

Project Management

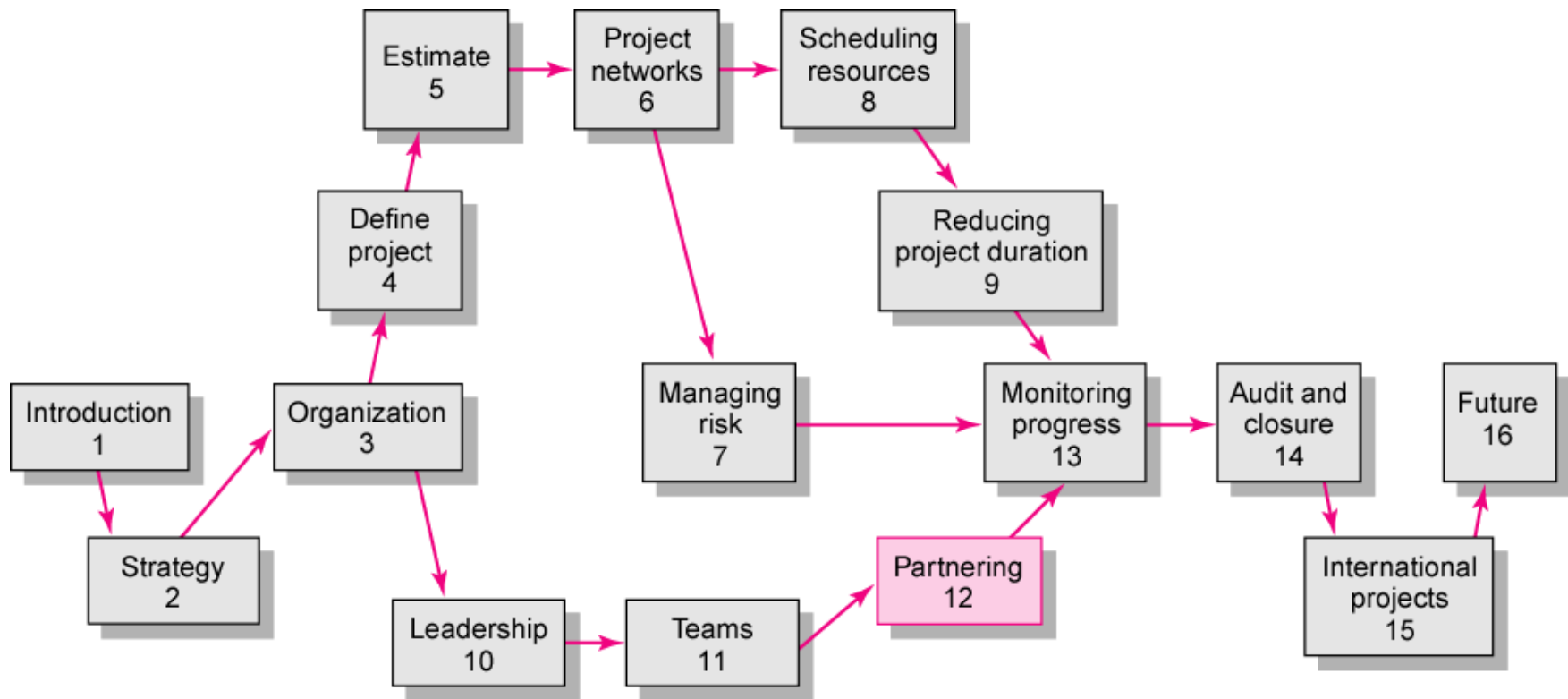
THE MANAGERIAL PROCESS

Clifford F. Gray
Eric W. Larson
Third Edition



Chapter 12

Partnering: Managing Interorganizational Relations



Introduction to Project Partnering

- Partnering

- A process of transforming contractual arrangements into a cohesive, collaborative team that deals with issues and problems encountered to meet a customer's needs.

- Assumes that the traditional adversarial relationship between the owner and contractor is ineffective and self-defeating.
 - Assumes that both parties share common goals and mutually benefit from the successful completion of projects.

