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Dissertation

Has partnering worked in the water sector?
An analysis of Morgan Sindall's relationship with
Severn Trent Water.

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Abstract

Partnering has been well embraced in the UK construction industry despite many studies contesting the true worth of such a procurement strategy. In the context of the UK water sector, although the partnering philosophy has been adopted, there is little empirical research as to whether it has actually worked in achieving the proclaimed benefits. This paper examines the impact that the partnering philosophy has had upon the UK water sector through the analysis of a Client : main contractor five year framework agreement. This is important as it provides an up to date insight as to whether partnering as a procurement strategy per se is effective as well as providing a unique insight into whether partnering has been a success within the UK water sector.

Through undertaking a thorough review of existing partnering literature, the prominent partnering characteristics and benefits were identified in addition to the associated limitations. Three semi-structured interviews were conducted with senior management of Severn Trent Water and Morgan Sindall to establish the extent in which the prominent partnering characteristics had been embraced within their framework agreement, whether the benefits had been obtained and whether the limitations were apparent.

The analysis of the data revealed that the vast majority of partnering characteristics had been embraced and that many of the partnering benefits had been realised. The limitations were also evident, but these were mitigated through the use of a ‘bigger picture’ perspective in assessing issues that had become manifested throughout the framework. The ‘bigger picture’ perspective facilitated the success of the relationship and overall framework result.

In concluding, although proposals for improvement were put forward, partnering has worked in the water sector. The Client : main contractor relationship and associated project outcomes have been positively influenced through the implementation of partnering. The UK water sector and construction industry as a whole are encouraged to adopt similar practices to enhance their construction experience and ultimately their project outcomes.

Acknowledgements and Certification

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Certification

I certify that this MSc Dissertation contains **22,526** words from ‘Section 1 – Introduction’ through to the end of ‘Section 6 – Conclusions’.

Student Signature: _____

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1 – Introduction

Traditionally the construction industry has attracted criticism for having systematic failings and fostering an adversarial environment. Too often Clients and main contractors had become immersed with fighting and hostility, with legal disputes often continuing for prolonged periods after projects had completed. The underlying problems historically centred on ‘cost and programme overruns, poor quality and performance, low profitability, onerous contract conditions and a multitude of disputes’ (Wood, 2005 p7). These problems were what led the UK government to commission comprehensive reviews of the construction industry in the 1990s, seeking to remove such inadequacies and initiate a wholesale change in the approach and culture surrounding the industry.

The principle resolution was seen to be ‘partnering’. Under this procurement strategy, partnering aimed ‘to achieve specific business objectives by maximising the effectiveness of each participant’s resources and establishing ongoing business relationships’ (Wood, 2005 p7). Indeed Egan (1998) suggested that the adoption of partnering had the potential to make construction contracts obsolete, with partnering and the anticipated success resting on the implied covenant of good faith.

Since the partnering concept was first introduced, it has been the subject of a plethora of studies with many practitioners promoting or discussing the benefits that partnering can achieve (Latham, 1994; Egan, 1998; Bennett and Jayes, 1998; Bennett and Peace, 2006; Mosey, 2007; Brookes, 2008). However, other investigations have highlighted pertinent problematic issues associated with partnering (Black et al., 2000; Ng et al., 2002; Brookes, 2008; Hirst, 2009). Despite the portrayed concerns, it is reported that there has been an encouraging uptake of the partnering philosophy (Brookes 2008; Sheils, 2008; Hirst 2009).

One major construction Client who has implemented partnering is Severn Trent Water, a leading name in the UK water sector. This research paper will use Severn Trent Water as a means of analysing the effect that partnering has had upon the UK water sector, specifically looking at the relationship and project outcomes that have been achieved with one of their construction partners, main contractor Morgan Sindall, in the Asset

Management Plan 4 (AMP 4) Framework. The reason why this is being studied is to provide a unique and up to date, empirical insight of partnering in use within the specific context of the UK water sector and establish whether the partnering principles have been truly adhered to, and whether any principles have been overlooked and the reasons for this. Additionally, this study will ascertain whether the reported benefits have been attained in the water sector and whether any partnering limitations have been evident and have subsequently proven detrimental to the achievement of the proposed benefits. The findings can then be used to determine whether partnering has facilitated the water sector in accomplishing the better relationships and project outcomes that Latham (1994) and Egan (1998) aspired for. Succinctly, the paper will seek to answer the question, has partnering worked in the water sector? Through undertaking this research, a fresh outlook will be offered to the existing partnering literature, which will contribute to the current, global thinking in that it will identify how partnering has been adopted in the UK water sector and the results that have emanated from the implementation. This can then be used to support or counter the existing research. Thus, the aims and objectives of this research paper are:

Aims

- To establish the effect that the partnering philosophy has had in the water sector in terms of the Client : Main Contractor relationship and overall construction project performance.
- To identify improvements to the partnering approach for the water sector.

Objectives

- Undertake interviews with the senior management of Severn Trent Water and Morgan Sindall to ascertain the extent in which they believe prominent partnering characteristics have been embraced.
- Undertake interviews with senior management of Severn Trent Water and Morgan Sindall to identify whether they believe the reported benefits of partnering agreements are being achieved in practice and examine whether any

attained benefits can be directly attributed to the use of partnering. In addition, assess whether the reported partnering limitations are evident.

- Obtain suggestions from the senior management of both Severn Trent Water and Morgan Sindall for future improvements.

1.1 – Background information

In order to provide a sufficient underlying knowledge for this research paper, core details of Severn Trent Water, Morgan Sindall and the AMP 4 Framework are provided below:

Severn Trent Water

Severn Trent Water is a frequent construction Client who undertakes work to ensure that their water and sewage treatment works, processes and products comply with EU regulation. In order to adhere to such requirements Severn Trent Water is continually upgrading, renovating and building new water and sewage treatment works. In addition to this, Severn Trent Water also maintains and installs new water and sewer pipes across the Midlands.

The majority of Severn Trent Water's construction work is allocated to a small number of main contractors under an AMP Framework. Each AMP runs for five years and provides the selected main contractors with a guaranteed amount of turnover for the five year period. This research paper focuses primarily on AMP 4, which ran from 2005 to 2010. At the outset of AMP 4, Severn Trent Water had planned to refurbish or upgrade 44 water treatment works, 23 water pumping stations, 13 service reservoirs and water towers, 158 wastewater treatment works and 75 sewage pumping stations. In addition, Severn Trent Water intended to replace, reline or lay over 1,900 km of water mains, renew, renovate or lay a further 1,150 km of sewers and reduce the impact of storm overflows from sewers at 174 sites (Severn Trent Water, 2010a). For AMP 4, the work that Severn Trent Water awarded to Morgan Sindall centred purely on the upgrading and renewal of water and sewage treatment works. In financial terms this equated to £90 million over the five years (Morgan Sindall, 2010a).

Morgan Sindall

Morgan Sindall is a UK construction, infrastructure and design business, working in both the private and public sector on projects from £50,000 to over £500 million (Morgan Sindall, 2010b). At the start of AMP 4 in 2005, Morgan Sindall was known as two separate entities, Morgan Est and Morgan Ashurst. It was with Morgan Est that Severn Trent Water had formed a longstanding relationship. However, for the purpose of this paper, Morgan Est will be referred to under their current name of Morgan Sindall. In the context of the water sector, Morgan Sindall has a ‘multi-disciplinary project expertise in design, civil engineering, utilities, tunnelling, mechanical and electrical design as well as installation and commissioning’ (Morgan Sindall, 2010c) enabling a total service capability to be offered ‘from initial design and conception, to project handover’ (Morgan Sindall, 2010c). Morgan Sindall delivers solutions for water and wastewater treatment plants, pumping stations, pipelines, sewerage and associated works and has been working on Severn Trent Water AMP Frameworks since AMP 2, which took place during 1995 – 2000.

AMP 4 Framework

The Severn Trent Water and Morgan Sindall AMP 4 Framework principally centred on the notions of a design freeze and a fixed price. The underlying reason for this was to enable Severn Trent Water to have cost certainty. The design freeze and subsequent fixed price were based upon an initial outline design, although due to the nature of construction the design freeze was frequently broken and the end product was not a true reflection of what had been priced. However, even in instances where the scope of work had increased significantly, the initial fixed price always remained the same.

