A REVIEW OF PROJECT PARTNERING IMPLEMENTATION IN HONG KONG

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1 Abstract
The public perception of the construction industry in Hong Kong is generally poor. It has been notorious for its fragmentation and adversarial relationship among project stakeholders. The concept of partnering was hence evolved as a means to reconcile the differences and create a platform for the stakeholders to work together in a cooperative effort to achieve their predefined objectives. With its first introduction and implementation by the Hospital Authority through the construction of the North District Hospital, the concept of project partnering since then has been steadily spread among major sectors in the industry. The trend to implement project partnering has begun to grow and has been recorded in the public, private and infrastructure sectors with a good track record of success. In year 2001, a master degree research project in the form of questionnaire survey was conducted by the authors among the project participants with the aim to understand its perceived benefits and problems associated with the implementation of project partnering in Hong Kong. During that exercise, out of the 30 responses received, only 4 of the respondents had actual partnering experience. In the absence of a thorough experience in partnering, a respective top ten perceived benefits and difficulties were identified. As the use of project partnering increases over time, quite a number of research projects related to partnering are conducted by university academic students and scholars. The recent findings from a research project conducted by the Construction Industry Institute, Hong Kong in 2004 showed an increased awareness and many of the benefits and problems are well perceived and recorded through the increase of partnering experience in projects. This paper aims to give an overview of project partnering implementation in Hong Kong and to compare if there are major differences or similarities in the findings of the perceived benefits and problems based on the abovementioned two research projects. Notwithstanding its perceived benefits, project partnering is not a problem-free management strategy. A recently completed project case will serve to illustrate the difficulty of project partnering due to the multi-level of subcontracting practice in the industry.

2 Introduction
Construction industry is characterized as having large numbers of professional practices, contractors and sub-contractors each of which is responsible for its own contract of work and seldom participates in assisting other party’s services. The traditional project procurement adopts the design being separated from construction production, and specialisation by function which required ad hoc groupings of individual projects. Besides, there are a number of stages involved in the construction process, each with their own characteristics, requirements, personnel and outcomes. Therefore, the relationship among contracting parties are quite often confrontational and adversarial.

The land resource in Hong Kong is scarce and very limited. Due to shortage of supply, the cost of land is competitively high and as a result time becomes a crucial factor in the construction of building projects. The construction process in Hong Kong has been perceived as very complicated and is compounded by the difficulties of congested sites and unforseen underground conditions. In times of good year with high demand for construction output, there is invariably a labour shortage and undue delay of imported materials. Under these constraints, quality of projects is easily compromised. As a whole, the general public perception of construction industry is not good.

In April 2000, the Chief Executive, Mr. Tung Chee Hwa, appointed the Construction Industry Review Committee (CIRC) under the chairmanship of the Honourable Henry Tang to:–

• examine the current state of the construction industry in respect of quality, quantity, environmental friendliness, manpower, safety and supervision;
• identify specific actions and good practices to improve the efficiency and cost-effectiveness of local construction in terms of quality, customer satisfaction, timeliness in delivery and value for money; and
• advise on an order of priority for implementation.

As a result, in the report of ‘Construct for Excellence, 2001’, the Review Committee highlighted that partnering experience in Australia, UK and elsewhere had demonstrated good project outcomes with following benefits:

• reduced costs through increased productivity;
• an increased focus on the needs and objectives of the consumer;
• improved quality; and
• prompt response and potentially more innovative solutions when problems do arise.

Therefore, it was recommended that the partnering approach should be adopted:

‘We advocate the wider adoption of a partnering arrangement in local construction so that all project participants will work as a team to achieve shared project objectives rather than in competition with one another. For partnering to work, the interests, needs, expectations, constraints and risks of every stakeholder must be given fair consideration.’