- Factors favoring partnering:

- Existence of common goals
 - High costs of the adversarial approach
 - Shared benefits of the collaborative approach

Partnering

- Advantages of Long-term Partnerships
 - Reduced administrative costs
 - More efficient utilization of resources
 - Improved communication
 - Improved performance



Key Practices in Partnering Relationships versus Traditional Practices

Partnering Relationships

Mutual trust forms the basis for strong working relationships.

Shared goals and objectives ensure common direction.

Joint project team exists with high level of interaction.

Open communications avoid misdirection and bolster effective working relationships.

Long-term commitment provides the opportunity to attain continuous improvement.

Traditional Practices

Suspicion and distrust; each party is wary of the other.

Each party's goals and objectives, while similar, are geared to what is best for them.

Independent project teams; teams are spatially separated with managed interactions.

Communications are structured and guarded.

Single project contracting is normal.

TABLE 12.1

Key Practices in Partnering Relationships versus Traditional Practices (cont'd)

Partnering Relationships

Objective critique is geared to candid assessment of performance.

Access to each other's organization resources is available.

Total company involvement requires commitment from CEO to team members.

Integration of administrative systems equipment takes place.

Risk is shared jointly among the partners, encouraging innovation and continuous improvement.

Traditional Practices

Objectivity is limited due to fear of reprisal and lack of continuous improvement opportunity.

Access is limited with structured procedures and self-preservation taking priority over total optimization.

Involvement is normally limited to project-level personnel.

Duplication and/or translation takes place with attendant costs and delays.

Risk is transferred to the other party.

TABLE 12.1 (cont'd)