In addition, due to Severn Trent Water being a frequent construction Client, a wealth of cost information has been recorded over the years and is used in agreeing the fixed price with the main contractors. Two terms that are referred to in this research paper are ‘standard items’ and ‘cost curves’. A standard item is a frequently built structure that has been built in previous AMPs. When agreeing a price for a project, Severn Trent Water will identify the standard items and will dictate how much money can be allowed in the target price for the standard item. The price that Severn Trent Water allows is

determined by the cost curves. A cost curve is a line graph illustrating the final cost for each specific standard item that was built over the previous AMP. The average / mid-point of the cost curves are used as the price that will be allowed for each standard item in each target price for the current AMP.

1.2 – Route map

With this section providing the contextual setting for the basis of this research paper, Section 2 will provide a full review of the current partnering literature, identifying the principle features, benefits and limitations of the partnering philosophy. Section 3 will detail and justify the research design, strategy and analysis that were undertaken in collecting and exploring the primary data with Section 4 presenting the principal findings and analysis in alignment with the reviewed literature. Lastly, Section 5 will take the key issues from the aforementioned analysis and draw valid and robust conclusions in conjunction with the research aims and objectives.

2 – The birth and life of partnering

This section provides a comprehensive review of partnering, commencing with the depiction of the origins, before progressing onto the predominant characteristics and evolving nature of this contemporary procurement strategy. An assessment of the relevant benefits and limitations of partnering agreements is also undertaken, whilst critiquing the pontificating that surrounds the partnering philosophy.

2.1 – Partnering origins

From a global perspective, partnering is an American initiative. The Federation Internationale des Ingénieurs-Conseils (FIDIC) state that partnering was first applied by the US Army Corps of Engineers in the late 1980's (FIDIC, 2010). In the context of the UK construction industry, it is approaching two decades since partnering was first articulated.

Many studies, papers and best practice guides (National Economic Development Office, 1991; Latham, 1994; Bennett and Jayes, 1995; Egan, 1998; Bennett and Jayes, 1998) have been sanctioned centring on the use and implementation of collaborative working, with consistent themes and recommendations emanating from such sources. Undoubtedly 'The Latham Report' (Latham, 1994) and 'Rethinking Construction' (Egan, 1998) remain the landmark papers, which are commonly seen as the catalyst for change to help cure the ills of the UK construction industry. In developing the initial partnering discussions from the early 1990s, Latham (1994) and Egan (1998) expound the need to address deep-seated problems within the industry and advocate the entire construction process to become customer and quality focused, more cost effective and profitable, and more collaborative with long term relationships becoming the norm where possible. In addition, the Client is urged to fulfil their responsibilities to lead the change towards an improved UK construction industry. An end to the adversarial nature that has besieged the construction industry is encouraged with more harmonious relationships being targeted for the future years.

In spite of this, whilst acknowledging the effect that Latham (1994) and Egan (1998) have had upon the industry, there are some flaws and inconsistencies in both their underlying arguments for change and also the explicit recommendations that have been proposed. For instance Egan (1998, p6) states that,

UK construction is at its best excellent. We applaud the engineering ingenuity and design flair... it's capability to deliver the most difficult and innovative projects matches that of any other construction industry in the world.

Egan (1998, p6)

However Egan (1998) later declares that a lack of investment is damaging the industry's ability to be innovative and that a third of major clients are dissatisfied with design and innovation. This apparent contradiction with the initial quotation above can engender confusion and raise questions towards the paper as a whole, and the legitimacy of the subsequent recommendations put forward. In addition, Egan (1998) states that the UK construction industry has low profitability but later bemoans the high number of companies that operate in the industry. If the profit levels were genuinely low, then logic would suggest that the number of companies wanting to be part of the construction industry would also be low. Therefore the profit must be at an acceptable level (as opposed to a low level) to keep the proclaimed high number of companies interested and in business. Egan (1998) argues that the change towards partnering will enhance innovation and increase profits for all, but with Egan openly stating that innovation in the UK construction industry is already as good as any in the world, and failing to provide any financial figures to justify his claim that the industry has low profitability, his promotion for the uptake in collaborative working could be seen to have ulterior motives. Significantly, this view is compounded when it is considered that Brookes (2008, p321) recently declared that 'partnering may not be the cure for the industry's problems' and also suggested that 'very few within the industry have truly embraced the partnering ethos of Latham and Egan' (Brookes, 2008 p324).

Also noteworthy within Egan's (1998) paper is that he appears to base his paper on the vast assumption that construction companies *want* to change. However, Egan's speech at the Commons reception in May 2008, marking the 10th anniversary of his paper,

conceded that he would only give the construction industry four out of ten for the 'attempt' at implementing his ideas and recommendations proposed in 'Rethinking Construction'. Egan (2008, p3) was brutal in his assessment of the progress made, declaring 'I just don't think they were trying'. This is strong evidence to challenge the notion that construction companies want to change. This has added ramifications; if construction companies do not want to change, then perhaps they are content with the 'low' profits that they are claimed to be making. Therefore, in reality, the profits can not actually be too low, thus further dismissing some of Egan's (1998) underlying assumptions and substantiations as to why the construction industry needs to change.

A final comment on the recommendations within both Latham (1994) and Egan (1998) is the idea of forming long term relationships. Such relationships typically foster between specific personnel within various organisations. However it is human nature for most individuals to want to develop and better themselves. Unfortunately, this can involve employees moving from one company to another. This can therefore become a barrier in achieving the recommendation of companies creating long term relationships. This sentiment is echoed by Mason (2007, p524) who established that 'personnel in main contractors and clients were not static for long enough for enduring relationships to be created'.

2.2 – Partnering characteristics

Despite there being a significant level of interest surrounding the partnering philosophy, there is no universal consensus as to what partnering actually is. Hirst (2009, p2) provides a succinct definition in stating that partnering 'is a method of working in the construction industry with a view to avoiding disputes and adding value by ensuring a collaborative approach from all parties'. Having examined the wealth of literature that is available within the public domain, the subsequent pages detail the common elements that can be seen throughout the partnering literature. These predominant characteristics have been categorised into contractual, procedural and relationship aspects and are reviewed accordingly:

2.2.1 – Contractual Characteristics

The Office of Government Commerce (OGC) advise that a **partnering charter** complements the formal contract terms by getting both the Client and main contractor to set out and agree ‘the principles, attitudes and ideals that will characterise the arrangement’ (OGC, 2003, p5). The charter also affirms the parties’ commitment and how the partnering approach will be put into practice. Cheung et al. (2003, p337) consider a partnering charter to be of ‘vital significance’ with Bresnen and Marshall (2000a & 2002) acknowledging that the use of a charter is seen by many as good practice and central to the partnering process. OGC go further in regarding a charter as being essential. However, Wood and Ellis (2005, p318) later point to the case of *Birse Construction Ltd v St David Ltd* [1999] where the presence of a partnering charter did nothing to prevent a dispute from resulting in litigation. In addition, Mustaffa and Bowles (2004, p722) state that ‘problems endemic in construction do not disappear automatically simply because a partnering charter, the main symbol of the agreement, has been signed by all the relevant parties’. Finally, Brookes (2008, p318) advises that ‘a partnering charter can become a potentially dangerous document if a dispute arises’. These conflicting opinions leave it unclear as to whether a partnering charter is required for a successful partnering agreement and immediately highlight the difficulties in attempting to define and implement the partnering process.