There are many definitions of partnering from literature. It is neither a joint venture agreement nor an alliance contracting between contracting parties. Partnering is not a legal binding agreement but instead it advocates that every contract includes an implied covenant of good faith. Hellard (1995) indicates that the contract establishes the legal relationship, the partnering process attempts to establish working relationships among the stakeholders through a mutually-developed, formal strategy of commitment and communication. It attempts to create an environment where trust and teamwork prevent disputes, foster a cooperative bond to everyone’s benefit, and facilitate the completion of a successful project. The partnering concept is not a new way of doing business as some always conduct themselves in that manner.

On the other hand, it has been indicated that the term ‘partnering’ is normally regarded in the United States as referring to a long term multi-project commitment between two parties. In Australia, however, it has a different meaning. It usually refers to a one-off or project partnering arrangement. In general partnering is an old way (handshake approach) of doing business. It is a management strategy that provides a non-legal platform for the stakeholders to work together in a cooperative effort to achieve their predefined common goals. It puts emphasis on mutual trust and enhances open communication among project participants.

The first recorded project partnering case in Hong Kong was the North District Hospital. Since then some large corporations and government authorities like the Mass Transit Railway Corporation (MTRC) and the Hong Kong Housing Authority (HKHA) have also started to introduce project partnering in their infrastructure and building projects:

1. (1994) North District Hospital  Hospital Authority
3. (2001) The Redevelopment of Tseung Kwan O Area 73A  Hong Kong Housing Authority

In year 2001, a master degree research project in the form of questionnaire survey was conducted in Hong Kong by the authors with the aim to understand its initial perceived benefits and problems associated with the implementation of project partnering among the project participants. Since then there are also many other success stories of project partnering being researched and recorded by scholars and academic researchers. In particular the Construction Industry Institute, Hong Kong (CII-HK) commissioned a Partnering Research Team, the report of which published in year 2004 gave a very comprehensive findings of the effectiveness of project partnering in Hong Kong. This paper will attempt to give a general overview of project partnering implementation in Hong Kong and the relevant findings abstracted from the abovementioned CII-HK report (2004) on project partnering will be used to compare with the questionnaire survey results conducted in 2001 by the authors. The main aim is to see if there are any major differences or similarities in the perceived
benefits and problems. In order to give the readers a better picture of partnering project, a recently completed project is recorded to illustrate the characteristics of project partnering implemented in Hong Kong. This case study will reinforce the concept that project partnering is not a problem free management strategy and for sure there are rooms for further research.

3 Current Project Partnering in Hong Kong

The concept of partnering was first introduced to the construction industry in United States in late 1980s and early 1990s. Warne (1994) indicated “in the late 1980s and early 1990s, some visionary leaders in the industry concluded that there had to be a better way. They believed that the redirection of all these negative, non-productive efforts would ultimately result in positive, tangible benefits. If the owners and contractors could work together in a synergistic environment, then certainly everyone would benefit. Hence the concept of partnering was born…”

In Hong Kong, project partnering usually refers to a one-off partnering arrangement for most construction project participants. It is interesting to note that clients usually initiate partnering strategy in project procurement. The general perception gained by the project participants is quite positive and most of them found that partnering has increased open communication and sharing of common goals among stakeholders. As a result working relationship and productivity have been improved.

Since the publication of the review report ‘Construct for Excellence’ in 2001 and coupled with the success stories recorded from those projects implemented with project partnering, more and more projects in Hong Kong adopt and implement project partnering within their procurement process. On the other hand, in order to improve the construction quality of public housing, members of the Hong Kong Housing Authority have endorsed the publication of a public consultation document entitled “Quality Housing : Partnering for Change” in year 2000 in which the document has mapped out the vision and strategies of the Authority in uplifting its building quality. The Authority has employed the partnering framework as per the following Figure 1, where there are six key elements:

◊ Commitment
◊ Clear roles and responsibilities
◊ Equitable risk-sharing
◊ Communication and feedback
◊ Objective performance appraisal
◊ Balanced reward and punishment.

