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The role of trust in project negotiation: A case study

Synopsis

Most projects include procurement processes which may consist of tendering, negotiation or a combination of the two. It has been found that if the procurement relationships in a project are healthy, then it has a significant influence on the success of the project. This may be because team performance in a project environment is influenced, amongst others, by the extent to which the contracting parties trust each other. However, most of these studies have been conducted in Europe, America, and Asia and in large international construction projects where tendering is the usual method of contract award. Few studies have investigated the role and types of trust during project initiation, specifically during project negotiation.

Relevance for research and education

One significant practical implication of the findings is that the customer and the other negotiating parties should determine to what extent they have competence, integrity and intuitive trust in the other party. As all three, these trust types are essential for increasing the likelihood of a successful negotiation outcome. Where a successful negotiation outcome is determined by the extent to which expectations regarding the outcome are aligned, the outcome is perceived to be fair and where both parties reach consensus.

Research Design

This paper investigates the role that trust plays during procurement negotiations. The in-depth case study research was done on an electrical turn-key trace heating contract at the Medupi Power Station in South Africa. Five semi-structured interviews were undertaken with the organisation representatives that participated in the negotiation process to appoint a new contractor to carry out the project work. The interviews were transcribed and analysed based on the propositions put forward in the conceptual framework.

Main Findings

A conceptual framework is developed which shows that competence trust, integrity, trust, and intuitive trust are essential for a successful negotiation process. Implications of these findings for researchers and project practitioners are discussed.

Research Implications

Academics and project practitioners may use the results regarding the role and types of trust that are instrumental to successful project negotiation to conduct further research in this field and increase the likelihood of successful project negotiations, respectively.

Keywords

Trust, negotiation, electrical projects

Introduction

Most projects to varying extents require procurement processes to carry out the project. Procurement is defined as the process for creating, performing and completing a contract that is mutually beneficial to all parties (Steyn et al. 2016; Milanzi & Bond-Barnard 2017). Project procurement management includes the management and control processes required to develop and administer agreements such as contracts, purchase orders, memoranda of agreements (MOAs), or internal service level agreements (SLAs) (PMI 2017). Procurement management also includes the processes of bid solicitation, contractor selection, the establishment of legally binding agreements, managing contract execution and contract closeout (Nicholas & Steyn 2017). Bid solicitation and contractor selection can be facilitated using tendering, negotiation or a combination of the two. The focus of this study will be on project negotiation.

Many separate but interrelated activities from project initiation to project closeout form a procurement cycle. If all the individual stages of the procurement cycle are executed successfully, then the benefit may be realised on the final deliverable. It is not uncommon to have organisations entering into contractual agreements which later do not meet their expected level of benefit. Often it is the case that assessments and concerns regarding quality, the completion time, cost and the return on investment are raised during project execution or after project completion. In some cases, there are conflicts between contracting parties regarding these concerns. Before agreeing, it is of vital importance that the contracting parties consider the activities that would lead to a successful procurement process.

Design, install, and commission projects require that the contractor develops, implements and verifies the operation of a solution before handing it over to the client. These are also known as turnkey projects in the engineering industry. Electrical design, install, and commission projects are projects in which the deliverable is electrical or makes use of electricity. The client indicates the requirements or problem to the contractor who then applies his know-how and resources into developing the solution which may require constant engagement with the client in order to determine the client's satisfaction with the proposal or gain approval to proceed further in developing the solution. The contractor then implements the solution. Which includes the installation of the plant or electrical equipment, commissioning of the plant and then handing over a complete and operational or ready to use plant or piece of equipment to the client.

The methods that can be used to enter into contracts vary depending on the situation. However, Tadelis and Bajari (2006) assert that negotiation should be used in cases where there is no precise solution specification, and there is limited competition. The literature on procurement methods classifies award mechanisms as falling into two categories which are tendering and negotiation (Sparrus 2016). Tendering is typically used when the specifications are well defined, time permits the use of the method; there are multiple qualified service providers to allow competition and contract award is generally based on price. Tendering should be used when the project requirements are clearly defined (Tadelis & Bajari 2006).

Furthermore, Wallis, Bray, and Webster (2010) state that competitive tendering is the preferred approach in public procurement when required services are assessed at cost-efficient levels. Negotiation is preferred in an individual service provider situation, in emergencies and when the requirements are not yet fully defined. In general, negotiation is a process through which parties perceive incompatibilities between them and work to find a mutually acceptable solution (Kavanagh 2016).

Trends in procurement initiation research

A recent structured literature review of project procurement management by de Araújo, Alencar and de Miranda Mota (2017) found that the most-cited categories of criteria during supplier selection are: staff features (10.0%), quality (9.8%), financial issues (9.6%), experience (8.3%) and cost/price (7.7%). In addition to these, other categories, such as flexibility/responsiveness, time, technical/technology, company management (Arslan 2012), reputation/ image, performance, health and safety, environment and risk (Nassar & Hosny 2013), among others, were also cited. This indicates that relational aspects, such as the role of trust in supplier selection have not been studied in detail.

One of the conclusions of the above seminal study is that ‘the procurement process may have to consider new perspectives, such as client/supplier relations, due to the importance of having partnerships with suppliers that meet organizational needs’ (de Araújo, Alencar & de Miranda Mota 2017, p. 1). Furthermore, this study recommends that ‘it would be useful to conduct exploratory studies on different stakeholders’ perceptions of trust in contractual partnerships in the supplier selection phase. Also, models of negotiation that explain the multiple and conflicting factors in this phase are required’ (de Araújo, Alencar & de Miranda Mota 2017, p. 12).

These findings indicate that relational contracting such as negotiation is a trending research topic and that relational factors such as trust have an essential role to play in project procurement. Gil, Pinto, and Smyth (2011, p. 439) had gone some way in investigating this topic in organisations when they looked at ‘trust in relational contracting as a critical organizational attribute.’ However, to date, very little research on trust and project negotiation as a form of relational contracting has been done.

Similarly, the vast majority of literature on project procurement in South Africa is on procurement processes, procedures and legislation in a tendering environment (Bolton 2006). There is a requirement for studies to be done on project negotiation as an alternative to tender procedures (Bolton 2006).