Project Partnering Framework

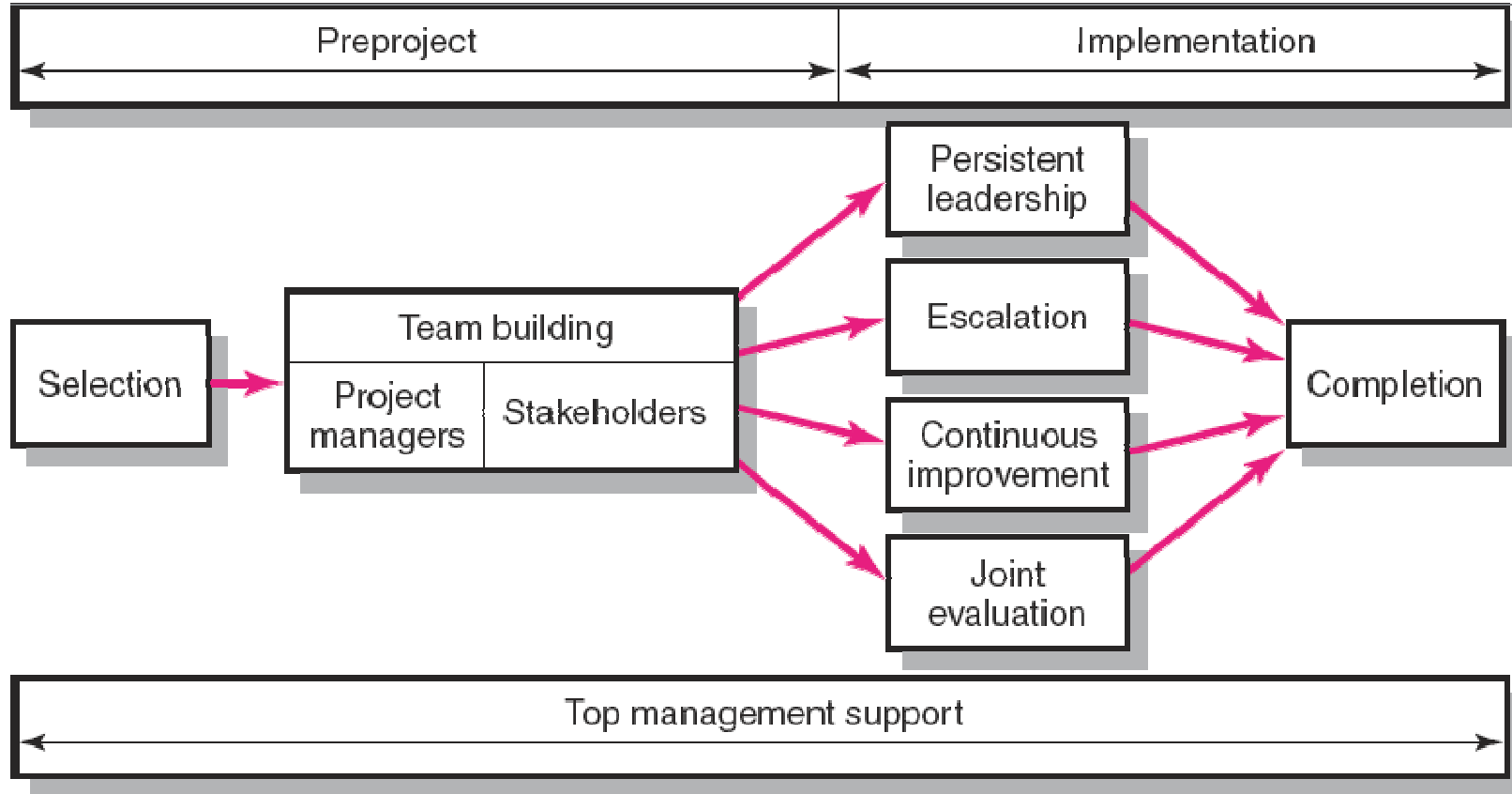


FIGURE 12.1

Preproject Activities—Setting the Stage for Successful Partnering

- Selecting a Partner(s)
 - Voluntary, experienced, willing, with committed top management.
- Team Building: The Project Managers
 - Build a collaborative relationship among the project managers.
- Team Building: The Stakeholders
 - Expand the partnership commitment to include other key managers and specialists.

Project Implementation—Sustaining Collaborative Relationships

- Establish a “we” as opposed to “us and them” attitude toward the project.
 - Co-location: employees from different organizations work together at the same location.
- Establish mechanisms that will ensure the relationship withstands problems and setbacks.
 - Problem resolution
 - Continuous improvement
 - Joint evaluation
 - Persistent leadership

Project Partnering Charter

Partnering Charter
Edwards AFB – F-22 Fighter Building 1870

U.S. Air Force F-22 CTF, 411 FLTS • Edwards AFB Civil Engineers
 Computer Science Corporation • Lockheed Martin • Telecom Solutions
 U.S. Army Corps of Engineers • Valenzuela Engineering, Inc • VRR & Associates

We, the partners of the F-22 design and construction team, recognizing the unique nature of this project, commit to creating an environment of trust and communication to design and build a quality project which meets or exceeds the customer's requirements. We commit to maintaining a positive and optimistic work environment in which all partners goals can be achieved.

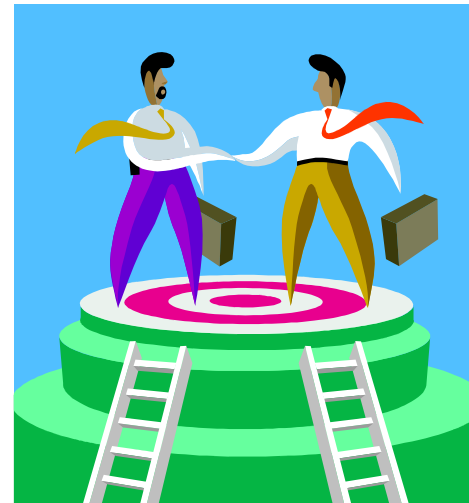
<ul style="list-style-type: none"> • Quality Project <ul style="list-style-type: none"> - Meet program requirements for F-22 Support Systems. • Complete on schedule and within cost constraints. • Incorporate lessons learned from other F-22 projects. • Create an environment for a fair and reasonable profit. • Create an enjoyable work environment. 	<ul style="list-style-type: none"> • Safe Project <ul style="list-style-type: none"> - Provide a safe environment. - With no lost-time accidents. • Maintain positive, cooperative relationships <ul style="list-style-type: none"> - Clear and open communications through appropriate channels. - No surprises. - No hidden agendas. - Minimum delays of paperwork. - Resolve problems quickly at the lowest level.
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The Partnering concept is a team relationship that promotes the achievement of mutually beneficial goals. This Partnering Charter does not create any legally enforceable rights or duties. Any changes to the contracts must be made by the contracting officers under the terms of the written contracts.

