

Leadership Centre
University of Natal, Durban

**The effective use of Partnering for Empowerment
in the Construction Industry**

Treatise submitted in fulfillment of a part of the requirements
of the course

**Master of Commerce: Project Leadership and
Management**

By

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Declaration

I, Qinisani Nhlanhla Mbatha, hereby declare that this dissertation and all its contents are as a result of my own effort and investigation. This dissertation is not currently being or has been accepted in candidate for any other degree, except the Master of Commerce degree in Project Leadership and Management in the Leadership Centre at the University of Natal, Durban.

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TABLE OF CONTENTS

Declaration	1
Acknowledgements	2
Table of Contents	3
List of Figures and Tables	8

CHAPTER I

Problem and Its Setting

1.1	Foreword	9
1.2	Emergence in System Thinking	10
1.3	System thinking in the empowerment and partnering philosophy	12
1.4	Introduction to the South African construction industry	14
	1.4.1 General concerns in the South African construction industry- a story line	15
	1.4.2 Common practice under the umbrella of empowerment	19
	1.4.3 Flip side or utilities of empowerment in the construction	20
1.5	Problem statement	21
1.6	Hypothesis	22
1.7	Scope and objectives of the research	22
1.8	Limitation of the research	23
1.9	Approach to research methodology	23
	1.9.1 Research methodology	23
1.10	Literature review	25
1.11	Evaluation of research methods	26
1.12	Data collection	26
1.13	Synthesis and conclusion	26
1.14	Structure of the Dissertation	27

Chapter II

Literature Review on Empowerment

2.1 A transition for South Africa's development and empowerment	28
2.1.1 Why focus on development?	29
2.1.2 Search for development strategy in the empowerment process	30
2.1.3 Definition of development-understand development in the 21 st century	30
2.1.4 Development creating a new focus in the empowerment process	31
2.1.5 Basic elements of development	31
2.1.6 General concepts of sustainable development	32
2.2 General Concepts of Empowerment	
2.2.1 What do we understand by empowerment	34
2.2.2 Turning a new leaf in search of empowerment	34
2.2.3 Conceptualisation of empowerment	36
2.2.4 Intrinsic aspect of empowerment	38
2.2.5 Extrinsic aspect of empowerment	38
2.2.6 Integrative model of empowerment	40
2.2.7 Practical leadership in the empowerment process	41
2.2.8 Collaborative participatory and empowerment evaluations	43
2.2.9 An evaluation overview	43
2.3 Empowerment in the South African context	
2.3.1 Black Economic Empowerment (BEE) in South Africa	44
2.4 Current issues in Black Economic Empowerment in South Africa	
2.4.1 Deals and organic business building expertise	46
2.4.2 Protection from risk	46
2.4.3 Management capacity	47
2.4.4 Government patronage	47
2.4.5 Corporate governance	48
2.4.6 Leadership and unity of purpose	49
2.4.7 Opportunism & financing	49
2.4.8 Partnership of convenience	50
2.4.9 Minority enrichment	51

2.5 Empowerment in the South African construction industry	51
2.5.1 perception of bee status in the construction industry	51
2.6 South African BEE construction sector information and indicators	
2.6.1 Construction sector information	54
2.6.2 BEE information	54
2.6.3 BEE ownership	55
2.6.4 BEE control	55
2.6.5 Employment equity	55
2.6.6 Skills development	55
2.6.7 Affirmative procurement	56
2.6.8 Enterprise development	56
2.6.9 Social development	56
2.6.10 BEE risk	56

Chapter III

General Perspective of Partnering

3.1 Background to partnership	57
3.2 Definition of partnering	60
3.3 A simple guide to partnering philosophy	
3.3.1 Partnering philosophy in current management systems	61
3.3.2 Re-occurring problems in organisational performance	64
3.4 What is partnering being mentioned so often in the construction industry these days	66
3.4.1 Partnering in construction related projects	67
3.5 Key feature of partnering methodology	
3.5.1 Early involvement of the participants	68
3.5.2 Fair just relationship between parties	69
3.5.3 Understanding equal risk sharing	69
3.5.4 Matrix of responsibility and commercial arrangements	70
3.6 Forming a construction partnering system	73
3.6.1 Valuating the project partnering results	76

3.7 Implementing partnering on projects	77
3.7.1 Client/owner's team and role	77
3.7.2 The owner's team	78
3.8 Selection of the partnering team	78
3.8.1 Structure of the team	78
3.9 Process and criteria	80
3.10 Assessment of the results based on selection Criteria	82
3.11 Legal issues of partnering	
3.11.1 Contractual structure of the partnering arrangements	82
3.11.2 The partnering agreement	83
3.12 Project organisation and procedures in partnering	
3.12.1 Organisation design	89
3.12.2 Procedure in partnering	89
3.13 Partnering relationships between members	
3.13.1 Principles applied when building relationships between members	90
3.13.2 Mechanism used to create a relationship between the parties	91
3.14 Partnering workshops	
3.14.1 Monitoring performance in partnering	92
3.14.2 Targets can be qualified or set capital projects	93

Chapter VI

Case Study

4.1 Introduction	95
4.2 Background	95
4.3 Principles of partnering – the application of the ECC management contract	96
4.3.1 The key principles of this contract	97
4.3.2 Advantages to the employer	97

4.5 Project management framework	98
4.5.1 Initiation	98
4.5.2 Planning	99
4.6 Selection of professional team	99
4.7 Challenges and successes in the management of subcontractors at the CTICC	99
4.7.1 Choice of subcontractors	100
4.7.2 Performance of subcontractors	100
4.7.3 Quality time and cost management	100
4.7.4 Advantages of this strategy	101
4.8 Construction procurement	101
4.8.1 Implementation	101
4.8.2 Project control	101
4.8.3 Achievement of objectives	101
4.9 Conclusion	102
4.9.1 Discussion of findings	104
4.9.2 Pointers for future projects	104

Chapter V

Conclusion and Recommendations

5.1 Conclusion	106
5.2 Recommendations	108
5.2.1 For improved construction processes	108
5.2.2 For previously disadvantage enterprises	108
5.2.3 On skills and partnership opportunities for empowerment	109
5.2.4 For established private sector business	110
5.2.5 Empowerment companies	111
5.2.6 For government	111
5.2.7 For empowerment companies on corporate governance	112
5.2.8 For established business on corporate government	112
5.3 Recommendation for further research	113
References	114

List of Tables and illustrations

Figure 1	The relationship of the sum of cells in the system
Figure 2	Relating facts and theory
Figure 3	Nafbi's long term envisaged pyramid for black corporate
Figure 4	Sector BEE indicator summary
Table 1	Sector BEE status and contribution
Figure 5	Top five BEE companies in the sector
Figure 6	BEE Risk barometer
Figure 7	Modified Partnering System
Figure 8	Problem Resolution – Refined model for partnering
Figure 9	Development model of the partnering arrangement
Figure 10	Criteria Weightings
Figure 11	“When, What & How” – Relationship between partnering members through various stages of a project

CHAPTER I

PROBLEM AND ITS SETTINGS

1.1 Foreword

There is a growing recognition in the South African construction industry that the formation of construction alliances or consortia have not proved conducive to optimal project implementation and completion in terms of cost, quality and time, particularly where previously disadvantaged individuals have been engaged. In addition to this, most alliances have not achieved or reflected a true sense of empowerment for previously disadvantaged new enterprises. Instead, there has been too much confrontation between parties involved in such arrangements, insufficient alignment of the parties' goals, interests and attitudes and not enough maximisation of the effectiveness of each participant's resources. In many instances this has resulted in projects failing to achieve a finished product on time and within set cost budgets (Build Africa, 2001). This, has also resulted in considerable inefficiencies in the project procurement process and an ineffective project culture.

The introduction of partnering, whereby parties work more closely in some form of partnership or alliance, is being seen by many practitioners in the construction industry as a means of overcoming many of the problems associated with these inefficiencies, as well as a driver or facilitator of empowerment processes on consortium projects, as proposed by the South African government. (Tony Wood, 2001).

This research examines how the concept of empowerment can be aided and how partnering can be introduced into the South African Construction Industry's building project process. This research also examines key features of partnering in relation to empowerment concepts and their relevance to continuous performance in light of the industry's objectives.

This research further encompasses means of improving the industry's domestic environment in order to cultivate stable delivery, improve productivity, restructure training and human development and promote new industry capacity through mutual trust and focus on common goals by all building participants/teams, especially where previously disadvantaged individuals or enterprises are involved.

It is the intention of this research to include opinions of the parties involved in the building process (i.e. the client, consultants and contractors) in order to obtain a holistic view regarding the potential success of partnering in the restoration of empowerment and also to show the potential position of the other members of the building team.

This research is written for the inexperienced building team members as well as experienced members needing to revise and update their skills and strategies in the building process involving

previously disadvantaged individuals. The construction industry may also find this useful especially as it has been written from the perspective of current uncertainties that rest within the industry as well as from first-hand experience.

In light of the above, "Systems Thinking" is a useful paradigm to holistically understand not only the day-to-day problems of our society but also how they are interconnected. Understanding this relationship will aid the conceptualisation and interconnectivity of the two concepts under investigation. But first the concept of emergence is as important if not most as system thinking. This is the reason why we need to firstly explore this concept as it has given quite a considerable amount of analysis to what we now understand as system thinking.

1.2 Emergence in System Thinking

Before we get to describe in detail the problem in question and also the meaning of systems thinking, it is important to revisit what Checkland (1981) refers to as "twin components of scientific thinking that of emergence and hierarchy" (p.75). Checkland (1981) argues amongst other practitioners like Ludwing von Bertalanffy (1951) that the concept of systems thinking is indeed founded upon two pairs of ideas those of emergence and hierarchy and communication and control.

Not much has been solicited with regard to communication and control as the emphasis has been placed on emergence for the purpose of this study.

The concept of emergence traces its origin from the synthesis of biological systems which have over centuries given meaning and understanding of complexity and subsequently to the concept of system thinking.

Discussion of the problem in which complexities presents, firstly one needs to look at contrivances concerning biology and its phenomena of complexity, which has severely, tested scientific method. Biologists like Ludwing von Bertalanffy (1951) suggested generalizing this thinking to refer to any kind of whole, not simply biological system. The second strand in systems thinking comes from a very different source, from electrical, communication, and control engineering. Evidently, one can now trace the development of systems ideas from a number of groups that have made contributions in so many fields i.e. psychology and linguistic. Four main ideas have emerged mostly in biology, communication and control engineering, which have been cited hereafter.

In biology there has been a wider debate between reductionism and holism in describing the concept of emergence and hierarchy and general understanding of systems. The terms of this debate have changed, with it, emerged systems thinking.

Reductionism has been arguing the mechanist position, for which living systems are simply perceived as complex machines. On the other hand the holism school of thought always maintained the vitalist approach that perceived development of a whole organism from a single egg meaning that in each developing organism resides a mysterious spirit like realisation or entelechy, which somehow directs and controls the growth of the whole. However the Holism argument changed gradually, it suggested that opposing reductionism did not mean embracing vitalism. It is apparent that biology was established as an autonomous science, which is not reducible to chemistry and physics. Establishing this has emerged system thinking which constitute the Emergence Theory.

Modern thinkers with the view that living things functioned to fulfil their innate purpose support this theory. A good example given by Checkland (1981) is that of a microscope. Microscopic examination of plants tissues that gave the new science its central discovery that of the cell. This discovery has now lead to a modern view or perception that there is in living things a hierarchy of structures in the sequence making up the organisation of the cell like organs, molecules, etc., In this hierarchy, the organism itself seems intuitively to mark a boundary, organisms having an obvious identity as whole entities, in that they have a boundary, which separates them from the rest of the physical world, even though they may be transient across the boundary.

The theory of emergence is also derived from Broad (1923) in Checkland (1981) when discussing "Substantial Vitalism", "Biological Mechanism – the view that living things are merely machines", "Emergence Vitalism ". Emergence theory is concerned with the fundamental differences between one level of complexity and another. Its ultimate aim must be to provide both an account of the relationship between levels and an account of how observed hierarchies come to be found: what generates the levels, what separates them and what links them. It is the same concern, which this study is addressing through the use of the cell and its environment presented hereafter.

Emergence, which is now understood as systems thinking, arises historically as an attempt to cope with the kind of complexity whether natural, in human and social phenomena which defeats the classic scientific method as appraised by reductionism and vitalist. Today we engage systems thinking in tackling "real-world" problems as opposed to those which scientist define in the laboratory. It is through emergence theory that such thinking can now be understood and the modern position that the existence of organism having properties as wholes calls for different levels of description, which correspond to different levels of reality.

The analogy presented by Checkland (1981) above can somehow be confused as complex and very theoretical but it sets the trend to at least understand how the concept of emergence manifests itself to give meaning to what we now understand as systems thinking. One very important point to note from the above is that biology cannot in principle be explained as physics and chemistry (as presented by reductionism and vitalism) since both physics and chemical elements of an emergent property at the level of complexity represented by biological phenomena.

The concepts of empowerment and partnering will be placed in the systems paradigm to illustrate complex dynamics and their interdependencies within the construction environment. This is done to demonstrate that empowerment and partnering are essentially part of the systems paradigm and that they should be understood in this domain.

1.3 Systems Thinking in the Empowerment and Partnering Philosophy

According to Capra (1996), "Systems Thinking" concentrates on the basic principles of a system, its environment and its context, which is the opposite of what most people would call analytical thinking. Capra (1996) also describes systems thinking by referring to its nature as an interconnected relationship in which identification of patterns as objects depend on the human observer and the process of knowing.

Subsequent to this is Jackson, Bawden (1991) and Checkland's (1981) discussion on systems theory. Systems are generally understood as occurring in hierarchies, thus embracing our understanding of the relationship between the way we think and the way we act. Many organisational problems are embedded in our thinking. However, systems thinking encourages taking ownership of the part we play in shaping the problem that we have to solve, simply by looking at the problem as interconnected to and interdependent with other related problems. This eventually creates a way of organising and creating a different way of dealing with problematic situations. In this research empowerment and partnering is conceptualised in this way since these two concepts are interconnected and interdependent in the construction process.

Flood and Jackson (1991) explain this more clearly when describing how living organisms interact within an environment from input (project team – architect, quantity surveyor, engineer and the client) to output (completed project), as shown below (figure1), embracing the concept of interconnection and interdependence which most organisations fail to promote in the workplace.

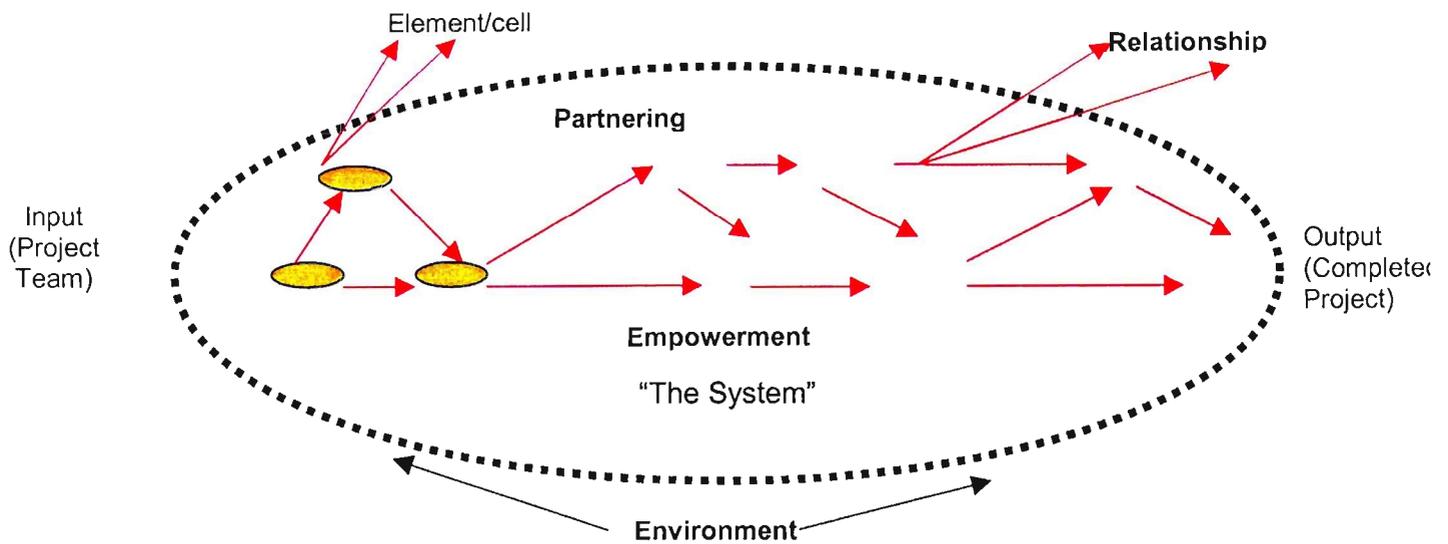


Figure1: The relationship of the sum of cells in the system

Figure 1 describes how input is transformed into output taking the feedback mechanism (communication) into account. The behaviour of one element (cell) within the system, or the behaviour of the environment, may feed back directly from another element by way of their relationship or indirectly via a series of connected elements, which then influences the element that initiated the behaviour. This relationship can be measured by size or volume in the case of element and intensity, flow and strength in the case of the relationship within the system as a whole.

In order to holistically conceptualise the relationships depicted by Figure 1 with regard to this research, empowerment and partnering have been placed within the system. The system (construction) depicts a sum of cells within which empowerment and partnering manifest themselves as essential parts of the system. Neither one can manifest itself without the interconnection or the interdependency of the other in order to make the system work. The environment depicts the challenges that influence the system. When the sum of cells within the system fails to provide effective feedback, this results in system failure. This is the case within the South African construction industry. Thus, partnering as part of the organic process, i.e. cells, is seen as essential to keep the system alive and functioning properly.

The concept of partnering can be introduced as part of the system to improve the effectiveness of the empowerment principles. However, the environment in which the process manifests itself first needs to be understood.

1.4 Introduction to the South Africa Construction Industry

The construction industry in South Africa is one of the biggest industries supporting the economy in terms of job creation and infrastructure development. However, it is probably the most fragmented sector in terms of skill, service delivery and professional support base. Given these issues, there are several challenges and concerns that are facing and threatening the industry's future growth both locally and globally. These range from the industry's competitiveness amongst or against international companies, the continuing reflection of racial imbalances and depletion of skilled human resource (CSIR Boutek, 1998).

In the global market most leading international companies are currently in pursuit of improved policies and support mechanisms to fuel growth. This has been achieved so far through harnessing the efficiency of participant resources, mutual objectives and an agreed method of problem resolution and cooperative decision-making by a number of firms, companies and individuals who are all focused on using feedback mechanisms to continuously improve their joint performances (Basil, 1995).

In South Africa, the government has tried to create more opportunities for previously disadvantaged firms as part of its intervention approach, especially in the public sector (Gounden, 2000). The introduction of the Affirmative Procurement Policy and Government's Asset Procurement and Operating Partnership Programme attempt to create public/ private partnerships for more specialised public projects relating to infrastructure, and promote small, medium and micro-enterprises through the procurement and empowerment processes (Strydom, 1998).

The Affirmative Procurement Policy, as highlighted by Gounden (2000), is a policy, which utilises procurement as an instrument of social policy in South Africa to affirm the changed environment, government's socio-economic objectives and the principles of the Reconstruction and Development Programme.

It was conceptualised that this policy would achieve the following (part of which is contained in the principles of Black Economic Empowerment and the currently formed "Blue IQ" objectives):

- Facilitate the development of small businesses, particularly those owned by previously disadvantaged individuals.
- Provide jobs in a targeted manner for engineering and construction contracts.
- Increase the number of employment opportunities per unit of expenditure, where choices in technology can be made and
- Put in place a programme of affirmative action.

However, the primary objective of the government was not only for these initiatives to be used in the public sector, but also in the private sector, which is where the concept of partnering comes into play. This was done with the aim of redistributing opportunities and stimulating development of new enterprises, thereby creating opportunities for previously disadvantaged individuals to obtain access to the formal mainstream economy of this country (CSIR Boutek 1998)

Notwithstanding government initiatives to improve the economic atmosphere, issues of fragmentation and racial imbalance within the industry still exist. Many previously disadvantaged enterprises still lack the ability to tackle the work for which they have been appointed due to insufficient resources and experience. This perpetuates a continuing decline in productivity and prosperity of the industry and also results in disputes and project inefficiencies, particularly with regard to completion of projects on time and within set budgets.

1.4.1 General Concerns in the South African Construction Industry – A Story Line

Over the last few decades, the construction industry has been characterised by too much confrontation between parties involved in the building processes, insufficient alignment of parties' goals, interests and attitudes and transfer of blame. There is not enough maximisation of each participant's resources amongst the building team, resulting in continual disputes of parties involved. (CSIR Boutek, 1998)

The above practice, as acknowledged by most building practitioners (building firms and contractors) involved in joint ventures, has indeed led to disputes that could have been avoided through cooperation, total trust and a common vision.

Compromised service delivery is a direct result of the insufficient alignment of parties' goals, ineffective project procurement processes, lack of project culture, ineffective building teams, lack of upliftment and creation of opportunities for previously disadvantaged enterprises and/or the continuing fragmentation of the industry.

There are also other impending and pressing issues of concern contributing to this negative partnership growth, as indicated by Smith (1998):

- Lack of commitment by large established organisations to embark on sustainable development of previously disadvantaged individuals.
- Unethical means by which large corporations lure previously disadvantaged enterprises into camouflage partnership solely for economic gain.
- Attempts by large established companies to secure the majority of public and private works infrastructure contracts without full utilisation of previously disadvantaged enterprises.
- Insufficient funding and collateral for small and medium enterprises, especially those owned by previously disadvantaged individuals.

- The need for government to effectively monitor and maintain its investment in property and infrastructure developments.
- Competition between the domestic companies as well as with other industries for investment in the property market.
- Frequent problems of poor design, inadequate supervision and insufficient choice of material.
- The client often carrying inestimable risks, aggravated by a system generating differences and arguments.
- No effective direct responsibility in the building team, safeguarding of the professions and little incentive to design to a target price or to ensure “broadability”.
- The instability of the rand and lowered investor confidence in the building industry.

These issues have been moving in the opposite direction to the industry’s and government’s desire to work together towards a common goal, i.e. team building and client satisfaction. In South Africa today there is a need for infrastructure development, housing, public facilities and amenities, all of which drive the demand for construction products. However, if common goals are neglected, service delivery of these would be compromised, resulting in disputes amongst building teams and creating a situation not conducive to new enterprises entering the construction market (De Clerq, 2001).

Generally, such disputes can be further illustrated by looking at the two parties, the client and the contractor. Having signed a contract, they understand that they are risks inherent to the process. Their awareness of the risk, and the steps taken to minimise their share of risk, will determine the likelihood of a problem occurring. This, as suggested by some pioneers in the industry, has been observed as a fundamental problem, not only in South Africa but also throughout the world.

Increasing the likelihood of problems occurring, building clients do not spend sufficient time selecting their building team, which includes the consultants and the contractor. Equally, some clients should be avoided as they do not have sufficient resources to fulfill their declared requirements. Much time is wasted in the construction industry with schemes and budgets prepared, only to be abandoned or, worse still, implemented in the hope that drastic cuts can be made along the way. Some less-than-honourable consultants may entice the client to enter into an agreement without alerting the client to all the potential problems and responsibilities that come with the agreement. This, as indicated by Basil (1995), should be addressed fully in the appraisal stage of the project in order to avoid potential inefficiencies during the life of the project. Sir Latham (1994) also regards this as a significant tool to be considered when building the team.

A typical example of inefficiency in the alignment of parties' goals occurs when a contractor prefers a full design appointment rather than a tender. Consultants prefer a full design appointment rather than being retained as the client’s representative in the “design and build” project. Other contractors and consultants would deliberately advise the client impartially on the correct procurement route and design with the hope of claiming from design contingencies. How does the client know if these

advisers are advising without bias towards a favoured procurement route? This is the question that may be answered by the partnering philosophy as it addresses the issue of trust, mutual goals and effective maximisation of parties' goals in order to achieve project success.

Another area of concern that Basil (1995) highlights is changes in the law and how these relate to the construction industry. This has generated work in the industry with lawyers and arbitrators kept busy drafting and evaluating collateral warranties and specialist contracts. Their aim, on behalf of their clients, has been to shift responsibility to other parties and to form links of responsibility which did not previously exist. Another question to ask is, "Why resort to these procedures if the team can effectively engage in proper project appraisal with discussion of issues and identification of possible interventions?"

As building clients and their organisations become more sophisticated, so too do their building needs. This requires more emphasis on the briefing of the building team. Unfortunately, the briefing stage is often rushed, carried out by inexperienced people or left to others to guess the requirements and level of specification with the hope that it will coincide with the budget and be suitable for its application. This is generally because the client wants to finish the project and start paying back the debt owing. This, as suggested by Basil (1995), is when the "wheels come off", resulting in project failures.

With the pressures of getting the project done on time, often within a tight time frame, tensions build up in the building team. When the full project team involving previously disadvantaged enterprises has not worked together before, there may be some weaknesses, personality clashes, racial issues or simply an inability to perform. If the team has not worked together before, these issues should be appraised prior to project implementation in order to work towards achieving a common outcome, align goals, interests and attitudes and also address strategies relating to the effective use of each participant's resources. If the correct objectives are set, co-operation amongst the team, measures of performance standard best practice, feedback mechanisms, monitoring and reporting procedures are in place, then early interventions may reduce the impact of the team's shortcomings (Guthrie, 1998).