Grafton and Mundy (2016) found that relational contracts can be used in place of formal contracts where there is collaboration. Relational contracts are informal self-imposing agreements sustained by an expectation of the future beneficitation in the relationship, according to Baker et al. in Grafton and Mundy (2016). Preliminary investigation suggests that there are culturally and relationally sensitive processes in negotiations, such as the level and types of trust between the parties (Zhang, Liu & Liu 2015).

Research problem and objectives

This study addresses the problem that the relationship between trust and a successful project negotiation outcome has not been established. The objective of the study is to investigate the role and types of trust that facilitate a successful project negotiation outcome. This study explores the trust measures that determine whether a successful negotiation outcome has been achieved. This research seeks to assess the contribution and effects of trust in project negotiation used for source selection. It will be interesting to know how the parties perceptions of trust influence the negotiation process within the context of electrical design, install and commission projects in South Africa.

Literature Review

Negotiation is a process in which parties with different viewpoints seek to find common ground (Hoezen 2012). It is a communication process to converge to an agreement that is mutually beneficial to the parties (Murtoaro & Kujala 2007). Similarly, Hensher and Stanley (2008) define negotiation as a process followed by parties to reach an agreement. The negotiation process includes the selection of the negotiation strategy based on the requirements, presentation of the issues and requirements, identifying and reaching a common standpoint as well as finalising or concluding the agreement. In the context of procurement management, tendering results in higher transaction costs when the solution specifications are unclearly defined (Ahola 2009). Scholars and practitioners have recognised negotiation as an alternative approach to tendering in such situations.

Negotiation and procurement

The rationale of negotiations is to make joint decisions, encourage participation and commitments in implementing actions that are mutually beneficial to the contracting parties (Murtoaro & Kujala 2007). The methods used in negotiation differ depending on the situation. Negotiators may use persuasion where one party endeavours to win the other party over by presenting arguments that may be supported by factual data and information scrutiny (Müller & Martinsuo 2015). This is typically a win-lose situation. Parties may also use compromise where areas of conflict and potential areas of agreement are identified, and the parties agree to

converge to a common and acceptable standpoint which still meets parties' needs. This is typically a win-win situation. The negotiation process follows the steps of planning, opening, bargaining, and closing.

The Ministry of Business Innovation and Employment (2015) identifies the techniques that may be employed during negotiation as competition, accommodation, avoidance, compromise, and collaboration. Competition is characterised by having one's requirements acknowledged at all costs without recognising any valid requirement or needs of the other parties. Competition is appropriate where quick decision making is required. It has a disadvantage of loss of potential opportunity due to the non-exploration of alternative approaches.

With accommodation the negotiating parties make concessions, moving away from ones' initial position to the position of the negotiating party. This is a lose-win scenario. This is appropriate when the issues are of high importance to the one party and are accommodated by the other party, and an opportunity is created for 'banking' on reciprocation for essential issues in the future. Accommodation seeks to maintain a good relationship by being or creating a perception of being logical and reasonable. The disadvantages are that it may not lead to the best alternative and frustration as one's requirement are not acknowledged.

During avoidance, the issues are disregarded entirely. This strategy is used when the issues are minor, and there has to be a shift in focus to more critical issues. It can also be applied where there is insufficient information, thus paving the way for investigation so that informed and qualified decisions can be made. The disadvantage of avoidance is that issues may never be resolved and it can harm an individual's or organisation's credibility. Compromise is when differences in viewpoints are put aside in a typical win-win situation. This may be appropriate where the issues are trivial or where a temporary agreement to an intricate issue is urgently required. The disadvantages are that there is an incomplete satisfaction with the agreement, and both parties have to give in on their principles for what is practical. In collaboration, the parties endeavour to satisfy all requirements in a win-win scenario. This is very important when the issues cannot be excluded, thus requiring collaboration. It is appropriate when long-lasting solutions are required, and there is a need to maintain relationships. The disadvantages are that it may be time-consuming, and the information may be based on unfounded assumptions.

Lumineau and Henderson (2012) found that negotiating parties' relational experience influences the negotiation strategy. The findings indicate that contractual coordination contributes to cooperative negotiation strategy. Hoezen (2012) states that relational governance studies identified four bargaining mechanisms which are:

- Forced attention – orientation towards the focal points, expectations, and processes
- Forcing articulation – deliberation and reflection aim to make unambiguous statements, goals, models. Realigning individual and mutual goals.
- Interaction – conversations, dialogues, listening, arguing and expression of views.
- Reducing biases, errors, and inconsistencies – corrections, moderation of outlying individual preferences to promote consistencies.

Furthermore, Hoezen (2012) proposes employing a framework in which negotiation constitutes formal bargaining and 'sense-making.' Weick and Roberts (1993) define 'sensemaking' as a social process involving interpreting the environment and building insights through interaction. This sense-making process has behavioural aspects such as reviewing perceptions and biases to get a better view of the scenarios influencing the decision making. The level and types of trust both parties have (or do not have) in each other, forms part of the perceptions that need to be reviewed as they influence the decision-making process. A better view or more precise understanding of the dynamics at play is obtained through repeat interactions, understanding the motives of the other party and both party's increase knowledge about the project requirements. This sense-making process helps both parties establish the level and types of trust they have, and in some cases, it may lead to an increase in trust between them.

Work done by Bolwerk and Groot (2016, p. 269) found that 'trust and understanding in a municipal organization led to more effective and credible leadership.' They add that it is essential to consider relational aspects (such as

trust) within an organisation in order to maintain balance and control. It is presumed that this would also be true for project environments as they are to a large extent influenced by the organisation(s) they form part of. This concept has been investigated to some extent by Issa, Olbina and Zuppa (2018, p. 5) wherein they ‘identify the factors found on US construction projects that are perceived by contractors to strengthen or weaken trust between contracting stakeholders and develop a framework for evaluating these relationships.’ However, this study did not specifically look at the process of negotiation, but the overall contracting lifecycle.

According to Lumineau and Henderson (2012), procurement has been studied from two perspectives, one prioritising the contract and ‘formal rules of compliance’ and the other perspective of relational transactions with norms of cooperation and participation. Hoezen (2012) describes the aspects in relational transactions as an ‘atmosphere’ comprising of interpersonal or behavioural aspects such as perceptions and attitudes of the contracting parties.

