

## A Strategy for Partnering in the Public Sector

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### ABSTRACT

Partnering is a cooperative approach to contract management that reduces costs, litigation, and stress. The Portland District of the Corps of Engineers has successfully used partnering as a formal management strategy. This paper presents an overview of the partnering strategy.

### PARTNERING BRINGS MAJOR BENEFITS

Partnering as a project management strategy has been very successful for the Portland District of the Corps of Engineers. In the last two and a half years, the Portland District has used the partnering process on a variety of projects, with results that include:

- 80% to 100% reductions in cost growth over the life of major contracts;
- Time growth in schedules virtually eliminated;
- Paper work reduced by 2/3;
- All project engineering goals met or exceeded;
- Completion with no outstanding claims or litigation;
- Safety records significantly improved; and
- Pleasure put back in the process for all participants.

### ALTERNATIVE TO CONFRONTATION AND LITIGATION

Public sector contracting relationships have deteriorated badly in the last several years. Within the Corps of Engineers as a whole, contract claims have grown by 200% over the last decade, till pending claims now average over \$1 billion annually. With contracts accounting for about 62% of the Portland District's budget, the negative impacts of confrontation and litigation, in time, dollars, and morale of the organization, suggested that we needed to find a new way of doing business. We turned to partnering as a strategy for contracting and managing projects.

### WHAT IS PARTNERING?

Partnering offers a new paradigm for owner/contractor relationships. Under partnering, all parties agree from the beginning, in a formal structure, to focus on creative cooperation and work to avoid adversarial confrontation. Working relationships are carefully and deliberately built, based on mutual respect, trust, and integrity. Partnering provides participants with a win-win orientation toward problem resolution and fosters synergistic teamwork.

Partnering has been known in the private sector for some time, in cost-plus contracts. There, partnering generally takes the form of an agreement between an owner and a contractor to negotiate price and to avoid stress and litigation. Company A, for example, may agree to use company B for all work in a given area, in exchange for a large degree of cooperation and flexibility from the contractor. The process works well in this context, though it has the drawback that the buyer is not totally assured of getting the lowest price for the services.

In the public sector, we are mandated to a low-bid, fixed-price, "hard money" contract process. Partnering is new to this arena. It is more than an academic theory, however. The Portland District has two and a half years of experience with very encouraging practical results.

### **WHAT ARE THE MECHANICS OF PARTNERING?**

Partnering, as practiced by the Portland District, is accomplished in an organized sequence of steps. Starting at the very beginning of a project, before problems came up, these steps include:

- Making initial contacts to establish relationships;
- Developing a mission statement and common objectives;
- Designing project-specific partnering processes.

Partnering also calls for a day-to-day commitment to making the process work, and to keeping the inevitable problems from affecting the project.

The first step in partnering is to adopt the strategy: We're going to partner. The very next step is to make initial contacts at the executive level, to establish relationships at the top of each organization.

Following the initial executive contacts, a group workshop for key staff members is held, to accomplish these objectives:

- Establish a common mission statement, specific objectives, and guidelines;

- Define issue resolution processes tailored to the project;
- Define problem escalation processes;
- Define joint evaluation processes: How will objectives be measured?

The workshop also performs a function of initial team building. Listening and empathy skills are vital to the partnering process, and the initial workshop provides some development of these skills. These skills are continually honed during the partnership. People get better by doing it.

During the project, review meetings and workshops provide a mechanism for constantly monitoring both progress and process. Making partnering work requires a continuous focus on both project objectives and the purpose of the partnering process.

The basic concepts and attributes of the partnering process are always the same, whatever the size of the project. The scope and magnitude of the actual activities can be scaled to match the size and complexity of the project. Goal and process definition, for instance, might be a few people sitting around a table for an hour, or it might be a three-day facilitated workshop for 20 to 30 participants. In all cases, the reasons for partnering are the same: creating win-win relationships that have benefits for both parties in time, dollars, and morale.

### **WHAT ARE THE KEYS TO SUCCESS?**

The basic principle of partnering is simple: You have to assume that the other party is honest and intends to do a good job. You have to believe that the only way you can have an effective team is to create win-win relationships that begin with respect. From respect evolves trust, and with trust you can have a synergistic team. Whether on a \$500 job, or a \$500 million job, you have to have respect and trust in order to have an effective partnership. Those qualities can be established, with work. The benefits make it worth the effort. The following sections list some factors that are particularly important to successful partnering.

### **Objectives Must Be Specific and Carefully Monitored**

Project objectives for cost, time, safety, etc. must be clear, specific, and agreed to by both owner and contractor. The project team must design and maintain helpful systems and processes that allow you to control your project.

Processes and systems must be carefully custom-tailored to address the critical time and cost issues of the individual project. Generic processes will probably not be sufficiently responsive in the sensitive areas. For instance, on a time-critical job, decision-making processes have to be set up to respond within the time needs of the project, so that you get decisions before there is an adverse impact on the project.