Most building projects are finance driven and most disagreements arise due to one party fearing that they may suffer a loss due to another party's actions. Predicted costs are exceeded and cost-cutting exercises are put in place. However, if the appraisal stage is not fully utilised (as is often the case), then it becomes impossible for a project to recover from a cost-cutting exercise. Thus, the client has to accept less for the money invested, the consultant is blamed for misleading the client and the contractor has to build to a cheaper specification.

Such problems become more apparent during the cyclical periods (Guthrie, 1998). Having to minimise costs and deal with disputes is often more likely during a recession than in a boom period. If a contractor has made a profit they may think twice about spending key management time to

recover additional sums. In a recession, however, there is pressure on the contractor to recover as much as possible to limit potential losses. This also has a negative impact on consultants, as they have to lower their fees in a recession and the quality of their services may suffer. However, if the contractor attempts to recover from a low tender by submitting claims, more pressure is placed on the consultants. With limited resources and a reduced and overworked staff, the consultant may not spend sufficient time monitoring the project, leading to cost overruns and sometimes project disputes over variations and miscellaneous items accruing (Rudham, personal communication).

Contractors may not make delays that are caused by them known in the hope that delays caused by the client or the consultants can be used to recover the situation. In the long run this compromises the project culture and all the ethical procedures needed for project success. In response to inefficiencies some contractors and consultants prefer to use complex computer software to generate programs, which can respond quickly to change circumstances and are able to reprogram remaining events. This works only if all parties have access to the program and can understand how it may be used as a tool. However, these programs can become too complex to be workable and, if not updated regularly, lose their current applicability, and hence do not serve the purpose for which they have been designed.

The other danger is that the programmer needs to be briefed by the participants. If not properly handled, the program can become a historical record rather than a planning tool. Unfortunately, the other extreme is that the program can be a very simplistic bar chart against which the contractor records status. This overlooks critical aspects and can divert the monitoring team's attention from potential risk areas (Guthrie, 1998).

The construction industry is very reliant on information transfer, from illustrating designs for the client, obtaining the client's approval and advising the contractor, to placing orders, deliveries to site and construction information. Probably the biggest risk to the contractor is the potential for a breakdown in communication, arising from information that is either too late or incorrect. Also, many parties involved with the project need to be aware of information, which may or may not affect them, but about which they nevertheless need to be aware.

No matter how good the information flow is, if the team has not had sufficient time to prepare or if they lack understanding about the project, the risk of variations being required may be increased. The client, consultant or contractor can all originate a variation, each of which can have financial and legal repercussions.

In an ideal world, there would be no problems or variations but in a dynamic industry where most projects are prototypes, there is bound to be a degree of change required. The important point for the building team is to be prepared for change, to have the "know how" to handle it and to minimise its impact. However, this is only achieved if objectives are clear and can be met, improved co-operation between team members is in place and feedback mechanisms to guide the construction

strategy have been refined amongst the building team. Often this is not done, resulting in unnecessary tension.

The construction industry is fundamentally a people industry. The project is designed by people, built by people and, in the majority of cases, built to accommodate people. Human input not only creates masterpieces but can also make mistakes, which may result in parties referring issues to courts or for arbitration. It is more beneficial for all parties to resolve problems before positions become entrenched and the risk of paying higher costs in legal fees than will be recovered under the claim is apparent. Therefore, the art of negotiation and mediation needs to be developed within the construction industry and project participants should embrace the culture of tolerance and common objectives.

1.4.2 Common Practice under the umbrella of Empowerment

It has become fashionable in South Africa to partner with a black consortium in order to close a lucrative deal. This has been seen especially with construction giants using the currently fashionable concept of empowerment in order to increase their profit margins and be seen to be aligning with government initiatives (Gounden, 2000).

The reasons behind forming partnerships, alliances or consortiums, especially with black enterprises, are financial and technical considerations by large established organisations. Traditionally, consortiums were entered into when either the project or the financial burden was too large for one company to deal with. In cases where the project is too large, and requires an expert component represented by more than one of the best firms in the fields, a consortium would be formed to complete the task assigned. In this case, superiority of skill was of paramount importance.

On the other hand, a financial consortium is formed when the financial burden of the project is too large for one group to bear, especially when the target market is not big enough to justify the investment.

The above occurs for purely economic reasons. In the mainstream economy, for example, the technically-inclined, medium-range to large, previously disadvantaged enterprises are unable to participate for natural and structural reasons. They do not have access to world-class cooperation markets nor technology-related alignments and, because of political policies of the past, they do not have money in significant proportions (as is the case with large established organisations). This is often taken advantage of and usually to the benefit of already established and thriving construction companies.

With the advent of a new political order, as Mokeona (1998/99) calls it, previously disadvantaged enterprises are required to be economically enabled through partial ownership of the South African economy. However, this new political order has also been open to abuse as white-owned

companies have done the “politically correct thing” by partnering with so-called safe previously disadvantaged individuals in order to retain their share of the market while simultaneously being seen as doing the “right thing”. Several new firms were founded, most of which have black names and, subsequently, capital alliances with these black firms.

The issues are therefore whether the new consortiums or partnerships are aligning themselves to their best advantage internally and externally and whether they are choosing the right business to go into with the right mix of skills and experience as required by empowerment principles, and whether these are indeed sustainable.

Unfortunately, most consortiums have been formed because of government requirements and the contract being offered to previously disadvantaged individuals at that time rather than because of a well-thought-out strategy regarding the sort of business to enter and the correct tools to get there. Lacking any corporate organisation or structure, these consortiums tend to have whites in the positions of power in an ostensibly black company. More often consortiums do not bring much skill to the deal nor do they bring any recognisable financial muscle, only equity to the politically correct team.

Black consortiums are also beholden to the institutions where they seek finance. The result is that the portion set aside for previously disadvantaged individuals in the corporation is ultimately owned and controlled by the financial institutions while the previously disadvantaged individuals sit on the Board of Directors (mostly non-executive).

The bank mainly finances these deals by providing cash for preference shares, thus controlling the consortium's shares and receiving the higher interest these command, and a portion of the dividend. The previously disadvantaged individuals then assume the debt and hope to make up for the shortfall through capital gains and some dividends over a considerable number of years (Mokeona, 1998). Again, the question remains as to whether these enterprises are empowered or whether this is just another way of keeping PDIs out of the mainstream economy in order to keep emerging enterprises from growing.

1.4.3 Flip side or Utilities of Empowerment in the Construction

As in other industries, small black construction companies have allowed themselves to be used by larger established companies to gain access to government contracts or potential empowerment deals. Although profit sharing is a major benefit to be gained from a joint venture, the emerging business is only left with the profit. In terms of genuine participation in the project, these businesses have no real say in its actual operation (Strydom, 1998)

Some argue that the financial gains envisaged in this process could be classified as empowerment, but further analysis reveals that there is no continuity in the long term. Black empowerment will remain less than optimal simply because black businessmen will continue to rely on big business

without any sustainable development of their experience. Small contractors contend that despite owning half the companies, there is no value added to their skills in reality. On the other hand, large contractors also feel the economic burden of having to finance projects on their own. They believe there is no deliberate exclusion of the small contractor from projects and add that skills' training is a huge task. Once a contract has been secured, the emphasis is on quick delivery, leaving no time for coaching inexperienced partners. The problem occurs in all projects and no solution can be reached because large contractors appear to lack commitment to the process of making things work.

This is where the "rent-a-black" scenario occurs. Business, by definition, depends on the bottom line and established business knows better than to enter joint ventures for the sake of social responsibility. Much more therefore needs to be done to create a class of independent previously disadvantaged contractors who are able to sustain delivery of the end product.

In terms of empowerment deals, the construction industry is the least active. Few of the big companies have absorbed sizeable black shareholders with most partnerships coming about through joint ventures (Molife, 1998).

The Building Industry Federation of South Africa (BIFSA) believes that unless urgent steps are taken to correct current economic imbalances, the building industry will not fulfil its role in ensuring the country's future growth. Judging by recent developments, black empowerment is still insignificant in the construction industry and unless racial and economic imbalances are addressed, any initiatives will eventually fall apart (Strydom, 1998).

The above merely outlines several scenarios or areas of concern within the construction industry that often lead to disputes and cost overruns as a result of insufficient co-operation, lack of trust, fragmentation of building teams and unclear objectives. This becomes a problem for the empowerment enterprises that have just entered the industry and have to deal with these issues before applying their expertise to a field in which they have less knowledge.

1.5 Problem Statement

Having outlined the background and the concerns raised above, the problem areas to be addressed in this dissertation may be stated as:

"How can partnering be more effectively used for empowerment in the construction industry?"

How best can the South African construction industry foster the issues relating to upliftment of Previously Disadvantaged Enterprises and maintain trust, alignment of parties' goals, interests and attitudes as well as effective use of participants' resources in partnership/consortium projects in order to effect stable service delivery to the end user?

Are partnerships formed by aligning themselves correctly internally and externally with the objectives set for empowerment and are they choosing the right business to go into with the right mix of skills and experience?

In the view of above, the following hypothesis is thus addressed:

1.6 Hypothesis

The hypothesis to be tested may be stated as:

“The South African construction industry has been characterised by an alarmingly negative alignment of objectives set for upliftment of previously disadvantaged individuals. This has resulted in the continuous decline of service delivery, quality and productivity, particularly in partnership projects, despite government initiatives to improve the industry’s economic atmosphere.”

Within this context, the following research objectives are addressed:

1.7 Scope and Objectives of the Research

The fundamental objective of this research is, like many other areas of social research, to direct attention to an area of research rather than to any other specific pre-set objective, which may restrict the research. While keeping this overall objective in mind, a number of subordinate objectives are formulated so that the more important areas of interest would be covered which will allow a certain amount of flexibility within the research.

This approach was regarded as particularly important given the time period available for the research, since it would permit the investigation to be contained without completely invalidating the research.

The objectives applied are broadly outlined in the literature review in order to explain the following:

- To establish the rationale behind and efficacy of relationships amongst the building teams especially in consortium projects.
- To examine the criteria underlying empowerment principles and key features of partnering and how these can be applied in project divisions that include previously disadvantaged enterprises.
- To identify through case studies the methods of building procurement used by participants in the industry and to trace adopted processes for improved practices.

- To establish the building team's priorities, which may influence the improved building process and methods of empowering previously disadvantaged enterprises in order to cultivate stable delivery and human development.

These objectives have been outlined in more detail in the chapters following.

1.8 Limitation of the Research

This research is limited to:

- The actual construction process, that is, the period between pre-contract phase (project appraisal stage), handing over of the site to the contractor, execution of the project and practical completion and handover of the project to the client;
- Building industry projects undertaken after the 1994 elections in the private and public sector;
- Identification and ranking of the importance of risk factors. The frequency of occurrences and severity of these factors will not be considered; and
- The research material by professional practitioners involved in monitoring and evaluation of empowerment and partnering

The restriction of the research to the above was imposed due to the complexity of the subject matter. The above approach was also considered as being more likely to produce a comprehensive approach to and knowledge of the intricacies and complexities of the building industry and thus assists in providing information for the research.

1.9 Approach to Research Methodology

1.9.1 Research Methodology

The research methodology applied in this research is based on the method described by Bless and Higson-Smith (2000) as the "scientific method". This method enables the process of knowing about an object, relationship or situation to be examined or identified. This also suggests that the situation of the research can be depicted accurately through the use of empirical, systematic, logical, replicable, transmittable and reductive methods of observation to identify facts and address a hypothesis. Anderson and Poole (1994) also support this approach as a systematic investigation of question, phenomenon or problem using certain principles depicted above.

This method moreover involves thorough reasoning, observation and testing in order to establish the validity, or otherwise, of the hypothesis.

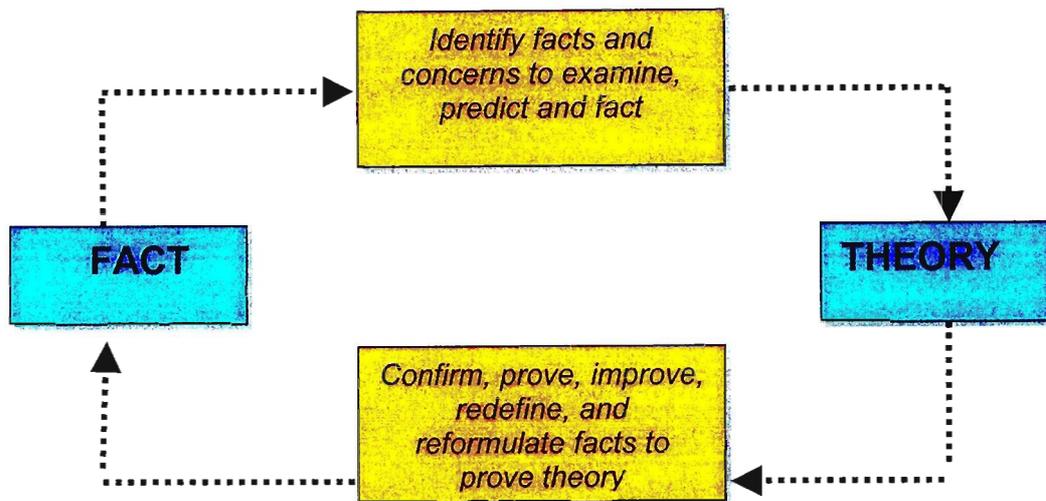


Figure 2. Relating facts and theory (Adapted from Anderson and Poole, 1994 p9)

The approach underlying this study was not only to present what Creswell (1998) defines as an integrated approach to research design but also to convey an inquiry process of understanding based on the distinct methodological traditions of inquiry that explore a physical setting, social or human problem. In so doing building a complex, holistic picture, report detailed views of informants in a case study form to highlight best practice.

Creswell (1998) defines a case study as an exploration of a “bounded system” or a case through detailed in depth data collection involving multiple sources of information rich in context. This bounded system is bounded by time and place and it is the case being studied i.e a program, an event, an activity or individuals. The context of the case involves situating the case within its setting, which may be a physical setting or the social, historical and for economic setting for the case. In this study the source of information has been based on the proved situation in order to support the literature cited on the following chapters.

The research methodology is considered as existing in five distinctive phases and is further discussed where appropriate in the text. The research objectives are achieved by employing the following methodology:

Phase	Procedure	Purpose
Phase 1	A comprehensive literature search encompassing the Internet, journals, books and conference proceedings	<ul style="list-style-type: none"> To establish a firm basis for the research To elicit concerns and general aspects of the research
Phase 2	Liaise with personnel who have applied and published articles on Empowerment and Partnering in construction.	<ul style="list-style-type: none"> To evaluate their perception of levels of achievement and provide a practical research emphasis.
Phase 3	Comparative literature review of partnering and empowerment.	<ul style="list-style-type: none"> To ascertain their relation to and interpretation in theory.
Phase 4	Compile a case study of best practice.	<ul style="list-style-type: none"> To link appropriate research data with practical proven theory.
Phase 5	Reach a conclusion and offer possible recommendations regarding the efficacy of the current scenario. Also possible future research to cover areas to extend the limitations highlighted.	<ul style="list-style-type: none"> To test the validity of the hypothesis and to enable the reader to understand the concept of partnering in construction and To recommend the possible format for future industry capacity.

The following is drawn from the above methodology to provide a broad outline of phases mentioned.

1.10 Literature Review

At the outset a review of the literature pertaining to the research topic was initiated. At this early stage particular reference was made to relevant abstracting and indexing journals, Master of Science dissertations and library keyword, subject catalogue and microfiche searches, where available.

Initially, this review concentrated on sources from the University of Natal Malherbe Library, the Construction Industry Distribution Board and the CISR. Literature that appeared relevant was accessed directly or through use of Inter-library Loan Facilities. The period of time available for the research necessitated some constraints being placed on the literature review, achieved by selecting publication dates and utilising other constraints in accordance with the principles laid down in the following chapters.

1.11 Evaluation of Research Methods

Research methods used by other researchers in similar fields of research were considered prime sources of information in this respect. In the final analysis the use of a case study was considered in the context of the comparative analysis to affirm practical implementation.

1.12 Data Collection

Given the constraints imposed by the subject matter and the time frame for this dissertation, only two methods of data collection were considered practical. Data collection therefore took place via e-mail and through telephonic enquiries. These enquiries were conducted in accordance with the requirements of the research bearing in mind their contribution and analysis.

1.13 Synthesis and conclusions

Data analysed was synthesised and compared to relationships with the variables outlined in the problem statement.

The results were further synthesised through an analysis of variables present in the text and the case study.

1.14 Structure of the Dissertation

The following chapter breakdown provides an overview of the content and structure of the dissertation in relation to the subject matter and testing of the hypothesis developed above.

Chapter Two : In this chapter, a detailed analysis of the concept of empowerment principles is performed with a view to extracting the common denominator and an understanding of this concept in general. Also relevant to this is the conceptual framework of Black Economic Empowerment and the impact it has had for South Africans with particular reference to the construction industry.

Chapter Three : The investigation of partnering, encompassing definitions, formation and general sustainability of this concept in the construction industry. This also seeks relevance to principles of empowerment particularly with regard to the upliftment of previously disadvantaged enterprises. Detailed information is provided regarding the selection of the team, partnering agreements and partnering workshops in order to effect stable delivery of projects where previously disadvantaged enterprises have been engaged.

Chapter Four : A case study to identify and outline best practise by building practitioners is provided as well as a comparable analysis to link the appropriate data pertaining to the research with practical proven theory in using empowerment and partnering in the construction industry.

Chapter Five : Provides the conclusion of the research. This includes a commentary and recommendations concerning the concerns raised in the research and to determine whether there is support for the hypotheses. Lastly, recommendations for further research are made.

References : This includes the list of all materials cited in this research.

CHAPTER II

LITERATURE REVIEW ON EMPOWERMENT

2.1. A Transition for South Africa's Development and Empowerment Focus

The long and arduous struggle for democracy in South Africa caused much suffering but also brought a few compensations with it, one of which was enrichment for the people. However, in the 1980s, socio-economic development strategies inside South Africa fell out of the frame as attention was focused on the escalating struggle and increasing degree of repression that the struggle produced (Turkon 1993).

In the early 1990s the spotlight turned towards the negotiated transition and development debates began to slowly emerge once again. However, the global political context was profoundly different: the Socialist bloc alternative had collapsed and, with it, all radical anti-market options. During the 1990s, the literature on previous theoretical progress in South Africa's development debates grew increasingly distant from what was happening on the ground and did not provide any useful tools for those who were concerned with how to implement effective and sustainable development practice rather than simply discussing development theories.

Old style theoretical contexts were replaced by an emerging pragmatic consensus focusing largely on the concept of development and sustainability. Making development sustainable means moving beyond a narrow, albeit important, concern with economic growth to considerations relating to the quality of that growth. This means ensuring that individuals' basic needs are being met, that the resource base is recognised, that the environment and cross-sectorial concerns are integrated into decision-making processes and that communities are indeed empowered.

Alongside pragmatic concerns was the Reconstruction and Development Programme, formerly known as RDP, which outlined the South African post-Apartheid vision. Many of the principles of the RDP resemble the principles of Empowerment to be discussed later in this chapter. Unfortunately the RDP provided a highly ambitious vision, which could not be attained at the time it was introduced (Turkon, 1993). Initially the RDP was set to eradicate the imbalance of power between workers and employers. Although this was a commendable claim, the issue of "how" had to be reconciled and fully explored, which in this case was not fully achieved. Turkon (1993) suggested that this was to be achieved through improving international economic competitiveness and closing the growing gap between those in the formal sector of unionised employment and those who were unemployed and disempowered.

At the same time as these developments were taking place, the South African government of national unity was putting emphasis on empowerment by corporate firms in order to bridge the financial gap within the working environment through the process of transformation and

empowerment of previously disadvantaged individuals (PDIs). This process allowed a few PDIs to gain some wealth through fostered joint ventures with white-established firms, while other PDIs were moved to higher positions in order for organisations to look good within government initiatives. However, some of these individuals were not particularly suitable for the positions they assumed. There were no proper training interventions based on structured performance systems in place to cushion them against failure. Most of the reported case studies in the available literature (see Turkon, 1993) have indicated that without a thoroughly planned and monitored development strategy, this process fails to attain what it set out to achieve.

In light of the above, it is therefore important to revisit the principles of this concept, what it means (or meant), what it sets out to achieve, and how best to understand and implement it in our environment in order to achieve sustainable results for PDIs as well as the white-established communities. Empowerment cannot stand in isolation from development.

2.1.1 Why Focus on Development and Empowerment?

Recent events (i.e. democratic election in 1994) in the history of South Africa have given a new impetus to the debate about empowerment and development paths for the country. It is not enough to simply address stagnation in the existing economy without addressing issues within our social and business communities. A substantial expansion of the nation's mainstream economy is also needed in order to embrace all those who have been marginalised by the Apartheid economy.

In addition to stagnation, the economy is also still fundamentally distorted and industry lacks proper understanding of what empowerment and development entails. It is difficult to address issues of growth, poverty, industry's new capacity and human-centred development. Notwithstanding the recent appreciation of the Rand, interest rate cuts and improvement of government tax regulations in recent months, these issues are still significant.

The dismantling of Apartheid and the drive to achieve social justice requires the restructuring and transformation of the entire economy in all spheres of industry from a development perspective. The transformation and empowerment process needs to be achieved in a sustainable manner rather than as a trickle-down mechanism employed by certain individuals wanting only to enrich themselves.

According to Maganya (1993) of the Institute For African Alternative (IFAA), and Khor (1993), a Malaysian economist, people need to be invested in and focus needs to be directed to where people live, with an emphasis on broad-based economic measures and empowerment of communities in less established environments. Added to the above is the concern raised by Suliman (1993) regarding the economic strategy for transition in South African industries. He argues that these have to be primarily driven by broad political considerations that are widely perceived as legitimate and continually upgraded by the business communities. The strategy, as suggested by Suliman (1993), has to be economically viable otherwise the political objectives will

be defeated by the failure to deliver on material promises. Cook (1993) supports this, linking political-economic strategy with capacity building and management via a model illustrating the requirements for empowering blacks in their work organisations.

The principal political objectives and earlier perceptions in South Africa were that a democratic government would restructure the economy and that there would be substantial nationalisation of the economy. Current thinking, however, departs substantially from these positions. Substantial nationalisation is no longer upheld and the modalities of state intervention are not clearly set out. Turok (1993) suggests that an alternative strategy is needed, namely a clear understanding an empowerment path which assumes that there will be greater scope for bottom-up improvement within dysfunctional organisations and some of the black-led initiatives in order to empower PDIs and make opportunity available in a sustainable manner. A few individuals like Maganya (1993), Khor (1993) argue that immediate and drastic methods must be implemented. These arguments, however, disregard the need for processes to foster commitment to sustainable development and therefore undermine the concerns that rest within corporate industries. An in depth discussion of these matters is beyond the scope of this research. However, the reality is that restructuring could be limited but could also be improved through the introduction of partnering.

2.1.2 Search For Development Strategy in the Empowerment Process

It is necessary to understand what is meant by development in order to search for a meaningful approach to empowerment. In doing so, development and empowerment need to be placed in a broader framework, including a brief review of definitions and perspectives of these concepts. In the context of this research, development will be discussed as a form of community organisation practice. Taking this as the starting point, it is assumed that development is not primarily about economic or social factors, but also involves human factors.

2.1.3 Definition of Development - Understand Development in the 21st Century

According to Fisher (1994) and backed up by United States Bureau of Social Affairs research (1950), the concept of development has been perceived as a process designed to create conditions of economic and social progress for the whole community (irrespective of issues of gender or race) with its active participation and fullest possible reliance on community initiatives, promoting long-term empowerment of individuals. This implies that the opportunity and capacity for co-operation and self-help as well as the ability to assimilate and adopt new ways of living is essential.

From a practical point of view, Rubin (1992 p 15) suggests that development stems from tapping into available resources: "people will want to if they know how and eventually do on their own". To achieve this, an in-depth knowledge of the local environment in addition to technical information from outside is essential in order to promote local leadership. Local leadership also needs encouragement, guidance and technical direction to take over most of the responsibility for local use and progress.

Rubin (1992) argues against the notion that development means using solely government or outside resources to meet the needs of communities without full use of local resources. In addition, development is mostly used in describing rural areas where the major emphasis is placed on activities for the improvement of basic living conditions, with a greater degree placed on the desirability of integration and community initiative (Weidner, 1996). There is a commonality in the use of this concept in the sense that the concept of progress through local action is envisaged.

In a generic sense, however, a vast majority of thinking is along the idea that development is about infrastructure improvements such as building of roads, housing, irrigation, drainage and better farming practices which, in my opinion, does not constitute what we begin to define as development in the 21st century. Current thought is about development as a process of empowerment, transformation and redistribution of the economy on a broad spectrum. According to Todaro (1992), development is an objective that most individuals take for granted. It encompasses more than the material and financial side of people's lives as understood by modern thinkers as well as most social scientists. In broad terms, development should be perceived as a multi-dimensional **process** involving a paradigm shift and the re-organisation and re-orientation of the entire economy and social systems.

According to Ackoff (1974), development needs to be sustainable especially with regards to the economic and social needs of the people. In his paper, Ackoff describes different forms of development which have been used but do not constitute development in the context of sustainability. This is clearly explained by Shragge (1993).