Hensher and Stanley (2008, p. 1143) argue that ‘a growing proportion of authors promote the case of greater emphasis on establishing a credible regulatory scheme able to govern the procurement of public services implicitly arguing the need to develop trusting partnerships in procurements.’ This identifies the need to investigate the relational characteristics of project negotiation in procurement.

Trust definitions and models

There are many definitions of trust. Hurley (2011) states that trust can be viewed as a form of social capital. Table 1 below lists some of the definitions selected from different authors.

The definition of trust by Morgan and Hunt (1994) which states that trust is the confidence in the integrity and reliability of the exchange partner, was used as the primary definition for trust in this study.

According to Williams (2001), trust can be based on emotions or as an outcome of a reasoning or thought process. This knowledge-based trust develops where the other party reveals the traits that are perceived to be worthy of trust. As trust grows, the perception of trustworthiness develops, and the uncertainty regarding issues progressively diminishes. Walker (2011, p.234) states that trust has five components which are integrity, competitiveness, consistency, loyalty, and openness.

Table 1 Definitions of trust

Author	Definition
Lewicki, R. and Stevenson (1997)	Calculus-based, knowledge-based and identification based
du Plessis (2014)	Having confidence that the others’ intentions are good
Rousseau et al. (1998, p. 395)	‘Psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviours of others.’
Morgan and Hunt (1994, p.23)	‘One’s confidence in the integrity and reliability of an exchange partner.’
Diallo and Thuillier (2005, p. 241)	‘Psychological state in which individual A, given a specific situation, takes the risk that individual B will adopt a behaviour (judgement, position or action) that meets individual A’s expectations.’

Mayer, Davis and Schoorman (1995) assert that besides the trustor's predisposition to trust, the imperative precursors of trust are integrity, compassion, and ability. Ability is the skill, knowledge, and competency to perform in a given situation. Compassion refers to a concern for the needs of others. Integrity involves upholding acceptable practices and principles. Kadefors (2004) posits the following about the identified forms of trust:

- Calculus-based – party A's perception out of reasoning that there is an intention for party B to perform for the benefit of party A. There is a motivator for party B's performance.
- Relational – this is gradually developed over a period of time, thus obtaining information and perceptions that form the basis of trust. This could be evidence-based since party B has never disappointed party A regarding the relevant situation.
- Institution-based – the obligation of institutions in the promotion of frameworks, processes, norms, and conditions conducive for the development of trust.

Trust has many related dimensions and factors (Elkins & Derrick, 2013). Trust is viewed as developing from the perceived trustworthiness and the trustor's propensity to trust. The elements of perceived trustworthiness are ability, benevolence, and integrity (Kadefors 2004). The following model shows how trust develops and the factors of perceived trustworthiness.

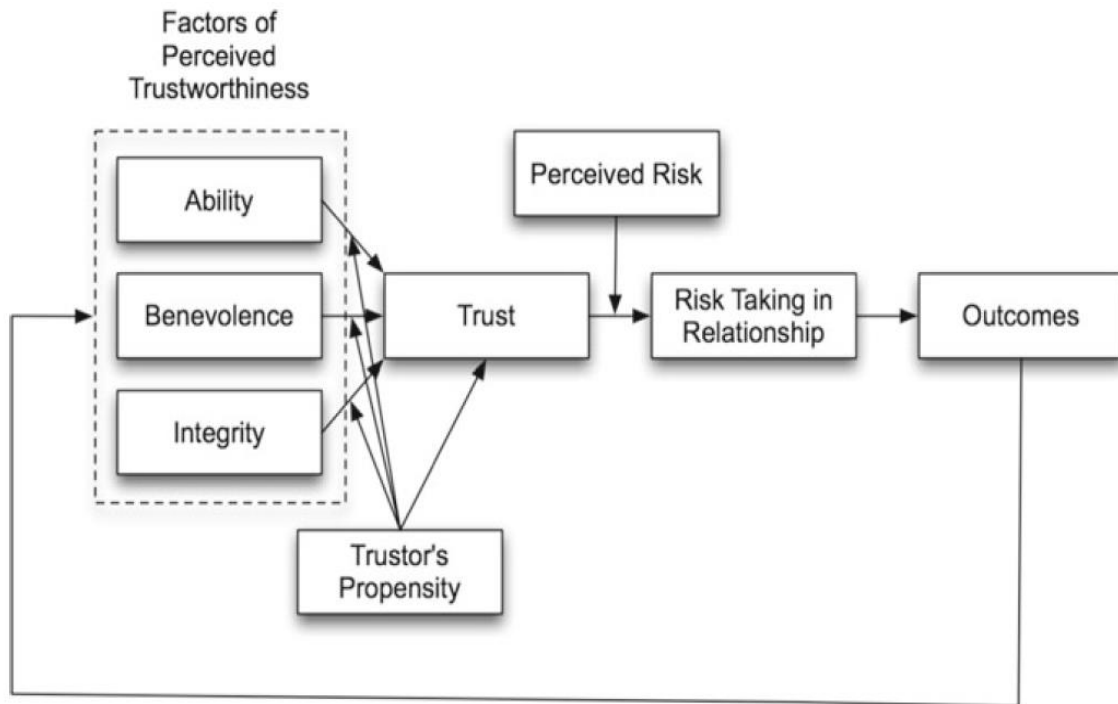


Figure 1 Mayer's model of trustworthiness (Source: Elkins and Derrick (2013))

This model is based on the multi-dimensional and inter-relational aspects that constitute and influence trust. In describing the instruments to measure trust, Costa and Anderson (2011, p.119) conceptualise trust as resulting from 'related (formative) indicators such as propensity to trust and trustworthiness which leads to reflective indicators such as behaviours, cooperation, and monitoring.' Schiller et al. (2014) state that ability, benevolence, and integrity are attributes that reflect trusting beliefs.

The formation of 'temporary groups' or projects, which are characterised by a finite life span, shared objectives, and diversity within the group does not give enough time to engage in activities that lead to the development of

trust as in traditional established organisations (Meyerson, Weick & Kramer 1996). Meyerson, Weick and Kramer (1996, p.167) state that the form of trust found in these temporary organisations is not the traditional form of trust that is built on factors such as familiarity, shared experiences and reciprocity but can be viewed as ‘a unique form of collective perception that can be used to manage the issues of vulnerability, uncertainty, risk and expectations’. This form of trust is known as swift trust.