### **A Problem Escalation Process Is Vital**

Problems are inherent in any project. Under conventional practices, formal claims and litigation are the accepted method of resolving problems.

The experience of the Portland District is that over 80% of litigated claims are resolved before a judicial ruling. But, arriving at a compromise long after the fact adds costs in project time, added overhead, and reduced morale.

The fact that the compromises are reached eventually implies that most claims have some merit, and that solutions are actually available, if they are sought. Partnering aims at empowering problem-solving on the lowest possible level and at the earliest possible time. In a partnering relationship, if the team members can come to agreement, they don't need any help from above. They can decide and execute within their authority. If a problem isn't resolved in a timely manner on one level of management, the issue is escalated, according to a pre-arranged plan, to the next higher level. This is a key aspect of successful partnering.

Problems are escalated as needed until they are resolved. Either side can call for escalation of a problem. Inaction is not an option. If team members can't come to

closure on an issue, they **MUST** escalate it before it has an impact on the project. They cannot choose to not make a decision. A problem must be escalated all the way up to the chief executives of the two organizations before a decision is made that it can't be resolved without litigation. The escalation policy takes away the option of "I'll do it the way you told me to, but I'll claim it." or, "Do it the way I told you to, and if you don't like it, claim it."

What in fact happens under an escalation policy is that more people look at the more troublesome conflicts. As problems receive more judgement, from more different perspectives, the chances become very great that someone is going to come up with a solution. There's a natural human inclination to avoid going to your boss, or your bosses' boss, for help. That puts an imperative on solving problems at lower levels. The result is that problems don't languish and fester. The value of a fast resolution invariably outweighs whatever margin might be gained in litigation. The key is to make sure that the team understands all the parameters of the partnership objectives.

To avoid having to use the escalation plan, and to encourage low-level problem solving, partnering calls for providing as many opportunities for communication as possible. In the real world, people frequently tend to avoid bringing up problems in a formal setting until the problems have grown large. If you continually reinforce cooperative attitudes and encourage communication at all levels, people are much more apt to give early, informal warnings of trouble. "There's a little something here, it's not a problem yet, but it could be one." These informal communications are opportunities to work on issues while they are small, and before they have to be escalated formally.

### **Progress Evaluation Must Be Done Jointly**

Evaluation of performance is vital to project control. Conventional project evaluation is one-way: The owner evaluates the contractor. In partnering, evaluation is a

cooperative effort performed by the owner and contractor jointly. The questions asked are, "How are we doing as a team? What is the progress toward accomplishing the project goals?"

Frequent joint evaluation is a key part of partnering. The Portland District uses a formal process, agreed on at the beginning of the project. We use a weighted evaluation sheet, to make it as objective possible. The evaluation areas, and weightings, are defined by the partnering team. Items may include safety, cost growth, schedule, and value engineering savings. Every point specified in the mission statement is covered. We also have a formal written assessment. Team meetings approximately every six months let team members spend half a day face-to-face to ask, "How are we doing?" and, "How can we improve?" Informal day-to-day communications are also an important part of the evaluation process, and we encourage them as part of a partnering relationship.

#### **Partnering Skills Need Encouragement and Development**

Partnering is based on empathy for the other side's point of view. Listening skills are very important, and seeking to understand before you seek to be understood is one of those skills. The initial partnering team workshop emphasizes the importance of these abilities and gives practice in them. Honing of these skills starts to take place as soon as team members make first contact with each other. Nurturing and improvement of them takes place throughout the whole project.

#### **Executive Involvement Is Needed**

To make partnering successful, somebody has to champion it, to be the partnering fanatic. That is the executive's job: to main-

tain focus and perspective on the goals of the project and the partnering process. In my opinion, the bad practices of the past have been formed because we as senior leaders have delegated the authority to execute the project, but we have abrogated our responsibility to set the tone. The role of the chief executive should be to provide a continuous focus on the long-term objectives, and to keep people from stumbling on the day-to-day problems that are part of any project.

#### **Partnering Requires Commitment, Delivers Rewards**

There is no question that partnering works. But it must be made to work. The keys to success are fairly clear:

- The partnering process must start early on. Spend time to establish attitudes and rapport before you get on the job. You don't want to have to try to develop your relationships and processes under fire.
- Set specific common objectives to help maintain focus, and develop project-specific processes to measure progress.
- Make sure all participants understand the value of the partnering process.
- Leadership involvement on both sides is critical. The process must have an executive-level champion who sets the tone and keeps the focus on long-term objectives.

The benefits of partnering go beyond success on the contract itself. In the Portland District, we see long-term beneficial effects in such things as our attitudes about how we deal with contractors, and in organizational morale.

Partnering doesn't eliminate the problems of managing projects. It does create an environment and the processes to resolve those problems quickly to everyone's advantage.