FIGURE 12.2

Project Completion—Celebrating Success

- Conduct a jointly review of accomplishments and disappointments.
- Hold a celebration for all project participants.
- Recognize special contributions.



Sample Partnering Evaluation

Evaluation of partnering process: attitudes, teamwork, process.
(Collected separately from owner and contractor participants, compared, and aggregated.)

1. Communications between the owner/contractor personnel are

1	2	3	4	5
Difficult, guarded				Easy, open, up front

2. Top management support of partnering process is

1	2	3	4	5
Not evident or inconsistent				Obvious and consistent

3. Problems, issues, or concerns are

1	2	3	4	5
Ignored				Attacked promptly

4. Cooperation between owner and contractor personnel is

1	2	3	4	5
Cool, detached, unresponsive, removed				Genuine, unreserved, complete

5. Responses to problems, issues, or concerns frequently become

1	2	3	4	5
Personal issues				Treated as project problems

FIGURE 12.3

Why Project Partnering Efforts Fail

- Causes of Partnering Failures
 - Senior management fails to address problems or does not empower team members to solve problems.
 - Cultural differences are not adequately dealt with such that a common team culture develops.
 - No formal evaluation process is in place to identify problems and opportunities at the operating level or to assess the current state of the partnering relationship.
 - A lack of incentive for continuous improvement by contractors participating in the partnering relationship.

The Art of Negotiating

- Project management is **NOT** a contest.
 - Everyone is on the same side—OURS.
 - Everyone is bound by the success of the project.
 - Everyone has to continue to work together.
- Principled Negotiations
 - Separate the people from the problem
 - Focus on interests, not positions
 - Invent options for mutual gain
 - When possible, use objective criteria

The Art of Negotiating (cont'd)

- Dealing with Unreasonable People
 - If pushed, don't push back.
 - Ask questions instead of making statements.
 - Use silence as a response to unreasonable demands.
 - Ask for advice and encourage others to criticize your ideas and positions.
 - Use Fisher and Ury's best alternative to a negotiated agreement (BATNA) concept to work toward a win/win scenario.

Managing Customer Relations

- Customer Satisfaction

- The negative effect of dissatisfied customers on a firm's reputation is far greater than the positive effect of satisfied customers.

- Every customer has a unique set of performance expectations and met-performance perceptions.

- Satisfaction is a perceptual relationship:

$$\frac{\text{Perceived performance}}{\text{Expected performance}}$$

- Project managers must be skilled at managing both customer expectations and perceptions.

Managing Customer Relations (cont'd)

- Managing Customer Expectations

- Don't oversell the project; better to undersell.
- Develop a well-defined project scope statement.
- Share significant problems and risks.
- Keep everyone informed about the project's progress.
- Involve customers early on decisions about project development changes.
- Handle customer relationships and problems in an expeditious, competent, and professional manner.
- Speak with one voice.
- Speak the language of the customer.

Key Terms

Best alternative to a negotiated agreement (BATNA)

Co-location

Escalation

Joint evaluation

Met-expectations model

Partnering charter

Principled negotiation

Project partnering

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Chapter 12.1 Appendix

Contract Management

Types of Contracts

- Fixed-Price (FP) Contract or Lump-sum Agreement
 - The contractor with the lowest bid agrees to perform all work specified in the contract at a fixed price.
 - The disadvantage for owners is that it is more difficult and more costly to prepare.
 - The primary disadvantage for contractors is the risk of underestimating project costs.
 - Contract adjustments
 - Redetermination provisions
 - Performance incentives

Types of Contracts (cont'd)

- Cost-Plus Contracts

- The contractor is reimbursed for all direct allowable costs (materials, labor, travel) plus an additional prior-negotiated fee (set as a percentage of the total costs) to cover overhead and profit.
- Risk to client is in relying on the contractor's best efforts to contain costs.
- Controls on contractors
 - Performance and schedule incentives
 - Costs-sharing clauses

Contract Changes

- Contract Change Control System
 - Defines the process by which a contract's authorized scope (costs and activities) may be modified:
 - Paperwork
 - Tracking systems
 - Dispute resolution procedures
 - Approval levels necessary for authorizing changes
 - Best practice is the inclusion of change control system provisions in the original contract.