Tatham and Kovacs (2010) apply the swift trust model to investigate the development of trust in hastily formed networks (HFN). The findings of this study are that the conditions are seen as the antecedent for trust to develop role category, rule, dispositional trust, and third-party information.

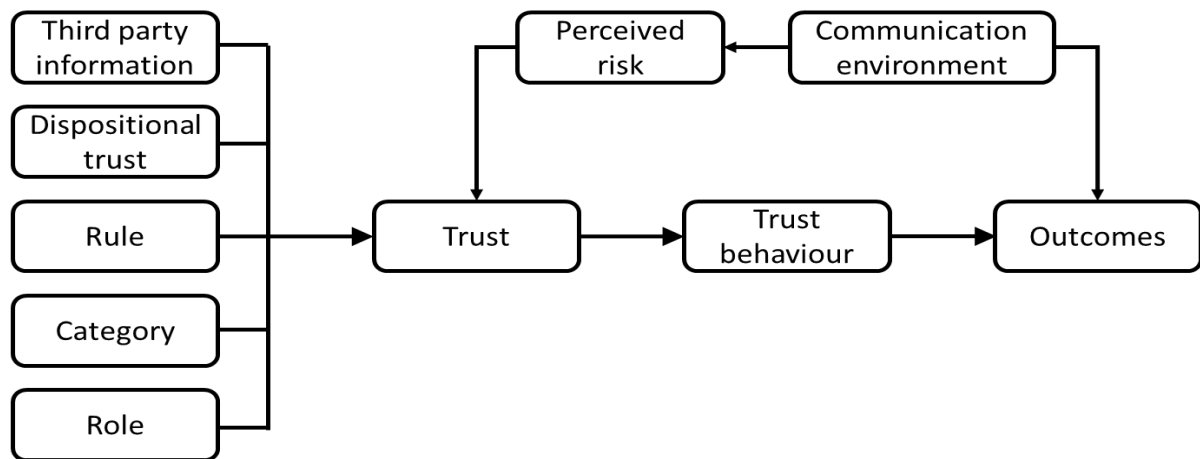


Figure 2 ‘The route to swift trust’ (Source: Tatham and Kovacs (2010, p.38))

Third-party information enables the formation of trust based on the reputation of that party. Dispositional trust refers to one's inherent characteristic qualities to trust other parties. The condition of rules means the presence of frameworks, procedures, and guidelines that can support the development of swift trust. The condition of category pertains to the membership of individuals or parties in various organisational groups or categories. The role an individual fulfils in an organisation can lead to a role-based trust which is a form of competence as assumptions are made about a party's ability based his/her role.

Conceptual Framework

The conceptual framework was developed based on the research done by Pinto, Slevin, and English (2009). It is important to note that projects may involve parties with limited previous interaction and due to the uniqueness of a project and the diversity of a project setting, it is difficult to propose an institution based norm that can be indiscriminate to different settings (Pinto, Slevin & English 2009). Identification based trust is based on an evolving and past association as in Pinto, Slevin, and English (2009). Thus the model of trust by Pinto, Slevin, and English (2009) is best suited for the project context investigated in this study. A closer look at the swift trust model by Tatham and Kovacs (2010) and Mayers’ proposed model of trust by Elkins and Derrick (2013), one deduces the following:

- The role as defined in the earlier relates to competency as defined in the latter.
- The rule, as defined in the earlier relates, to integrity as defined in the latter.
- Both models show awareness of the factor of disposition or propensity to trust.

Figure 3 depicts the proposed model for investigating the role of trust in project negotiation. The model combines elements from the existing models (Pinto, Slevin & English 2009; Tatham & Kovacs 2010; Hoezen 2012; Elkins & Derrick 2013).

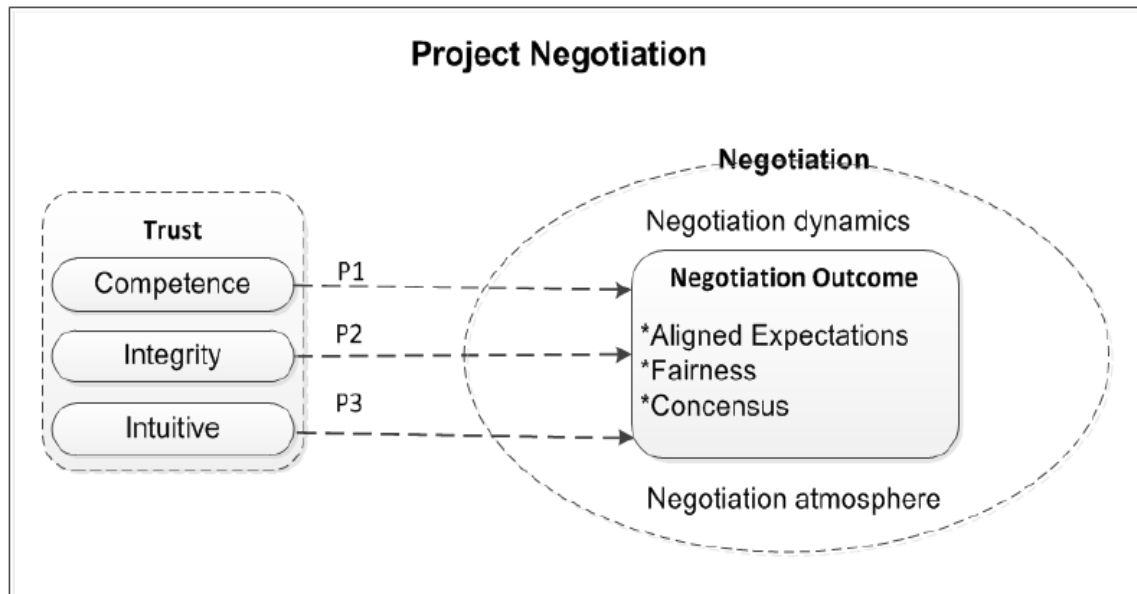


Figure 3 Integrated model for trust during project negotiation

The assessment of the negotiation outcome includes individual expectations, joint expectations and the objective for negotiating a particular issue or issues. This model links to the research questions and propositions put forward in the study. It takes into account the trust indicators, indicators of a successful negotiation outcome and the relationship between trust and a successful negotiation process.

