

The advantages and disadvantages of partnering construction essay



Partnering can be a very efficient way to commission the design and build of construction projects, from the unique to the more common and repetitive build.

This paper provides an overview of the cost, benefits and the potential drawbacks of partnering, also describing and comparing the three types of partnering (1) I. E

Project partnering : objective driven, tactical and short term in approach used on a single project

Strategic partnering: long term alliances that continue across a series of project opportunities

Framework agreements: a hybrid, which packages a series of projects having a known life span. (2)

Traditionally the construction industry had a structure based on the apparent status of various professions and trades. But it provided no explicit coordination or control. Clients dealt with an industry that appeared chaotic by using competitive tenders and tough contracts to protect their own interests.(1)

The fact that partnering has become so popular in recent years construction has seen a variety of new contracts emerge and some expansions on the more traditional ones to accommodate partnering, this paper will also look into these.

” partnering is a management approach used by two or more organisations to achieve specific business objectives by maximising the effectiveness of each participant’s resources” (Bennett and Jayes (1995)

When looking directly into project and strategic partnering

Research shows beyond reasonable doubt that, properly applied partnering reduces the price clients pay for a given building. At the same time consultants, contractors and specialists earn better than normal profits and the industry’s workforce find their work more rewarding in every sense (1)

Typical benefits from partnering would be

Reduced exposure to litigation.

Improved project outcomes in terms of cost, time and quality.

Lower administrative and legal costs.

Increased opportunity for innovation and value engineering.

Increased chances of financial success.

The cost of setting up partnering strategic, and the procurement issue is one to be addressed. This will need to increasingly addressed as the economies and levels of client satisfaction diminish if the lessons learnt and the benefits of a close working relationship on one project – the learning curve – cannot be carried across projects.

The answer to this is move away from project partnering towards strategic partnering which sees partnering in use for many projects and gives significantly improved results including:

Continuing cost reductions

Tailored service provision

Client satisfaction

Repeat business

Improved turnover and profitability

Performance improvements over traditionally and management approaches by project teams using partnering successfully

Construction Costs

Construction times

Traditional Approaches

100

100

Management Approaches

85

70

Project Partnering

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70

60

Strategic Partnering

60

50

Strategic Collaborative working

50

20

(fig 1) source 1

Drawbacks of partnering

Given the nature of change it can draw-out criticism from experts and academics and partnering is no different. The following criticisms identify by senior managers.

Organizations trying to establish partnering culture for specific projects face severe problems when they have to use cut-throat competition to win other projects.

Modern forms of decentralized decision-making undermine partnering as decisions by one department are contradicted elsewhere.

Commercial realities that require firms to have alternative suppliers and many customers, inhibit the development of deep partnering relationships

The open communication required by partnering is inhibited when one partner also works with another's competitors.

Partnering relationships inhibit firms from developing more profitable new businesses.

These are just some of the drawbacks associated with partnering and senior managers and academics have many more criticisms but this should serve as a reminder that partnering is not easy and must be worked hard at by all involved, though the evidence is there to prove the massive advantages archived through successful partnering.

costs

An initial investment must be made before any benefits can be reaped by any party. These costs include time spent by senior management establishing the approach, careful team selection procedures, and training and partnering workshops. This is another reason strategic partnering is such an advantage though it makes sense for partnering relationships to develop on smaller projects in order to keep costs down.

When entering into a partnering agreement all parties should discuss how the project should be run, they should all be positive and genuine about working cooperatively and any concerns should be discussed before entering into a partnering agreement. parties should all be clear on their own

interests and concerns they may have, this may occasionally mean missing <https://assignbuster.com/the-advantages-and-disadvantages-of-partnering-construction-essay/>

out on bad projects but by only being honest and clear from the outset can partnering be a success.

When all parties are decided on a partnering workshop should be held, this is the basis for establishing cooperative relationship and teamwork. Any party that could have a bearing on the end result should attend these workshops. It should be held by a specialist partnering facilitator as it help to broaden view and focus on the projects overall success.

A set of mutual objectives should be drawn up by all parties this helps to adopt a win win attitude, this encourages all involved to focus on hitting targets achiving goals and producing value for each other. Meaning all parties will make more profit and the client will pay less.