2.1.4 Development creating a new focus in the Empowerment Process

As suggested by Eric Shragge (1993), development is a comprehensive strategy rather than a process, incorporating both social and economic goals. He suggests that development evolves through a comprehensive approach, encompassing the following responses:

- Reactive - a response to socio-economic crises on a local scale
- Proactive - as is undertaken, short-, medium- and long-term action to provide communities with the responses they require to take responsibility for themselves and create conditions propitious to local and economic development.
- Preventive - attempts to reserve the process of social and economic declines and stimulates growth within communities.

2.1.5 Basic Elements of Development

According to Narayan (1995), and supported by Eric Shragge, the ideas of building empowered communities, business organisations and successful development need to embrace the following:

- a) Activities undertaken must correspond to the basic needs of the community and business organisation, meaning the first project should be initiated in response to the expressed needs of the people.
- b) Changed attitudes in the people are as important as the material achievement of community projects during initial stages of development.
- c) The awakening of a justified feeling among the people that life is improving primarily through their own efforts and that they can confidently expect continued progress by the same means is more important than the material achievement secured during the initial stages of the development process.
- d) The identification, encouragement and training of local leadership. This training should help the people to understand the social factors underlying their lives, enable them to adopt more technical knowledge of surrounding conditions, and instil in them a capacity for teamwork and to also help themselves during the process.

It is considered imperative in this research that the issue of sustenance in the development context is holistically defined in order to widen the thinking around the concept of empowerment and to further understand partnering.

2.1.6 General concept of sustainable development

Over a long period, business has been the motive power of economic growth (Shragge, 1993). Complementing some of the underlying assumptions and beliefs of conventional economic development approaches, an understanding of the complex idea of sustainable development can be explained as follows:

- Natural resources are believed to be unlimited and can be exploited unconditionally.
- The environment is also unlimited in its capacity to withstand human activity in all its forms.
- Science has all the environmental answers and technological progress will continue to produce solutions to all problems.

We are operating in an unsustainable environment because the assumptions and beliefs about sustainable development are totally distant from this mindset.

In view of the above, the business community needs to understand the following, which is believed to be more economically viable and sustainable:

- Economic activities should not only be efficient in the use of all resources but should also be socially just and environmentally and ecologically sustainable.
- The purpose of any organisation should satisfy human needs (physical, mental, emotional and spiritual) through personal responsibility, mutual aid and governmental enabling, with

minimum consumption of scarce resources. There needs to be a shift towards promoting sustainable economic development.

- The interests and needs of future generations and other communities must not be jeopardised.
- Organisations do not own all their resources, they hold them in trust to make the best possible use of them on behalf of the community and business at large. Therefore organisations have citizenship responsibility regarding their resources.
- Organisations should be dynamically innovative, striving to achieve higher levels of excellence and quality in all aspects of their business, making the best of human skills and technologies to that end without compromising natural resources.
- Reviving economic growth should be promoted but in a new form that is less material- and energy-intensive and more equitable in its impact.

In line with the above, a sustainable society embraces the following, which are the major milestones:

- Generation of useful activities for the organisation as a whole, while trying to reconcile social needs as well as meeting economic prospects.
- Collective understanding, bringing people together around the organisation's vision and values.
- Facilitating organisational success through an evaluation that involves the people within the organisation.
- Inclusion of individuals at all possible levels in the setting and delivery of the organisation's aims or goals.

Environmental issues exert a growing influence on the extent to which organisations achieve their strategic objectives in long term profitability, growth, market penetration, diversity, consolidation and sustainability at a basic level. Most operatives in organisations generally prefer to tackle present problems and opportunities rather than future uncertainties. However, organisations or communities wishing to have influence over the future will need to allocate time, effort and other resources to develop a strategic response to the alarming environmental issues (David, 1991). This is the principle of empowerment in the business environment.

2. 2 General Concepts of Empowerment

2.2.1 What do we understand by Empowerment?

The concept of empowerment has received increasing attention in South African literature, in the government and in business organisations. The increasing importance of the concept has arisen, in part, due to empowerment initiatives aimed at empowering previously disadvantaged individuals and as a result of environmental forces, driving organisations towards empowerment of the entire workforce in order to keep abreast with global competition (De Coning, Kwinana, Lotter & Smit, 1997). Conger and Kanungo (1998) propose that the growing interests in empowerment have arisen since studies on leadership and management skills suggest that empowering individuals is a major component of managerial and organisational effectiveness.

In order to advocate the concept of empowerment it is vital to understand the context within which it manifests itself. Empowerment is not a new concept and has been in existence for many years. It has been adopted all over the world including countries such as the USA and UK. Due to the fact that it is only now that most South Africans have come to realise its utility, the comprehensive use of this concept is not yet fully understood. Therefore a broad analytical framework of empowerment should be understood and applied in today's thinking, especially when partnering is to be considered.

The concept of Empowerment is related to sustainable development, since it is about helping society on a macro and micro level in order to change people's understanding and coping skills in their situation or environment. By engaging in change, their environmental system, structure, organisation and communities are improved so that society's needs are more readily met (Parsons, 1991).

2.2.2 Turning a new leaf in search of Empowerment Benefits

The benefits associated with empowerment have been widely researched and documented (McClelland, 1975). According to McClelland (1975), when power and control are shared with subordinates, total organisational effectiveness and power increases. Topaz (1990) further argues that organisations need to provide a framework and conditions that provide structure as well as independence. This increases individuals' sense of meaning about their work and creates an ability to work in good faith with other organisational members (Macher, 1998). It is also argued that an empowerment organisation fosters a shared vision among people, which impacts on organisational culture by creating a sense of belonging and countering feelings of alienation and apathy (Topaz, 1990).

Despite acknowledging the importance of empowerment, an understanding of the concept is often limited and confusing (Conger & Kanungo, 1988). An exploration of the nature of empowerment will aid in gaining a more comprehensive view of this concept.

From a global perspective, organisations generally struggle to embrace the principles of empowerment (De Coning *et al.*, 1997). In South Africa this problem is exacerbated by historical racial discrimination. In the past, the majority of individuals were barred from meaningful access to the formal mainstream economy. Given the potential contribution of previously disadvantaged individuals in South Africa, economic sustainability will be difficult to achieve if organisations do not empower these individuals (De Coning *et al.*, 1997). Hence the importance of a comprehensive and effective black economic empowerment (BEE) program, which many South African organisations are beginning to embrace even though there are some elements hampering such initiatives.

The focus on black economic empowerment in South Africa is aimed at facilitating the creation of large previously disadvantaged-owned businesses by means of share ownership, government contracts and privatisation schemes. Thus, the emphasis is on providing previously disadvantaged groups with power and control from an economic perspective. However, the psychological aspect of empowerment has been neglected.

A critique of empowerment theory posed by Schroeder (1999) is that empowerment is based on deductive rather than inductive theorising. As a result we know little about what empowerment means from the perspective of those who have experienced it. What this implies is that organisations will have to place greater emphasis on the internal aspect of empowerment. In so doing, the feelings, perceptions and attitudes of the incumbent can be explored. This is not to say that the situational, contextual aspects of the concept should be ignored since the external aspects of empowerment such as organisational practices associated with organisational policy, planning and management are equally important. What is suggested is that an integrationist perspective be adopted which would holistically contribute to understanding and applying the concept.

By adopting this integrationist framework one is able to consider both the situational and personal variables that affect organisational practices, including motivation strategies. According to Bandura (1986) the effects of the organisational context on motivation are rather indirect. The organisational setting is hypothesised to influence psychological states, such as feelings of control and mastery, which in turn produce motivated behaviour.

Maslow's (1968) Hierarchy of needs theory emphasises that every individual has specific internal needs for self-determination in order to cope with environmental demands. These needs are paramount to an individual's motivation and feeling of self. If they are compromised then individuals feel out of frame, which can lead to insecurity and lack of confidence.

With this in mind the current study proposes that there are certain individual characteristics that predispose people to respond in different ways to certain organisational strategies, such as empowerment initiatives, which in turn will have an effect on their motivation to achieve.

The understanding of the relationship between these factors provides a clearer understanding of empowerment and the application of empowerment interventions, particularly in the South African context.

2.2.3 Conceptualisation of empowerment

The definition of empowerment has not been agreed upon, especially in South Africa. The term has instead been used to encapsulate a family of somewhat related meanings. For example, empowerment has been used to describe a variety of specific interventions, as well as the effects of those interventions on individuals and organisations (Conger & Kanungo, 1988).

Torre (1985) has suggested that there are three major themes in the conceptualisation of empowerment that most social scientists have grown to understand and have adopted in modern society. These are:

- A development process which begins with individual growth and possibly culminating in large social change.
- A psychological state marked by heightened feelings of self-esteem, efficacy and control of oneself.
- Liberation, resulting from a social movement that begins with education and politicisation of powerless individuals and later involves collective attempts on the part of the powerless to gain power and to change those structures that remain oppressive.

The third point is strongly supported by Tichy and Sherman (1993) who have written a considerable amount on change management with regards to issues of change and changing the attitudes of individuals in a given situation. "You do not get anywhere if you keep changing your ideas or enforcing them without proper definition and desired outcome" (p. 1).

Torre (1995) defines empowerment as a process that involves individuals becoming strong enough to participate in a shared vision, and to control and influence events and institutions affecting their lives. In part, empowerment necessitates that individuals gain particular knowledge, skills and power to influence their own lives and the lives of those they care about in a positive way. Kieffer (1981) adds to this definition by defining empowerment as a prerequisite condition or sense of self that promotes active economical, political and social involvement.

The combination of the above definitions is also compatible with Parson's (1991) definition of empowerment as a perception of intrinsic and extrinsic values, which manifest themselves as achievements of self-determined goals. This is done through the use of personal resources and skills.

The process of empowerment as argued for by most social scientists involves the development of individual, group and organisational attitudes and beliefs about one's action-taking efficacy, development of critical thinking about one's world/country, acquisition of knowledge and skills needed to take action and support and mutual aid for one's peers in any given situation. For Torre (1995), empowerment is a process in the sense that it is initiated by interaction with others, through which support, recognition of one's perceptions and experiences is received and the perception of commonality is regarded as being critical to the development of one's self-esteem, confidence and personal efficacy.

According to Thomas & Velthouse (1990), to empower means to give power to. Power, however, has several definitions. In a legal sense, it means authority. In this study, empowerment means capacity building. Power from a psychological perspective yields three dimensions: power as perceived control, power as perceived competence and power as being energised through valued goals. Based on this, the empowered state is defined as a cognitive state of perceived control, perceived competence and goal internalisation. Here power is also used to describe energy. Thus, to empower may mean to energise. This latter meaning best describes the present motivational usage of the term (Thomas & Velthouse, 1990).

Conger and Kanungo (1988) aimed at clarifying the concept by defining empowerment in terms of motivational processes in workers. This approach enables researchers to explicitly study the empowering effects of different interventions.

Thomas and Velthouse (1990) and Torre (1995) extended this idea by conceptualising empowerment in terms of changes in cognitive variables, which determine motivation in consortiums and organisations. These authors perceive empowerment as a non-traditional paradigm of motivation that involves relaxed controls and an emphasis on internal commitment to the task itself. Thus, the importance of the task's 'pull' is emphasised rather than the 'push' of management, making work meaningful, identifying with the task or finding value in the task (Bennis & Nanus, 1985). This motivational aspect of empowerment is also emphasised by Randolph (1995) who defines empowerment as recognising and releasing into an organisation the power people already possess in terms of their knowledge and internal motivation.

An alternative definition is provided by Rosebeth, Moss and Kanter (1984) supported by Parker and Price (1994) who defined empowerment as the belief that one has control over decision-making. These authors reasoned that managers who exercise support in a controlled environment would be an empowering force to the organisation. Studies conducted by Parker and Price found that individuals and supportive managers are able to enjoy relatively high levels of perceived control over organisational decision-making.

Empowerment as a tangible concept has proved elusive (Rosebeth, Moss, Kanter, 1984). This explains why there is a multitude of conflicting definitions and conceptualisations surrounding the concept. In order to gain a coherent understanding of this concept it proved significant to examine various theories in which empowerment is rooted, namely development.

Adding to the theories discussed above, some general considerations of empowerment are made explicit.

- Firstly, empowerment is not an enduring personality trait inherent in all situations, but is rather a set of cognitions shaped by the work environment. Thus, empowerment reflects the flow of people's perceptions about themselves in relation to the work domain (Spreitzer, 1995; Thomas & Velthouse, 1990).
- Secondly, empowerment is a continuous variable: people can be viewed as more or less empowered rather than empowered or not empowered (Spreitzer, 1995).
- Thirdly, because of significant differences in individual needs, empowerment strategies cannot be transferred from one culture to another without major adjustments.

2.2.4 Intrinsic aspect of empowerment

McGregor's Theory X offers some insight into the understanding of empowerment and bears direct relevance to the current study. Theory X assumes that people are inherently lazy, driven by lower order needs and easily controlled. Conversely, Theory Y assumes that people are creative, self-directed and self-controlled in achieving organisational objectives to the extent that they are committed to these objectives (McGregor, 1960). From the above, it is evident that empowerment is derived from Theory Y, since it also fosters opportunities for self-control and growth, which directly affects motivation towards organisational objectives as is the case with Theory Y.

The concept of development and empowerment is also derived from human-existential theory, which emphasises human potential and individual freedom. This approach insists on an individual's motivation to become a more complete being, through growth and self-development (Bandura, 1986). Bandura's (1986) self-efficacy notion is central to the empowerment phenomenon and mostly complements the development process. Further to this approach, every individual has an internal need for self-determination and a need to cope with environmental demands. Through empowerment, an individual's belief in his/her own competence is enhanced (Ripley & Ripley, 1992). Thus empowerment is seen as a process of enhancing feelings of self-efficacy through the identification of conditions that foster powerlessness and their removal through the provision of efficacy information (Conger & Kanungo, 1988).

2.2.5 Extrinsic aspect of empowerment

Various social scientists have identified ways in which people can be empowered from an extrinsic motivational perspective. One such social scientist is Randolph (1995), who observed ten American organisations that made the transition to empowerment. The findings of his study outlined three keys to empowerment:

- Firstly, and most important, is *information sharing*, which builds trust and creates self-monitoring possibilities, part of which is included in Sir Latham's (1998) report on team building.
- Secondly, *structure* should be used to create autonomy. This involves clarifying goals, developing decision-making rules, and establishing performance appraisal procedures and training.
- Thirdly, *hierarchy* should be replaced with teams that involve all project participants.

Bandura (1986) claims that verbal feedback and encouragement can be used to empower people. This enables people to believe that they have the potential to succeed. With this type of encouragement people will be more likely to achieve their goals. Following from this is the connection made between empowerment and achievement, which forms the premise of partnering (Poirier & Houser, 1993)

This view is congruent with a business perspective by Schoeman (1990), who suggested that empowerment is a totally integrated concept within the Organisational Culture, Human Research Management Approach and Individual Management Leadership Style as follows:

Organisational Culture

- Shared values are very important as they normally instil a commitment to a common philosophy and purpose,
- Giving the people a platform or a chance to succeed.
- Involvement of everyone in everything creates a sense of empowerment which leads to openness and flexibility in the workplace.
- Involvement and knowledge are relevant to empowerment in order to promote commitment of people in the workplace.

Human Research Management Approach

This approach has a major role to put this in motion by supporting the process of empowerment through:

- Flattening organisational structures and spans control.
- Training, identifying training needs and training investment costing.
- Manpower succession and development: career patching and total black development.

Individual Management Leadership Style

- Leadership and management complement each other - good management controls a situation and effective people bring about change.
- Good leaders motivate people in a variety of ways to bring out their best in the execution of their tasks. Good leaders also promote the following:

- Sense of individual belonging and acceptance of the particular culture, industry or organisation
- Recognition of achievement and skill to instil motivation
- Self-esteem and feeling of control over one's life.

This is also backed by the Human Resources mode, which recognises that individuals have a need for acceptance, status and recognition (Peterson, Tracy & Cobbled, 1979). This approach argues that individuals desire the opportunity to develop and gain satisfaction from achieving demanding and worthwhile objectives. Thus, information-sharing and shared decision-making will satisfy their need for power and control. What is also evident from the above is that research on empowerment has clearly distinguished between *situational attributes* of empowerment, which focuses on the power that people or organisations invest in others, and the *psychological attributes* of empowerment, which encompasses the individual's perception of the power they have been given (Spreitzer, 1995; Thomas & Velthouse, 1990). The research that has been conducted has taken an integrative perspective. The present study attempts to provide a model by capturing both the individual cognitions of empowerment and the objective, situational variables of empowerment.

2.2.6 Integrative Model of Empowerment

A comprehensive, integrative model is provided by Cook (1993) who maintains that empowerment operates on three levels:

- *Within the individual*: at this level the individual is empowered on a personal level. The individual believes that he/she is equipped with the necessary resources to succeed. For example, this includes training and development, which provides necessary skills and knowledge. Thus, the individual's beliefs in his/her own competence are enhanced.
- *Between individuals*: at this level individuals assist in empowering each other. This includes mentoring, for example, where mentors ensure that their protégés advance appropriately.
- *Between groups*: this operates at the collective level of empowerment. Individuals belonging to certain groups become more powerful when previously closed opportunities are made available. This is encouraged by legislation such as the Employment Equity Act (1998) and the Skills Development Act (2000) that aim to empower previously dis-empowered groups.

The above highlights some interesting views, which the South African construction industry would need to understand, especially in situations where previously disadvantaged enterprises have been engaged in projects.

Based on the adopted definitions of empowerment, the extent of empowerment in organisations can be evaluated on both an extrinsic, situational level and an intrinsic, psychological level. The extrinsic level includes situational variables such as management practices while the intrinsic level includes individuals' subjective experience, i.e. psychological empowerment.

2.2.7 Practical Leadership in the Empowerment Process

The important link between leadership and empowerment has also been emphasised by suggesting that empowerment must start at the top in order to be effective, practical and achievable (Jacobs, 1996; Ripley & Ripley, 1992). It is therefore necessary to identify leadership and managerial practices that foster empowerment. In a study conducted by Ripley and Ripley (1992) it was found that democratic leadership appeared to develop higher levels of empowerment than autocratic leadership (Ripley & Ripley, 1992 in Carr, 1994). In turn, these higher levels of empowerment motivated individuals to engage in more innovative behaviour in the workplace. It can thus be argued that certain behaviours are required to facilitate empowerment process. These may include giving individuals various opportunities to participate in decision-making, providing autonomy from bureaucratic constraints, training individuals, giving recognition, expressing confidence in subordinates accompanied by high performance expectations and trust (Burke, 1986; Carr, 1994; Conger 1986).

In light of the above it may be suggested that these behaviours are construed as extrinsic means of empowerment. The question then arises as to whether management or leaders can foster internal as well as external empowerment. In an attempt to answer this question it may be plausible to suggest that intrinsic and extrinsic empowerment are interdependent and feed into each other. For example, managers can externally empower individuals by training them as well as providing internal and external recognition, which in turn would increase the individuals' confidence in their own abilities, resulting in a feeling of psychological empowerment. Due to the importance of empowering managerial styles, the present study aims to explore the extent of empowerment in partnership organisations, as indicated by empowerment-encouraging management styles.

Vogt and Murrell (1990) proposed a model consisting of a spectrum of management styles necessary to create an empowering context, namely, informing, decision-making, planning, evaluating, motivating and developing. Although the present study examines empowerment-encouraging management styles, this does not suggest that managers are the only source of empowerment. Although managers can empower workers, empowerment does not only occur from the top down. Certainly, individuals can become empowered in spite of, rather than because of, the beliefs and actions of those in the organisational hierarchy. Organisational members may derive their sense of empowerment from the support and collective strength of their peers or trade union.

Lawler (1992) suggests that two types of information are critical for empowerment, namely, *information about the organisation's mission* and *information about performance*. People are more likely to take the initiative if they know where the organisation is headed and information about the mission helps to create meaning and purpose (Conger & Kerning, 1988). Performance information is necessary to help maintain a sense of competence and belief that one is valued by the organisation for individual goal setting (Spreitzer, 1995). According to Ivancevich and Matteson (1990), information is considered the basis of effective *decision-making* and those who possess effective decision-making information have power. Vogt and Murrell (1990) suggest that the empowering manager must establish a climate of trust so that information can filter smoothly through the organisation.

With regards to *planning*, individuals need to know that they are part of the overall plan and need to identify their own contributions to its accomplishment (Vogt & Murrell, 1990). *Evaluation* is important to ensure that actual results are consistent with planned results (Ivancevich & Matteson, 1990). An evaluative strategy includes a self-diagnostic technique in which a leader/manager gives support and encouragement in response to an individual's request (Vogt & Murrell, 1990). An explanation of the evaluation procedure follows as a benchmark for best practice purposes.

Motivation involves goal-directed behaviour (Ivancevich & Matteson, 1990). Vogt and Murrell (1990) assume that individuals are intrinsically motivated. In the workplace, leaders and managers need to help subordinates to become aware of their own goals so that they can guide their own motivation. Yuki (1989) asserts that motivation involves the use of personal power to encourage enthusiasm and commitment. With reference to the present study, an empowering context is thought to affect individual or organisational motivation through the creation of personal self-determination, mutual trust and common goal achievement, which, in turn, equates motivation and embraces the concept of partnering. Motivation then limits the dissemination of dysfunction in the organisation. The empowering manager's role should involve ways of developing individuals to higher levels of performance. This developmental perspective is the key to increasing the organisation's growth and survival capacity (Vogt and Murrell, 1990) and should have sustainability over the development process. Development was discussed earlier in this study in order to elicit a precise understanding of this concept.

Parker and Price (1994) reason that managers who exercise control over the workforce in a supportive manner are more likely to be an empowering force for workers. Thus, the role of the empowering manager is to develop skills in each of the functions discussed above in the pursuit to empower the workforce. Following from this, the abovementioned managerial functions are necessary in order to create an empowering environment especially in dysfunctional organisations. Management invests individuals with power by developing them. It is, however, important to consider what individuals do with this power and how they perceive these functions as empowering.

In light of the above, empowerment raises various concerns that need to be considered, particularly within the South African context. The dangers associated with empowerment are highlighted by Topaz (1990). According to this author, not everyone is able to accept the challenges associated with empowerment. South Africa's discriminatory past may have created a learnt helplessness among many previously disadvantaged groups. Thus, the acquisition of power may be perceived as stressful and anxiety provoking. Empowerment involves extensive training and development, initially costly for the organisation. From a socio-economic perspective, it is possible that few South African organisations have the resources to adequately address this issue. From a managerial perspective, empowerment may be perceived as threatening since empowerment programs are characterised by a loss of management's power. In spite of these concerns, which have to be acknowledged when considering empowerment, in order to get a comprehensive understanding of empowerment, it is essential to examine what the individual does with the power given to him/her. One way of doing this is by investigating a monitoring and evaluation process.

Based on this view, empowerment interventions enable individuals to perform their work with increased initiative and persistence. A holistic approach employed by Fetterman (2001) highlighted some very important benchmarks, which have been successfully adopted in the United States of America to evaluate the empowerment focus and which are applicable to the South African context.

2.2.8 Collaborative Participatory and Empowerment Evaluations

Empowerment evaluation sets out to examine individuals' or organisations' responses to power and how it is sustained during the process of empowerment. It has been adopted in higher education, government inner-city public education, non-profit co-operations and foundations throughout the world and a wide range of programs and policy sections use empowerment evaluation (Fetterman, 2001).

2.2.9 An Evaluation Overview

Empowerment evaluation is the use of the evaluation concept, technologies and findings to foster development and self-determination. It employs both qualitative and quantitative methodologies. Although it can be applied to individuals, organisation committees and society/cultures, the focus is usually on programs. Empowerment evaluation has an unambiguous value orientation, designed to help people help themselves and improve their programs using a form of self-evaluation and reflection.

Empowerment evaluation, like all other evaluation, exists within a context. However, the range of intermediate objectives linking what most people do during their daily routine with micro-goals is infinite. Individuals often feel empowered and self-determined when they can select intermediate objectives that are linked to larger global goals. In addition, self-evaluation is more meaningful when linked to external requirements and demands. This also empowers external evaluators.

The external evaluator routinely devotes time to the development and maintenance of the elementary evaluator's systems. Programs that already have a basic self-evaluation process in place enable external evaluation to begin operating at a much more sophisticated level. Finally, as Vanderplats (2001 p 6) explains, perhaps what distinguishes the discourse on empowerment most clearly from its predecessor is "its acknowledgment and deep respect for people's capacity to create knowledge about, and evaluation of their own experience".

2.3 Empowerment in the South African Context

2.3.1 Black Economic Empowerment (BEE) in South Africa

A concise and precise definition of black economic empowerment is still necessary in the South African context despite its increasing recognition in the post-Apartheid era. The Black Economic Empowerment Commission, which has been working on this concept since 1998 (Shubane, Nyhonyha, Morolo & Quanta, 1999) has raised concerns regarding the definition of BEE.

The Commission and Burdett (1999) have suggested an understanding of empowerment in the business environment as a starting point in the search for a definition. Burdett presents four main characteristics, which he believes must be present in all successful empowerment initiatives:

- Focus on creating customer value (by extension and or shareholder value). The outcome of the whole empowerment process should be measured by the extent to which customer value has been created. For this to happen, the organisation being empowered has to fully understand its role within the broader context in which the empowerment is occurring.
- Simplifying the organisational structure within which empowerment is occurring by reducing the levels of hierarchy to a minimum. The main aim is to facilitate freer flow of information and feedback mechanisms, speed of decision-making and the allocation of increasing responsibilities to the individual being empowered.
- The empowerment organisation's capabilities are aligned with the work to be performed
- The (ever-shortening) time taken to respond to new opportunities (because of increased competencies and decision-making power) must come to present a genuine competitive advantage.