- Proposition 1 (P1) competence trust positively influences the project negotiation outcome.
- Proposition 2 (P2) integrity trust positively influences the project negotiation outcome.
- Proposition 3 (P3) intuitive trust positively influences the project negotiation outcome.

A case study using face-to-face semi-structured interviews was used to investigate project negotiation within the context of electrical design, install and commission projects in South Africa's Medupi Power Station.

The interview participants were selected from the project teams involved, and the authors attempted to a heterogeneous group as possible. The open-ended information was requested from the participants relating to their background, perceptions regarding trust, aspects of the negotiation process and the negotiation outcomes. The background questions addressed the participant's role within the project, which included project experience, procurement experience, assessments of project constraints and assessment of project risks.

Information requested from the participants relating to trust included a level of trust, level of influence in discussions, view on the competency of the other party, view on the reputation of the other party, view on the integrity of the other party and beliefs. The negotiation topics that were discussed included the bargaining process, the procurement process, negotiation atmosphere, competitiveness of participants, negotiation dynamics and individual and collective goals. Questions relating to the negotiation outcome focused on the parties understanding of the reasons for the negotiation exercise. This included the trustworthiness of the winning contractor, expectations versus outcomes, contract clauses, and inconsistencies. The influence of trust was measured over the defined negotiable issues, which were:

- Timeframes (completion dates, delivery times, milestones, contract period)

- Risk management (securities, warranties, damage clauses, defect liabilities, service standards)
- Information management (reporting, documentation, information access)
- Financial (deposits, payment terms, discounts, penalties contract price)
- Technical support (life support, warranties)
- General (subcontracting arrangements, specialized personnel, preliminaries).

Table 2 below indicates the measures that were used to describe the independent and dependent variables. Trust as a construct was measured using the indicators of competence, integrity, and intuitive trust, as per the literature review. Negotiation outcomes were measured by determining if the negotiating parties viewed each other as being fair, if expectations were aligned and if consensus was reached.

Table 2 Trust measurements and sources

Independent Variables	Reference	Measure
Competence trust	(Pinto, Slevin & English 2009)	Does the party have the ability, knowledge or competence to perform in a given situation?
Integrity trust	(Kadefors 2004)	Does the party uphold a set value of norms, principles, and standards?
Intuitive trust	(Pinto, Slevin & English 2009)	Does the other party want to see me do well? Does the other party care about my needs?
Dependent Variables	Measure	
Aligned expectations		Are the outcomes aligned to expectations?
Fairness		Are the outcomes reasonable?
Consensus		Was there a consensus?

Research Approach

The study commenced with a detailed literature review to investigate the current practices, concepts, and views on trust and project negotiation. The study aims to address the gap identified during this process. The research propositions guided the adaptation of existing trust and negotiation models to develop the study's conceptual framework.

The study is primarily an exploratory case study with data collection using semi-structured interviews. A case study is a preferred method for investigating a 'phenomenon within its real-life context' (Yin 2015). The benefit of using a case study is the richness of the available information enabling the researcher to the first-hand experience in fully understanding the subject under study. Neuman (2014) identifies the six strengths of case

studies which are contextual validity, heuristic impact, complex process capturing and tracking, causal mechanisms identification, calibration, and holistic elaboration.

The factors that influenced the sample representativeness were the sampling procedure, the sample size, and the response or participation. Purposive sampling was used in which the theoretical population consisted of project negotiations; the study population was companies involved in electrical turnkey projects. The sampling frame consisted of the companies involved in the Medupi station project narrowed down to the companies offering electrical heat tracing. Eight participants from three organisations (one client and two contractor organisations) were approached to participate in the study. The participants were all project professionals who were involved in the negotiation for the electrical trace heating contract at the Medupi Power Station in South Africa.

Open-ended questions were used in the interviews, with general topics that were put forward to guide to the conversation. The interviews were voice recorded for transcription and data analysis. Data analysis was done by using a Computer-Aided Qualitative Data Analysis (CAQDAS) program. The interviews were expected to last between thirty minutes to sixty minutes. According to Gill et al. (2008), there are three basic types of research interviews which are structured, semi-structured, and unstructured interviews. Gill et al. (2008, p.291) further elucidate that structured interviews are 'essentially verbally administered questionnaires' where pre-set questions are asked without or with limited dissimilarity and with no follow up to responses. They require relatively little administrative effort and are useful when little detail is required. Semi-structured interviews do not reflect any defined concepts and their administration is done with limited organisation. This approach allows for follow up on responses that need elaboration. However, they are generally time-consuming and are challenging to manage and perform. The flexibility associated with a semi-structured interview makes it ideal for use in situations where sufficient detail is required. Unstructured interviews are performed without any pre-organised ideas; thus, they have the advantage of flexibility in variation and the disadvantage of being the most difficult to manage and perform. They are typically used where significant levels of detail are required. They are also time-consuming.

Structured and semi-structured interviews were used for this study. This was done to improve administration employing pre-organising ideas while also getting a sufficient level of detail by following up on responses that required clarity. It was also essential to ensure that the study was valid, repeatable and replicable. Validity can be external or internal. Internal validity measures the contamination of the research by a variable which was not considered in the study. Yin (2014, p.107) argues that internal validity has no relevance in explanatory or exploratory research.

Given that this research was exploratory, internal validity was not a concern for this research. External validity refers to the extent to which the results can be generalised or their credibility. This study seeks to investigate a phenomenon within its real-life context. Unlike quantitative research where the objective is to obtain a generalizable sample, the primary objective in qualitative research is to understand the real-life context and generalisability is not the primary objective (Rosenthal 2016). The targeted participants were project managers and procurement specialists involved throughout the negotiation process in the particular project. On that basis, it was the view of the researcher that the above, including the collecting of data from different organisations, was a form of data source triangulation that enables the research to address the external validity issues thus rendering the results being applicable beyond the limits of the project.

Repeatability refers to the extent to which the same researcher or experiment, could reaffirm the findings of the research. Replicability is the objectivity of the research (the extent to which another researcher can repeat the research findings) along with its dependability. Clearly defined methods, procedures, and protocols were followed and maintaining a database of documents and interview transcripts helped improve the replicability of the research. Data analysis was based on qualitative data analysis of the interview data. The interviews were voice recorded, transcribed and analysed using qualitative data analysis software (CAQDAS). The qualitative data analysis software program ATLAS.ti was used.