![Figure 1 –Partnering framework (source: HKHA 2000)](image)

In line with the above, the Hong Kong Housing Authority has also organised the Quality Housing: Partnering Symposium under the theme of ‘Enhancing Construction Quality for Public Housing Through Strategic Partnering’. The aim was to bring together practitioners, professionals and line managers from both the
business partners of the Hong Kong Housing Authority and within HKHA to review the existing operation/management systems, to explore new ideas, to evaluate their applicability in the housing context and to promote a partnering culture with each other (Housing Authority 2000). Of course, other corporations such as MTRC and government departments like Highways Department are also committing themselves to project partnering. The projects below show the recent examples of application of project partnering in Hong Kong:

Public
3. Housing Authority: Redevelopment of Shek Kip Mei Estate Phase 2 (2003-2006)

Private

Infrastructure

Perceived Benefits and Problems Identified based on Survey Results 2001
In year 2001, a survey was conducted by the authors among the project participants with the aim to understand its perceived benefits and problems associated with the implementation of project partnering. The questionnaire included a set of 20 perceived benefits and 20 perceived problems which were abstracted from various literature and the participants were required to give their opinion based on a likert scale from strongly disagree to strongly agree. A choice of ‘don’t know’ was also included. For this exercise, 110 sets of questionnaires were sent to the key construction professionals in Hong Kong and a total of 33 responses were received, representing a response rate of 30%. The following Table 1 shows the professional demographics of the respondents:

<table>
<thead>
<tr>
<th>Professionals</th>
<th>No. of Response</th>
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<tbody>
<tr>
<td>Architect</td>
<td>4 (12%)</td>
</tr>
<tr>
<td>Building Surveyor</td>
<td>2 (6%)</td>
</tr>
<tr>
<td>Quantity Surveyor</td>
<td>5 (16%)</td>
</tr>
<tr>
<td>Engineer</td>
<td>17 (51%)</td>
</tr>
<tr>
<td>Builder</td>
<td>3 (9%)</td>
</tr>
<tr>
<td>Others</td>
<td>2 (6%)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>33 (100%)</strong></td>
</tr>
</tbody>
</table>

Out of the 33 responses received, only 4 of the respondents had actual partnering experience. It could be reflected that although partnering experience was not adequate in 2001, most of the respondents were aware of the concepts of partnering through their personal interests and or literature readings and hence they were able to give their opinion or perception without too many difficulties. In the absence of a thorough experience in partnering, a respective top ten perceived benefits and difficulties were identified by the respondents in the following Table 2:
The Top Ten Perceived Benefits of Project Partnering

1. Cost saving was achieved
2. Better design quality was achieved
3. Rework of engineering was reduced.
4. Claims/variations were reduced.
5. A long-term mutual trust relationship was achieved.
6. Innovative idea was increased.
7. Project risks were shared more equitably amongst project participants.
8. Construction time was shortened.
9. Communication between project participants was improved.
10. Paperwork was reduced.

The Top Ten Perceived Difficulties of Project Partnering

1. Parties were too relied on contract condition e.g. legal protection, advantages, etc.
2. Cultural problems were hard to solve.
3. The experience of the partnering approach among parties was not enough.
4. Continuous improvement was difficult to maintain.
5. Senior management was unfamiliar with partnering concepts.
6. There was no proper training on partnering approach.
7. It was costly and inefficient to align the responsibilities of every party.
8. Participants were not fully understood the concept of partnering.
9. Commercial pressure was increased when parties needed to compromise their partnering attitude.
10. Low efficiency of partnering with large bureaucratic organizations.