A further ‘contractual’ aspect frequently associated with partnering arrangements is the level of **pain-gain / profit share** that the contractor is entitled or exposed to, based upon the final under / over spend on the initial contract value. In addition to this, any supplementary remuneration is often linked to specific **key performance indicators** (KPIs). Many authors (Bresnen and Marshall, 2000a & 2000b; Richmond-Coggan, 2001; OGC, 2003; Chan et al., 2003; Wood, 2005; Yeung et al., 2007) allude to the use of pain-gain and KPIs, with Yeung et al. (2007) identifying KPIs centring on the bettering of the procurement triangle elements (time, cost and quality), in addition to innovation, effective communication, management commitment and trust and respect, as being the most important. The underlying principle is for the contractor to focus on achieving the KPIs, as this will automatically mean that the contractor has gone over and beyond what he was originally contracted for (Richmond-Coggan, 2001). Due to successful attainment of KPIs acting as an incentive for higher economic yields (gain /

profit share) for the main contractor, the use of KPIs is sufficient for behavioural change (Bresnen and Marshall, 2000a), thus putting the main contractor under subliminal control of the Client. However Bresnen and Marshall (2000b, p596) state that not only can KPI scoring systems be subjective, but their findings ‘cast doubt upon the simplistic presumption that there is a necessary and direct relationship between project incentives and performance outcomes’. Additionally, the pain-gain ratio can vary dramatically from project to project, with some Clients not allowing the contractor to take any gain share, as by virtue of the project being completed under budget they feel that the contractor has already benefited as their ring-fenced profit margin is now a greater margin in percentage terms (Wood, 2005). Therefore, although a common characteristic, there is difficulty in establishing how, or if, pain-gain and KPI measures should be created and implemented in practice within partnering agreements.

A final ‘contractual’ feature of partnering is that of risk, and more specifically the concept of **shared risk**. This is a notion acknowledged by many (Cheung, 2002; OGC, 2003; Bamforth, 2006; Brookes, 2008; Hirst, 2009) with Hirst (2009) stating that shared risk and reward is the key to partnering and Cheung et al (2002, p364) affirming that ‘joint risk management is fundamental in partnering endeavours’. Hibberd (2007) provides a slightly deeper perspective in advising that within a partnering agreement there will,

‘need to be allocation of not only risk, but also of reward. Often the solution to a problem may cost one team member but benefit another. Integrated measures need to be found that will enable such trade offs to be accepted’.

Hibberd (2007, p364)

However, Dartnell (2007) advises that in partnering arrangements Clients are not too keen in taking their share of the risk. Additionally, Brookes (2008, p324) concludes that the ‘main concern is that the large organisations have seen it [partnering] as a means to transfer risk’ and that the benefits of partnering come at the expense of the constructor being exposed to additional risk. Consequently although the theoretical perspective is that risk should be shared, there is research that suggests this is not the case in practice, which evidently goes against the partnering ethos. Perhaps the best resolve is the

established outlook that is reiterated by Bamforth (2006) and Brookes (2008) who believe that in partnering arrangements the risk should be allocated to the party who is best positioned to manage and control the risk.

2.2.2 – Procedural Characteristics

A fundamental characteristic that exemplifies the partnering ethos is the process of **conflict resolution** and **dispute avoidance**. Cheung et al. (2002) advise that traditional dispute resolution provisions are not suited to partnering arrangements and suggest ‘Alternative Dispute Resolution’ techniques are adopted in the shape of an issue / problem resolution ladder to avoid procrastination. Mustaffa and Bowles (2004, p722) concur with this notion stating that, ‘the method of non-adversarial dispute avoidance in partnering involves bringing the individuals concerned face to face through the problem escalation ladder’. The overall aim is for problems to be solved at the lowest level of the ladder within a time limit to allow the project to run smoothly. Problems are only escalated up the ladder when they can not be resolved at their current level. The desired outcome of having such a process in place is that problems are solved before they become a ‘dispute’, litigation is avoided, harmonious relationships are maintained and the potentially damaging effect that the problem could have on the project is mitigated at the earliest opportunity. It is for these reasons that Dodsworth (2002) and Hibberd (2007) consider conflict resolution to be an essential ingredient in a partnering arrangement. Such an assertion appears reasonable given that adversarial problems have often led to legal disputes in the past to the detriment of the industry. Therefore any mechanism that aims to settle issues before they become significant can only benefit the project and reaffirm the strength of the partnership.

Continuous evaluation is a procedural characteristic that is pertinent to the partnering philosophy. Crane et al. (1999) believe that regular in-process reviews are paramount to the success of a partnering agreement with such appraisals detecting whether set goals and objectives are being achieved. Klein (2002) is in agreement stating that continuous improvement through the use of performance measurement systems is required for partnering success. These two observations can both be likened to the work of Bennett and Jayes (1995, p4), who labelled one of their seven pillars of partnering ‘benchmarking’ with the aim of ‘setting measured targets that lead to continuous

improvements in performance from project to project'. Such widespread accord suggests that it is important to carry out continuous evaluation within a partnering agreement. Both the Client and main contractor will not only benefit through accomplishment of the initial goals and objectives but also through a longer term perspective with regard to reinforcing the partnership and being in a position to implement the lessons learnt going forward into future construction projects. However as a word of warning, Ball and Chambers (2009) advise that performances measures, including KPIs, are only effective if constructors are truly engaged in collaborative working.

2.2.3 – Relationship Characteristics

Due to the partnering process being a substantial transformation from the traditional procurement perspective, it is unsurprising that a **long term commitment** is required for partnering to prosper (Black et al., 2000; Cheung et al., 2003; Kaluarachchi and Jones, 2007). Cheung et al. (2003) even go as far as declaring that commitment is one of only two decisive factors needed for a successful partnership. However, Kaluarachchi and Jones (2007, p. 1060) warn that to reaffirm their commitment 'the client must ensure that they have the level of demand required to sustain the contractor's continuing performance'. This is because a main contractor will have to invest heavily at the inception of a parenting agreement and will hope to recover the capital costs as the work progresses (Kaluarachchi and Jones, 2007). Without continuity of workload and commitment from the Client, a main contractor will struggle to justify such an investment.

In direct alignment with commitment, **mutual goals and objectives** are fundamental as these will accentuate all companies' allegiance to the partnership, whilst also easing any lingering reservations that the Client may have towards the motives of the main contractor. Bennett and Jayes (1995) state that although the high variety of organisations involved in the design and construction of a project make it difficult for goals and objectives to be in unison, it is possible to agree mutual objectives if project teams discuss their individual interests at the outset. Further, Bennett and Peace (2006) advise that Clients need to understand that they will only get exactly what they want if they allow main contractors the opportunity to produce good work and make reasonable

profits. Likewise, main contractors need to recognise that they will flourish when they provide high quality buildings with minimum hassle. Typical mutual goals are, value for money, guaranteed profits, reliable quality, fast and on time construction, completion within agreed budget, cost reduction, safe construction, shared risks and no claims (Bennett and Peace, 2006, p16). Conformance to such mutual goals and objectives can subsequently create a synergy for project success (Moore et al., 1992), which will only enhance the case for partnering agreements to continue to be used throughout the industry.

The agreeing of mutual goals and objectives leads onto the characteristics of adopting a **win:win attitude** (Crowley and Karim, 1995; Fleet, 1996) and the notion of **equity and equality** (Harbuck et al., 1994 and Bennett and Jayes, 1995 & 1998). Adopting a win:win attitude is intended so that neither party wins due to the other party's loss (Crowley and Karim, 1995), which should happen naturally if mutual goals and objectives have been agreed. However, there are commentators who have challenged the win:win characteristic within the partnering philosophy. Spekman et al. (1998) concluded that buyers (Clients) revert to cost driven behaviour and view suppliers (main contractors) as being substitutable. With the economy still struggling from the recent recession, this notion could prove to be a realistic concern. In addition, Spekman et al. (1998) felt that supply chain partners did not share a mutual vision, which Ng et al. (2002) also touched upon when questioning whether Clients genuinely pursue a win:win outcome. Therefore it could be suggested that on the surface all parties act as if they are in agreement, but privately there are still concealed motives centred on achieving their own objectives, which is the antithesis of a genuine win:win attitude. In respect of equity and equality, one of Bennett and Jayes' (1998, p4) seven pillars of partnering was equity – 'ensuring everyone is rewarded for their work on the basis of fair prices and fair profits'. However, Black et al. (2000, p432) reported that their 'respondents do not believe that there is an equitable sharing of the benefits which are derived from the use of partnering'. This, in alignment with the notion of cost driven behaviour depicted above, appears to suggest that equity and equality may still be idealistic characteristics that Clients are struggling to either comprehend or simply accept. Green (1999, p177) perhaps encapsulates the situation by stating that 'the seductive rhetoric of partnering too often serves only to disguise the crude exercise of buying power'.

