are then advised in writing of the intention to hold the workshop and suggested dates are offered for comment. A date suitable to all participants is selected and each advised accordingly.

The workshop agenda is prepared and sent to all participants well in advance of the specified date.

4.4 The partnering workshop

The partnering workshop will generally extend over a one to three day period depending on the size and complexity of the project. It should be held at a neutral location, away from the influences of the participants' corporate cultures.

While not essential, it is recommended that a professional facilitator be used in these early developmental stages of partnering. As government agencies and the industry become familiar with the concept, professional facilitators may only be required on larger projects.

However, there will always be the requirement for someone to guide the workshop and act as an impartial focus for comments or criticisms. They therefore must not be directly or indirectly involved with the project.

It is here at the workshop where the key elements of partnering described previously are developed.

The non-structural human value elements of commitment, equity and trust are established through open communications and the development of a team spirit. This is achieved by all stakeholders identifying and discussing their respective issues, problems, opportunities and constraints along with their interests, expectations, goals and objectives.

These are used as the basis for development of the structural elements in which shared objectives and a mission statement are defined that together form the partnering charter.

This leads to the formulation of the 'communication framework' along with the evaluation and conflict avoidance procedures to assist in the achievement of the stated shared objectives.

The workshop concludes with the signing of the partnering charter by each participant, including off-site partners, as a formal commitment to the partnering relationship. Typical partnering workshop procedure is outlined below while the form and content of the structural elements are given in Appendix A.

Typical partnering workshop procedure

Welcome, introductions and opening addresses by CEOs

Participants introduced.

Opening addresses by CEOs or their representative to demonstrate their commitment to Partnering and decision making at lowest possible management level.

Overview of partnering and workshop process.

Issues, problems and opportunities

Participants break into organisational groups to identify their respective issues, problems and opportunities, how these impact on other participants and recommendations for improvement

Groups reform into workshop to present their findings for discussion and resolution.

Interests, expectations and goals

Participants break into organisational groups to identify their respective project interests, expectations and goals.

Groups reform into workshop to present their findings for discussion and identification of commercial goals.

Development of partnering charter

Mission statement.

Shared objectives.

Communication framework

Personnel and their roles communication structure timing, duration and structure of regular on-site partnering meetings.

Evaluation procedure

For monitoring of shared project objectives and hence the success of the partnering relationship.

Conflict avoidance procedure

On-site team procedure.

Off-site team procedure.

Timing for decisions.

When to elevate.

Presentation of outcomes and closing addresses

4.5 Implementation

The scheduled partnering meetings as defined in the communication framework enable ongoing reinforcement of the partnering relationship while providing the essential forum for:

- regular evaluation and monitoring of the shared project objectives and hence the partnering relationship
- prompt issue identification and resolution.

Commitment to, and attendance at the scheduled partnering meetings by all designated partnering stakeholders is therefore essential to the continued success of the partnering relationship and the project.

Typically, partnering meetings should be held once a month and be independent of any other project management or site conferences and should generally be no more than two hours duration. More frequent meetings may be required for timely resolution of problems or potential conflicts.

On longer projects, there may also be a need for one or more follow-up workshops, especially in cases where evaluation indicates that the partnering relationship has been declining over an extended period.

Other ways to advance the partnering relationship include:

- review of achievement through debriefing sessions following significant milestones in the project
- jointly conducted awards ceremonies to recognise and reinforce cooperative effort, and
- professional development programs to emphasise and develop cooperative job skills and team work principles.

5 The benefits of partnering

5.1 The benefits

For all stakeholders involved in the delivery of a project, partnering requires effort. It may require increased staff and management time initially, but benefits will accrue due to a more harmonious, less confrontational process, and by completion of a successful project without litigation claims.

Partnering empowers stakeholders with the freedom and authority to accept responsibility to do their jobs by encouraging decision making and problem solving at the lowest possible management level. It encourages everyone to take pride in their efforts and provides a mechanism for cooperation.

Specific benefits common to all stakeholders which result from partnering include:

- reduced exposure to litigation through open communication and issue resolution strategies
- better quality project since energies are focused on the ultimate goals and not misdirected into adversarial concerns
- lower administrative costs and increased productivity due to elimination of defensive case building

- increased opportunity for innovation through open communications and an element of trust, particularly in the areas of value management and buildability, and
- increased opportunity for a financially successful project due to non-adversarial, cooperative attitudes.