In short, the empowerment activity must result in greater value created for customers and higher productivity of the empowered company or individuals. Although some authors leave one or more characteristics out of their definitions, there is overall agreement on the above principles of empowerment (Bornstein & Smith, 1996; Harmon, 1997; Robbins, 1998). Assuming that these principles are indispensable features of any successful empowerment activity, be it for an individual or a company, it is now possible to examine the meaning and implication of "black" and "economic"

in black economic empowerment. It is also important to bear the above four principles in mind when reviewing issues related to previously disadvantaged economic empowerment.

Discrimination against black people in South African history prior to the democratic elections of 1994 effectively created a huge gap between awareness of and actual access to possibilities in the sphere of South Africa economic life. Previously disadvantaged individuals were unable to enjoy the benefits of the mainstream economy and there was no possibility of them ever participating under the previous political dispensation. Given the context, it is not too difficult to understand the excitement and high expectations that came with the removal of the political barriers to entry into the economic mainstream. High hopes are reflected in definitions of black economic empowerment as ["ownership and control of companies and therefore the economy by black people"] (Qunta in Shubane *et al.*, 1999).

There is no dispute regarding the need to have previously disadvantaged individuals owning and controlling significantly sized companies as, in part, redress of past imbalances (Bridge, 1999; Cargill, date). A current intervention is the government's stated preference for established businesses with empowerment partners, as opposed to those without, in the awarding of State tenders. This will encourage private sectors to develop serious black empowerment strategies that are sustainable (Industrial Development Corporation, 2002).

The processes by which empowerment can proceed and the outcomes against which it can be assessed, and still be called empowerment, are contentious. This dispute is evident in current issues around black economic empowerment as shown below. At one end of the continuum, processes proposed by established business are seen as taking too long, designed to keep black economic empowerment out of the economic mainstream for as long as possible. At the other end, processes proposed by black empowerment business and government to hasten black empowerment are viewed by established business as recipes for economic disaster. In between, there has been a half-hearted attempt to "throw money at the problem" (through development funding institutions and other special purpose vehicles) and the empowerment entities are casualties of this approach. Hence, the mutually acceptable process remains undefined. Having noted the controversies, a working definition of previously disadvantaged economic empowerment is now stated for the purpose of this study.

Given the above contrivances, black economic empowerment should in essence be defined as "giving of opportunities for sustainable economic development and growth to an organisation owned or controlled by black people who were previously denied access to such opportunities of the economic mainstream".

The key word in this definition is sustainable. To be sustainable means, in my opinion, an empowerment opportunity that satisfies the four criteria stated by Burdett and others, and also follows the methodology discussed earlier.

2.4 Current issues in Black Economic Empowerment in South Africa

Black economic empowerment is viewed in established business circles with a healthy skepticism at best and with morbid cynicism and resentment at worst (Cargill, 1999; Esterhuysen, 1996).

2.4.1 Deals and organic business building expertise

The use of Development Funding Institutions (DFIs) or Special Purpose Vehicles (SPVs), which are dedicated financing instruments, has made it possible for previously disadvantaged business without capital to buy into the corporate establishment. Acquisitions have been rapid and large.

Recent studies by Cargill (1999) revealed that from 1994 to 1998, the number of black-controlled companies listed on the Johannesburg Stock Exchange (JSE) had risen to more than 30 companies and is currently estimated at 70 companies. In terms of value, progress has been similarly impressive (Cargill, 1999). In 1996, black-controlled companies accounted for about R4,6-billion of market capitalisation. In 1999, they accounted for R58.9-billion of the JSE's market capitalisation (Cargill, 1999).

The performance of these listed, black-controlled companies has generally been higher than economic indices, but criticism has persisted. Detractors of development funding mechanisms for empowerment companies have expressed concern about the messages being sent to aspiring black business people about building up corporations. As Cargill (1999 p 5) remarks, "this approach has tended to create an impression that business is about deal-making, and has done little to develop expertise in building businesses organically."

2.4.2 Protection from Risk

The DFIs and SPVs used to fund black empowerment acquisitions were designed to work in a positive growth market in which earnings would service the debt. In the event that the market turned bearish and empowerment partners could not service their debt, then ownership of their shareholding reverted back to their lenders. The financial engineering methods used took most of the risk out of the investment for the empowerment partner. This in turn led to criticism about the relatively low level of commitment of the empowerment partners to managing the investment they made.

Remedial measures are now being taken to link rewards to performance. Two approaches are currently gaining currency. The first is where the level of participation in the returns of the investment is linked to achievement of certain pre-set targets or milestones. The second is where the institutions are beginning to insist on the empowerment partner having his or her own capital committed in a particular investment so that he or she shares in the investment risk right from the beginning (Industrial Development Corporation Workshop, July 2003)

2.4.3 Management Capacity

A large proportion of empowerment companies does not have sufficient managerial capacity to sustain sophisticated corporations. This, coupled with the increased risk exposure of lenders through high gearing, has led many lenders to take equity stakes in black empowerment companies, injecting both capital and managerial expertise.

To their credit, black empowerment businesses have realised their own managerial shortcomings and have sought help. Most have retained or recruited top white executives to run the companies for them. In addition, some of these businesses have used their acquisitions as vehicles for capacity building. Metlife, for example, has made strides in empowering previously disadvantaged individuals: 20 percent of senior management; about 35 percent of middle management and 45 percent of supervisory management are now previously disadvantaged individuals.

For smaller companies with assets less than R3-million in value, especially those in the construction sector, the managerial capacity problem is more serious. They often lack marketing, administrative, operations and financial expertise and cannot afford to purchase them. They thus remain trapped in the starting blocks and eventually close down due to either financial pressures or operationally associated constraints.

2.4.4 Government Patronage

The government has been using its extensive buying power to further the case for previously disadvantaged empowerment. It is estimated that the government and its agencies purchase about R50-billion worth of goods and services from the private sector each year (Sikhakhane, 1998). This is a market most businesses would like to have a share in.

The state tender board has a deliberate policy favouring black-owned enterprises through the roster system introduced by the Department of Public Works. Out of 100 points, 88 points are allocated for a low price, 10 points for economic empowerment, and 2 points for women empowerment (Bidoli, 1998). The State Tender Board further defines empowerment as including both previously disadvantaged shareholding and previously disadvantaged management.

Gounden (2000) pointed out that the preferential treatment through government policies and practices has led some commentators to conclude that this is the main reason why black-owned construction firms have performed so badly and only a few have been successful (Cargill, 1999). This may be so, but it is difficult not to see some mean-spiritedness in that view. Little credit has been given to the common sense approach of the previously disadvantaged owners who retain existing managerial and operational expertise in companies so that there is continuity and consistency.

In fact, a lot of small and medium previously disadvantaged-owned enterprises are discontented with the way that the State Tender Board still awards many contracts to non-previously disadvantaged businesses. For example, in 1998, the state spent about R6-billion on IT and telecommunication products and services. Of that, only R570-million (9.5%) went to previously disadvantaged-owned IT and telecommunications businesses (Bidoli, 1998). The most commonly made recommendation is that the government should do its utmost to guard against suspicions of tokenism and corruption by keeping its procedures transparent and having clear, well-communicated regulatory frameworks.

2.4.5 Corporate governance

Established corporate South Africa is currently working its way towards observance of good corporate governance practices. However, failing to observe the codes of good corporate governance always seems worse when a black empowerment company is involved. Black empowerment companies have a responsibility to act as role models for those wishing to emulate them. In the case of white-owned companies there is no shortage of good role models even if a handful of listed companies are bad examples.

A typical example is in a recent case is that of New African Investment Limited (NAIL) (Leader, 1999). The four executive directors of NAIL proposed to seek approval at the 1999 annual general meeting (AGM) for the sharing, among themselves, of about R140-million worth of equity, which had accrued from an earlier company's investments. The directors did try to justify this distribution on the basis that they were only exercising an existing option. This attracted vitriol where normally reticent voices spoke up.

NAIL shares were trading at a discount to net asset value. NAIL had failed to create any significant number of jobs for the previously disadvantaged. The directors had not created any significant value for their shareholders, and as an empowerment corporation, it still had to fulfil its mandate of contributing to the economic and social upliftment of the masses. For what, then, were the directors intending to reward themselves? How did they intend to exercise an option whose terms were not even stated? From the black economic empowerment perspective, the incident cast a dark cloud over the true intentions of BEE companies. Those critics who had always seen BEE as a way of enriching a few felt vindicated. From the corporate governance side, the issues that arose were equally serious, including:

- Failure to link director's remuneration to performance,
- Problems of non-disclosure with regard to the true value of the company's assets and restriction of trade payments to resigned directors, and
- Lack of vigilance of the non-executive directors who should have used their watchdog influence.

The true extent of the effects of the NAIL incident on the BEE movement still has to be seen, however, there is little doubt that a credibility crisis looms large.

Enrichment does not equal empowerment. This distinction should be made and all policies and procedures followed in the empowerment process should be structured to prevent abuse of the system.

2.4.6 Leadership and unity of purpose

It has been pointed out on numerous occasions (Sikhakhane, 1999) that black economic empowerment companies need leadership, both at company and at fraternity level. Reference has often been made to the laboriously consultative and indecisive nature of empowerment companies' managers (Sikhakhane, 1999). Some argue that this is consistent with the "ubuntu" cultural way of doing things.

Linked to the problem of convoluted decision-making processes is a perceived lack of focus and determined direction in investment strategies. Some workers attribute this lack of focus partly to the acquisitive nature of most empowerment businesses as opposed to entrepreneurial start-ups (Cargill 1999). An often quoted example of a focused, entrepreneurial business is Herman Mashaba's Black Like Me, the black hair product manufacturing company which has since sold part of its stake to Colgate-Palmolive. More of such initiatives are expected to emerge as black entrepreneurship develops.

At the fraternity level, BEE companies and organisations still have to establish a unity of purpose. There is still a clear need for a definition of what is meant by black economic empowerment, what it should accomplish, how long it should last and how individuals will know when the BEE era is over. At the moment, there are as many understandings of BEE as there are organisations representing black businesses. The current organisational structure of black businesses is indeterminate. There is the Black Business Council (BBC), which was formed in 1997 when an earlier mandated body, National Black Businesses Caucus (NBBC), formed in 1993, strayed from its mandate. The BBC is supposed to represent 11 groups, of which the NBBC is one. Unfortunately, misfortune seems to have struck the BBC with poor attendance by participants (Sikhakhane, 1999)

2.4.7 Opportunism & Financing

It has been noted that there has been an outbreak of new investment syndicates and partnerships seeking opportunities but with little to offer investors, as one cynic put it, ". . . other than their blackness and (often dubious) political connections. Typically, they claim to offer woolly services such as contacts, expertise in unfamiliar markets and promotional skills" (Cargill, 1999 p 14). This cynicism extends all the way to the financial institutions, which will not lend the syndicates any capital, viewing them as unreliable and risky opportunists who are merely after handouts.

Resentment for the emerging opportunism is actually wide-spread as noted by Ayanda Bam, chairman of the coal-mining company, Kuyasa Mining: “[blacks] . . . who have yet to see a coal seam...(and who)...have never run a café in their lives [yet] they believe they can run a company with an output of R18M/yr” (Ryan, 1999 p 24).

The entrepreneurial start-ups see it differently, viewing the once welcoming corporations and financial institutions as “ . . . elitist, bureaucratic, alienating and hostile.” (Ryan, 1999 p 41) They view this emerging attitude as an attempt to frustrate legitimate black economic aspirations by limiting access to capital.

Evidence does exist, however, that some of the financial institutions may be overly conservative and even unsympathetic to the cause of previously disadvantaged empowerment. Ayanda Bam's account typifies this experience. “Armed with a bankable document, coal sale agreements and a notarial mineral lease agreement which could be coded to a financial institution, we...mined for 21 months without managing to secure funding from a financial institution. Numerous institutions showed interest after we went through the high-risk development phase but still made ridiculous demands in exchange for their loans” (Ryan, 1999 p 13).

2.4.8 Partnership of convenience

Few issues inside and outside the black economic empowerment arena provoke deeper emotion than that of suspected window dressing. Also known as “ghost directors” or “freelance black directors” or less charitably as “rent-a-black business deals”, these partnerships of convenience are viewed with great disdain by both the bona fide black empowerment community and the established business community.

Simon White of Forge Ahead BMI-TechKnowledge, an IT company, describes the situation well: “Black executives who are well connected and rich are often brought on board at the equity level to open doors, the previously disadvantaged shareholder does not get involved at operational level, few skills are transferred to previously disadvantaged individuals and white managers continue to pull the strings.” (Bidoli, 1998 p 6).

Ayanda Bam of Kuyasa Mining has an even more sinister interpretation of the situation, “...black empowerment deals that are hastily put together by businesses in order to secure contracts from government and parastatals . . . seem to target individuals with political profiles. So, it is fair to say that if one does not have political connections then it would result in a barrier to entry, irrespective of one's abilities.” (Ryan, 1999p 31).

After being misled at least once, the State Tender Board has taken steps to remedy the situation of misrepresentations. They now insist on scrutinising every case of black and white joint ventures submitting a tender. According to the Board, empowerment is present when both black

shareholders and previously disadvantaged management are present. They do concede, though, that most bids are weak on at least one of these aspects of empowerment (Sikhakhane, 1998).

2.4.9 Minority enrichment

The unstated objectives of black economic empowerment have changed over time. Before 1990, the aim was to try and give disadvantaged people an opportunity to participate in the mainstream economic activities of South Africa, albeit under very repressive and restrictive political circumstances. From the unbanning of the African National Congress in 1990 leading up to the General Elections in 1994 and afterwards, black empowerment took on a strong ideological flavour. It was seen as a vehicle of wealth redistribution to the previously disadvantaged masses. It was envisaged that the active participation of blacks in the economy would create value with a commitment to assist in the social upliftment of the poor by creating jobs and contributing to programs of social development and sustainability.

Ten years later, the emerging portrait is that of a very few rich black business people who have created a disappointingly small number of jobs for their compatriots and worse, who do not seem to be about to change course. In some quarters, disillusionment has set in (Estehuyse, 1996). The NAIL case recounted earlier did not help to alter this view. One of the questions that the Black Economic Empowerment Commission has been asked to answer in its assessment of the process to date is whether what has been seen up to now is true empowerment or just enrichment (Shubane *et al.*, 1999).

2.5 Empowerment in the South African Construction Industry

2.5.1 Perception of BEE status in the Construction Industry

Another dimension highlighted by Business Map Foundation (May 28, 2003) is that sustainable empowerment in the construction industry should be viewed in the light of the integral objectives of its development, i.e. growth, improved performance, delivery and transformation.

Supporting the above is the statement given by the Minister of Public works, Stella Sigcau, at a meeting with Industry Leaders held on the 12th of May 2002: "The construction industry is a national asset in the ongoing SA effort towards delivery and transformation. In fact, infrastructure delivery and construction development should be inseparable - they are two sides of the same coin"

In future, the Public Finance Management Act, Employment Equity Act, Construction Industry Development Board (CIDB) Act and procurement legislation will all contribute to efficient capital spending in the construction industry and so facilitate empowerment.

CIDB chairperson Brian Bruce sees BEE in the construction industry happening on three levels - **internal quality, strategic partnerships and services procurement**. At the moment procurement is a "low-hanging fruit" in terms of driving the empowerment process. However, the procurement policy is hampering empowerment progress, and the Department of Public Services' current review of government policy is a positive sign (Bruce, 2003).

A root cause of some empowerment failures in the sector is the use of the archaic British system of separating the 'design' and 'build' phases of construction management. There are indications that throughout the world, governments are shelving technical and project management capacity and focussing more on policy development. This has resulted in a greater degree of project management expertise being used to integrate management of the two phases. In South Africa, the private sector is following the best practice, as is the State's privatisation process. However, much of public sector design falls within the roster system whilst building or construction falls within the competitive tender process where lowest price is the main consideration.

Procurement initiatives are based on lowest price and empowerment participation. This means a black entrepreneur with little expertise in construction could potentially win a tender if he/she submits a low-priced bid, while other more skilled empowerment participants with more realistically priced bids would fail to benefit from the opportunity.

The SA Federation of Civil Engineering Contractors (Safecs) estimates empowerment participation in the civil engineering industry at about 28 percent. This is based on BEE enterprise activity at project level, with these enterprises not necessarily wholly owned by black people, which mean that actual black beneficial participation could be less than 28 percent. Also, empowerment mainly occurs in the value-add component of construction, which is about 20 percent of the costs of construction (that is, the high risk area of construction and project management). However with the 60 to 80 percent of the cost of construction in material and services, the significant contributor to such costs is largely un-empowered. For example, the cement aggregate and brick businesses are major suppliers to the construction industry but lack a significant empowerment arm.

Recently, there has been a greater empowerment focus on contractors and less on material and services, mainly because the barriers to entry for black people to become contractors are low relative to the high capital and market sustainability requirements to manufacture cement, bricks or steel.

Empowerment contractors often risk late payments due to poor financial administration procedures at local government level, which means small empowerment contractors frequently go out of business. The failure rate amongst small black businesses in this sector is high. Improvement of the public sector's capacity should be added to the empowerment objectives set out for the private sector to increase its commitment. Industry participants anticipate a partnering approach in which the private sector engages empowerment activity whilst the state initiates proper processes in order

to enable competent empowerment implementation. For example, municipalities could build empowerment criteria into the application process for building permits. Another example is that of Blue IQ projects like the Mandela Bridge completed in July 2003.

James Mbentse, chairman of the National African Federation Building Industry (Nafbi), notes that there is R35-billion worth of turnover in the industry, but it is difficult to assess what percentage is black because of the common partnerships of convenience.

In terms of empowerment in the future, Nafbi sees the industry as composed of a range of equal-opportunity companies if the concept of partnering is to be explored and implemented effectively. The organisation also envisages black ownership of the construction industry as a harder target to achieve than black participation through suppliers of goods and services to the industry. Nafbi agrees that an increase in partnerships with major industry players who have the capacity for development is required if it is to reach its empowerment goals. It also acknowledges that the Public Private Partnership models as well as the SETAs¹ are useful in the development of capacity amongst black people. Nafbi's long-term goal is to move black people up the pyramid shown below, from construction workers to professional managers of large corporates, with competency to deliver value to stakeholders.

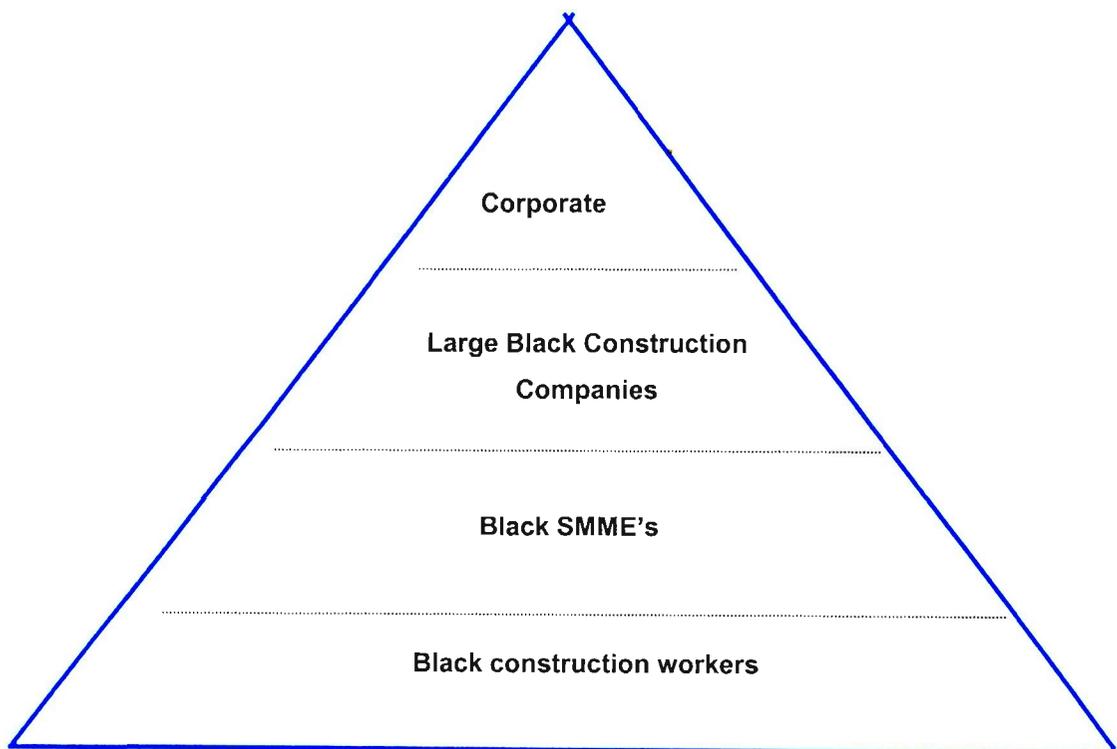


Figure 3 - Nafbi long-term envisaged pyramid for black construction companies

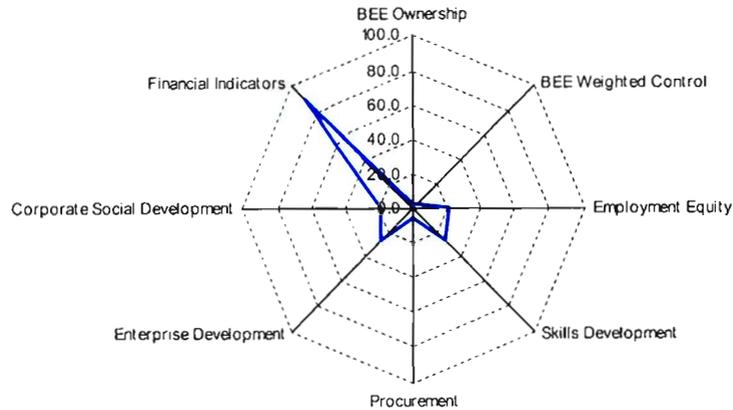
¹ Setas - Sectorial Education and Training Authorities previously known as Training Boards
Page - 53 -

2.6 South African BEE construction sector information and indicators

Broad-based Economic Empowerment Survey of JSE Listed Companies 2002 by Empowerdex (Economic Empowerment Rating Agency)

Basic Industries - Construction and Building Material

Figure. 4 - Sector BEE Indicator Summary



2.6.1 Construction Sector Information:

The sector contains an average of 16 companies, which generate R40-billion in annual revenue. The total market capitalization of the sector amounts to R15-billion. The sector creates 122,000 jobs. PPC, M&R Holdings and Aveng constitute over 70 percent of the total market capitalization of the industry. They also generate over 60 percent of the market revenue. The BEE wealth invested in this sector amounts to R1.3-billion, accounting for nine percent of the entire sector. The companies in the sector are involved in the supply of various building materials and the construction of roads, malls, bridges, hotels and dams.

2.6.2 BEE Information

The sector's BEE status and contribution is summarised above. The sector has made a very limited BEE contribution, with the exception of its efforts in enterprise development.

In this sector, there are two BEE-influenced companies, namely Group 5 and Murray & Roberts, and 14 non-BEE companies.

Type	Black Owned Companies	Black Empowered Companies	Black Influenced Companies	Non BEE		
				Lack of Black Ownership	Lack of Black Control	Lack of Black Ownership and Control
Total	0	0	2	3	3	8

Table 1 - Sector BEE status and contribution

There are 8 companies who exceed the average BEE status of the sector, with Group 5 and M&R Holdings showing exceptional overall BEE contribution in the industry. Group 5 leads the sector on overall BEE status and is followed closely by Murray & Roberts.

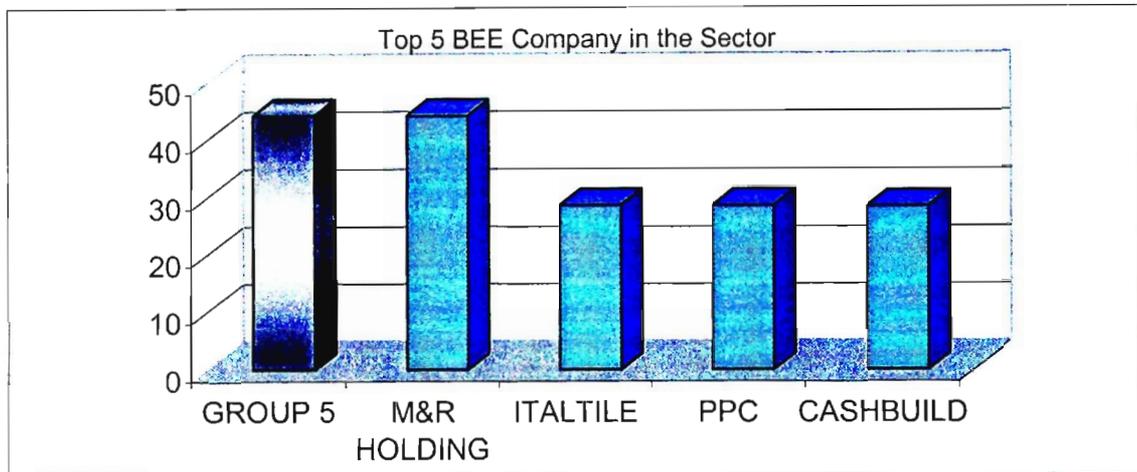


Figure 5 – Top five BEE companies in the sector

2.6.3 BEE Ownership

The sector has an average BEE ownership of 4.9 percent and Italtile leads the sector with 23 percent BEE ownership, of which 16.9 percent held by PIC.