Subsequently, in order for mutual objectives and a win:win attitude to exist, **mutual trust** is essential and is also deemed to be a key characteristic of partnering (Black et al., 2000; OGC, 2003; Kaluarachchi and Jones, 2007). Indeed, Tyler and Matthews (1996) identified trust, along with goals and objectives, as being the most commonly cited facet associated with partnering. Despite this, OGC (2003) warn that trust is unlikely to be formed immediately; it needs to be developed and earned through the right actions, behaviours and performance and that without trust the relationship is liable to break down. Kaluarachchi and Jones (2007) supplement this by stating that the maintaining of mutual trust is highly influenced through the quality of the main contractor's work. However, Brookes (2008, p325) believes that 'it would be naive to think that organisations... within the industry will ever truly trust one another'. This is a sobering perspective as it suggests that parties within a partnering agreement are not being entirely genuine towards one another and this could cause serious conflict if a partnering agreement was to encounter difficulties. Therefore, the adversarial nature of the industry may not have been completely eradicated through the introduction of partnering. Overall on a theoretical level, the characteristics of mutual goals and objectives, win:win attitude, equity and mutual trust are all interconnected and dependent on one another in an effort to ensure that the partnering relationship is as authentic and fair as it can be to the benefit all parties.

Whilst the partnering characteristics that have been reviewed thus far can all be deemed as being significant, they are all underpinned by **effective communication** and **sincere cooperation** (Tyler and Matthews, 1996; Black et al., 2000; Cheng et al., 2000; Kaluarachchi and Jones, 2007). Cheng et al. (2000) regard effective communication as being a critical success factor with Kaluarachchi and Jones (2007) also declaring that effective communication is required if partnering is to succeed. The communication can be formal and informal and should focus on dealing with exceptions together (OGC, 2003, p5). Communicating openly will ensure that each party can convey their perspectives on any issue, whether they are long standing or arise as the construction phase progresses, which in theory should help maintain a good working relationship. Frequent communication should also 'minimise surprises', which Puddicombe (1997) identified as an issue within construction projects.

Taking the notions of openness and sharing information further, partnering agreements can see Clients insisting upon the use of ‘open book’ accounting (Bennett and Peace, 2006). However from a neutral view this could be interpreted as a lack of trust towards the main contractor on the Client’s part. This therefore highlights how different ideas and characteristics within the partnering philosophy can appear to create a contradictory situation, further complicating the review and comprehension of partnering as a form of procurement.

Sincere co-operation is touched upon through the ‘integration pillar’ depicted by Bennett and Jayes (1998, p4). The way in which firms work together can be improved through co-operation in an effort to move away from the adversarial nature of referring to contractual terms at every opportunity. This would appear to be a positive step as it encourages flexibility and could possibly stop minor issues, which may not have been explicitly stipulated in the main contract, from becoming the focal point of the construction project and thus causing severe problems in terms of time, cost and quality.

2.3 – Partnering Benefits and Limitations

In a similar manner to the partnering characteristics, there are varying opinions relating to the benefits and limitations of partnering. This subsection shall concisely highlight the prevalent positive and negative aspects that are frequently associated with the partnering approach. As a concluding section, a critique is undertaken evaluating the significant assertions and declarations that have been made against the partnering philosophy during its emergence within the UK construction industry.

2.3.1 – Benefits

Cost Savings / Cost Reductions

One of the biggest advantages that is consistently emphasised within the partnering literature, is the substantial savings that can be achieved. Bennett and Jayes (1998, pii) are a prime example of what could be regarded as a somewhat extreme claim, stating that 40% cost savings are not uncommon and use Esso (1998, p45) as an illustration as to how the partnering approach can even realise 60% cost savings. In more recent times, Mosey (2007) promoted the successful completion of the £800m Job Centre Plus

Programme, which achieved in excess of 20% cost savings under a partnering contract. Albanese (1994) attributes better cost performance to several factors including the alleviation of rework, increased involvement of team members, eradication of scope definition problems, lowering of change order rates, a better understanding of project objectives and a desire to avoid adversarial relations. Other financial savings are achieved through the employer and contractor no longer requiring such laborious and costly procurement processes as well as the contractor obtaining a regular flow of work (Hirst, 2009).

Time Savings / Quicker Construction Time

Time savings are often spoken of at the same time as cost savings, with Bennett and Jayes (1998, pii) once again at the forefront, believing that time savings of more than 50% are achievable, whilst also proposing that under certain conditions timeframes can be reduced by 80% or more. Such savings can be credited to the early involvement of contractors in the design stage who can ‘assist in constructability input and maximising value engineering’ (CII, 1991, p9). Emsley (2005) agrees, declaring that the use of partnering allows an overlap of the design and construction activities, culminating in project completion being ahead of schedule. However, in respect of Emsley’s (2005) claim, an overlap of design and construction activities is not unique to partnering as Design and Build and Management Contracting projects also adopt this approach. Therefore, the time saving can not necessarily be attributed directly to partnering per se, a point that will be further developed in the concluding section.

Improved Quality

Due to many of the partnering characteristics previously detailed, the Client and main contractor engage in a much more co-operative affiliation. This in turn focuses all parties on achieving common goals and the understanding of each other’s needs is enhanced. When combined with the continuous evaluation process and the greater ability to be innovative, the overall quality is increased. Put simply, partnering reduces the rework required and produces high standards of construction (CII, 1991; Matthews et al., 1996; Black et al., 2000).

Reduced Litigation / Less Adversarial Relationships

Partnering is seen to be the solution to the adversarial problems that appear to be ingrained in the construction industry (Latham, 1994, Egan, 1998). Black et al. (2000) reaffirm this notion, stating that both the Client and main contractor regard a less adversarial relationship as being the most important benefit to derive from partnering. Through having a less adversarial relationship, the desire to commence litigation, enter disputes and adopt opportunistic behaviour is considerably reduced (Greenwood and Yates, 2006), which in turn allows problems to be resolved efficiently and reduces administrative paperwork and cost.

Creating Synergies and Achieving Strategic Objectives

Partnering is an effective method in assisting both the Client and main contractor to achieve their strategic objectives (Gattorna and Walters, 1996). The Client should select the main contractor(s) who are actively looking to consolidate their presence in the specific sector in which the Client operates, which will allow the main contractor to meet one of their strategic objectives (consolidation). In addition, this will provide the continuity of workload that a main contractor requires for long term prosperity, with Sheils (2008, p2) confirming that ‘certainty is a good thing in commercial relations’. In return, the Client will be able to improve the quality, cost and value of their built assets, facilities and processes through using the expertise of their chosen partner, to strengthen their own strategic position within their market. The synergies that are created from the two companies forming a long term relationship will strengthen the relative long term position of each company. A successful partnership will allow them to grow together, understand what is required from one another and they will also be able to share their expertise, experience and project risks.

Improved Health and Safety Performance

Black et al. (2000) advise that there is increasing recognition that safety can be improved through parties working more closely together. This is in unison with Lenard (1996) who identified that safety was improved through the use of partnering. The enhanced safety performance achieved via partnering can be attributed to the aforementioned synergies; the partners become much more familiar with requirements and construction processes which is duly reflected in an improved health and safety performance.

Better Relationships and Increased Satisfaction

Aside from the benefit of having less adversarial relationships, partnering allows for better relationships as a whole. This is largely due to many of the ‘relationship characteristics’ such as mutual trust, openness, co-operation and effective communication. In addition, from a site perspective, Weston and Gibson (1993) maintain that partnering allows for a more enjoyable working environment. The better relationships subsequently increase the level of satisfaction as mutual goals and objectives are realised and a win:win outcome is achieved. The Client is satisfied as he is closer to the construction process and is well informed (Nielsen, 1996), whereas the main contractor in most instances is allowed to produce reasonable profits and secure work continuity (Moore et al., 1992; Black and Sanders, 1996).

2.3.2 – Limitations

Failure to adhere to the principal partnering characteristics

A significant limitation that has been cited is if there is a lack of desire from one or more of the parties in truly embracing the underlying relationship characteristics that are fundamental to partnering success (Ng et al., 2002 and Chan et al., 2003). Problems ranging from distrust, uneven commitment, lip service, a lack of open and honest communication, a struggle / reluctance to move away from a win:lose mentality, an unwillingness to compromise and a general lack of understanding of the partnering philosophy are all critical enough to ensure that a partnering approach will dramatically fail. Bennett and Peace (2006, p12) support this stance by stating that ‘partnering is not an easy option... it has to be worked at by everyone involved to achieve the full benefits’.