Results

A total of eight participants were approached and had agreed to be interviewed; however, it was only possible to have face-to-face interviews with five. The participants that were not interviewed included one of the procurement specialists, a director, and a project manager. The respondents have different roles in three different organisations which consisted of the customer/client, the winning supplier and the losing supplier. The definitions for the critical terms of competency, integrity, and benevolence were provided to the respondents so that there could be a common understanding. The interview questions were categorised under background, negotiation and the outcome. The interviews lasted between thirty to eighty minutes. The interview questions were used flexibly to ensure free responses thus, not constraining the conversation. Table 3 provides the demographic information of the respondents.

Table 3 Overview of study respondents

Interviewee	Function	Project Management Experience (Years)	Organisation
1	Project Manager	20+	Organisation 1
2	Procurement Manager	20+	Organisation 1
3	Project Manager	5+	Organisation 2
4	Procurement Specialist	30+	Organisation 1
5	Project Manager	10+	Organisation 3

The data was captured through voice recording and was transcribed for anonymity. After transcription, the respondents were allowed to check the correctness of the interview transcriptions.

The interview data were analysed using ATLAS.ti software which offers tools that enable a systematic approach to work with qualitative data which cannot be meaningfully analysed using statistical approaches. The relevant voice recordings were transcribed for coding and analysis. Using the conceptual framework as a guide, codes were attached to different textual segments or 'quotations' in the transcriptions. The text segments with similar codes were then compared, relationships discovered and inferences made concerning propositions about trust in negotiation in this particular case study.

Interview overview

The objective for collecting information regarding the project and the respondent's background was to: i) establish whether the project team had a history of prior interaction ii) determine the functional diversity of the project team and iii) capture the general perceptions of the team members on trust and the negotiation process. The respondents had different roles and project experience, as indicated in Table 3 above. The common background was that the bidders had been involved in the project for the particular scope of work but that there had to be a re-tender following some strategic decision as evidenced in the following response: 'We had to go out on tender again. We had separate contractors for some historic reasons...'

The responses indicated previous knowledge of the other parties and all the members of the negotiating team had project experience ranging from a minimum of five years to more than twenty years. The customer expected to engage with the supplier best able to meet their requirements at a 'good price.' Upon asking the customer what precisely the requirements were, the response was that the deliverable should at least meet the minimum that had been sold to the customer's end client in terms of quality and schedule. It became apparent that the deliverable had to be 'within budget' and that the budget was a priority judging from the previous quotation. The preferred suppliers expected to win the contract again based on the fact that the original contract had been awarded to them. On the assessment of project risk, one response was: 'We would not be willing to do business with people whom we think would not be able to see the business through.' This indicates that trust already existed between the previous supplier and the customer before the negotiation phase.

Proposition 1: Competence trust positively influences negotiation outcomes

The interview questions were aimed at determining the participants' perceptions of the other party's skills, knowledge, and competence. Competence for the customer was viewed as being, but not limited to, the ability to fulfil their project management duties while for the supplier, it was the technical know-how in order to complete the project successfully. The participants generally viewed the other organisations as competent with one respondent further expounding on the dimension of competency by saying:

'We knew the customer was competent and that they drew up the specification...'

Another response was:

'We are in a lucky position in that we have experience with both suppliers. Both are committed in the line of doing their business...'

After analysing and coding the participant's primary data, the codes were mapped into a network diagram through Atlas.ti's relation builder tool. Figure 4 below shows the network diagram relating to competence and negotiation.

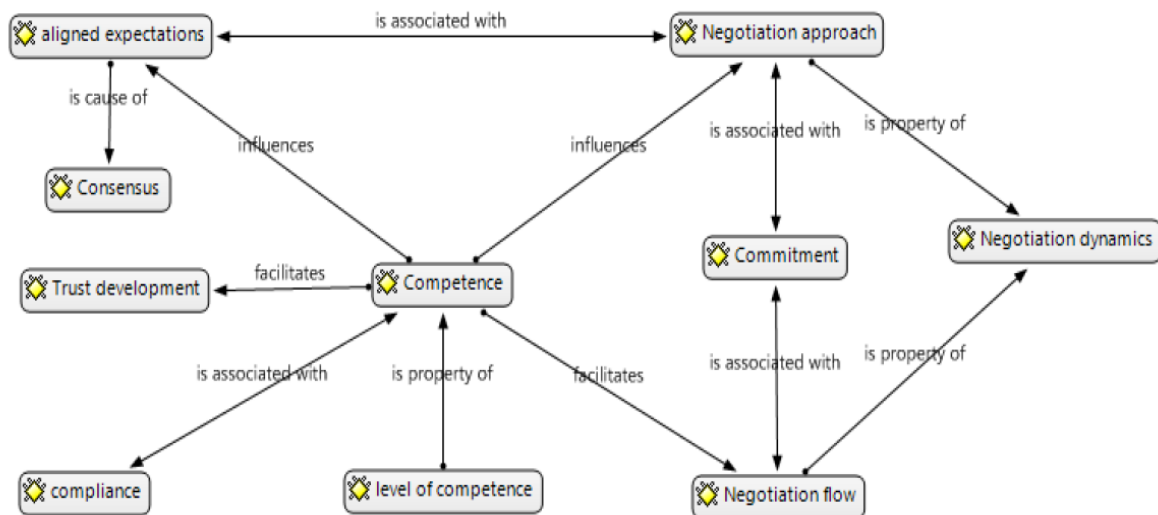


Figure 4 Atlas.ti output of competence and negotiation

It was found that the participants' trust in the competency of the other party(ies) had facilitated the negotiation process. From the network diagram above, it can be seen that the dynamics of a negotiation process constitute the negotiation approach or tactic taken and the negotiation flow.

Commitment is seen to have an association with both the negotiation approach and the negotiation flow. Competence influences the negotiation approach as well as facilitating the negotiation flow. The customer had approached the suppliers that they believed were competent and the negotiated contract was concluded with a supplier which had done the design and supplied the material that met the specification requirements for the first unit, before this negotiation. Thus the other supplier lost out on a 'technicality' as even though the material was compatible, there would be some additional work as far as the documentation was concerned in changing designs and revising the specification on a material requirement. This can be seen from the following quotation as one respondent representing the customer said: 'Therefore the losing bidder lost just because of a small technicality that he has not supplied the first unit, but then for the last units he has a slight disadvantage which caused him to lose the particular contract.'