2.6.4 BEE Control

The average weighted BEE control of the sector is 3.8 percent. There are no PDI executive directors in this sector, and only nine non-executive directors who sit on the boards of Aveng, Cemenco, Ceramic, Group 5 and M & R Holdings.

2.6.5 Employment Equity

Most of the companies in the sector have not disclosed any employment equity profiles or other related information to the public. Only five companies disclosed their employment equity profiles, with DAWN being the leader in this sector.

2.6.6 Skills Development

Almost all of the companies in the sector disclosed their skills development focus, but only a few disclosed the details of their development initiatives. Basil Read leads the sector in their contribution to skills development.

2.6.7 Affirmative Procurement

The sector companies disclosed very few details with regards to their policy and implementation of affirmative procurement. Cashbuild leads the sector through sourcing of local suppliers from disadvantaged communities.

2.6.8 Enterprise Development

Group 5, PPC, Cashbuild, Aveng, and Basil Reed rank highly in their contributions towards enterprise development. They have disclosed their initiatives to develop SMMEs in the same industry through joint ventures and skills transfer.

2.6.9 Social Development

Aveng leads the sector in social development by focusing their social development on the advancement of PDIs.

2.6.10 BEE Risk

The sector is subject to high empowerment risk from affirmative procurement. The sector renders a major portion of its services to a predominantly public sector client base. The importance of the public sector clientele is expected to increase with the expanded public works program promoted through the State of the Nation address and the budget. However, some companies in the sector have extensive African or offshore income that can mitigate their empowerment risk.

The average BEE status of the sector is below that required. Required BEE status is calculated after taking all market and sector-specific risks into account. To meet the sector status requirement, the sector companies must improve their status through improved affirmative procurement, as well as increasing their BEE ownership and control.

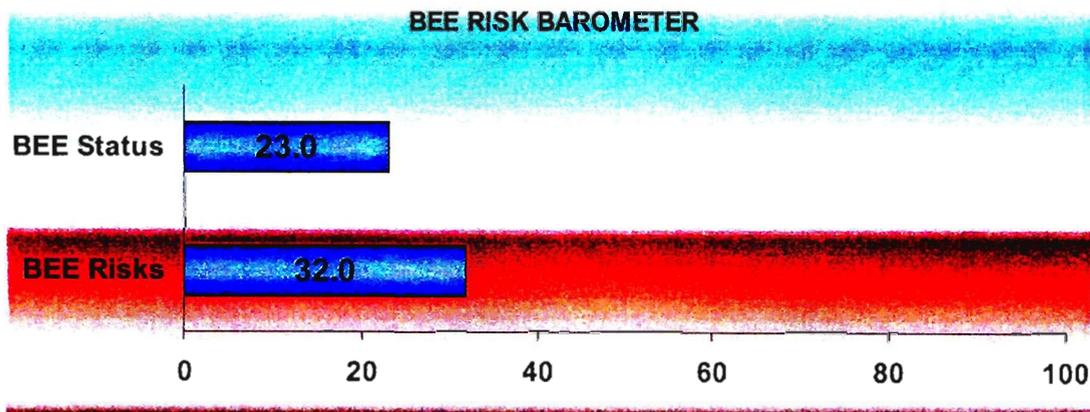


Figure 6 – BEE Risk barometer

More can be done to minimise the risk and promote skills development through the introduction of continuous performance improvement, alignment of parties' goals and objectives to successful project completion. In order for this to happen the partnering concept would need to be adopted.

CHAPTER III

GENERAL PERSPECTIVE OF PARTNERING

3.1 Background to Partnering

The concept of partnering was initially adopted in the 1980s in the petrochemical and oil industry and has since been adopted in other sectors including the Construction Industry. Both private and public sectors, especially in the United States of America, the United Kingdom, and other countries including mainland Europe, have embraced partnering. These countries have adopted this concept in their project divisions and have recently introduced partnering as a new method of improving performance. This is particularly the case in the construction industry in South Africa (Harris, 2000). Partnering is based on a simple assumption that better results can be achieved for all participants if they work together towards achieving common goals and objectives, as highlighted by the concept of empowerment (Scott, 2001).

The above-mentioned sectors have reported significant partnering benefits, such as:

- improved communication
- improved responsiveness to perceived problems
- greater awareness of opportunities
- fewer disputes
- improved performance, particularly in quality, and
- safety and greater certainty of outturn cost.

For the past decade, particularly in the manufacturing and construction industries, services performed have always been based on procedures that demand involvement of professionals from different backgrounds such as architects, engineers and planners. The Building and Civil clients' needs were less complicated in the past. However, with the increasing complexity and more specific needs of projects today, many problems are often encountered especially where previously disadvantaged enterprises have been engaged, resulting in mistrust, lack of respect, racial imbalances and claims. In order to minimise these problems and to improve project effectiveness and efficiency, the concept of partnering is now seen by many social scientists as an intervention mechanism, particularly with regards to empowerment of previously disadvantaged enterprises.

In light of the above, several parties have approached project divisions on the subject of partnering, making presentations in support of the concept and expounding its virtues and investigating how partnering might be introduced. However, these parties are based overseas and lack the South African Context. For example, the British government has (post 1994, after the Sir Latham Report)

proposed to make Partnering the principal tool or include it in all running contracts in the public sector since the findings by Sir Latham have shown greater improvements if partnering is used (**Commercial Based Practice website in UK**).

The investigations undertaken regarding the efficacy of partnering have been based on conducting surveys and interviewing contractors, consultants and clients who have had experience of partnering. The results of the surveys and interviews indicate that there is a wide range of ways in which partnering can be adopted by the respondents. Also highlighted is the fact that there is no single template that can be adopted to introduce the partnering philosophy into the project's division. Broadly speaking the ways in which partnering has been successfully adopted are broken down into the following categories (Tony Wood, 2001):

- a) **Project informal arrangements** - whereby the parties adopt some of the principles of partnering. This ranges from a regular review process to determine how the parties are working together to a full commercial arrangement which is written outside the contract, with the parties resorting to the contract in the event that the commercial arrangement / partnership falls out.
- b) **Project specific formal arrangement** - whereby partnering is included in the project arrangement or agreement. This covers the same range as noted above but with these being documented into the agreement. There would, however, be no recourse to the agreement in the event of the commercial arrangement disintegrating, as this would already be built into the agreement.
- c) **Business / strategic partnerships** - whereby parties enter into longer-term relationships with a view to working together over a longer time frame, not limited to a single contract / project.

In the above categories the number of parties need not necessarily be limited to the client and consultant, but could include the whole procurement chain of suppliers, sub-contractors and support services.

The essential features considered for any partnering type arrangement supported by the above require the following:

- a. **Commitment** by both parties entering into the partnership. By its very nature, the partnering concept cannot be imposed.
- b. **A desire** by both parties to reduce the amount of paperwork, particularly that associated with claims.
- c. **Mutual objectives.** These are often manifested in a "partnering charter".
- d. **A problem / dispute resolution process** to enable problems to be resolved quickly and effectively at the lowest possible level. This is often called the "dispute resolution ladder".
- e. **A common desire** to actively search for continuous improvement.

- f. **Trust** between the parties. Good, regular and open communication between the parties together with the absence of a blame / anti-blame culture is essential.
- g. Adoption of a **winning goal attitude** among parties concerned, to bring this concept to its real state.

Group Five (KZN) as well as the Gauteng branch have successfully adopted this concept of partnering. Examples of projects currently completed:

- Unilever Offices in La Lucia Ridge in Umhlanga, Durban
- The Johannesburg Stock Exchange in Sandton, Gauteng

Partnering, besides having mutual objectives, agreed problem resolution methods and continuous measurable improvements, involves trust, honesty, appreciation, patience, respect, quality, teamwork and risk sharing. The problems of project partnering (mistrust, transfer of blame during conflict, lack of respect for individuals' cultural ethics) that arise in many organisations and industries cannot be resolved with immediate measures. In order for partnering to be implemented effectively, all these problems experienced by different industries have to be overcome through their inclusion in a partnering contract.

Even though partnering appears to be the best possible concept and solution on the surface, underneath rest some very complex systems. David T. Wright (1997) suggests that gentlemen's agreements in a social context may provide a degree of mutual understanding and trust, however, problems can and do exist in any business venture. The question is, "When such problems appear in a project, how best can these be resolved without engaging in contractual court cases?"

A brief highlight of what was discussed in the first chapter can aid in understanding this intervention mechanism which has been introduced in the South African business context. By simply placing partnering in the Construction Industry and relating this to the empowerment processes as discussed earlier, all under the umbrella of highlighting best practise and the means to resolve re-occurring problems envisaged by the writer. Before the partnering philosophy can be discussed, we need to define what we understand as Partnering. In order to do this we need to take from the different schools of thought and construct a working definition suitable for this concept.

3.2 Definition of Partnering

"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. This approach is based on mutual objectives, an agreed method of problem resolution and an active search for continuous measurable improvement. It is also viewed as a generic term to describe a structured methodology for organisations to establish mutually advantageous commercial arrangements, either for single projects or in long-term strategic relationships, which help their people to work together in more effective relationships (A report by Working Group 12 of the Construction Industry Board "*Partnering in the team*").

In a generic sense partnering is an operating philosophy that may be used in many personal and professional life activities. This concept is far from new and, for projects, is based on two or more people or groups working:

- as one team (including the client),
- in a spirit of co-operation and total trust, and
- with a common understanding/vision of what the team has to achieve.

This is what some people would call "the old-fashioned way" of doing business. Today, and because of many different ways of executing a project, the term "Partnering" (or, as referred to by some people, "Alliancing") is used to describe the activity.

There are, however, some similarities taken from different schools of thought in defining this concept. Most interestingly, the main points emphasised are those of:

- Maximising effectiveness
- Mutual objectives
- Continuous improving of performances
- Successful problem resolution
- Trust, common goal objective achievement

Bennet and Jayes (1995), further complemented by the Construction Industry Institute publication (1999), reflect some of the above points and define partnering as follows:

"A long-term commitment between two or more organisations for the purpose of achieving specific business objectives by maximizing the effectiveness of each participant's resources."

Also reflecting the points discussed above is Sir Michael Latham (1994) in the *Constructing the Team* handbook published in 1994, which gives an added dimension to this definition:

“Partnering includes the concepts of teamwork between supplier and client, and of total continuous improvement. It requires openness between parties, ready acceptance of new ideas, trust and perceived mutual benefit. It also brings significant benefits by improving quality and timeliness of completion whilst reducing costs”

The Regan Report of the Department of Environment Transport Regions (1997) placed additional emphasis on the mutual objectives and continuous measurable improvement contained in Sir Latham’ Report, stating that:

“Partnering involves two or more organisation working together to improve performance through agreed mutual objectives, devising a way for resolving disputes and committing themselves to continuous improvement, measuring the progress and sharing the gains.”

Recently, Scott (2001) supplemented the old and new definitions and further conceptualised the definition of partnering, enhancing the issue of timely delivery, as follows:

“A relationship between two or more organisations which is formed with the express intent of improving performance in the timely delivery of projects.”

In my opinion, the partnering concept should, in essence, broadly encompass the following, from which we can begin to understand and apply this concept in empowerment processes:

“A mutually driven relationship between two or more organisations with a principal objective of improving each other’s performance by utilising each individual’s services and resources and successfully resolving problems in the timely delivery of a project within uncertain constraints.”

3.3 A Simple Guide to Partnering Philosophy

3.3.1 Partnering philosophy in current management systems

The partnering philosophy is indeed the master key that unlocks the techniques and principles of Total Quality Management to provide customer satisfaction on construction-related projects. Today the construction industry in South Africa and the rest of the world, especially in the English-speaking countries in general, has evolved in response to the specific needs of unique projects for individual customers using partnering (Wood, 2001).

Design firms like Fluor Daniel SA Ltd, Foster Wheeler, Arup and Paton Taylor are generally separated from general building contractors which, in my opinion, means that they are excluded from the specialist firms of sub-contractors for traditional trades which they themselves directly descended from, which is not viable in terms of performance² targets.

Modern technology has developed specialist teams to design, erect or install, but with separate mandates and objectives. With little differentiation between their construction and professional characteristics these teams currently develop their own operating skills, which have, in some cases, included systems that comply with the requirements of Building Regulations, ISO 14000, and so on. The argument that stems from this, is that individuals' systems in all areas of professionalism, even if they are all based on those regulations, will not ensure a quality result on the client's project (Stephenson, 1996). To ensure quality, a team requires a project-based system that is tailor-made for the location, specification and client's specification requirements. It then further requires the development of common goals, unity and teamwork to achieve them. This requirement is essentially people-oriented and one which, with strong motivation, direction and management, will develop a win-win, efficient project culture in which all stakeholders' share and benefit.

Management systems, whether based on the RIBA Plan of work or ISO 14000, can never achieve quality alone. Instead, it is the task of the partnering philosophy to be included in order for the best results to emerge, particularly when considering the challenges facing the industry, and particularly where PDIs have been engaged.

There is no question that management systems can be developed quickly. However, human nature and habits that develop group culture, essential to stable and comfortable living, are much slower and more resistant to change. Change as an idea is good for others, the young, and for those who can be trained for it. But those who are older and in more senior and authoritative positions, are happy to accept the benefit as long as they do not have to alter their way of thinking, practices and lifestyle. Enforced culture changes invariably means a culture shock. Change is unsettling, creates fear of the consequences in those lacking confidence in a positive outcome or in their ability to cope with what will be required of them in their full and enthusiastic support. The improved systems, methods, machines and materials alone, can never achieve their full potential. This is a challenge for industry as we are in the 21st century. However, the challenge facing construction projects, and in particular complex projects required for modern living in the technological era of this century, is more immediate, hence the notion that partnering is the answer.

Each project undertaken is unique. Its location, time, physical requirements, standards required and, above all, human relationships needed to design, develop, construct, equip, commission and

² That is, cost, time and quality targets

maintain are also unique. A process, which begins with the client and his or her conception of requirements, is (rarely and properly) not a specification of needs. Some clients who have a regular and continuing need to procure buildings have the economic incentive to develop and maintain expertise and professionalism in 'being a client'. However, world wide, most clients have this need only once in their lifetime and therefore may be considered to be, and frequently are, 'amateurs' in the process. This is the particular role of 'partnering ' as it examines the effective use of participants and its techniques in the creation of the client's project.

Partnering, some argue, is only the re-adoption of the approach of a more leisurely age. Architects and contractors took a gentleman's approach to working together to please their clients. Frequently in a local, almost parochial environment, they gave their clients a simpler, traditionally built solution to simpler requirements. Today, cynics say projects are more technically exacting, the sums involved are vast, competition is fierce and financial pressures to make a profit for shareholders are all demanding. So, *'catch what you can and let the devil take the hindmost to outsmart the opposition'* is the name of the game – which must be won at all costs.

However, the practical outcome of the successful application of quality management techniques allied to partnering philosophy and principles has shown, in industries across the world, that a quality company is a profitable company and that investment in quality reduces costs. What is needed is the successful adaptation and adoption of these maxims to the project situation so that all the stakeholders in the project benefit, least of all in the achievement of individual and team satisfaction and so have fun in the process.

Partnering should include all the stakeholders which, particularly in relation to construction projects, includes society at large or, at any rate, those thousands who will work or live in the project and far greater numbers who will pass by or through it and be aware of the visual and even emotional impact it has on their living environment (Hellard, 1995).

The Construction industry, perhaps even more than most industrial activities, is a people business and the emphasis, therefore, should be on the human aspects rather than the technology, for the purposes of constructive elements of relationships and/or legal applications of doctrines for contractual performance. Contract forms have fought and failed to keep up with the technical rate of change and speed required for construction, in order to limit the cost of finance to highly geared borrowers, whether they be clients whose funds are un-productive whilst tied up in incomplete projects, or contractors overstretched by unplanned delays arising from clients' (or their architects' or engineers') late changes to client requirements.

Construction, in my opinion, will always be subjected to changes due to the unforeseen and unforeseeable and thus dispute or problem resolution concepts and procedures must feature in all partnering agreements and arrangements. Disputes are therefore also considered in this research and within the competitive environment, which is the norm in South Africa and elsewhere, through which co-operation must take place. To enhance this concept holistically, below are some of the answers to questions frequently asked by people who know little about partnering but are keen to learn more.

3.3.2 Re-occurring problems in Organisational Performances

From the project appraisal, including feasibility and viability studies conducted to design parameters and the actual implementation of any project, emphasis should always be put on team work, because it is the team that ensures success of the project. The project team consists of different participants who initially form an organisation with an aim to achieve a determined goal or objective of a project. Supporting this statement is Loosemore (1995), who suggests that the adverse nature of business leads each team member to try to win at all costs. This results in a hostile and uncompromising team environment, which is often not resolved but merely dismissed at the end of the project.

Part of the identified problems in organisational partnership that Scott (2001) has identified and benchmarked against construction related processes are:

Organisational Structure

This is one very important aspect of project success, which is influenced by the level of management and the cross flow of communication often determined by hierarchical structures. The cross flow of communication is very restricted in many organisations, which often leads to slow communication and lack of flexibility during project execution. In construction, the process of project execution is long and the perceived small problems and disagreements can result in a huge loss in terms of time, quality and cost, and consequently project failure.

Cultural Attitudes

Negative cultural attitudes are fostered by racial imbalances and a reluctance to understand different parties within the team or organisation. This is one of the most important reasons for project failure, particularly within the South African context. This has been realised, especially within Blue IQ projects and other partnerships formed. Participants do not take notice of how the rules and the human psyche affect the relationship between participants in a team, their working abilities and the end product. When one looks at the construction industry, there is a wide variety of cultural differences and organisations that, instead of making a project profitable, sometimes lead to poor

management, relationships that are not based on trust and ultimately result in dissatisfied clients.

There are five main barriers that Bob Scott has highlighted that hinder the cultural understanding in partnerships especially within construction-related disciplines:

- a) *Restriction of decision-making at lower levels of management* – lack of lower level management **empowerment** results in reduced speed of decision-making and therefore a delay in decision-making.
- b) *Constant transfer of blame* – failure to commit to risk-sharing amounts to legal and court claims thus amounting to blaming each other for mistakes and problems that may occur during the project.
- c) *Lack of commitment and trust between parties* - project appraisals are not done on time because of lack of commitment by some team members. Promises that are never honoured are often made by parties, hence trust is broken.
- d) *Limited communication between parties* – limited and unavailable communication due to unwanted responsibility or personal risk.
- e) *Reluctance to assume personal responsibility for change* – parties embarking on the traditional “trusted way of doing this” and not opening to innovation because it has never been tried.

Compatibility of Individuals

Often, when individuals have been selected and the team is finally put together, the most important aspects of successful project execution are forgotten, i.e. trust, team work and pro-activeness, when considering the issue of cultural efficiency. Competition in business today leads to different cultural structures which, when not properly established, cause problems in working together on a single project, which is worsened when parties are influenced by different racial imbalances as is the case in South Africa.

In a culturally diverse project team, all participants should enhance strong and harmonised working relationships. The increased awareness of strong and harmonised working relationships is envisaged. Often, this is rarely achievable since individuals are not ready to give up any of their rights at their own expense. Change is difficult and acceptance is, to some individuals, not an option, but understanding is believed to pave a way forward. Remembering this could result in cultural change and successful project completion.

Construction issues involve key features required from the team in order to implement a successful project. This involves cost engineering, risk management, target costing, benchmarking incentives and business processes re-engineering. If these features are currently and effectively implemented then the project is bound to succeed. The difference

in opinions and lack of communication often means these are not used in a proper manner and also result in the project failure. Scott (2001) suggests that the project team must have an ability to adopt cultural environmental issues and possess good commercial values in order to improve the execution of a project.

3.4 Why is Partnering being mentioned so often in the construction industry these days?

To answer this question Ron Baden Hellard (1993), complemented by Sir Michael Latham, highlighted that the concern of poor performance in the UK construction industry, thus, this concept gained popularity. Evidently, in the 1980s and early 90s the general poor performance of the UK construction industry, and its numerous time and cost overruns, was a cause of great concern, so much so that the British Government and industry jointly commissioned an investigation, led by Sir Michael Latham, to identify the cause of the poor performance and recommend remedial steps.

The report "Constructing the Team", popularly known as the "Latham report", was submitted in 1994. It identified contractual conflict as a major problem and amongst many other items it recommended:

- the introduction of non-adversarial contract conditions; and
- that forums be set up to investigate improvement suggestions made; one of these was to "*examine the potential of Partnering*".

The first was satisfied by the introduction of the **New Engineering Contract (NEC)** conditions, endorsed by Sir Michael Latham as being non-confrontational. The second was satisfied by the introduction of the "**Reading Construction Forum**" (RCF)" to examine the potential of Partnering. This forum was conceived (1994/95) by a group of clients, consultants, contractors and the Centre for Strategic Studies in Construction at the University of Reading to examine and report on the potential of Partnering. The United Kingdom (UK) construction community was to join the forum with a specific brief to research where and why partnering had been beneficial. The Centre had, for several years already, begun examining good construction and commercial performance around the world.

The First Report "Trusting the Team" was published in 1995. It contained the findings of many interviews/case studies in the UK and the USA with organisations involved in Partnering. The findings confirmed that in adopting a partnering philosophy all projects would benefit, not just those that would otherwise have overruns.

Trusting the Team identified two major types of partnering: *Project Partnering* that applies to a once-off Project Alliance and *Strategic Partnering* that applies to a long term partnering alliance covering many projects.

Assuming that partnering does prevent major overruns as experienced earlier, then *Project Partnering* will not only bring a project in on budgeted time and cost but when performed by participants experienced in partnering will also improve on the projected performance. Strategic Partnering, by its very nature, enhances partnering familiarity and skills to the long-term tune of 50 percent savings on both aspects. In both types of partnering, acting as one team utilises the brain power/initiative of the whole team and not just that of a few individuals, as is effectively the case in conventional contracting. All these developments in the philosophy of improved performance led to the birth of what was later referred to as "The Seven Pillars of Partnering".

The Second Report, "The Seven Pillars of Partnering" (1998) was classed as a guide to Second Generation or Strategic partnering as opposed to "*Trusting the Team*" which, whilst giving all the essentials of partnering, is not an in-depth study of Strategic Partnering. This second report contained some significant case studies and identifies the seven essential pillars that support Strategic Partnering.

Professor John Bennett was the main author of both reports and is classed as the leading expert on partnering in the UK. The reports were recognised as definitive works and were instrumental in the resurgence of partnering in the UK. To date no one else has tried to duplicate his work but rather concentrated more on how to implement partnering once one has learned about and accepted its potential.

3.4.1 Partnering in Construction Related Projects

In the past, the majority of projects were run on a partnering basis but projects got bigger and more complex, making communication, and consequently project management, more challenging.

The most commonly applied solution to this was the production of highly prescriptive specifications obviating the need for cross-communication to join the project jigsaw puzzle together. This resulted in using the knowledge of a few individuals as opposed to that of the total team. Errors occurred in the specifications and their interfaces and the contractor, more often than not, attributed these errors to non-performance.

Regardless of who was to blame, the situation led to claims due to their inherent costs and delays. Rampant inflation did nothing to ease the situation so the next solution was to back the highly prescriptive specifications with very demanding and biased conditions of contract and these, in turn, led to even greater conflict, so much so that the contractors spent more time protecting themselves than solving the problems that did arise. There were very rarely any obvious savings on time and cost even when a project was relatively trouble free.

Previous research undertaken by pioneers of this concept showed that the most effective construction projects/contractors, i.e. those able to demonstrate continual performance improvement, were those operating in a partnering environment (in some cases it was the natural way to work and as such it was not necessary to affix a formal name to it).

There were many cases of successful projects with tight specifications and harsh conditions but it was observed that projects were awarded on a preferred supplier basis without strict competitive tendering, and completed without the conditions being used as a shield but kept under the table for use in the rare event of an irreconcilable dispute arising (Tony Wood, 2000)

As the industry grew and demanded bigger and better, cheaper and faster products, more was needed from all parties. Total commitment was necessary and for partnering two aspects of this were sharing risk / reward plus common vision:

- **Sharing risk and reward:** If things do go wrong all parties assist in or share the cost of correcting the situation or alternatively share in savings effected.
- **Common vision:** All parties contribute to or otherwise are fully aware of the “what, when and how much” of the project to the extent that they are willing to share risk and reward

Note: These two require much more detail than permitted in this overview.

3.5 Key Features of Partnering Methodology

As suggested by Sir Latham (1994), a change of attitude and a new look at modern construction must be adopted. The key features must be noted if the team wants to achieve overall success in executing the project using partnering.

3.5.1 Early involvement of the participants

Sir Latham stated that the success and the outcome of the project could be predicted as early as the first planning stages. Bringing the participants together and allowing them to use their embedded knowledge and skilfulness before any strategic implementation is developed, results in a clear and concise methodology of how the project will unfold bringing an added dimension and certainty of its actual outcome in stages as follows:

- Project planning
- Conceptual strategy
- Basic analysis

- Details analysis
- Implementation.