Table 2: Top Ten Perceived Benefits and Difficulties in Project Partnering

5 Benefits and Problems - Comparing findings with CII-HK Partnering Report 2004

Since its first adoption in the hospital project, project partnering has gained popularity in the Hong Kong construction industry. An increasing trend in project partnering has been observed in the public and private sector. In order to critically investigate the effectiveness and performance of project partnering, the Construction Industry Institute, Hong Kong (CII-HK) commissioned a Partnering Research Team led by Prof. Albert Chan of the Department of Building and Real Estate at the Hong Kong Polytechnic University to undertake a study to compare the partnering practices in Hong Kong. The research was based on case study analysis approach of 6 major projects including two in the public sector, two in the private sector and other two in the infrastructure sector. Data of the case study projects was collected through face-to-face interviews. Twenty-one participants with hand-on experience in partnering were interviewed and they were also requested to complete a questionnaire for evaluating significant partnering attributes. The following Table 3 illustrated the abstracted findings of the respective top ten ranking for the perceived major benefits and the major difficulties among the six partnering projects: (Chan et al, 2004)

<table>
<thead>
<tr>
<th>Benefits of Partnering</th>
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<tbody>
<tr>
<td>1. Improved relationship amongst the project participants</td>
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<tr>
<td>2. Improved communication amongst the project participants</td>
</tr>
<tr>
<td>3. Better productivity was achieved</td>
</tr>
<tr>
<td>4. Reduction in litigation</td>
</tr>
<tr>
<td>5. Improved conflicts resolution strategies</td>
</tr>
<tr>
<td>6. Reduction in dispute</td>
</tr>
<tr>
<td>7. A win-win attitude was established amongst the project participants</td>
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<tr>
<td>8. A long-term trust relationship was achieved</td>
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<tr>
<td>9. More responsive to the short-term emergency, changing project or business needs</td>
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<td>10. Improved corporate culture amongst the project participants</td>
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<th>Major difficulties in implementing project partnering</th>
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<tbody>
<tr>
<td>1. Dealing with large bureaucratic organisations</td>
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<tr>
<td>2. Uneven levels of commitments amongst the project participants</td>
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<tr>
<td>3. Commercial pressure compromised the partnering attitude</td>
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<td>4. The parties had little experience with the partnering approach</td>
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<tr>
<td>5. Risks or rewards were not shared directly</td>
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<tr>
<td>6. The concepts were not fully understood by the participants</td>
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<tr>
<td>7. Conflicts arose from misalignment of personal goals with the project goals</td>
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<tr>
<td>8. Parties did not have proper training on partnering approach</td>
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9. Parties were conditioned to a win-lose environment
10. The partnering relationship created a strong dependency on other partners

Table 3: Top Ten Major Benefits and Difficulties in implementing Project Partnering

By comparing the above results with the survey in 2001, it could be seen that the benefits are becoming more obvious towards the improved relationship, improved communication and better productivity. As a result the disputes are reduced accordingly. It is interesting to see that improved corporate culture amongst the project participants was newly identified. Based on the results of six structured interviews about trust and the implications of project culture in trust-building, Zuo & Ma (2005) found out that there is a consensus view for a high level of trust within an appropriate project culture so that the collaborative relationship between participants can be maintained. An appropriate (positive) project culture with a high level of trust should be developed at the commencement of the project. As with the difficulties being identified, the problem associated with large bureaucratic organisations was ranked the first major difficulty in maintaining partnering relationship. This is not surprising as most of the clients who promote project partnering are either from large government departments or from large public corporations. They have a well established hierarchy of authorities, working procedures and systems and therefore they are less flexible in dealing with changes when proposed by the main contractors or the consultants. One similarity in both results was that the concept of partnering approach was not fully understood by the project participants. On the other hand, commercial pressure had compromised the partnering attitude.