Inflexible and indifferent Clients

Expanding upon the lack of accordance to the partnering characteristics, both Latham (1994) and Egan (1998) place a considerable onus upon construction Clients by encouraging them to take on more responsibility in an attempt to improve the adversarial nature of the industry. However, Ng et al. (2002) and Chan et al. (2003) found that in many instances the Client was guilty of not accepting this responsibility. For instance, large, bureaucratic organisations proved to be entirely inflexible to the detriment of construction projects and they also failed to appreciate the issues that really

influenced project outcomes. Clients want to be better informed to make decisions under partnering agreements but are often found to have inadequate technical knowledge to make the necessary, effective decisions. In addition, matters such as ensuring drawings and specifications were correct and assigning the necessary empowerment to subordinates at site level were not deemed to be important factors to Clients, whereas the main contractors understandably regarded these issues as being imperative for the success of the project. This illustrates that there are still vast disparities between what the Client and main contractor believe to be critical in achieving partnering success. Clients also appear to retain an indifferent attitude towards the main contractor, particularly in respect of risk. Chan et al. (2003) established that Clients were not unduly worried if risk and reward were not shared fairly, a notion which is also supported by Wood (2005) who advised that partnering to some Clients is an alias for 'risk dumping'.

Owner and Slave / Master and Servant analogies

The phrases 'Owner and Slave' and 'Master and Servant' are two analogies with the same connotation that emanate from Chan et al. (2003, p134) and Wood and Ellis (2005, p323) respectively. The underlying implication is that the Client always has 'the upper hand, being the provider of work and holding the advantage in contractual negotiations' (Wood and Ellis, 2005, p323). Whereas this concept may appear logical to a certain extent, the fact that the rather emotive words of 'servant' and 'slave' have been used, perhaps suggests that Clients are abusing their position of power, coercing main contractors into partnering agreements for little commensurate reward. Bennett and Peace (2006, p12) also allude to this limitation stating that 'powerful partners dictate terms and conditions to weaker partners who depend on them for future work... co-operative teamwork is impossible'. This in itself raises a concern towards the fragility and authenticity of the partnering philosophy and also indicates that adversarial attitudes may not have been completely eradicated.

Economic realities

Despite many commentators promoting the uptake of partnering, 'there is an inclination in the literature to gloss over the harsh economic realities of commercial buyer / seller relationships' (Wood, 2005, p9). This had also been identified by Ng et al. (2002) and Chan et al. (2003) as a problem in practice with Clients, main contractors and

consultants admitting to facing commercial pressures to compromise on the partnering attitude. Further, Bennett and Peace (2006, p11) reaffirm this viewpoint stating, ‘commercial realities that require firms to have alternative suppliers and many customers inhibit the development of deep partnering relationships’. Indeed, even where successful partnering relationships have been formed, there are concerns that partnering reduces business opportunities and prevents companies from entering closed markets (Davey et al., 2001). This can create an additional problem for Clients, who need to ensure that the selected main contractor(s) do not become complacent, uncompetitive and too cosy (Bresnen and Marshall, 2000c; Wood, 2005). One way in which Clients have combated this is by viewing main contractors as substitutable and adopting cost driven behaviour (Spekman, 1998). However with this mentality going against the partnering ethos, the limitations of partnering are illustrated once again.

2.3.3 – Partnering studies and assertions critiqued

Although the wealth of partnering literature provides useful insights into how partnering is perceived and has been adopted and implemented in practice, the literature must be interpreted with caution and not taken as gospel. Where possible over the preceding sections, an attempt has been made to illustrate conflicting opinions on certain elements of the partnering philosophy in order to critique specific issues. This subsection will take a more general analysis of partnering studies and assertions, identifying certain aspects that must be borne in mind when examining the partnering philosophy.

One of the main faults of partnering literature is the way in which the benefits emanating from a partnered project are automatically attributed to the use of partnering. This is a somewhat myopic perspective as each construction project is unique due to factors such as ground conditions and current economical climate. For instance, if problems are foreseen with ground conditions on a partnered project, and over the course of the project these problems do not materialise allowing cost savings to be made, the savings should be put down to luck rather than partnering. Hence, if a partnered project does produce substantial cost and time savings it is not always appropriate to credit the savings entirely to partnering. This is a view that Nyström (2006) supports; he argues that partnering evaluations do not always extract the unique partnering effect as there is no consideration given to the variables that affect time and

cost. Similarly, as previously remarked, Emsley (2005) stated that partnering reduces construction times as it allows an overlap of design and construction. However, with Design and Build and Management Contracting also allowing for this, the saving on construction time should not be attributed to partnering. Bennett and Peace (2006, p12) emphasise this stating, 'some benefits attributed to partnering are equally well provided by different arrangements'. For these reasons, when analysing partnering performance and benefits, provision must be made for the variables that have a direct impact on overall project performance. It is too simple to assign success on a partnered project to the fact that partnering was used.

Secondly, much of the partnering literature concentrates on successful examples of partnering based upon exemplar organisations. This has also been identified by Bresnen and Marshall (2000a) and Wood (2005). Consequently, claims made by certain commentators such as Bennett and Jayes (1998) – who promote up to 60% cost savings and 80% time savings – need to be seen as extreme and exemplary rather than the norm. It would be naive on an academic, practical or professional level to expect such savings to be accomplished purely because partnering has been chosen as the procurement route. In addition to this, the benchmarks to which both cost and time savings are measured against are very rarely revealed. This in itself is a concern as there is a significant lack of transparency raising questions as to whether such benefits are realistically attainable or whether there is a deliberate attempt to coerce the industry into implementing partnering.

Another concern surrounding the partnering literature is the extent to which questionnaires have been used. Black et al. (2000), Chan et al. (2003), Wood and Ellis (2005) and Mason (2007) who have all been referenced to in this review, used questionnaires as a form of data collection. Whilst it is acknowledged that the use of questionnaires is a long established research method, they are somewhat limited in respect of obtaining a deeper understanding of respondents' thoughts and experiences. The available answers on a questionnaire can be inflexible and therefore the conclusions extracted may not be 100% accurate. Therefore when attempting to juxtapose different authors' ideas, there is a danger that the ideas originating from questionnaire results may obscure rather than clarify the overall, deeper understanding.

A final critique of partnering research is that little provision has been made for any national and cultural variances that may exist across countries. For instance, studies have been undertaken in Hong Kong (Chan et al., 2003 and 2005; Cheung et al., 2003; Chang and Tang, 2005), Australia (Ng et al., 2002), America (CII, 1991) and UK (Black et al., 2000; Wood and Ellis, 2005; Mason, 2007), but it is unclear whether findings in one country hold true for a different country with a different culture. This adds to the complexity when analysing the current knowledge and again limits the extent to which findings in one paper can be directly compared to findings in another paper in respect of partnering.

Before progressing onto the methodology and findings of this research paper it would be valuable to succinctly identify the level of embracement that partnering has experienced in the construction industry to date. Sheils (2008, p1) advises that, 'the fact is... we now have a plethora of standard form contracts that claim to be based on partnering' with Hirst (2009, p1) adding that 'the uptake for partnering has been nothing short of miraculous' and 'the volume of work awarded under partnering agreements is increasing'. Furthermore Brookes (2008, p325) highlighted the fact that the organisations who have adopted the partnering approach include the construction industry's 'blue chip' type of clients and that partnering 'appear[s] under certain circumstances to have been a successful process' (Brookes, 2008, p321). However, in providing a rounded assessment Brookes (2008, p325) concedes that 'we are still some way short of achieving true partnering relationships' but 'if we ever truly embrace the principal [sic], the achievements would be out of this world' (Brookes, 2008 p324).

This section has identified the prominent characteristics, benefits and limitations of partnering, whilst also acknowledging the restrictions contained within partnering research. The following section will detail and justify the methodology and demonstrate how this research paper fits into the wider partnering context.