The human element of partnering provides stakeholders with a new mode of thinking about dealing with people. Among the project personnel and with stakeholder organisations, work can become more meaningful and fun. Morale is enhanced and an esprit de corps developed.

The heightened awareness of the value of fair dealing provided by partnering can be used to the benefit of all internally, externally and in all aspects of business life. Integrity and fair dealing leads to the respect of others and in the long term, that respect will produce a reputation of true value in the construction industry.

5.2 The US experience

Partnering on construction projects was pioneered by the Portland District of the US Army Corps of Engineers and they have derived substantial benefits from its application.

The \$34 million Bonneville Navlock Diaphragm Wall was the first large project in the Portland District to use the partnering process. It was completed in February 1992 as part of the \$330 million Bonneville Navigation Lock and Dam project on the Columbia River with the following outcomes:

- no outstanding claims or litigation
- value management savings of \$1.8 million, exceeding the goal of \$1.0 million
- cost growth contained to 3.3% compared with a typical 10% for a major construction project
- on-schedule completion
- no lost time due to injuries, and
- two-thirds reduction in paperwork.

The \$5 million Hatchery Wells Project was also part of the Bonneville Navigation Lock and Dam Project and one on which partnering was used. All goals were met and the project was completed one month early with no lost time accidents. It was 4.38% under budget and returned \$72,000 in value management savings.

In Arizona, the Department of Transport (DOT) has been utilising partnering for the last two years. As of March 1992, partnering had been adopted on 12 projects ranging from \$900,000 to \$18 million and worth a total of \$87 million in all. The first seven projects reaped \$635,000 in value management savings. They were completed a total of 16 months early, yielding another \$500,000 in construction/engineering savings.

6 Acknowledgments

The Construction Policy Steering Committee was assisted in the preparation of these guidelines by Mr Christopher Miller of Christopher Miller Consultants Pty Ltd.

Appendix A

Structural elements

There are four key structural elements developed during the partnering workshop which are central to the success of any partnering relationship. These are:

- 1 Partnering charter
- 2 Communications framework
- 3 Evaluation/monitoring procedure
- 4 Problem solving/conflict avoidance procedure.

A.1 The partnering charter

The partnering charter comprises a mission statement along with the shared objectives for the project. The mission statement declares the overall goals in a single statement and the objectives transform the goals into the specific aims of the project.

General qualitative project objectives based on the shared partnering goals may include:

- completion of the project on time and within budget
- equitable sharing of contract risks
- meet the design intent, and
- solution of problems at the lowest possible management level.

However, where possible the general objectives should be sub-divided into more concrete, quantitative sub-objectives that provide milestones for periodic measurement of the project's success in the form of performance indicators. For example:

- limit cost growth to specified percentage
- complete project by a specified number of days ahead of schedule
- no lost time due to on-site injuries
- no litigation
- achieve specified value management savings
- meet or exceed specified quality standards, and
- reduce paperwork by a specified percentage.

The partnering charter developed by the participants in the Nepean Hospital Upgrade Project is shown on the following page. Note the inclusion of the objective to achieve an enjoyable project.

Such human value goals can be important morale elements of a partnering relationship and therefore are commonly included in the partnering charter.



PARTNERING CHARTER NEPEAN HOSPITAL UPGRADE PROJECT

Main Building

MISSION STATEMENT

Our Mission is to manage the project as a team to achieve a common goal based on the concept of partners, ensuring the team strives for excellence in the areas of co-operation, trust and understanding, minimising project risk by supporting impartially each partners efforts for improvement to reach the following objectives.

PARTNERING OBJECTIVES

1. **BUDGET** All stakeholders realise their financial goals.
2. **TIME** Achieve agreed milestones with final handover by 30th June, 1994.
3. **QUALITY AND FUNCTIONALITY** Meets or exceeds specified quality standards.
4. **HOSPITAL FUNCTIONING** Maintain hospital activities through effective co-ordination of construction activities, with sensitivity to hospital staff, patients and visitors.
5. **SAFETY** Ensure a safe working environment for all people associated with the project.
6. **CONFLICT RESOLUTION** Ensure effective resolution of grievances and claims within agreed time period.
7. **ENJOYABLE PROJECT** Provide an atmosphere conducive to high morale and productivity, and where all participants achieve job satisfaction.
8. **FAIRNESS TO ALL** Recognise the rights of all parties to fair and equitable treatment.
9. **EXTERNAL RELATIONS** Meet all obligations to the community and government.
10. **INDUSTRY MODEL** Create a new industry model which can be a benchmark for future projects.