What emerged was that the customer was interested in the standardisation of the material supply and design and at the end that was the metric that the customer had used to assess the suppliers. A typical question asked by the customer to the suppliers during the negotiation was ‘Are you able to provide a standard offer in terms of design and material for the entire plant?’ The expectations of the customer are aligned with the offer from the supplier when the supplier can meet the customer's requirements. Thus, a customer intends to engage a competent supplier, while the supplier intends to work with a customer who can meet the supplier's requirements. Thus, competence has a positive influence on the aligned expectations. It can, therefore, be extended that competence trust positively influences project negotiation outcomes.

Proposition 2: Integrity trust positively influences negotiation outcomes

There were varying responses to the relevant questions. The customer viewed the suppliers as having the required levels of integrity. The reasons given were that these companies were subsidiaries of reputable international companies. All parties believed that the other parties viewed them in high regard as far as upholding ethical values and reliability was concerned. The customer approached the suppliers they believed would meet set levels of ethical requirements, professional conduct, and compliance criteria. This can be seen as one respondent representing the customer said ‘They were supported by their international parent company. I think the competency would be there. I also think they passed quite highly in our quality management system assessments. In terms of integrity, I think they are professionals and do things by the book...’ The customer needed to comply with the requirements of the end client; thus, the requirements had to be relayed down to the supplier.

A typical requirement to measure integrity would be recommendation letters, proof of membership of recognised ethics and professional bodies. From Figure 5 below, a consensus is reached when the expectations of the negotiating parties are aligned.

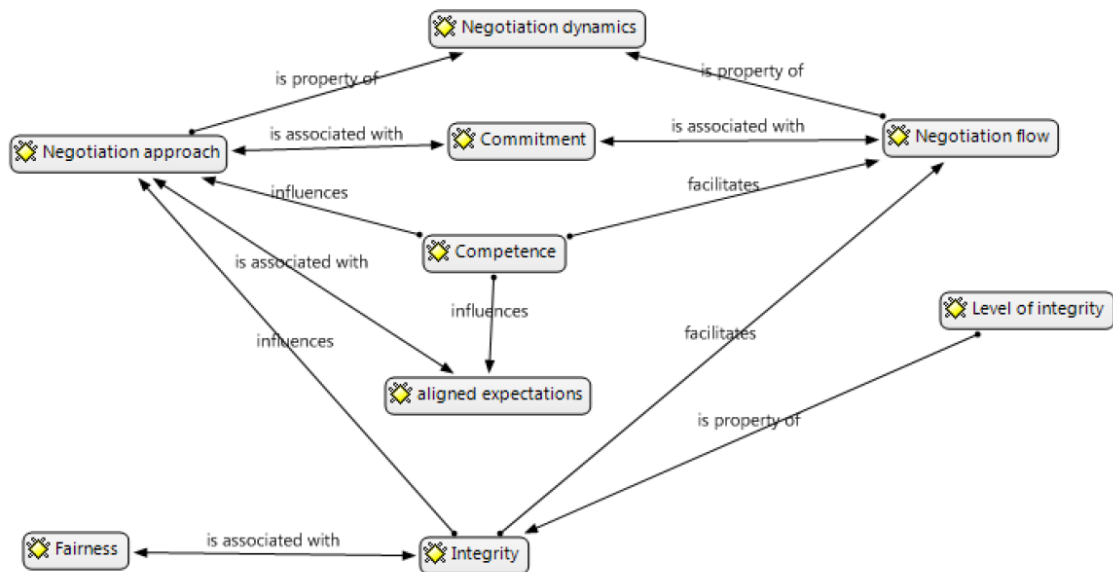


Figure 5 Atlas.ti output of integrity and negotiation outcome

The expectations of the customer are aligned with the offer from the supplier when the supplier can meet the customer's requirements. Thus, a customer intends to engage a supplier whom they trust possesses the integrity and ethical conduct which meet the customer's requirements. The supplier also would like to do business with a customer who would be reliable and dependable. Thus, integrity has a positive influence on the aligned expectations. It can, therefore, be extended that integrity trust positively influences project negotiation outcomes.

Proposition 3: Intuitive trust positively influences negotiation outcomes

This assessment was aimed at establishing whether the respondent's impression or ‘gut feeling’ regarding the benevolence of the other party. The customer approached the suppliers whom they believed would not intentionally take advantage of them. A comment from the winning supplier was ‘I would say that the customer was fair.’ From Figure 6 below, a consensus is reached when the expectations of the negotiating parties are aligned. According to Pinto, Slevin, and English (2009, p. 641), ‘ a successful project outcome is one that achieves project objectives following stakeholder expectations.’ The expectations of the customer are aligned with the offer from the supplier when the supplier can meet the customer's requirements. Thus, a customer intends to engage a supplier whom they trust is willing to do good and is not willing to take advantage of them. The supplier also would like to do business with a customer who would be honest, reliable and dependable. Thus, intuitive trust is seen to be associated with aligned expectations and fairness. It can, therefore, be concluded that intuitive trust is associated with project successful negotiation outcomes.