3 – Methodology

This chapter details and justifies the methods and processes used for the design of the research through to the analysis of the data. In addition, an outline of how the research fits into the wider context of partnering is also provided.

3.1 – Research Ethics

Saunders et al. (2003, p129) state that, ‘ethical concerns will emerge as you plan your research, seek access to organisations and to individuals, collect, analyse and report your data’. Subsequently ethical issues had to be considered throughout the compilation of this research paper with the main implications centring on the semi-structured interviews and the effects on participants that the research paper would have.

Through either working for Morgan Sindall or their longstanding Client, Severn Trent Water, the research participants were all very much connected to the researcher in a business sense. Consequently the relevant management within Morgan Sindall were first approached with an initial enquiry to ascertain if the proposed nature of this research paper would be acceptable. A positive response from this allowed the research proposal to be pursued and access to the desired participants for interviewing purposes was subsequently sought and granted. Prior to undertaking the semi-structured interviews, ‘informed consent’ was acquired; a covering email outlining the intended research, use of data and subsequent stages of the research process was sent to each participant with an attachment that listed the ‘interview themes’ (see Appendix 7.2). This provided the participants with an illustrative account as to what topics would be discussed and the opportunity for them to further consider their involvement within the research.

In organising the interviews, the participants were requested to specify the most convenient times, dates and locations to best suit their work commitments (Saunders et al., 2003). This information was subsequently used to arrange a confirmed interview. On arriving at the agreed venue, participants were asked if they had any objections to the interview being recorded. Once the interview had commenced, participants were

advised that they had the right not to answer any question, in line with Cooper and Schindler (1998) and overzealous questioning was averted throughout to avoid making the situation stressful for the participants (Sekaran, 2000). In respect of the data collection during the interviews, all data was recorded fully and accurately via a dictaphone to ensure that 'subjective selectivity' was avoided (Zikmund, 2000; Saunders et al., 2003). This allowed the data to be comprehensively transcribed, analysed and reported without impairment and within a fully ethical approach.

3.2 – Research Design, Strategy and Analysis

The aims and objectives of this research paper directly influenced the research design. Consequently the research design adopted the interpretivism philosophy and an inductive approach. With the research objectives endeavouring to ascertain personal opinions surrounding the extent in which partnering characteristics had been embraced in practice, there was a requirement to discover 'the details of the situation to understand the reality or perhaps a reality working behind them' (Remenyi et al., 1998 p 35), with this reflecting the interpretivist stance. In addition, research using the inductive approach is 'particularly concerned with the context in which such events are taking place' (Saunders et al., 2003 p 88). In focussing upon a business relationship operating within the specific context of the water sector, an inductive approach was evident allowing a theory surrounding the use of partnering within the water sector to be obtained from the data.

In respect of the strategy employed to collect the primary data, this research paper demonstrated characteristics of both an 'exploratory' and a 'descriptive' study (Saunders et al., 2003). It was an exploratory study insofar as the research centred on establishing 'what is happening; to seek new insights; to ask questions to assess phenomena' (Robson, 2002 p59) and it represented the descriptive element in that the research will 'portray an accurate profile of persons, events or situations' (Robson, 2002 p59). However, Saunders et al. (2003) advise that descriptive studies have an inherent danger of leaving the 'so what?' question unanswered. To mitigate this concern, the data was evaluated with relevant and meaningful conclusions drawn through the synthesis of the data. The conclusions will provide new and valuable insights into the

use of partnering in the water sector, which will add to the profusion of partnering research that exists within the construction industry as a whole.

With the underlying research strategy reflecting exploratory and descriptive studies, the most suitable form of data collection is through the use of interviews (Saunders et al., 2003). Further, 'where it is necessary for you to understand the reasons for the decisions that your research participants have taken, or to understand the reasons for their attitudes and opinions, it will be necessary for you to conduct a qualitative interview' (Saunders et al., 2003 p250). Lastly, as there were a large number of questions, which were either complex or open ended, interviews were again seen as the most advantageous approach for this research paper.

The benefits of conducting semi-structured interviews were that it enabled the 'probing' of answers to attain a data richness and a deeper overall understanding of partnering relationships within today's water sector. The interviews also facilitated in identifying 'the softer, qualitative issues that are difficult to grapple with numerical data collection methods' (Kaluarachchi and Jones, 2007 p1053). A further benefit of interviews over quantitative methods such as questionnaires is that they are likely to achieve a higher response rate (Saunders et al., 2003).

The analysis of the data adopted a 'theoretical framework'. Saunders et al. (2003) state that even where an inductive approach has been used,

'commencing your work from a theoretical perspective may have certain advantages. It will link your research into the existing body of knowledge in your subject area, help you get started and provide you with an initial analytical framework.

Saunders et al. (2003, p389)

The incorporation of a theoretical framework consequently lent itself to the data analysis technique of 'template analysis' (King, 1998). This specific method predetermines a template of codes by considering existing literature and theory before proceeding to collect and analyse the data. The theoretical framework and predetermined codes were therefore ascertained through the undertaking of the literature

review with this forming the basis of the subsequent data analysis. The ‘template’ used for analysing the data essentially followed the previously referred to ‘interview themes’ (Appendix 7.2). A final comment in respect of the data analysis is that a degree of ‘triangulation’ was achieved through interviewing participants from both Morgan Sindall and Severn Trent Water. Triangulation is ‘the use of two or more independent sources of data or data collection methods within one study in order to ensure that the data are telling you what you think they are telling you’ (Saunders et al., 2003 p492). Through interviewing participants from the two separate organisations, the data could be corroborated through simplistic comparison.

3.3 – Interview participants and content

The decision as to who was approached for interview was taken prudently. In an attempt to collate robust data it was imperative that a balanced representation was obtained. This dictated that at least one individual would have to be interviewed from each organisation. In addition, it was felt that senior managers would provide more insightful data as they are heavily involved in the procurement, direction and maintenance of business relationships. In maintaining the relationships, the senior managers are ultimately responsible for ensuring that the delicate and complex issues that manifest themselves in construction projects are dealt with appropriately to the satisfaction of both parties. Although it is acknowledged that each employee regardless of grade or hierarchical status would be able to supply valuable personal perspectives, the senior managers through their acquired experience were best placed to comment critically and maturely on the business to business relationship within the partnering context. Consequently, the Morgan Sindall Framework Director and Managing Quantity Surveyor were selected, as was the Severn Trent Water Asset Creation Delivery Manager.

In respect of the content of the interviews, as stated this was predominantly governed by the aforementioned theoretical framework. Whilst not wishing to wholly repeat the detail of the literature review, the questions that were asked centred on each individual partnering characteristic that had been identified. A concise summary is provided:

Contractual characteristics

The fundamental questions asked with regard to the contractual characteristics attempted to establish whether a charter had been signed, whether there was a KPI and a pain gain mechanism in place, whether the risk had been shared and how these characteristics operated in practice. In addition if any characteristics were not evident, an explanation was sought to explain why such characteristics had been overlooked. These questions were asked due to there being contrasting opinions in the existing literature as to how important and significant each of these characteristics is in achieving partnering success. In determining the extent in which these characteristics had been embraced in comparison to the relevant success of the framework, helps clarify the significance of each characteristic within the context of the water sector. In addition to this, associated ancillary questions were also asked surrounding the underlying principles of each of the contractual characteristics. These sought to ascertain what the participants believed the function of the contractual characteristics was, whether this specific function was being achieved, whether it was seen as a good or a bad feature and the impact that the presence / lack of presence of each characteristic had had within the relationship and the way in which the framework operated. However, it must be acknowledged that this is not an exhaustive list of all the questions. Due to interviews being interactive and somewhat spontaneous it is not feasible or appropriate to list and substantiate each question that was asked.

Procedural characteristics

Questions surrounding the procedural characteristics were asked in a similar fashion to that of the contractual characteristics. For instance, conflict resolution and continuous evaluation had been identified in the literature as being of paramount importance. Consequently, the interviews sought to verify whether such characteristics were evident in practice, the level of importance attributed to them and how they had operated. This consequently allowed an assessment to be made of the impact that the presence / lack of presence of these specific characteristics had had upon the partnering agreement.