Signed at Nepean Hospital Site 19th day of February, 1993.

A.2 Communication framework

Successful partnering requires a formal framework delineating clear lines of communication for both the on-site and off-site management teams.

The communication framework defines the successive management levels to which conflicts will be elevated should they not be resolved within a specified time.

The on-site management teams include the project leaders and staff from each organisation having direct involvement in the construction process. The off-site teams comprise the corresponding CEO's and relevant head office personnel.

Participants at the workshop should develop a communication matrix of the form shown below so that lines of communication are clearly delineated for all stakeholders.

As part of the communication framework, the partnering stakeholders also jointly determine the schedule for regular partnering meetings, attendees, minuting structure along with a nominated chairman.

A.3 Evaluation procedure

Partnering requires a continuous focus on both the project objectives and the partnering relationship. This is achieved by monitoring progress and performance of both the project and the relationship using a formal evaluation procedure jointly formulated by the stakeholders at the workshop.

The evaluation procedure should generally have two strands:

- subjective evaluation at each scheduled partnering meeting of the degree to which the general qualitative project objectives are being achieved, and
- objective evaluation of the specific, quantitative sub-objectives undertaken less frequently, for example once every three partnering meetings. This can be done in conjunction with the off-site partners.

The objective evaluation follows the normal procedures of performance evaluation. The evaluation outcomes provide the performance measures which together with the performance standards (as defined by the quantitative objectives) define performance indicators.

Communication matrix

		stakeholders					
		1	2	3	4	5	6
off-site	CEO						
	head office						
	design						
on site	site office						
	site						
	workface						

Objective evaluations will of course only be applicable if the stakeholders include such quantitative sub-objectives under their general objectives. While this is recommended, the stakeholders must ultimately decide the form of the objectives and which ones are to be evaluated.

However, subjective evaluation of the general qualitative objectives must be undertaken at each partnering meeting. This provides regular indications of general trends not only in the achievement of the objectives but also in the 'climate' of the partnering relationship as well.

A suggested format for the subjective evaluation procedure is shown on the adjoining page. The procedure is as follows:

- 1 A percent weighting is applied to each objective according to its importance to the project delivery and the partnering relationship. This weighting may change from period to period.
- 2 Each objective is given a standard rating in the range 1 to 5 according to realistic expectations of the desired level of achievement.
- 3 The standard score for each objective is then the product of the standard weighting and the standard rating.
- 4 At each partnering meeting, the stakeholders jointly apply a measured rating to each objective and the results totalled and compared with the standard scores and those for the previous period.

If the scores show that the trend between partnering meetings is downward, then every effort should be made to improve it. If it is upward then every effort should be made to sustain that trend.

A.4 Problem solving/conflict avoidance procedure

The aim of this procedure is to resolve problems and conflicts at the lowest possible management level, preferably within the functional areas of the project team.

If this is not possible, then the problem is successively passed or 'elevated' to the next management level until resolution is achieved in accordance with a time schedule defined at the workshop.

Time periods between successive elevations should generally be of the order of days rather than weeks. However, any of the partnering stakeholders can call for elevation of an issue, and should do so if the time allocated for resolution at a particular management level has been exceeded.

Inaction is not an option. Problems and conflicts must be raised within the specified time period so that they do not fester and grow.

In summary, elevation ensures that more people look at the more troublesome problems. As these receive more thought, from different perspectives, the chances are very great that a solution will be found without resorting to litigation.

Suggested format for subjective evaluation procedure

- List objectives and give percentage weightings to total 100%.
- Give each objective a standard rating from 1 to 5.
- Calculate standard score by multiplying weighting by standard rating.
- Assign a weighting and rating each period and calculate score by multiplying them.

Objectives description	Standard			Last period			This period		
	weight	rating	score	weight	rating	score	weight	rating	score
Totals:									

Remarks

Appendix B

Statement in tender notices

The intention to use partnering must be advised when tenders are first called. A sample statement to be included in tender notices is as follows.

Partnering

At the outset of this project the agency intends to encourage the foundation of a cooperative arrangement with all parties involved in the project delivery. This arrangement will be structured to draw on the strengths of each party's organisation to identify and achieve mutual goals. The objectives are effective and efficient contract performance, intended to achieve completion within budget and schedule, and in accordance with the contract.