Some mutual targets would be:

Value for money

Guaranteed Profits

Reliable construction

Costs within agreed budget

Handover on time

Cost reduction

Excellent site facilities

Safe construction

Shared risks

Improved efficiency for users

No claims

Effective meetings

Shared use of computer systems

Timely design information

Shared Information

Fast construction

In order to maintain successful partnering throughout numerous projects it's a good idea to hold workshops throughout the project and hold a final workshop that identifies problems and lessons learned by the previous project.

Partnering case studies.

Partnering for social housing refurbishment.

Case study Reference: Housing Forum HF175

The London borough of Camden used partnering for the refurbishment of 2,500 properties, teaming up with Willmott Dixon and Llewellyn.

The main benefits were:

The client saved over £500, 000 from a £7. 8m budget. Time scale was more accurate with 74% starting on time and 70% finishing on time. Tenants were a lot happier with less than 1% making complaints. There were no formal disputes or claims, unavoidable extensions of time and the costs of necessary additional work were agreed quickly in the spirit of partnering.

The contractual risks are also reduced by partnering.

Case study reference: 010

A high risk project for the construction of the Tunstall Western bypass was completed 10 weeks early within budget and to a high standard of quality thanks to strategic partnering.

Claims as high as 6M were avoided by risk management and problem solving, Project was delivered nearly a 1m under budget and all final accounts were resolved within a few weeks of completing construction work, improving cash flow and budget control.

Types of contracts.

Since idea of partnering has become so popular in the UK contracting scene that there are now several standard form partnering agreements available, for single projects (project partnering) as well as for multiple projects overtime (strategic partnering). An example of the former type is the ACA standard form of project partnering PPC 2000 (Mosey 2003). Here, the key stake holders of a project i. e. the client contractor, consultants and key specialists, sign only one single integrated contract (no other contracts are needed, such as appointments of professionals or building contracts). Other <https://assignbuster.com/the-advantages-and-disadvantages-of-partnering-construction-essay/>

standard forms for partnering, such as x12 of NEC 3, do not create a multi-party contract. Strategic partnering in contrast, involves developing long-term commitments from both parties in the contract. The aim is to move the focus of attention away from getting the cheapest or quickest solution for a particular job, and towards developing a longer term understanding of the purposes of the project, and understanding from both parties about what each other what's to get out of the project. These polices have their roots in widespread business practice where long term relationships enables buyers and sellers avoid litigious disputes because the relationship becomes an important part of the process. The essential feature of strategic partnering is that it provides a method of for selecting a contractor (or other supplier) other than the more traditional approaches of competitive tendering. Examples of a standard -form arrangement for strategic partnering are the JCT FA 05), NEC 3 framework Contract and the ICE Partnering Addendum. (Construction contracts: law and management by john Murdoch and will Hughes pg 95

Any contract used should be partnering bias, most standard contracts don't facilitate for the idea of partnering, traditional contracts require terms that need negotiating this often destroys partnering attitudes.

Even so many firms require the protection a contract gives, if this is the case it's reasonably well established that the project partnering contract (ppc2000) and the NEC engineering and construction contract with the partnering option are the best to go for.

Framework

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Framework agreements are used by major clients, they provide a resource pool of competent consultants, contractors and specialist. They establish a foundation for negotiations over future contracts with a limited number of firms. These are standing offers that remain valid over the life time of the agreements.

Framework agreements can take a variety of forms; they don't have to be binding and don't hold the promise of work for the firms in the pool. The offers can be terminated at any time but contractual agreements must be completed for any individual project already undertaken. If a contract has been entered to purchase a volume of goods or provide a service over a period of time then this must be honoured.

Advantages

Establish long-term relationships (advantageous for partnering)

Allows specialist buyers to negotiate best value for money on goods that can be used over a number of projects, but used any time

Gives firms better buying power

Reduces time spent on procurement and tendering

Makes reliable after-sales better

Disadvantages

FW agreements can be unresponsive to change, there may be a better solution developed after the agreement was set up. Often can be a one size

fits all approach, however most FW agreements don't place any obligation on any parties so if there is a better deal to be had then there is nothing to stop them. This in turn can be another drawback as there is no guarantee of business so a lot of money may be wasted getting a company into the resource pool of the framework. (<http://blog.tendersdirect.co.uk/2010/05/27/answering-your-questions-on-framework-agreements/>)

When the comparison of a partnering agreement and a framework is made a FW Agreement is a step toward partnering but no work is guaranteed it's more of a root to secure a pool of reliable resources that are likely to gel once in a partnering agreement, this makes the tendering process faster giving more access. (may need changing)