Relationship characteristics

The interviews were again used to confirm which relationship characteristics were evident and how important each relationship characteristic was considered to be within a partnering agreement. Where responses indicated underlying issues, the interviews

were used as a tool to encourage the participants to provide a deeper understanding of the overall situation. Associated questions in respect of ancillary issues such as buying power, cost driven behaviour and concealed motives were also asked under the relationship characteristic heading.

Benefits, Limitations and Improvements

The reviewed literature revealed a number of benefits and limitations of partnering. Participants were asked whether such benefits had been achieved (for instance cost and time savings) and the extent in which they genuinely felt that such benefits could be attributed to the adoption of a partnering approach. Similarly, it was asked whether any of the limitations were evident. These questions were primarily asked to assess the impact that the overall partnering approach had had within the water sector. Lastly, participants were asked whether they could propose any improvements that would benefit both Severn Trent Water and Morgan Sindall future frameworks and the partnering approach in general.

3.4 – Wider context

Before progressing onto the findings of the semi-structured interviews, it would be beneficial to demonstrate how this research fits into the wider context of partnering research. Although partnering literature is ubiquitous there is very little, if any, concentrating solely on the UK water sector. This paper will therefore provide a unique insight into the effect that the partnering approach has had within UK water projects in addition to identifying the extent in which a major construction client in Severn Trent Water has embraced the partnering philosophy. Further, the findings of this research paper are made even more significant when it is considered that Sir John Egan, the author of the previously referenced ‘Rethinking Construction’ and one of the chief proponents of partnering, was appointed as a non-executive director of Severn Trent Water’s board in October 2004 and appointed Chairman of the Board in January 2005 (Severn Trent Water, 2010b). Although Sir John Egan retired from this position in July 2010, the AMP 4 Framework ran from 2005 to 2010 meaning there is direct alignment with the dates in which Sir John Egan was Chairman and the time in which AMP 4 was undertaken. Consequently it should be argued that if partnering was ever to succeed and if Sir John Egan was as determined as he appeared in his ‘Rethinking Construction’

paper to change the adversarial nature of the construction industry, it will be exemplified through the way in which Severn Trent Water as a construction Client operates and thus duly reflected through the findings of this paper. Finally, with the initial inception of the partnering concept being approximately 20 years ago, this paper will add to the current literature with an up to date in-depth analysis of the impact that the partnering approach has had in UK construction per se and the extent in which the initial partnering proposals have been embraced.

This section has detailed and justified the research design, strategy and analysis, whilst also touching upon research ethics and the way in which this paper will add to the global partnering literature. The next section will present and analyse the findings of the semi-structured interviews that were conducted with Morgan Sindall's AMP 4 Framework Director and Managing Quantity Surveyor and a Severn Trent Water Asset Creation Delivery Manager.

4 – Partnering in practice within the water sector: Severn Trent Water and Morgan Sindall

This section will present the findings of the semi-structured interviews, whilst also providing data analysis in alignment with the reviewed literature. Due to the wealth of data obtained, the findings are concisely presented as the predominant ‘headlines’ emanating from the aforesaid interviews. In addition, the analysis will detail the proposed improvements to the partnering approach.

4.1 – Contractual Characteristics

Partnering Charter

- A partnering charter had not been signed although the framework agreement did mention the spirit of working in a partnership.
- Both Severn Trent Water and Morgan Sindall deemed the framework to have been a success even without a formal charter in place.
- Both parties acknowledged the underlying principle of a charter in that it specifies the desired ethos, basis of communication and expected behaviours and attitudes.
- On a theoretical level, Morgan Sindall expressed their concerns that in reality a charter ‘is a piece of paper’ and when ‘push comes to shove and you start to get commercial pressures creeping in, people sometimes revert to type and therefore don’t live by the ideals established in the charter’ (Appendix 7.3, p87). Consequently Morgan Sindall did not feel that having a charter in place would have necessary solved problems that may have arisen, with the main premise being ‘much more about developing a stronger culture around that charter’ (Appendix 7.3, p87).

The main reason for a charter not being in place is primarily due to the fact that Severn Trent Water and Morgan Sindall have a long, established relationship. As will become evident in later subsections, mutual trust and a complete lack of desire to instigate legal

proceedings meant a charter in this instance was not required. This is reinforced through the fact that the framework still proved to be a success.

In terms of the reviewed literature, whilst the responses concur with OGC (2003) in acknowledging the underlying principles of charters per se (i.e. specify the desired behaviours and attitudes), due to the fact that the framework was still a success without the presence of a charter, there is direct disagreement with Cheung et al. (2003) who claimed that charters were of vital significance and OGC (2003) who believed that charters were essential. Furthermore, there was agreement with Mustaffa and Bowles (2004) in that it was felt that charters do not make all problems disappear, which is also in alignment with the *Birse Construction Ltd v St David Ltd* [1999] case, where a charter did not prevent litigation.

KPIs

- This particular framework centred on seven KPIs, namely Price, Time, Quality, Health and Safety, Environmental, Client Satisfaction and Third Party Satisfaction.
- Both parties were adamant that the KPIs were not abused by the Client. Morgan Sindall confessed that if the KPIs were abused it was more so by themselves in instances where they would put forward counter arguments and mitigating circumstances in an attempt to overturn a ‘failed’ KPI. In addition, where Severn Trent Water’s actions or lack of action had impacted the completion date, rather than automatically failing the ‘time’ KPI, they would acknowledge their hindrance and award the KPI.
- Both parties stated that the function of KPIs was to incentivise the right way of doing things and to meet the Client’s needs. Additionally, the KPIs acted as a measure of performance to drive continuous improvement.
- Severn Trent Water believed that the KPIs did improve the project outcome.

The reason for Severn Trent Water creating the seven KPIs listed above is because these are the elements that underlie and form their needs, objectives and desired outcomes for a construction project. The KPIs also facilitate Severn Trent Water in achieving their strategic intentions.

It is noteworthy that of the KPI's identified, the three procurement triangle elements (time, cost, quality) are evident, thus strengthening the claim made by Yeung et al. (2007) who asserted that these three specific KPIs were among the most important. This is unsurprising as on a logical basis both a Client and main contractor should aim for early completion, economical financial spend and high / required quality. Additionally the five remaining KPIs meant there was agreement with Richmond-Coggan (2001) who stated that focussing on the KPI's would encourage the contractor to go over and beyond what they were originally contracted for and meet the Client's supplementary needs (no environmental incidents for example). However it must also be noted that for Morgan Sindall's reputation it is also in their own interests to achieve all seven KPIs.

Although it was accepted that one of the KPIs (Client satisfaction) was subjective – affirming the Bresnen and Marshall (2000b) claim regarding subjectivity of KPIs – this was not deemed to be an issue by either party, especially as Severn Trent Water had shown flexibility in awarding 'failed' KPIs for extenuating circumstances. This shows flexibility on the Client's behalf and is encouraging in assessing whether the partnering ethos is being truly embraced. Finally, there was divergence with Bresnen and Marshall (2000b) who asserted that there is no correlation between incentive systems and project outcomes, with Severn Trent Water believing that KPI's do improve the project outcome.

Pain Gain

- The pain-gain was 100% pain and 50% gain to the contractor based on the difference between the actual cost and the works order value.
- In order to obtain the 50% gain, all seven KPI's had to be achieved.
- In instances where projects produced a saving but achieved less than 7 KPI's, the saving would enter a 'pain pot' with the 'pain pot' being distributed out at the end of each year to all contractors who had entered pain on individual projects that year. The amount each contractor received from the 'pain pot' was dependent on the overall number of successful KPI's each contractor had achieved over the course of that year. In addition, Severn Trent Water automatically placed any gain share that they had received into the contractor's 'pain pot'. This meant that they were always committed to spend 100% of the

agreed fixed price and did not actually gain from any project – they always put their savings into the ‘pain pot’ to help contractors who had experienced pain. This complements the fact that contractors are exposed to 100% pain.

- Both parties viewed the pain-gain mechanism as fair, primarily because Severn Trent did not actually benefit from their gain as stated above. However, somewhat refreshingly Severn Trent Water conceded that if there was a circumstance where a project was simply handed to a contractor and it was purely down to the contractor to find efficiencies and savings, it would not be fair for the Client to receive any gain share.