The benefits of early team selection bears numerous project values, namely shared ideas of knowledgeable and experienced individuals, time allocated for strategic innovation, as well as simplifying and optimising the implementation of the project at an early stage, thereby reducing the potential cost of the overall project. A typical example of the successful involvement of the key participants in partnering is an actual project where the project team was selected at the planning stage and a matrix of responsibility was derived. Even before the site was handed over to the selected contractors the master plan had been carefully developed and examined in order to successfully complete the end product.

Although early election of partners, that is all the consultants needed for the project, indicates a reduction in completion time, in the construction industry this is not necessarily the case. Other factors contribute to this, namely:

- Commitment to the project
- Current workload
- Track record
- Available resources
- General culture of the organisation
- Ethics of the people such as corporate attitude and culture
- Management behaviour
- Understanding of Empowerment principles

3.5.2 Fair and just relationship between parties

Promoting a “win-win” situation is necessary for the success of partnering in creating an equitable relationship between all parties, because parties in a fair and just relationship agree on one objective, equitable risk sharing and promote a harmonious relationship all of which embrace project success. (Sir Latham, Working Group September 1996)

3.5.3 Understanding Equal Risk Sharing

Akintoye and Black (1999) highlight some important risk factors to successful project completion, such as managers’ unwillingness to relinquish control, partners becoming complacent, increasing dependency on a partner, pressure to perform and partners reverting to an adverse relationship.

Partnering promotes the empowerment of parties and encourages all parties at both lower and upper management levels to involve themselves in decision-making at all levels. It opposes the separation of management levels because the restriction on the project team disrupts the project goals and objectives, which will impede successful partnering. In addition, if lower managers feel that they have no control over decisions that affect them, the feeling of ownership, which motivates people to work, is also diluted (Gattorna & Walters, 1996).

Although partnering is a profitable method of making the project work, the cost of establishing partnering relations can be substantial. Thus parties tend to shy away from this because of the time needed to allow partnering to succeed, which ultimately reflects negatively on the project appraisal costs.

Sanders and Ramsay (1996) suggested that increasing dependence on a partner is regarded as a significant risk. Partners become dependant because they rely heavily on the principle that all risks must be shared and for every single risk event that occurs is transferred to the project team. If an organisation is heavily dependent on another organisation, it may not survive the severing of the relationship.

Although partnering in most instances represents a risk reduction technique, the use of partnering is not risk free. The risks must be analysed and strategies formulated to mitigate them. It is the responsibility of all parties involved in the project to develop strategies to respond to these risks very early in the process by avoiding the risks where applicable, by reducing the probability of the risk events occurring or by simply reducing the severity of the risks. This is achievable through working together under one umbrella of trust, an openness policy and an understanding of matrix roles and responsibilities. Therefore, risks in a project are less likely to impact negatively on a project when arising.

3.5.4 Matrix of Responsibility and Commercial Arrangements

Partnering promotes the understanding of parties' responsibilities by simply implementing an incentive scheme. This incentive determines the returns of all participants by actual performance against specific criteria. These criteria are not introduced to measure individual performance of the parties but are rather an overall measure of the project outcome (Scott, 2001). These criteria are derived from jointly developed and agreed data and must be regarded by all parties as being achievable in order to prevent the re-occurring differences in opinion which often change once the project is implemented. This, in my opinion, reflects as empowerment for all parties involved in a project.

Project team structure

Part of this has been discussed above. However, it is again necessary to look into the structure of the team and the matrix of responsibilities of each member in order to achieve overall success of the project. Often the reported result of project failure has been attributed to self-interest of individual members. Gabriel (1991) found an interesting dimension that in a project there are often those particular individuals who damage relationships and synergy for reasons including individual objectives that are different from main objectives or a lack of understanding of priorities.

Constraints and Common Goal Management of the team

One of the key issues that partnering is concerned with is the management of conflict and achievement of required specific organisational structure. In order for conflicts of interest to be managed, the structure should focus on constraints and the common goal. Creating an integrated team also reduces duplication of function to the maximum extent possible. Duplication should to some extent be identified and every opportunity should be explored for integrating such functions (Swierczek, 1994).

Performance and commitment of the project team

The project team in any project is often faced with performance related issues, which cause problems. Errors in, and slow supply of, information are often seen as causing project performance failure. The fact that the team members are dependent on each other's services worsens the situation and failure by one is likely to have a detrimental effect amongst all team members. Jefferies, Chan and Mead (1999) highlight a few points to be considered in order to avoid negative performances within the team:

- Clear leadership
 - Identified team capability
 - Defined matrix of responsibility amongst participants in the team
 - Effective communication mechanisms throughout the team
 - Motivation and commitment to achieve results to be a collective approach amongst the team
- No transfer of blame
- Recognition and acknowledgement of individual contributions
- Arrangements to foster team integration

A good management commitment with a new vision is extremely important if these points are to be incorporated within the project. Therefore, if success of the project is required, investment in the above proves necessary

Trust

Time and experience are the two most commonly cited antecedents of trust, reputation being of the utmost significance (Anderson & Narus, 1991). This is due to the fact that people cannot be trusted. Without a reputation for trustworthiness possible partners are unlikely to enter into any arrangements. Reputation relates to expectations others hold of likely behaviour in a partnering relationship. Trust demonstrates reliability and competence, honesty and fairness and helpfulness, and humanity confirms that reputation once it is established. A partner with a good reputation is more likely to be trusted and the relationship is sustainable for further consideration even by others (Wood & McDermott, 1999). When related to general management principles, trust exists in different contextual situations as well as in organisations, such as those in a conflict situation or in a negotiation process or in the implementation of strategy (Lau, 1999). Trust in contextual situations is also divided into sub sections, namely:

- Working relationships – when the project demands co-operation, sharing of risk, and so on
- Communication – lack of trust will inevitably restrict the flow of communication
- Negotiations – in order to come to a collective agreement, trust must exist for successful negotiations
- Conflicting situations – accepting diversity of people will assist in understanding and resolving the problem. The key word is communication. Working through the conflict may increase trust or it will reach a level capable of eroding trust.

Innovation

Since partnering is perceived as one of the fairly new techniques used to promote successful projects, it supports the new thinking of its participants. The mindset of the team must be changed from traditional methods in order to look at partnering from a new perspective. When the parties accept the risks involved, only then will they be able to apply innovative thinking, and all participants must support this.

Open Communication

Critical systems theory embraces this concept and it is clear that communication is of the utmost importance in any situation. Partnering allows open communication to effect and foster new ideas. Inviting open communication as a guiding principle also allows issues to be raised, discussions to be well filtered and conflict to be resolved rapidly. This enables parties to meet or exceed

contractual schedules and so avoid costly mistakes or rework. Enhanced communication, the identification of shared goals and objectives, the recognition that problems will arise, and the agreement to address those problems through a designed procedure will facilitate, create and maintain harmonious business relations.

3.6 Forming a Construction Partnering System

This is a typical and simple sequence of events for a partnering project:

1. A client has an office development in mind. He/she (the client) has a rough idea of what it may cost and he/she is very knowledgeable/experienced in partnering matters
2. He/she calls the senior players in his prospective team together and advises them of his/her plans and his/her intention to involve them in the project. If one or more cannot participate for any reason, the client, with guidance from the team, selects a replacement.
3. This core technical team, with the client (and this could include the owner/tenant to be) get together and arrive at a more definitive specification and target price that meets common acceptance, and a final go-ahead is given.
4. The core team then assembles the full team as far as possible and convenes a workshop for the senior people representing those team members who can influence the outcome of the project.
5. At the meeting the specification and target price is finalised and accepted by all.
6. The meeting then continues by discussing and agreeing gain and risk sharing criteria.
7. The team then draws up a project charter giving the agreed aims together with a list of the rules and regulations designed for the particular project
8. The final action is for the team members to each sign their acceptance of the development agreement. Each member gets a copy for the records and further referrals.

In building the partnering system for the chosen project the following four components of the system are developed during a partnering charter meeting, arranged specially for this purpose and attended by the project stakeholders. This meeting forms the basis and starting point of the implementation process.

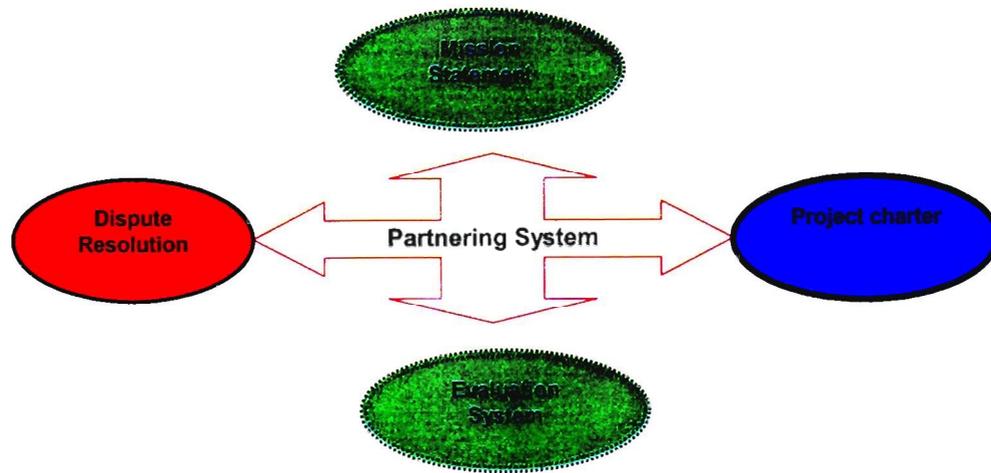


Figure 7: Modified Partnering System

Component 1: *A formal, though short and easily understood mission statement for the project. A typical project mission states the following “As a team, we commit to provide a quality facility on time and within budget, in the process maximising communication and avoiding destructive conflict by working together in a trustworthy and professional manner”.*

Component 2: *A project charter of which the stakeholders are willing to become signatories. The project charter is then successfully developed with the main objectives identified as:*

- Maintain an effective communication system
- Proper administration work
- Agree on, implement, and manage the project programme
- Prepare and implement an effective alternative dispute resolution system
- Effective budget and cost management
- Proper site administration
- Implementation attitude
- Payment procedures and systems.

To varying degrees, these objectives are all inducements to destructive conflict and should therefore be managed and effectively implemented by the project manager and stakeholders to ensure achievement of the project mission. All project team members and

stakeholders then sign the charter as confirmation of the exercise and the willingness and unqualified intention to co-operate with the partnering system throughout the life of the project.

Component 3: *An effective project partnering evaluation system.* Once a mission statement and project partnering charter is established, a project partnering evaluation system is developed and implemented by a special task force selected from the project stakeholders, with the sole purpose of periodically monitoring and evaluating the project partnering performance. This enables stakeholders to determine, analyse and communicate project-partnering performance in order to correct the analysis and manage actions that improve the project performance. It is critical to the desired results of the partnering effort to ensure that an effective evaluation system is established as early as possible to monitor and focus the partnering effort throughout the project.

Component 4: *A dispute resolution system that is acceptable to the project stakeholders.* The parties to the dispute structure the system themselves, without using binding adjudication procedures. The system is defined and established by a special task force selected from the project stakeholders. The system is structured into sequential progressing steps, starting at step 1, prevention, and ending at binding third-party involvement. Although prevention is the target, the system must make provision for the undesired.

The critical stage in the partnering system is when the dispute occurs and how well this is mitigated in order for the project to achieve success. The problem resolution stages are summarised below in Figure 8.

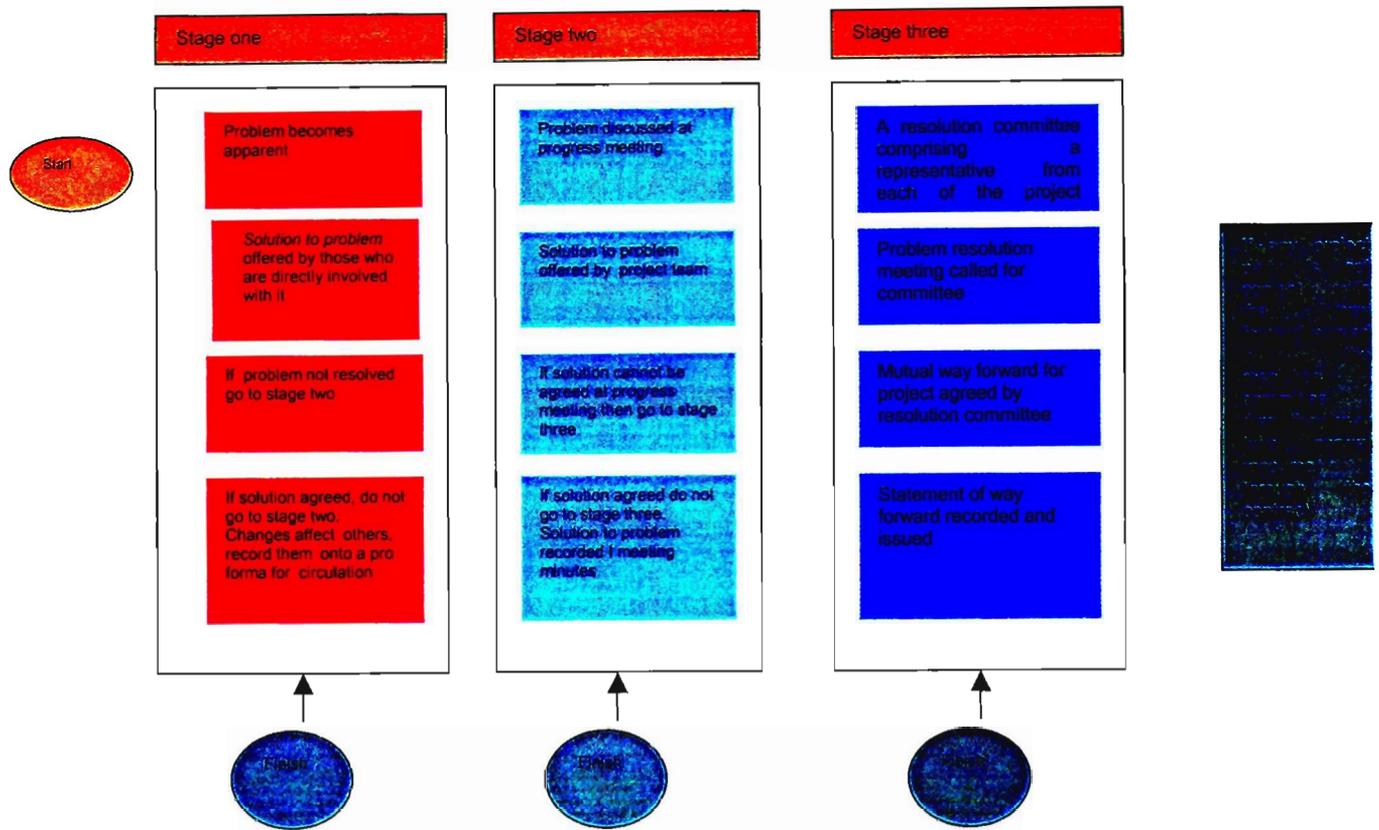


Figure 8 - Problem Resolution – Refined Model for Partnering

3.6.1 Evaluating the project partnering results

In evaluating the results obtained from the application of the project partnering concept on the project, the objectives, as set out in the project partnering charter, are used as the basis for determining whether the primary desired result, i.e. project performance, has been achieved.

The results obtained are then compared with the results from the project to which partnering has not been applied to determine whether the project to which partnering has been applied has achieved better results through the avoidance of destructive conflict. In comparing these results, the objectives set for the project to which partnering is applied are used to evaluate results on the project to which partnering is applied.

In performing the final evaluation it is confirmed that the project to which partnering was applied has been completed with the full co-operation of the signatories to the project charter. Performance is evaluated periodically and any disputes are resolved internally. A special task force of evaluators, consisting of the project manager and members chosen from the professional teams of each project, conducts the evaluation.

The result of each objective is evaluated against a predetermined five-point scale of performance quality, ranging from worst to best possible performance. In processing the results the arithmetic of each measurement is calculated and interpreted according to the scale of performance quality.

3.7 Implementing Partnering on Projects

3.7.1 Client / owner's team and role

In order to successfully implement a project, parties must develop and understand their organisational structure and needs. The nature of a project depends greatly on the structure and line of business in which it is involved. The diversity of a business, and therefore of a project, will essentially be determined by the organisation. Noticeably, the following determines what we have grown to understand as vital, especially in the nature of business:

- Provision of a type of service or product
- Public or private ownership
- Unique business method or culture
- Unique position in its field and market place.

The client always has a reason for embarking on a project, which might be to expand or to improve either his service or his product or as a means of investing money in order to get a profitable return. Therefore the client's business and expectations set the foundation and framework for the project. The role of the client organisation is to formulate a feasibility study or business plan at the very outset of a project and demonstrate the needs, methods and implication of the project (Cornic & Mather, 1999).

Each element of the company's business plan will determine the project's unique characteristics. There is usually a part of the organisation that is particularly concerned with the project. The background and belief may have significance for the project and the specific activities of the company will have a major impact on the project's design brief. The financial forecast is the most important because it will have the most immediate impact on the client's business. Raising the finance for the project through a loan, paying for the execution of the project and finally repaying the loan and interest will be crucial for the company's cash flow. Only if this all works financially can the project be considered viable and the project team formed.

3.7.2 The Owner's Team

Clarity of roles and responsibility of the owner's team should be addressed and taken into account in the design of the partnering structure. The owner must encourage an open and honest review of the internal strength of his/her organisation and the team and be willing to acknowledge areas of weakness and tailor the role of his/her team accordingly.

The owner's team must feel confident that resources are readily available for the project, otherwise they can subconsciously start acting in a negative way if only to try and save the organisation's money as the project proceeds. If the owner's team takes a leadership role then the whole project team will be favourably affected.

3.8 Selection of the Partnering Team

3.8.1 Structure of the Team

The structure of the team will have a significant influence on the outcome of the whole project. It is of the utmost importance that the owner and the potential contractor have a clear understanding of each other's needs, skills and expertise required for the execution of a successful project.

The number and the type of partners will be determined on the basis of the type of project. Before selecting the team, the following need to be considered:

- a) Can this party significantly influence the outcome of the project?
- b) Will the inclusion of this party stimulate innovation and diversity to the benefit of the project?
- c) Will the inclusion of this party enable complexity to be managed better? (Scott, 2001 p. 53)

The number of parties is carefully selected so that the minimum number of professionals is involved giving the maximum output. The primary aim is not to restrict the number of members, only those parties not directly included in partnering – they can still be contracted in a way that gives support and input to the project.

Usually there are three phases to be finalised before formal partnering is created. Figure 3 shows the development model of the partnering arrangement.

Section 1: Partner selection/project appraisal

Section 2: Alliance and business case development

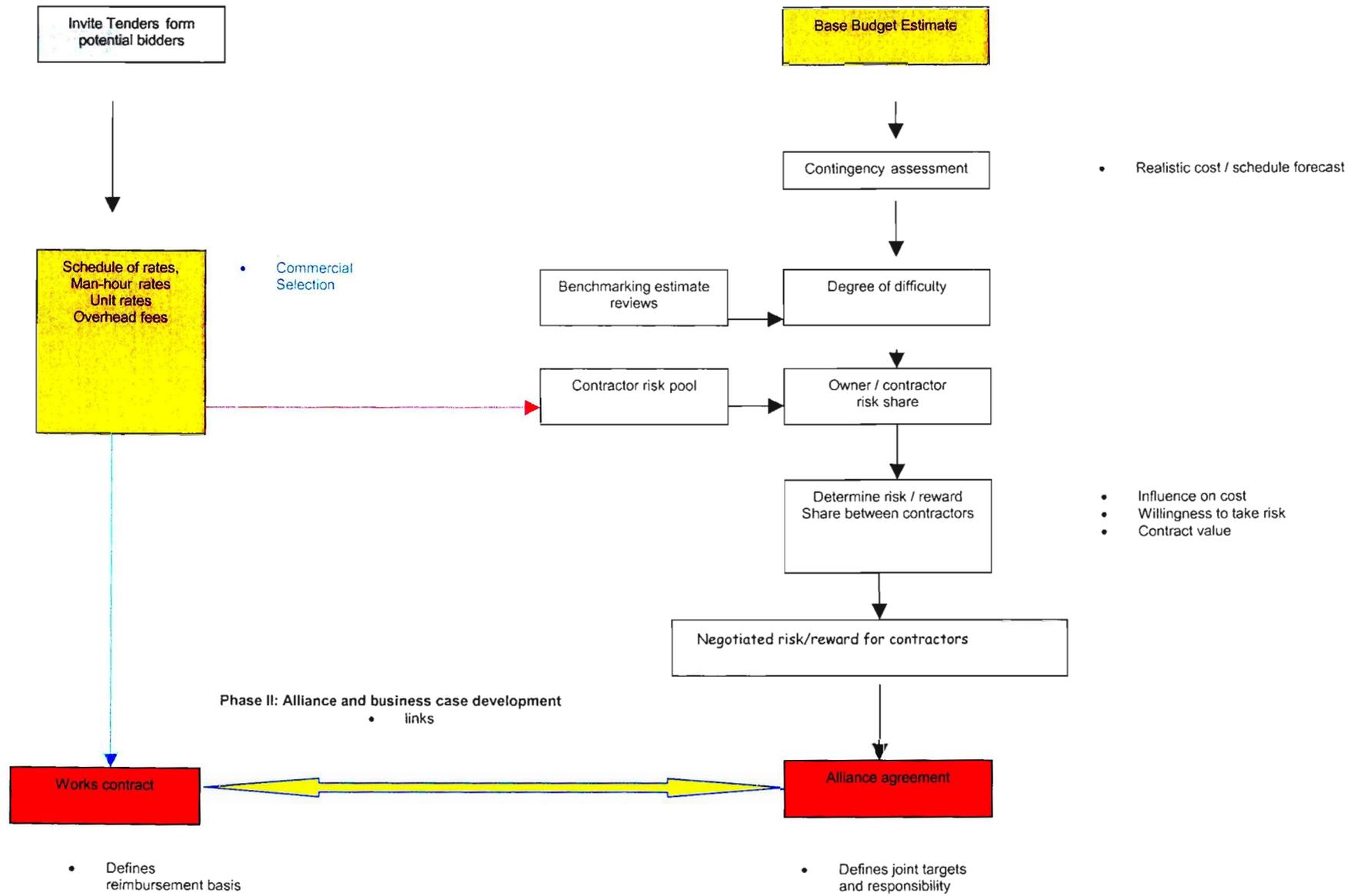


Figure 9 – Development model of partnering agreement

3.9 Process and Criteria

The selection process of the potential partners can be executed in any of the following ways:

- Open selection
- Restricted selection
- Negotiated selection.

However, different factors can influence the owner's decision regarding which route he/she should take when selecting a partner. Some of these factors are:

- a) A limited number of suppliers
- b) Highly specialised skills
- c) Previous successful relationships
- d) High level of dependence on the owner or other parties that will participate.

All these factors point towards the use of restricted selection, the reason being that requesting bids from a large number of contractors, many of whom may be either entirely unsuited or unwilling to contemplate working in a partnering mode, would be counter-productive in terms of the effort required. Restricted selection is divided into two stages, namely the pre-qualification stage and the bid stage. The pre-qualification stage ensures that the contractor placed on the short list is fully competent to undertake the work involved and establishes that the shortlist contractors are willing to enter into a partnering agreement.

The bid process is the second stage in which the formal bid documents are issued to the shortlist contractors selected from the pre-qualification stage. The bid process concentrates on identifying the contractor that will achieve the best performance for the particular project, including the assessment and evaluation of the behavioural and cultural factors that will influence the partnering alliance. The bid process, besides involving written responses, should include formal dialogues, structured interviews with key participants and interactive presentations.

The selection criteria will be mostly determined on the principle of economic value. However, the detailed process will be based on the individual owner and project requirements. When selecting criteria, the owner must ensure that requirements are all established and defined prior to any part of the selection process and that all the potential participants have been informed about the criteria and that the criteria are objective.

There are five main factors to be considered when determining selection criteria:

1. Technical aspects: Track record, technical competence, resource availability, local knowledge and key personnel play important roles when it comes to weighing the importance of technical aspects.
2. Presentation aspects, which are divided into team dynamics, leadership skills and consistency with written proposals and the technical aspects it will be evaluating according to the owner's criteria.
3. Commercial issues, which can be price and non-price related, will comprise factors such as cost related (reimbursable, unit prices, lump sums), overhead percentages, profit levels required, contractual issues and appetite for risk sharing. These play an important part because the owner's decision can be much firmer when his/her financial situation is stable and known.
4. Specific views of the owner in terms of the project. These views will be determined by the way that the potential partners propose the method for the organisation of the project, present the cost and schedule improvements and include the new and innovative techniques that will help with the speed and originality of the project.
5. Partnering related issues that range from partnering philosophy and experience, the company's cultural aspects, corporate commitment and understanding of behavioural aspects, commitment to the project to views on improvement and innovation and flexibility.

Scott, 2001 (p. 60) states that allocating different percentage weightings to each of them reflects the relative importance of the different criteria. Figure 10 shows an example of selection criteria weightings.