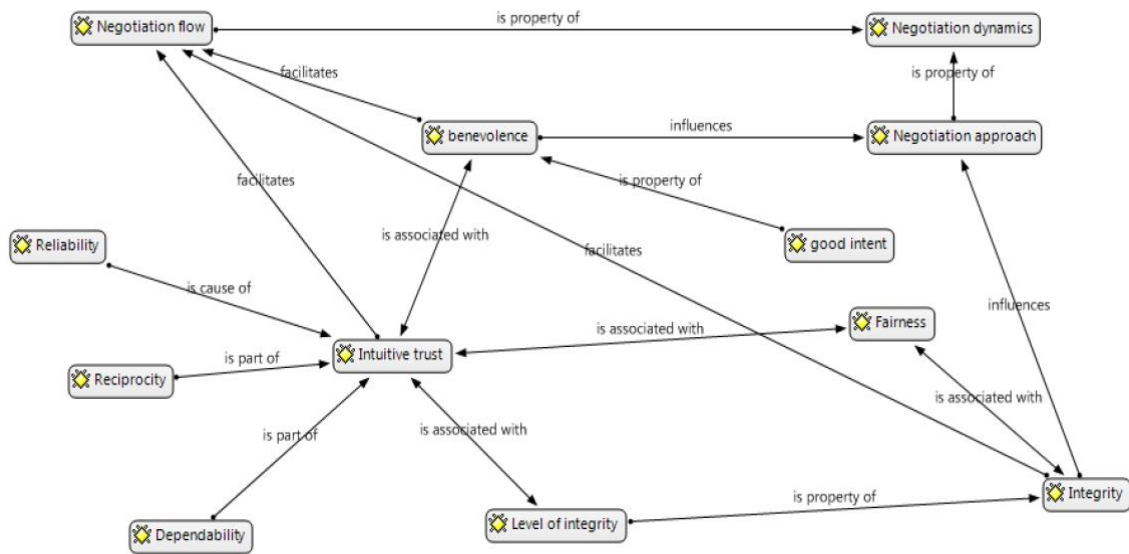


Figure 6 Atlas.ti output of intuitive trust and negotiation outcome

Summary

The summary of the results was: The customer had done a pre-negotiation assessment and asked only those suppliers whom they trusted to provide a quotation for the work. The customer wanted to engage a competent supplier who would do the work within the budget.

Competence was seen to facilitate the negotiation process. The outcome concluded that the expectations were aligned which indicates competence trust — in addition to the outcome being fair, and there is a consensus. It was concluded that competence trust positively influences negotiation outcomes.

Integrity was found to facilitate the negotiation process. The outcome concluded that it was fair, which indicates integrity and trust, in addition to aligned expectations and there being a consensus. Therefore, it was concluded that integrity trust has a positive influence on the negotiation outcomes.

Intuition was seen to influence the negotiation process. The parties trusted one another and that ‘gut feeling’ that the other party means well made it easy to reach an agreement. In one instance, a representative of the customer mentioned that even after the contract was awarded, the supplier was willing to perform some work under verbal instruction which was an indication of intuitive trust. The outcome concluded that the consensus was reached, which indicates intuitive trust, in addition to the outcome being perceived as fair and aligned expectations. Therefore, it was concluded that intuitive trust has a positive influence on the negotiation outcomes.

Conclusion

The key findings were that assessments were done by the customer on the potential supplier's suitability for delivering the project. The assessments included capacity or capability evaluation and whether the project could be done within the customer's budget expectations. The one party's competence or perceived competence as determined by the other negotiating party facilitates a successful negotiation process. This strengthens the view that the potential supplier is the expert in the services they provide; thus, the customer is likely to offer little resistance on items of design, installation or implementation. The supplier also believes that the customer knows what they are doing; thus, it is unlikely that their actions will jeopardise the project. Here the underlying factor is that the negotiating parties should be seen to possess the skills and capabilities required for them to do the work required. In the case study, the previous experience that the customer had with the potential suppliers influenced the customer's view of the potential suppliers' competence. It was seen to facilitate the negotiation process. The negotiable issues were presented, and the study outcome concluded that the expectations were aligned, which indicates competence trust. In addition to the outcome being fair and there being a consensus. It was concluded that competence trust positively influences negotiation outcomes.

Negotiations are influenced by integrity or having or following a value system and set principles. This is also perceived to be the negotiating party's 'professionalism.' The customer needs assurance that the supplier will deliver what they promise, and the same goes for the supplier. Amongst other evaluation criteria, the customer expects the potential supplier to perform well in this area. This encourages the negotiating parties to trust each other's integrity, and this was seen to facilitate the negotiation process. The study outcome concluded that it was fair, which indicates integrity trust (in addition to aligned expectations and a consensus). Therefore, it was concluded that integrity trust has a positive influence on the negotiation outcomes.

Intuitive trust or the layman's definition of trust is trust that is offered with the hope that something will be done in return. In the case of project negotiation, intuitive trust is essential when negotiating issues where one party has insufficient information or control; thus, this party has to 'give the benefit of the doubt.' The negotiating parties' 'gut feeling' that the other party means well makes it easier to align expectations and come to a consensus. The study outcome concluded that consensus was reached, which indicates intuitive trust in addition to the outcome being perceived as fair and aligned expectations. Therefore, it was concluded that intuitive trust has a positive influence on the negotiation outcomes.

The study was able to establish if competence trust, integrity trust, and intuitive trust are essential to increase the likelihood of a successful negotiation outcome. Where a successful negotiation outcome is determined by the extent to which expectations regarding the outcome are aligned, the outcome is perceived to be fair and where both parties reach consensus.

It was determined from the literature review that most international, as well as local procurement literature, focus primarily on tendering as opposed to negotiation as an alternative procurement method (Bolton 2006; Tadelis & Bajari 2006; Wallis, Bray & Webster 2010). Similarly, trust has been investigated to some extent in the construction procurement environment (Wong et al. 2008; Weiping, Lu & Le 2016); however, in most of these instances, the premise was tendering. Therefore, a gap in the literature was identified to investigate the role and types of trust that are instrumental to a successful project negotiation outcome. This study has gone some way in establishing a conceptual framework of the interaction between trust and project negotiation. This research proposes the Integrated Model for Trust and Negotiation which is a conceptual framework derived from the model of trust by Pinto et al. (2009), the swift trust model by Tatham and Kovacs (2010) and Mayer's model of trust by Elkins and Derrick (2013).

While most of the reviewed literature has been on studies conducted in the East and West, the findings of this research with its setting in South Africa supports the current thoughts on trust and negotiation. This model has been developed to investigate trust and negotiation in a South African project context.

A review of the literature and several instances in this case study stress the importance of competency, integrity and intuitive trust, respectively, for a perceived successful negotiation outcome. A practical implication of the findings is that the customer and the other negotiating parties should determine to what extent they have competence, integrity and intuitive trust in the other party as this will indicate as to the likelihood of a successful negotiation outcome.

Limitations and recommendations

One of the limitations of the study is that it was conducted in one project site and the focus was on one type of service, which is electrical heat tracing. As this is a specialist field, the sample size was small thus posing a challenge to the generalisation of the research findings.

To address the study's limitation of generalisability, it is recommended that a similar study is done in a different sector and/or country, with a larger size in order to validate the findings of this study. Future research should also investigate projects where the uncertainty in requirements is more significant, and a predisposition towards any one supplier is difficult. Such a study should also include the suppliers' perspectives to the trust relationship.

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