Participation in the arrangement by the contractor, its consultants, subcontractors and suppliers will be totally voluntary. However, participation by all parties is desirable to achieve the greatest level of success. To implement this Partnering initiative, it is anticipated that within three weeks of award the contractor's on-site project manager and the agency's on-site representative will meet and plan a Partnering seminar/team building workshop. At this planning session arrangements will be made to determine attendees at the workshop, along with its agenda, duration and location.

Follow-up workshops may be held periodically throughout the duration of the contract if required and as agreed to by the parties.

Any cost associated with effecting the Partnering between the agency and contractor will be agreed to by both parties and shared equally, separately from the contract.

The establishing of the partnering arrangement will not change the legal relationship of the parties to the contract nor relieve any party from its obligations under the contract.

Appendix C

Summary of a report of a Royal Commission pilot study & workshop on partnering

The particular relationship that could develop under partnering between the contractor, subcontractors, suppliers and in some cases, consultants has been examined by the Royal Commission into Productivity in the Building Industry. It conducted a workshop with a group of experienced contractors, subcontractors and suppliers to examine the characteristics and potential operation of such relationships. A summary of their findings is presented below.

Organisational attitudes

The contractor should seek out those subcontractors with like attitudes and philosophies to his own and an existing track record with his company, and where possible a past working relationship with the partnering project manager or his branch manager.

It would also of course be commercial and practical advantage if the subcontractor has had experience in the particular geographical location of the subject project. This latter requirement may be in conflict with the former needs, in which case it should be overlooked.

Briefings

The subcontractors so selected should be given an explanation on an individual basis of the Partnering process, the proposed scope of work and an initial outline of the chosen subcontract process.

Group meetings

Group meetings should then be held by the contractor to present draft methodology and sequence of work as planned by the contractor.

Traditionally any programming is handed down by the contractor to the subcontractor saying "these are the delivery times to be met". Little time is spent discussing and obtaining input from the subcontractors, or 'creating ownership' of the program and hence commitment by the participants, particularly regarding the off-site processes and lead times. Mutual ownership of the program is essential.

Subcontract conditions

The contractor's subcontract conditions should be reviewed as a group to understand the cost implications of the standard documents, and to seek out opportunities for reduction in overall price by risk sharing. The aim is to reduce the size and complexity of this document.

Work area teams

Work area teams should then be structured so that subcontractors can be split up and sign off on the best practices and procedures. Typical WATs would consist of excavator/shorer, or the formworker/steel fixer/concrete placer/prestresser.

These teams should deal with such issues as shared labour (utilising each others variable peak requirements in

an endeavour to lower the total labour resource), shared materials handling crews and equipment, and back-up teams such as delegates, first aid officers and safety committee members.

All of this implies shared amenities. Training programs and site induction courses could also be integrated and responsibility shared.

Enterprise agreements

All workers including subcontractors should be empowered for full participation through enterprise agreements. There has to be an underlying philosophy of award restructuring and a workplace reform agenda.

Without the application of multi-skilling principles, and pay as incentive/disincentive, work area teams cannot be implemented.

Safety and quality policy

Common safety policy and quality policy for the project should be agreed and signed by all parties. Written plans and statements from subcontractors should be appended to the final tender document.

Suppliers

Suppliers should probably be brought into partnering in the main by the subcontractors who are the biggest users of their services.

It is true that some subcontractors have in fact been stripped of control over facets of their work having less opportunity to apply their skills and knowledge; eg, a steel fixer does not supply steel and concrete placers often do not supply concrete.

Consultant

As the situation of the greatest leverage, consultant involvement is assumed to have been permitted. Indeed it is highly desirable in many instances that there is a sub-consultant subcontractor relationship at the design stage, especially in the services trades of mechanical, electrical, fire services and hydraulics.

Even when sub-consultant designs are available there is duplication of work as subcontractors usually design and document their own scope of work. Then there is the situation where the sub-consultant is defending his design while the subcontractor is trying to convince him that his own design will satisfy the brief, albeit at a lower cost after the tender has been won.

One suggestion is that the services sub-consultant carries out the design in conjunction with the subcontractor, the consultant maintains the interest of the client.

Tendering

A tender prepared with the foregoing partnering operational characteristics may, in the first instance, have to be submitted as an alternative to a conforming bid. It should turn out to be cheaper than a traditional hard dollar bid, depending upon how many corners the opposition contractors are prepared to cut.

Irrespective of tender price, the partnering bid may

have to be sold to the client on the basis of the strength of teamwork and planning that lies behind it and the potential for quality execution of the work, without the usual delays and rancour and all the established benefits of partnering.

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