6 Summary of a Project Partnering Case – Three Pacific Place in Hong Kong

There are quite a number of success stories of project partnering based on public and infrastructure projects in Hong Kong. The project described here was a recently completed project based on a private development, namely the ‘Three Pacific Place’. It was one of the many construction projects that Swire Properties had appointed Gammon Construction Limited as Main Contractor in a long history of cooperation of the two companies. The completed building was a 38-storey tall world-class office building with a 3-storey deep basement car park. The construction commenced on 4 May 2002 and satisfactorily completed on 13 August 2004. It was commented that the merit of project partnering was effectively enhanced by the use of Guaranteed Maximum Price Contract, Value Engineering, Health, Safety & Environmental Management and Neighbourhood Management in the process.

Swire and Gammon engaged professional project facilitators, Lappord Leadership to facilitate the partnering process. Partnering workshops were held prior to commencement and also at the middle of the contract period. In the workshop, the objectives and outcomes of every participant were discussed, modified and agreed by all project participants. Finally the agreed vision and objectives were documented in the Partner Charter and was signed by all participants. (Law & Chan 2004)

During the whole process, it was observed that there was a learning period for each stakeholder to be familiar with the practice of the partnering and then created a constructive team spirit. Participants were willing to share their experience and ideas during the construction period and eventually contractual issues like alternative design/proposals were resolved in a relatively short period of time when comparing with the traditional approach in contract arrangement. Owing to the success of this project, the next coming project of Swire Properties - One Island East will also adopt the partnering approach. It is good to see that the partnering practice is not only becoming popular in government projects but also being implemented in private sector with success. Up to the time of writing this paper, Gammon have just been awarded the main contract to build the One Island East by Swire Properties, valued at over HK$2 billion on 16 March 2006.

On the other hand, partnering was not problem-free in this project. There were some negative attitudes from the subcontractors in the beginning of the process. They did not believe that they could enjoy the benefits out of the partnering approach. They perceived that the only parties who could enjoy the benefits were the Main Contractor and the Client. Based on some informal enquiries, this kind of attitude did not come without reasons. According to the conditions of subcontracts, subcontractors would be heavily penalised by the Main Contractor if they were in breach of government’s health, site safety, site safety cycle and environmental rules and regulations. Also, since the multi-level of subcontracting is very common in the industry, the original subcontractors did not pass the message of partnering concept to their sub-sub contractors.
7 Conclusion

This paper reviewed the current implementation of project partnering in Hong Kong. The differences or similarities in the findings of the perceived top ten benefits and problems based on the aforesaid two research projects were also compared. Although the scope of the two research projects was under different stages of awareness in the partnering experience, the findings from the later one can supplement the earlier one by filling the gap of not having sufficient experience by the project participants in the first place. The later findings from CII-HK showed that improved relationship amongst the project participants had been achieved and ranked the top. This can reveal that the participants have become more mature and subsequently gained the benefits through additional experience in partnering. Once experience is established from 2001 to 2004, the problem associated with the large bureaucratic organisations becomes obvious as these setups are less flexible in dealing with changes. Unlikely this organisational behaviour can be changed easily. Notwithstanding its perceived benefits, project partnering is not a problem-free management strategy. It should be stressed that the success of partnering is not simply relying upon a set of management strategies that are developed in the partnering workshop. As mutual trust cannot be achieved overnight; it needs time to nourish and more importantly, it requires the team members’ full commitment. In line with many recommendations from literatures, partnering can be effective to its full extent by conducting more interim review workshops at all levels organised by trained and independent partnering facilitators. To a better extent, the problems associated with subcontractors should not be underestimated in partnering processes. Risk allocation between main contractor and subcontractors should also be established on a fair basis. If the main contractor goes for its own narrow-minded objectives without a fair or rational consideration of other parties’ interests, there must be a loser in the equation, and the loser will soon become claim conscious and will claw back what he has lost. The case study illustrated the fact that the subcontractors did not believe they could enjoy the benefits out of the partnering approach. Perhaps for future research, emphasis shall be given to the impacts of subcontractor management and in what ways subcontractors can enjoy the benefits of project partnering bearing in mind that the construction industry is largely supported and contributed by the efforts of subcontractors. They deserve a fair share.

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