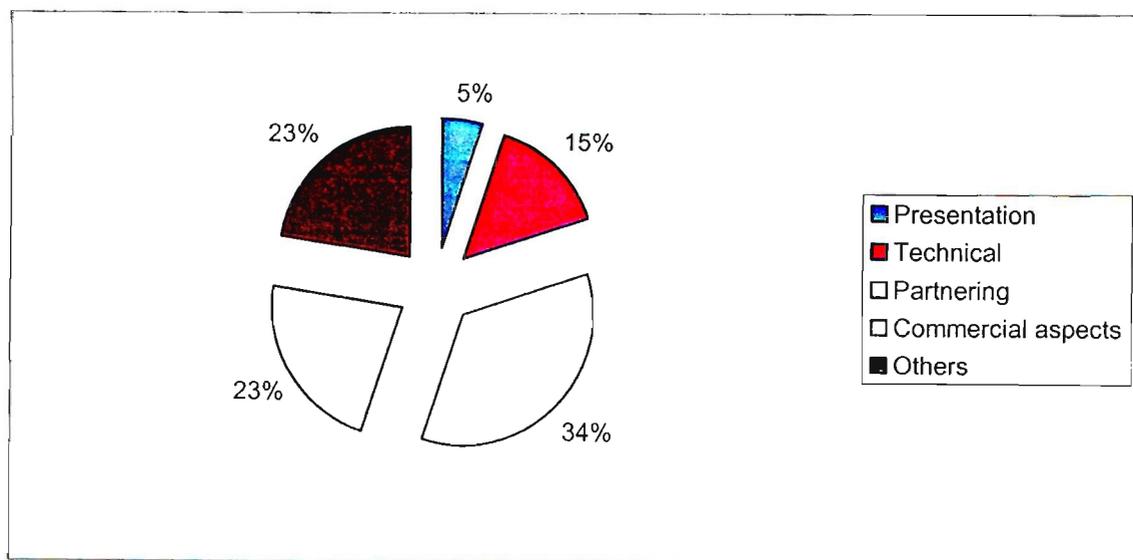


Figure 10 - Criteria Weightings

3.10 Assessment of the Results Based on Selection Criteria

When potential parties have been through the selection criteria the owner has the responsibility to objectively evaluate and assess each of the parties' results in order to reach the right and just decision of whom to bring into the partnering.

The plan for assessing the best candidates for the job should comprise:

1. Details of the evaluation process:
 - Evaluation team
 - Procedures ensure confidentiality
 - Owner review and approval process.
2. Selection criteria
3. Details of the scoring system, including the weighting attached to each of the criteria
4. Detailed guidelines on how those doing the evaluation are to assess the process.

The relevant written proposals and interviews together with presentations should follow the assessment plan in order to ensure that all points are clear or, in cases where some of them are vague, to make them firmer and more understandable.

A good practice is to have more than one member who is evaluating and scoring the potential partner in order to achieve accuracy and objectivity in the process. The main factors that sometimes present problems are those of a subjective nature, therefore it is important that the goals are carefully thought out in order to reach an objective decision.

It is of utmost importance that the selection process complies with all the relevant legislation, directives and regulatory requirements, and that the final assessment plan is presented and discussed with the tender committee, legal department and internal audit functions.

3.11 Legal issues of partnering

3.11.1 Contractual structures of the partnering arrangements

The two main aspects of partnering when dealing with contractual arrangements are the partnering arrangement and the standard or works contract. The partnering agreement is a legally binding contract entered into by the owner and all other member companies in a

partnering alliance. It sets out the objective of the partnering agreement, the details of the partnering financial scheme and the principles that the parties have agreed will govern their working relationships. The specific aspects of the partnering agreement are usually given expression in a partnering charter, which is not legally binding. The partnering charter is the threshold document in which the parties set forth their mission statement, mutual goals and objectives and commitment to the partnering relationships (Korte, 1999)

The partnering charter should also include the behavioural requirements of partners in order to successfully achieve their objectives. Examples of behavioural requirements are:

- to recognise, respect and promote fellow partners' aims and interests
- to promote relationships with specific co-operation and mutual respect
- To respond to difficulties from whatever source in a positive, understanding and constructive manner without the attachment of blame.

When the parties establish their overriding goals and objectives, they must ensure they are mutually agreed upon so that everyone will be actively focused on achieving them. The standard or works contract is the legally binding document in which the specific aspects of the project are described, and is signed between the owner and each of the contractors in order to cover the physical delivery of the project. The works contract would mainly define the services to be provided by the contractor, establish the rights and obligations of the owner and the contractor, define functionality, quality and their appropriate requirements, provide for payments to the contractor for goods and/or services provided and incorporate specific and general terms and conditions.

These two aspects of partnering are entirely separate matters, and they are viewed as 'stand-alone' arrangements. They must be evaluated separately from each other and no conflict or questions of 'precedence' must arise between them.

3.11.2 The Partnering Agreement

The partnering agreement deals with the major points, which will guide the partners throughout the project. The emphasis is placed on the:

a) *Objective(s) of the project*

The objective(s) defined in the partnering charter will help partners to focus on the main points of how to improve their performance and therefore the overall success of the project.

b) *Relationships and organisational of structures*

There are three main issues that fall under the relationships and organisational structure agreement. The first one is the principle that governs the working relationships. The second important issue is the partnering board whose purpose is to resolve or bring decisions that concern the matters that are in line with the notion of working together to achieve common objectives. The third issue is dispute resolution which details formal provision for the resolution of disputes and a 'no blame' culture.

c) *Incentive scheme*

The incentive scheme only not promotes sharing of gains and losses, but also generates commitment to the project objectives and helps build relationships between contractual partners based on trust.

There are a number of points that must be noted when drawing up the incentive scheme since it is vitally important that they are thoroughly understood.

i. Purpose of the incentive scheme

The purpose of the incentive scheme is the reinforcing of collaboration and developing of commitment and trust between the owner and the partnering members.

ii. Performance measurement criteria

Every project has its own character and needs. Therefore, each individual project has to determine appropriate criteria against which performance will be measured and the 'Gainshare'³ calculated and paid.

Possible criteria that can be used when evaluating performance of the partnering members can be listed as follows:

- **Capital cost**

The key feature concerning capital cost is that a project target cost is agreed on between the owner and the partnering against which actual cost performance will be compared for the purpose of determining risk or reward payment.

³ Gainshare is the money used to donate what will be payable as a result of the operations of the incentive scheme

The main issue around capital cost is related to what the target cost should be and how any overruns against the target will be shared. The most common approach is that the owner and the contractor will share any overrun to a pre-agreed formula up to an agreed level of overrun, after which the owner takes all the risk. Essentially this provides a cap on the contractor's risk. On the other hand, there is usually no limit on how much the contractors can benefit from savings. The project target cost is derived from a cost estimate, which covers the total cost of the project including the owner's cost, the cost of the contractor, subcontractors, and the suppliers included in the partnering agreement.

In partnering, it is extremely important that all the parties fully understand the risk attached to the cost estimate. When preparing a cost estimate the most appropriate way of doing it would for each of the parties to prepare an estimate for their own scope of work. The owner then combines individual estimates into the overall project cost estimate and the final estimate can then be made available to all parties. The cost estimate should include all the contractors' estimated base costs, profit and overhead elements and the owner's estimated base costs of all other goods and services required.

- **Project schedule**

Project schedules are used as criteria if early or late completion adds or destroys value for the owner. In most instances the owner will be unwilling to have the schedule gainshare directly linked to additional value creation, for example, the profit generated by sales of a product. However, what the owner is willing to offer by way of incentives payments should still be related to the additional value created.

- **Quality and reliability**

Quality and reliability will usually be attended to and prescribed in the works contract, which will contain remedies for failure to meet quality or reliability requirements. Performance schedules targets must be consistent with the definition of project completion. Similarly, good and bad performance points must be evaluated and gainshare allocated accordingly.

- **Safety and environmental performance**

The requirements for safety and environmental performance will depend on the owner and his general requirements and culture. Inevitably the failure to deliver acceptance performance in these areas can destroy value but this is unlikely to be directly measurable. It is not clear whether this matter should be directly

connected to the incentive scheme or whether these issues should be addressed separately.

iii. Share in the incentive scheme

Regardless of the route taken for the selection of the share that each of the parties has in the incentive scheme, the basic principle should be an equitable share of risk and reward.

There are four factors that should be taken into consideration when determining the shares of the parties:

- The financial resources that contractors are willing to put at risk.
- Whether or not the impact of the reward side has a relatively equal impact on the 'profitability' of each of the parties.
- The proportion of total savings that the owner is willing to allocate to the contractors.
- The extent to which the target costs have to be overrun before the contractors lose all their benefits.

In order to be more precise when determining the gainshare a formula for calculating the risk and reward payments for each of the performance criteria must be developed. Similarly, if the final cost is much more than the projected target cost, the financial losses increase.

d) Other contractual issues

Since the partnering agreement is a legal document there are a few points that need to be mentioned in order for there to be a clear and unambiguous understanding of the agreement. One concerns the circumstances under which a party might be excluded, and the other concerns the legal clauses that are to be incorporated in the agreement.

When discussing circumstances under which a party might be excluded, the obvious reason for the exclusion is a 'breakdown' in relationships between two or more of the parties. A possible reason for the breakdown is that the parties could find themselves unable to work together in a meaningful way, but at the same time there is no wish or desire to terminate either of the parties' works contracts. Other reasons for exclusion might be directly linked to the contracting party's work.

Parties in dispute may find that they are unable to enforce their contractual rights because of the operation of the doctrines of waiver and estoppel. This is likely given that,

if the partnering process is to be effective, it requires parties to act in a manner consistent with their mutual objectives, which will often necessitate in behaving in a manner different from that required or anticipated by the contract. Accordingly, parties must take care during the partnering process, to ensure that their contractual rights are not compromised. (Jameson, 1999).

Standard or Works Contract for Partnering

The Standard or Works contract relates to the physical delivery of the project. Partnering is a legal document and particular attention should be given to clauses such as:

- Giving notices
- Resolving disputes
- Controlling information and communication
- Liquidating damages
- Warranties and defects liability
- Rework retention.

Many of the clauses incorporated in the works contract do not differ from the standard building contract clauses. Many partnering members argue that since it is a partnering arrangement, some of these clauses should be omitted or at least modified as the whole principle is based on trust and communication. However, this is highly dependent on the view taken of how risks are to be managed and shared.

The clauses in the works contract are jointly drawn up and the terms and conditions agreed by all parties. Therefore the difference between the normal building contract and the works contract used for partnering is that parties are precisely aware of their legal positions and the risk brought by the clauses in the contract.

There are several clauses, which are incorporated in the works contract that are worth mentioning, namely:

1) Compensation or Reimbursement terms

There are three main factors to consider in relation to works contract remuneration terms. The first one is maximising the opportunities for cost savings. The second is the focusing of each of the partnering members on their own performance as well as that of the others and the third is giving practical effect to the incentive scheme.

Scott (2000) states that the simplest and most effective way of achieving all three objectives is to adopt what is frequently referred to as an 'open-book' approach to remuneration within the works contract, which takes the following shape:

- The cost of all goods and services provided are reimbursed at direct cost, excluding all overhead and profit elements
- Directly project overheads are overhead costs and other costs that can be attributed directly to the project
- Corporate overheads
- The profit element should be fixed, which will ensure that the individual contractor does not continue to generate profit via the works contract to offset the risk payments if the target cost is exceeded.

2) Information Management and Confidentiality

One of the partnering aims is that all information should be exchanged in a timely manner. Openness does not mean ignoring the requirements of confidentiality and security. The parties should have clear understanding of what information will be shared and what this information can legitimately be used for. This should be supported by:

- Enforceable contractual arrangements
- Procedures within each organisation to ensure employees understand and respect limitations on the sharing and use of information.

Because of the scope and nature of the information that is shared, contract terms concerning confidentiality may need to be more rigorous in partnering than in conventional contracts.

3) Audit and inspection

In many cases where partnering is applied, audit and inspection by the owner is reduced to a minimum. Reducing paperwork means a reduction in cost. If it is seen as necessary, audits and inspection may be carried out jointly or by independent consultants, whose costs are shared.

4) Early- warning and joint problem solving

Addressing and seeking joint solutions to problems is often covered in the 'principles' of partnering but it is good practice to insert appropriate provisions in the works contract which will oblige the parties to give each other early warning about problems with time, cost, quality or safety consequences and an obligation to address them jointly.

5) Snagging and Rework

In the works contract, the necessary rework is covered in the standard provisions obliging the parties to co-operate to identify defects, to program remedial works and agreed work methods to improve these defects. The cost of doing the rework

is also addressed in the works contract and it can be carried out on a cost-reimbursement basis or at the sole cost of the particular partner. Where the cost of the rework is reimbursed, the costs incurred are normally taken into account in calculating the final cost for the purposes of the incentive scheme.

3.12 Project Organisation and Procedures in Partnering

3.12.1 Organisational Design

In partnering the focus needs to be on designing the total organisation across the partnering members. To be effective the project organisation will usually have to be modified to meet the changes that result from moving through different phases of the project, and to react to organisational problems as they arise.

In general, building an effective integrated organisation requires effort, including the monitoring of its effectiveness on a continuous basis, and a willingness to adapt to meet changing circumstances and overcome problems that emerge. Flexible people who are able and willing to be 'bridges' between different cultures are also required at the interfaces.

3.12.2 Procedures in Partnering

The most successful approach when deciding the procedures and systems that should be used for managing the project is one where the systems of each partner are used to the maximum possible extent for the execution and control of their own work and where there is a set of common procedures that apply at partnering level.

Areas of the project such as cost control, planning and procurement are common to all the members of the partnering agreement and they will be jointly developed in order to select the best system suited for the job. The manual of setting procedures and plans is used to give guidance to the partners.

In order to follow good procedures, feedback on the work is given in the form of a report, covering areas such as costs and time parameters. Monthly cost reporting usually requires a multilevel system to ensure that the necessary information is captured and presented and that the reports contain levels of detail that are relevant to the specific user.

3.13 Partnering Relationships Between Members

3.13.1 Principles applied when building relationships between members

Building relationships takes time and relations are likely to be deepened and strengthened as a project moves through its various stages. Satisfactory performance requires relationships to be built horizontally and vertically throughout the project organisation.

Relationship building should start at the earliest stage and general principles should be proposed in the initial tender documents. The pre-tender stage should involve extensive communication between the parties as well as the opportunity to explore different possibilities.

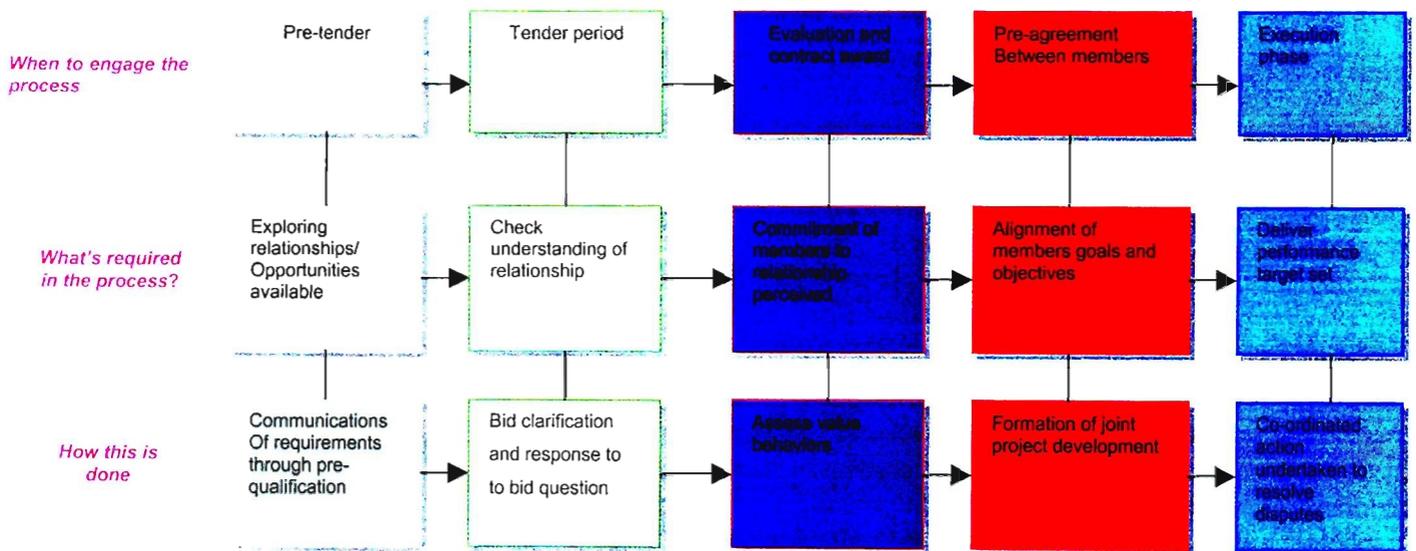


Figure 11 “When, What & How” - Relationship between partnering members through various stages of a project

However, the major effort in building relationships will occur during the negotiation of the partnering agreement. This is the most important phase since the position and the duties of each of the parties will be determined and agreed on. They will have a clear understanding of what they want the relationship to be, and agreed principles and the project team will develop project goals.

The final phase is the execution of the project where the involvement of the parties is fully developed. However, the main aim is still to deliver on promised performance and this can

only happen through co-ordinated action. If the position of the members is known and the parties behave accordingly, the realisation of the common project goals can easily be achieved.

When discussing the position of the members in partnering the following points must be noted:

- Contractor's and owner's corporate level management
- Contractor's and owner's project management teams
- Position of members at working levels within the partnering project team.

The importance of having a specific position at these levels is mutual dependency in delivering good results, and managers need to have the confidence that they can rely on each other to take appropriate action to achieve results.

3.13.2 Mechanisms used to create a relationship between the parties

Scott, 2001 states that many mechanisms have been developed in order to create a perfect relationship between the parties. A few of them are mentioned below:

- Opportunities during the partner selection process and formation phase must be exploited in order to create a good alignment of partners.
- Financial incentive schemes can be used in order to improve communication between the parties because it is in their interest to be aligned and committed to the overall aims of the project.
- Personnel from the different member organisations working together to develop joint execution strategies, cost estimates and schedules are a powerful mechanism, and generate collective and individual ownership of these items.
- Consultants who have a specific expertise in creating relationships in teams must be used as a route to high performance.
- Facilitated workshops are a good mechanism for promoting alignment.

Having these mechanisms in place and putting them into practice with regular brainstorming meetings, suggestion schemes or just plenty of open dialogue helps to ensure that the main objective of continuous improvement is achieved.

3.14 Partnering Workshops

One of the most important mechanisms of partnering is a team workshop. These are not project meetings, are not contractual and do not replace the usual progress meetings. They are additional forums, organised at the start, during and at the end of the project. The styles are informal, all parties are invited and the aim is to generate good quality discussions, feedback and agreement in a collaborative environment.

Benefits include:

- People can 'stand back' from the day-to-day activity
- As the style is different it encourages more strategic thinking
- It is managed in a way that encourages full, equal participation
- The environment signals that the project is being managed in a proactive way.

The independent facilitator who is trained to work with groups, to achieve specific aims and to do this in a way that creates commitment, co-ordinates every workshop. A good facilitator judges where the group is at any point in time, provides appropriate interventions to move things on and helps the group achieve its objectives.

For many project teams, the start-up workshop is an unfamiliar situation, and if they feel that the facilitator works for the client or contractor this can create scepticism. Being able to demonstrate that the facilitator is truly independent is the first step in creating a more trusting environment. Having an unbiased view and not focusing on the detail of the project is a key reason why independent facilitators are necessary.

A good facilitator helps the team balance the commercial and cultural issues so that partnering is not only seen as a more enjoyable way of completing the project, but also as a way of generating tangible costs, savings, and time improvements.

3.14.1 Monitoring performance in partnering

After successfully developing the whole structure of the partnering arrangement, the final point is the monitoring of performance in the partnering team, which generally focuses on two points:

- 1) Performance against the target criteria as stipulated in the partnering agreement financial incentives scheme.
- 2) The quality of the relationship.

Performance against the target criteria must be considered and examined carefully in order to effect the correct decision when evaluating the performance of the member. Sometimes the

performance evaluation may appear to be extremely poor when in fact the target criteria were not correctly prepared. For example, the cost reporting system may indicate that an individual is exceeding their allocated budget. However, there may simply have been an underestimate of the quality of work to be performed, and in reality their performance may actually be good (Scott, 2001 p.111).

Sometimes poor investigations and incorrect accusations can lead to tension and distrust between parties and companies, which can undermine the relationship and unity of purpose.

Therefore, targets must be well proposed and realistic so that the project teams know, at any point in time, how well they are performing against them and reports must confirm their performance.

3.14.2 Targets can be qualified or set for capital projects.

The quantified performance targets are important aspects because the business aspirations are clearly set out and a context and framework for achieving and maintaining competitive advantage is established, and actual performance against desired performance can easily be measured and an explicit context for conducting activities and decision making provided.

For partnering capital projects three sets of targets are distinguished:

- *Targets relating to the economic viability of the project* – investment targets have no contractual significance, and the consequence of failure to meet them may simply be a decision by the owner not to proceed with the project and thus cancel potential work for the contractors.
- *Targets incorporated within the partnering agreement* – performance criteria targets are contractual and are used to determine the ultimate remuneration of the parties, the consequence of surpassing the targets will provide direct financial rewards to the contractor members and a more economically viable asset to the owner. A failure to meet the targets will have the opposite impact.
- *Targets for the actual execution and delivery of the project* – delivery targets are related to achieving performance that exceeds the performance targets stated in the partnering agreement. The project team usually sets them and they do not have contractual significance.

One more target that is important for the project team is *safety performance*, which deals with health and environmental issues regarding the whole project. Having safety performing as one of the targets ensures a faster and more profitable delivery of the project.

Measurement of relationship quality in the partnering team can be a valuable tool in generating this awareness and in giving feedback to the management team regarding how well the partnering agreement is developing. The way in which the quality of the relationships can be assessed is based on attitude surveys among the project team, meeting effectiveness and evaluations of crisis resolution efforts.

CHAPTER IV

CASE STUDY

4.1 Introduction

With the unfolding of the sustainable partnering agenda, the concept of sustainability in construction is becoming an important aspect of development initiatives. Consequently, the social and economic principles of sustainable construction have been brought to the fore, especially in developing countries.

An example of a socio-economic sustainability agenda adopted in a construction project environment is the Targeted Procurement Management System (TPMS)⁴ and Empowerment Policy Framework implemented during the construction of Eskom's Regional Offices in Beacon Bay, Eastern Cape (EROBB).

This case study was undertaken in order to examine the effectiveness and contribution of partnerships established between the employer (Eskom), Barrow Projects (Managing Contractor) and Small, Micro and Medium Enterprises (SMMEs) to the achievement of the project's objectives. This study is based on the principles of empowerment, partnering and procurement, which are in line with the socio-economic objectives of sustainable construction in South Africa.

The methodology applied in this case study comprises a primary intention to reflect the literature on socio-economic principles of sustainability (empowerment and partnering) in the South African construction industry in order to ascertain the practical implementation of projects.

This study has been conducted at a time when the involvement of previously disadvantaged individuals (PDIs) plays an important role in South African government interventions towards capacity building.

4.2 Background

One of the many reforms taking place in the South African construction industry is the growing use of a procurement strategy called "Partnering - management contract". This chapter presents a case study of the application of this form of procurement, using a New Engineering Contract (NEC) that traces its origin from the Partnering philosophy within the framework of a structured project management approach.

⁴ TPMS - The system allocates responsibilities for ensuring the implementation of the empowerment policy

Barrow Projects was awarded a management contract for the design and construction of Eskom's regional office in Beacon Bay, Eastern Cape on the basis of Option F (Management Contract) of the Engineering and Construction Contract (ECC). This was the first time the ECC option had been used in South Africa.

At the time of the award of this contract, the employer's requirement had been identified at a broad level only. A gross building area of about 1300m² over three buildings was needed, within a defined capital cost and time frame. However, the detailed technical brief was still to be developed to take account of the future users' requirements balanced against commercial norms.

In addition to the technical objectives, the employer's commitment to the empowerment of PDI firms (SMMEs) needed to be meaningfully promoted through the project. To achieve this, the employer requested that the project be divided into practical work breakdown structures covering professional services and work in building trades in order to maximise opportunities for the appointment of SMMEs. Finally, due to organisational dynamics, an additional project objective was identified, referred to as "achieving stakeholder buy-in". Stakeholders comprised all interested and affected parties from both inside and outside the employer body. Specific measures to identify stakeholders, solicit their concerns and deal with these positively were required.

In implementing the project, the employer wished to limit its risk as far as possible. It was therefore necessary to ensure that overall single point liability and accountability existed for design and construction. It also required fairness and transparency regarding all procurement practices, and in particular required "open book" cost management. The employer had considered several alternative contract strategies, and had concluded that its requirements could best be achieved using the ECC management contract option, in which broad project objectives could be specified as well as the required procurement and implementation procedures that favoured the element of Partnering.

4.3 Principles of Partnering - The Application of the ECC Management Contract

The ECC management contract option requires that the management contractor provide the works in accordance with the works information⁵ The works information specifies and describes the works or states any constraints on the way in which the works are to be provided. In this case, the employer could only give the broadest description of the works at the time of drawing up the contract. However, the project objectives and required

⁵ Work information – Scope of Work

management procedures to be instituted during the planning and implementation of the project could be described in the works information.

4.3.1 The key principles of this contract were:

- The appointment of an internal development manager to fulfil the contractual role as the employer's representative.
- Barrow Projects was appointed as the external project manager to formally act as managing contractor with the overall prime responsibility of providing the works in accordance with the works information, in other words, to meet the stated project objectives according to the stated procedures.
- In doing this, Barrow Projects was required to subcontract design and construction (in trades) to firms approved by the employer, and in accordance with specified procedures to maximise SMME involvement. Through this mandate, PDIs were formally considered. This, in essence, favours the key features of partnering as identified in the literature review.
- However Barrow Projects was not permitted to subcontract project or construction management services. They were, however, required to commit key people approved by the employer in terms of relevant qualifications and experience. The team selection was based on merit.
- Approved costs of design and construction were paid for through Barrow Project's prime contract, on an actual cost basis, with Barrow Projects managing these against the approved budget. This was incorporated in the partnering plan agreed to by all parties.
- Barrow Projects were paid for management services and their prime single point liability risk through a structured fee system.

4.4 Advantages to the employer

The employer provided an understanding of the advantages of using this model, as follows:

- Only one contract needed to be entered into by the employer, considerably simplifying the contract administration.
- The managing contractor had single point liability encompassing design and construction, thereby reducing the employer's risk.
- This model encouraged a professional spirit of partnership and collaboration between the employer and the managing contractor, as well as the PDIs, to work towards agreed project objectives.
- The employer and the end users of the premises could participate in key organisational, procurement and technical issues without being ultimately liable. In this way any unnecessary disputes were prevented or risk transferred once the

project was finished. This consolidated an “anti-blame project culture”, the essence of the partnering concept.

- This route afforded good opportunities to achieve the SMME empowerment requirements through the fragmentation of the total project into a structured work breakdown by decline and trade, and the facilitation of joint ventures. This also afforded an enormous transfer of skills, ownership-taking and also increased a sense of self worth and confidence in the PDI enterprises involved. The empowerment principles as highlighted earlier were enhanced during the process.
- The “open book” gave the required transparency of costs, as well as an opportunity to manage costs and the technical scope of development against the agreed budget. Promotion of trust amongst the participants was endorsed in this way and paved the way for a harmonious project culture.

However, it was recognised that this is a sophisticated form of contract, and that the firm engaged as the managing contractor needed to have the necessary management and technical capabilities as well as the financial strength to carry the risks and deliver a successful result. In addition, the employer needed to be responsive to the process, with adequate delegation of authority given to the employer’s representative so that the necessary project decisions could be made within acceptable time limits. However “open communication” channels amongst the participants saw this commitment through and thus made it possible for the managing contractor to achieve successful project completion.

4.5 Project Management Framework

Due to the nature of a management contract, the application of a sound project management methodology spanning the broad spectrum of interactions proved necessary as a prerequisite for success. On this project, Barrow Projects applied a structured management approach encompassing scope, time, cost, quality, procurement, human resource, communications and risk management, all of which were held together through integration management. Elements of these were addressed during the project initiation, planning, implementation, control and finalisation activities.

4.5.1 Initiation

From the managing contractor’s perspective, project initiation occurred upon the award of the contract. This was not as simple as it sounds as the contract documentation needed to be developed to suit the particular requirements of the project. A key component of this was the works information. Significant attention was given to this in order to describe and meet the employer’s requirements adequately.

4.5.2 Planning

Preparation of the project plan was done as a two-step process. The first step led to the development of a management/partnering project plan. This document was intended to facilitate a common understanding amongst the greater project team of key strategies, and organisational and procedural matters such as the project mission and objectives, organisational structure, scope of inclusions and exclusions, primary work breakdown structure, and particular strategies. This also included those related to the non-technical project objectives such as human development issues).

The second stage in the project planning process was the development of the technical baseline document. The essential components of this document were the technical brief solicited from the employer, the design proposal, the master project programme and the cost budget. This document had to give assurance that the technical objectives would be met.

The iterative process that arrived at this technical baseline was also included. Barrow Projects facilitated value management by way of workshop processes to optimise the technical scope within the various other parameters such as time, cost and construct ability.

In order to maximise understanding of and commitment to this two-part project plan by the stakeholder, a highly participative process was facilitated by Barrow Projects. The process was undoubtedly one of the key success factors of the project (Partnering Workshop). These workshops were conducted throughout the project to remind the participants of the project objectives.

4.6 Selection of Professional Team

An evaluation of local SMME or PDI professional firms revealed that their skills development could best be achieved through joint venturing (JV) with established and experienced firms in the area. Barrow Projects facilitated the formation of such joint ventures, and approved the internal roles and duties of key people as well as the on-the-job training programmes. In line with the structures of the management contract, these appointments were made as subcontractors to Barrow Projects and were included in the partnering workshops.

4.7 Challenges and Successes in the Management of Subcontractors at the CTICC

This project (EROB) was created along principles of equal opportunity and affirmative action and, as such, declared an Empowerment Procurement Policy that offered opportunities to Eastern Cape organisations and previously disadvantaged individuals, enterprises and

industries. This inevitably posed a number of challenges in its implementation. Some of the challenges and successes on the project were as follows:

4.7.1 Choice of subcontractors

Strict criteria were set up to properly assess the subcontractors' capability. Adjudication provisions necessitated, inter alia, that the following criteria be assessed as part of the pre-qualification to tender process:

- Proven track record
- Specialist construction experience on similar works
- Appropriate management skills
- Necessary quality and quantity of resources
- Adequate financial ability
- Adequate construction plant
- Appropriate empowerment.

Appropriate empowerment meant that PDIs were given an opportunity to benefit from the empowerment process. PDIs were identified, allocated a set target according to pre-qualification criteria, given the necessary tender advice, provided with linkages for financial support and were then monitored throughout the project by the TPMS system, flagging non-compliance.

4.7.2 Performance of subcontractors

Performance was achieved through a strict work breakdown, which ensured that each subcontractor only performed their share of the work in the supply chain. The partnering arrangement was driven down the supply chain to give subcontractors a feeling of ownership of their work. A particularly innovative feature of the project was how the ethos of private-public partnership was driven down the supply chain through the formation of joint ventures between established contractors and Affirmable Business Enterprises (ABEs) or previously disadvantaged individuals (PDIs). These joint ventures were encouraged as a way of ensuring performance on the part of ABEs and PDIs.

4.8.3 Quality time and cost management

To ensure that the project was built to prescribed quality, time and cost:

- The entire project team worked in joint ventures, associations and consortiums
- The project team was assembled on one floor of an adjacent office block to ensure that they not only worked together as a team but that any problems that arose would be promptly dealt with.

- Barrow Projects, the managing contractor and project managers with vast experience in the construction field undertook extensive feasibility studies.

4.7.4 Advantages of this strategy were:

- It provided an opportunity for local SMME firms to develop additional skills capacity through this project.
- The employer could develop realistic and measurable development objectives for each SMME firm, for approval.
- These could then be monitored during implementation.
- Opportunity was created for the established firms to contribute to the empowerment objectives.
- The JV structures of joint and several liabilities between the partners gave built-in incentives regarding mentorship practices.

4.8 Construction procurement

In terms of the works information, Barrow Projects subcontracted all construction work through the appointment of 17 trade contractors. This occurred after due process of competitive tendering. All tender procedures had been pre-agreed with the employer, were conducted with full participation of the employer and were subject to the employer's independent audit. Tenders were evaluated on a points system in which price, capability and SMME content were of paramount importance.

4.8.1 Implementation

The project was conducted as a fast-track procedure, whereby construction commenced prior to the completion of all designs. The design information programme was integrated with the construction programme, to ensure that as each trade contract was tendered during the construction phase, all required information was available.

During construction, specific measures to achieve acceptable quality levels were instituted in view of the on-the-job training and development. These included vigilance regarding the quality of workmanship and an adequate level of supervision and inspection.

4.8.2 Project Control

After approval of the two-part project plan, all subsequent changes were managed through a formal change control process. This identified the scope, time, cost and other implications of the proposed changes for approval by the employer prior to implementation.

4.8.3 Achievement of objectives

The very process of rigorous planning, which included participative development of the statement of project objectives and gaining approval for these, ensured that all parties were

focussed on these. All the stated project objectives were successfully achieved despite the inevitable difficulties arising from the demanding project requirements.

- Scope, time, cost and quality: the scope requirements of the employer's brief were delivered within the budget, on time and to the required quality levels.
- Stakeholder "buy-in": Excellent "buy-in" from stakeholders was achieved, and no disruption from unhappy stakeholders was experienced.
- The SMME objective was exceeded through the achievement of 55 percent by value in professional services and 50 percent by value in construction.

4.9 Conclusion

Today, construction activity is so technologically advanced that no construction firm can, or even wishes to, conduct the building process alone. As the technology continues to advance so does the necessity of subcontracting specialist work and trades to those who can manage them better at lower cost, in less time and at better levels of quality and value. Indeed, most projects today will have up to 90 percent of their work delivered by subcontractors with the main contractor only playing a management role.

Causes of increased levels of subcontracting are: technological progress leading to greater specialisation; promotion of an enterprise-based culture centred on individual initiative and drive towards self-employment and specialisation.

Effective management of subcontractors is absolutely essential for project success especially where PDIs are engaged. The main criteria for successful subcontract management include:

- Keeping control over subcontractors by selecting subcontractors that can show they are financially and technically competent to do the job.
- A better understanding of the main contractor-subcontractor relationship.
- Managing the subcontractor relationship.
- Measuring subcontractor performance against prescribed key performance indicators and flagging non-compliance.

It is necessary that the project designer and main contractor work as a team in producing and distributing individual subcontractor packages and in selection of successful bidders.

The Eskom Regional Office Building stretched the requirement for effective subcontract management substantially. The project required the services of over 17 subcontractors, most of which were ABEs and PDIs. The scale of the management problem was significant. To achieve their project goals of time, cost and quality, the Public Private Partnership client

followed the Reconstruction and Development Programme (RDP) targeted procurement protocol. In brief, this protocol gives directives regarding how to conduct targeting of affirmable business enterprises. The project team set a series of pre-qualification milestones, which the subcontractors had to achieve. The following were also assessed: proven track record, specialist construction experience on similar works, appropriate management skills, necessary quality and quantity of resources and adequate financial ability. Considering that some ABEs and PDIs could not meet these criteria, the project encouraged joint ventures between established contractors and ABEs or PDIs. A management consultant (Barrow Projects) was appointed to take care of the contract participation goals, contract compliance, records and reporting.

The contract was completed approximately one calendar month in advance showing that the management of the project, and subcontractors in particular, was quite effective. Particularly innovative in the whole project management system was the way in which the partnering ethos was driven down the entire project supply chain. The entire design and construction worked as joint ventures, consortiums or associations.

In addition to the achievement of the formal project objectives, a number of other positive results were identified:

- Achievement of a collaborative spirit throughout the project team. No matters were declared as disputes, despite the inevitable difficulties. It should be noted that a fundamental tenet of partnering through the NEC system is that the parties act in accordance with a spirit of mutual trust and co-operation. This and other contractual requirements of partnering promote the achievement of collaboration for the benefit of the project
- Success in the application of the project management methodologies tailored to this project, which addressed both technical aspects as well as “soft” issues.
- Successful first use in the South African building industry of the ECC Option F: Management Contract was achieved especially engaging SMMEs in the spirit of trust and mutual project objectives.
- All re-occurring problems identified could be ascertained and dealt with prior to causing contractual conflict and project failure. Transfer of blame could not be envisaged as the team was willing to share the risks and the outcome of trust was instilled in all parties involved with the project in order to achieve project success. The responsibility was placed not only on Barrow Projects but all the stakeholders participated in preventive rather than reactive dispute resolution measures.
- Parties were able to exchange innovative strategies, which supported some systems and opposed others that were not cost effective, through the use of partnering workshop and other value management exercises that were put in place.

- The selection of partners, teams and stakeholders proved significant and resulted in successes at the end of the project.
- Enhanced communication, trust and fair and just relationships during the project were reinforced through the spirit of co-operation and mutual goals established during the project appraisal and throughout the life of the project.

4.9.1 Discussion of findings

The concept of empowerment employed at EROBB follows developments on the equitable distribution of wealth promoted by the South African government. The equity aspect is about offering PDIs opportunities to own and manage enterprises. The problem of capacity building is indirectly addressed by encouraging enterprises that lack certain technical skills to enter into joint ventures with enterprises that possess the requisite experience. In addition, the participating enterprises must report on the training opportunities that they intend to provide to their employees. Thus, the transfer of skills occurs within the joint venture set-ups.

The targeted empowerment approach applies to various economic activities at the EROBB. Therefore, the principles of empowerment and human resource development stated in the framework apply to the following:

- Appointment of consultants and professional service providers;
- Procurement of contractors and subcontractors;
- Procurement of all goods (FF&E, OS&E);
- Employment opportunities in the running of the office;
- Outsourcing of business opportunities associated with the operations of the office;
- Allocation of concession opportunities;
- Purchasing policy directed at the Target Groups;
- Human resources development and job creation associated with commercial opportunities on the site.

4.9.2 Pointers for future projects

In issuing the ECC's management contract option, great care must be taken in drafting the works information in order to cover both the employer's requirements for the works as well as the management processes to be adopted. The management contractors' attributes should be carefully evaluated by the employer to ensure that he is able to manage the process of design and construction in this multi-procurement mode, and has the ability required by the management contractor.

The development of PDI firms requires commensurate emphasis on training and mentorship. For this training and mentorship to succeed within a joint venture structure, specific facilitation of the creation of appropriate attitudes amongst the participants must be undertaken.

Depending on the degree of development to be achieved through on-the-job training of critical path activities, time allowances need to be made. All parties need to be made aware from inception that no compromise will be allowed. Use of partnering in the South African building industry must be accompanied by adequate training of all parties, together with a positive commitment to a well-disciplined project management-based system. Given such training and commitment, the use of the Partnering-NEC system and Empowerment can add significantly to both project success and to the upliftment of previously disadvantaged individuals, especially small, micro and medium enterprises.

CHAPTER V

CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The South African construction industry is striving to implement sustainable development principles through sustainable construction initiatives. This effort is supported by envisaged contract failures in pursuing sustainable empowerment partnerships with Affirmable Business Enterprises (ABEs) or Previously Disadvantaged Enterprises' initiatives at the local and national level.

The Eskom Regional Office study presented an excellent illustration of the potential applications of partnering in the empowerment of PDIs for sustainable construction through the implementation of the Targeted Assistance Programme, Human Resource Development and Empowerment Policy Framework and related empowerment protocols. The EROBB project partnered with SMMEs (comprising mainly ABEs and PDIs) to contribute to socio-economic sustainability in the Eastern Cape region.

Moreover, this project showcased the benefits of the combined efforts of the public and private sector in pursuing the sustainable development agenda. By partnering with small, micro and medium enterprises, the EROBB achieved its socio-economic sustainability objectives. The EROBB empowerment framework is an excellent illustration not only of sustainable construction but also of how partnering can be effectively used in developing countries with SMME or PDI's involvement.

The case study demonstrates that to implement empowerment successfully on projects (small, medium and large), all the key features and points promoted by partnering theory must be put into practice. This case study showed that even though some of the theoretical points are similar to issues in the practical execution, the issue of human development is vital to develop the partnering process on projects.

The research together with the case study showed that empowerment principles, as we understand them, can only be effectively implemented if trust between the parties, legal issues of partnering and the processes of selection and assessment of partners are holistically understood and well considered.

In conclusion, empowerment in the South African construction industry needs an application of the key features of partnering and to benchmark these against local content. Only then can we see whether partnering is beneficial to the construction industry.

The main conclusions that can be drawn from this research are summarised as follows:

- a) the small size and limited skills of empowerment companies will preclude them from becoming central players in the construction industry if the key features of partnering are not considered;
- b) although empowerment companies could merge with each other, empowerment companies are likely to receive greater benefit from entering public private partnerships as empowerment partners of established businesses; and
- c) the vicious cycle of conflict between empowerment companies and established business need to be converted into cycles of development by resolving the existing deep-rooted conflict (racial imbalances and fragmented project culture). It is probably the biggest single hindrance to the formation of empowerment partnerships on the broadest scale possible. Unresolved, this conflict is likely to inhibit the unlocking of the full potential of empowerment companies in all partnerships, not just the ones in the construction industry.

5.2 Recommendations

5.2.1 For improved construction processes

The partnering method is a fairly new approach to an improved construction process. In order to develop partnering to its true and most effective extent and effectively use it in empowerment initiatives, the following recommendations have been made:

- Professional bodies and individuals in construction must be educated and thoroughly informed about the key features of partnering and their successful implementation. Even though the available literature on partnering is limited in South Africa, there is a wide spectrum of information on the Internet and in international magazines and books.
- Communication, honesty, openness and trust are the most important factors that constitute good partnering. In order to achieve these points the mindset of professionals and clients must change. Professionals must be honest between themselves and towards their clients and clients must be more trusting of their employed consultants. Therefore the team workshops, early selection of the partners and their assessment are essential features that should appear any partnering project.
- Having an incentive scheme such as the equal share of cost saving or bonuses for early completion act as motivational tools for all parties. It is therefore recommended that every project in which partnering is implemented has an incentive scheme in order to improve quality and timely delivery.
- The client is the most important entity in the construction project and must be informed of the partnering method and the benefits of this method. Clients must be involved as far as possible because their investment is at stake.
- Fair and just relationships must exist between the partnering members. This means that all the risks on a new project must be equally shared. This not only refers to financial risks but also to moral and ethical risks, which must be evaluated in order for partnering to be a success.

5.2.2 For previously disadvantaged enterprises

It is recommended that previously disadvantaged enterprises:

- Take a good look at themselves and at each other in order to clarify what their purposes are, whether those purposes are still relevant in today's business climate, whether any other organisations are serving those interests better, and take appropriate action to continue or disband after coding interest and membership to those best suited to manage them.

- Should seriously consider increasing value delivery to members through the formation of mergers. Mergers should reduce overhead costs and free more resources in order to deliver value to partnerships.
- Where mergers are not feasible, strategic alliances can be set up, again with sharing of resources and the rationalisation of as many overhead costs as possible. Strategic alliances would be extremely helpful in the sharing of information as well as the joint identification and exploitation of new business opportunities in situations where any one party might not have had the resources to do it alone.
- Should benchmark their organization standard against those of similar but older bodies in the private sector. Unpalatable as this may seem it is probably one of the most cost-effective ways in which to learn how to deliver value to the partnerships. The alternative is to let vanity take over and benchmark against overseas organizations whose context is markedly different and whose standards there is little hope of attaining. Thus, for example, NABCAT might consider benchmarking itself against the South African Federation of Civil Engineering Contractors (SAFCEC).
- Keep the big picture in view. Using a database, audit the skills available amongst the membership. Keep a record of the number, nature and scope of projects completed by the organisation's members. It needs to be documented whether these are increasing in sophistication or not. Keep basic records of performance on projects, for example, how well they conformed to set budgets (measurable), time frames (measurable) and quality (measured, for example, as the amount of work redone), then determine whether there are improvements in competency over time and feed back to the members.
- Maintain information about members involved in empowerment partnerships. Request feedback regarding benefits and frustrations. Provide support mechanisms for members in empowerment relationships such as advice on drawing up beneficial empowerment contracts.
- Provide brokerage services using a database in order to link up members with complementary sets of skills and or experiences when relevant projects come up. This may facilitate skills transfer between members.

5.2.3 On skills and partnership opportunities for empowerment companies

- Skills development and the opportunities to develop those skills should be priorities. Skills development should aim to improve existing skills and to acquire new competencies. Thus, for example, an empowerment company with mainly social

development skills should seek to acquire technical competencies as well, and vice-versa. It is important that firms that see themselves as being mainly “technical consultant” firms do not neglect opportunities to acquire social development skills. At the end of the day, the money to pay for projects comes, or should come, from efficient collection of fees for services. It may pay one day to have the skills to improve this efficiency.

- Prioritise skills development areas. This requires an honest audit of existing skills in terms of both breadth (quantity) and depth (quality). The results of this audit need to be used as part of the criteria for evaluating empowerment partnership opportunities. The more opportunities the proposed partnership offers to develop priority skills areas, the more favourably it should be reviewed. At least one priority skills area should be developed in each empowerment partnership relationship. Money can always be made using an acquired skill, but a skill cannot always be gained using acquired money.

5.2.4 For established private sector business

- Be pro-active. Evidence from this study suggests that most empowerment companies agree that opportunities to improve the standards of their companies are important, but are uncertain as to which actual opportunities to take in order to ensure the improvement of company standards. Established businesses should, whether requested or not, offer opportunities to develop specific skills for the duration of the empowerment relationship. The ideal end-point would be when the empowered partner is ready to transfer those skills to a new empowerment company.

Do the best possible to help empowerment companies realise as many of the benefits to empowerment partnership opportunities as possible, including assisting with access to development capital. This may help strengthen what is currently a very feeble trust relationship between improvement companies and the established private sector.

- Undertake to work on tarnished images. The negative perception of the role of the private sector in previously disadvantaged economic empowerment is a serious one. Unfortunately, there are already signs of deep-rooted conflict and purely cosmetic repair work will not be sufficient. Examples of such cosmetic work would include creating opportunities for socialisation with empowerment companies, introducing them to networks, 'putting in a word' for them at the bank and condemning tokenism.
- Abandon prevalent incorrect stereotypes of empowerment companies created through anecdotes. Empirical evidence from this research has shown that empowerment companies are owned or run by blacks who :
 - Are aware that they have limited skills and would like to improve them;
 - Recognise that power and profit in business are connected to risk;

- Accept that they are not automatically entitled to power-sharing simply by virtue of being in an empowerment relationship;
 - Fully agree to be paid only for producing desired results;
 - Unequivocally reject the notion of payment for all work done regardless of outcomes, and
 - Believe that it is more important to increase their stake in partnership than to receive a cash dividend. On the whole, these are not blacks after quick and easy money. They are committed to economic growth and development through hard work, responsibility and sacrifice. They certainly deserve better treatment than they are perceived as receiving.
- Commit the private sector to turning the cycles of conflict into cycles of development. An outline of how the existing deep-rooted conflict can be dealt with is described and summarised in Figure 8. The researcher concedes that this is a difficult process, but sees no easier options to building the trust so necessary to facilitate the joint building of a vibrant and globally competitive South African economy.

5.2.5 Empowerment companies

- Be prepared for dialogue. To reject the invitation to open and honest dialogue is to reject the opportunity to resolve existing deep-rooted conflict. It creates a no-win situation and perpetuates the status quo.
- Get the facts right. Rhetoric and unsubstantiated broad-sweeping statements may have a place in politics, but they have no place in business dialogue aimed at addressing deep-rooted conflict. Economic empowerment representative organisations must be ready to produce verifiable evidence on issues like the number of dis-empowering relationships in which their members are involved and conflicts, which have not been satisfactorily resolved within empowerment partnerships. They must also be able to say whether these situations are occurring in a majority of empowerment partnerships or only in a few exceptions. Maintaining a proper perspective is critical. Equally important, practical proposals must be formulated about how the whole empowerment partnership experience can be made more mutually beneficial.

5.2.6 For government

- Publish annual reports on awarded tenders. As an expression of the Government's stated commitment to transparency, the Tender Board could publish an annual report on the number and nature of tenders awarded, broken down by purchasing

government departments. This way trends in the award of tenders can easily be followed and irregularities detected. Comments can be more informed.

- Publish audit reports of performance on tenders. The reports can be made accessible to more blacks by simplifying the aspects reported on. Of particular interest to empowerment companies would be the number of projects empowerment companies worked on (whether alone or in partnership) and how well those projects were performed with respect to time, budget and quality. It would be reasonable to expect performance problems initially, but demonstrative improvements should be seen over time. Again, trends are important.
- Insist on the Observance of Good Corporate Governance Principles in all government-sponsored work. The importance of this cannot be over-emphasised especially when one considers that the country will soon be awash with scores of public-private partnerships as local authorities privatise their water and sanitation services. Of particular importance in public-private partnerships would be the principles of accountability to served communities (as well as shareholders), performance-related remuneration, public disclosure of performance results and broad consultations with all stakeholders in major decision-making and skills transfer to the empowerment companies involved as well as the communities served.

5.2.7 For empowerment companies on corporate governance

Empowerment companies need to find a way of rapidly familiarising themselves with the tenets of good corporate governance and operationalising them. Those without experience as empowerment partnerships need to do more work on this than those with such experience. Empowerment companies with empowerment experience need to start working on the principles of broad consultation with stakeholders as well as accountability to customers. Established business still has to widely operationalise these principles.

5.2.8 For established business on corporate government

Established business needs to adopt and operationalise the principles of broad stakeholder consultation and accountability to customers as part of good corporate governance practice. The power of example in this context has been clearly shown in this research. It is important that established business continues to champion the cause of good corporate governance through example.

5.3 Recommendations for further research

This research was conducted with an aim to facilitate the better understanding of empowerment in the construction industry and also to introduce the concept of partnering for successful implementation of empowerment in the construction industry. However, with the limited resources and the time frame it proved difficult to explore and compare the generics of empowerment as understood in the other sector industries though it has yield a lot of information, it has also surfaced a number of incomplete answers and raised a lot of questions. Further research would be recommended into the following areas:

1. A comparative study of representative business organizations, perceptions in support of the partnering philosophy and the application of same in construction joint ventures with previously disadvantaged individuals.
2. A repetition of the study for other economic sectors and to compare the findings in the other sectors with the ones in this research. The aim will be to determine sectoral similarities as well as differences.

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