Within the reviewed literature Wood (2005) spoke of Clients who did not allow contractors to receive gain share as by finishing within budget their ring fenced margin would be greater in percentage terms. Severn Trent Water disagreed with this stance as they not only allow Morgan Sindall to claim their fixed fee, but they also allow 50% gain share to be obtained on successful attainment of all seven KPIs. This is heartening as it represents a Client proactively adopting a true partnering attitude in respect of rewarding the contractor for high performance.

However it would be myopic not to acknowledge the fact that contractors are exposed to 100% pain. The reason why the pain percentage is so high is because Severn Trent Water forgoes their gain share by putting their savings into the ‘pain pot’ to the benefit of the contractor. This once again exemplifies the partnering ethos in practice. Whilst the reviewed literature raised questions as to how or whether KPIs and Pain Gain should be used, the way in which the two elements have been integrated together in the Severn Trent Water and Morgan Sindall framework, appears to demonstrate a functional and valuable illustration of how effective it can be in practice.

Shared Risk

- In a strictly technical sense risk was not shared, but the various mechanisms that Severn Trent Water adopted (see subsequent bullet points) meant they put a great financial implication upon themselves in respect of risk. For the most part, the onus was on Morgan Sindall to identify and price risk at tender stage before the works order value was agreed.

- However, remembering that the price is fixed and is never increased even when the scope of work has changed, where there was a ‘visible risk’ at tender stage – such as the potential for the scope of work to drastically increase pending ongoing investigations – a provisional sum would be set aside and ring-fenced in readiness for that ‘visible risk’ materialising.
- In addition, the way in which ‘standard items’ / ‘cost curve’ prices (as defined in this research paper’s introduction) were used at tender stage it could be argued that the cost curve price automatically includes for all risks that occurred over the previous AMP within the construction of that specific standard item. Therefore, in one perspective the risk is shared in a financial sense as it is incorporated into the cost curve price that is built into a works order value for the current AMP. Further, due to Severn Trent Water putting their gain share into the ‘pain pot’ this could also be viewed as the risk being shared as Severn Trent Water are relinquishing their gain to aid contractors who have encountered a ‘bad’ project where many risks have materialised.
- It must also be noted that on a small number of projects, the scope actually reduced, with the full, initial fixed price remaining in place. Therefore, Severn Trent Water shared the risk of the scope decreasing as they were still paying the full price for the initial full scope of works.
- In terms of managing risk, Severn Trent Water felt that risk is best allocated to the party best able to manage it. In addition both parties took the view that the general implication and impact of risk over a five year framework was ‘swings and roundabouts’ and that it balanced out financially and operationally overall, with the two partners always working together as opposed to two separate entities.

On a purely technical basis, the fact that risk was not explicitly shared means that this specific partnering agreement did not fully embrace the ‘shared risk’ partnering characteristic. Despite this, the mechanisms that were implemented as an alternative appear to have been successful on the condition that the parties look at the five year period as opposed to project on project.

In relation to the reviewed literature, there was accordance with Bamforth (2006) and Brookes (2008) in that the risk was allocated to the party best able to manage, control

and foresee the risk, although it is acknowledged that this is a long established notion and not pioneered through the partnering concept per se. This is certainly the stance that Severn Trent Water has taken, although it does appear that the more onerous risks (such as ground conditions and weather) have been left with Morgan Sindall. The logical argument in this instance would be that Morgan Sindall as the contractor is the best party to manage such risks as they are in the prime position to instigate mitigating measures and control the construction programme. Conversely, this could also be interpreted in line with Wood (2005), Dartnell (2007) and Brookes (2008) who all alluded to partnering as being a tool to transfer risk to the contractor. However, with Severn Trent Water putting their gain into the 'pain pot' and reducing the scope on some projects without reducing the works order value, there is evidence to suggest that risk is not being wholly abused or transferred for little commensurate reward. There is also alignment with Hibberd (2007) who advised that the use of integrated mechanisms can enable tradeoffs, in respect of risk and reward, to be accepted. The use of the 'pain pot' and the manner in which provisional sums were ring-fenced outside of the works order value in readiness for a 'visible risk' materialising illustrates this notion being used in practice.

Additionally, there is partial disagreement with Cheung et al. (2002) and Hirst (2009) who stated that joint risk management is fundamental in partnering endeavours and key to partnering success. As this specific relationship did not undertake joint risk management in the strictest sense, yet various issues surrounding risk over the five year framework were construed as being fair, it could be suggested that joint risk management is not fundamental. However, this is on the proviso that both parties are aware of their liabilities in respect of risk, risk is assessed over a five year programme as opposed to project on project, and that fair / integrated mechanisms (such as adequate financial provisions) are in place. This approach would help counter the aforementioned concerns of Wood (2005), Dartnell (2007) and Brookes (2008).

4.2 – Procedural Characteristics

Conflict Resolution

- There was not a formal conflict resolution in place.
- Where conflicts / issues had surfaced the primary course of action was to sit down and discuss the situation face to face. This outlook was mainly attributed to the use of a partnering approach.
- Although not formally defined, a ‘problem escalation ladder’ was evident but this occurred naturally rather than being an agreed process. It was felt that having worked over many years in various frameworks, there was an understanding and a way of working between the two parties, which was generally good enough to progress and resolve matters.
- Severn Trent Water believed a conflict resolution process would be important if things went wrong, but hypothetically in 90% of cases such procedures would not be required because individuals would rather resolve issues informally.
- Morgan Sindall emphasised that the ‘bigger picture’ is of prime importance – you may lose one battle but win the next. The best mentality is to assess the framework as a five year programme as opposed to a number of individual projects. In addition, Morgan Sindall advised that it was best not to pursue the contractual route.
- Severn Trent Water believed that the NEC 3 contract (which has now been adopted in AMP 5) is better than the AMP 4 ICE contract in terms of conflict resolution procedures.
- There was no litigation or serious conflict during the whole of AMP 4.

The fact that Severn Trent Water and Morgan Sindall have established a strong, successful partnership over several years is the principal reason for no formal conflict resolution procedure being in place and also why individuals were encouraged to resolve issues through informal discussions. The absence of any litigation can also be accredited to the established relationship and mutual understanding.

In the wider partnering context the lack of a formal conflict resolution process opposes the notions of Dodsworth (2002) and Hibberd (2007) who considered conflict resolution

as being essential for partnering success. However, had Severn Trent Water and Morgan Sindall been relatively new to one another, the findings may have been quite different. In addition, although not formalised there is accordance with the concept of a problem escalation ladder as discussed by Cheung et al. (2002) and Mustaffa and Bowles (2004). Overall the strength and familiarity achieved between the two partners, appears to have drastically reduced the desire and need to resolve conflicts on a formal or litigious level.

With regard to the ‘bigger picture’ perspective, this is perhaps a consequence of this specific partnering agreement. Had Severn Trent Water offered each individual project within the AMP to tender in the open market, Morgan Sindall would not have known what the future held in terms of future turnover. Therefore, minor issues that were not enforced contractually as it was deemed that under the ‘bigger picture’ all issues would balance out overall, may well have been seen in a different light had Morgan Sindall not been given the assured level of work that this partnering agreement had provided. This suggests that the ‘bigger picture’ perspective has been adopted as a variant to the typical conflict resolution procedures. However, there is the concern that this variant is not technically addressing or resolving the core issue i.e. the conflict. The ‘bigger picture’ perspective is merely being used as a tool to circumvent the proper examination of the conflict and perhaps on Morgan Sindall’s part, reduce any lingering dissonance (‘well it worked out for us overall’ attitude), that they may have felt towards the outcomes of specific issues that had become manifested in the projects. Nevertheless, if both parties were satisfied with the end result, the ‘bigger picture’ perspective should be seen as both parties embracing the partnering ethos as they are working collaboratively to resolve issues as opposed to fighting against one another.

Continuous Evaluation

- Continuous evaluation was undertaken on both an individual project basis and on a relationship level.
- The project evaluation consisted of a project start up, intermediate and post project review, KPI scoring, quality assurance teams and various workshops. The primary aim was to identify what went well, what went wrong, what can be learnt and what should be taken forward.

- The relationship evaluation centred on one-to-ones between the operational management of the two parties, continual engagement and sharing of ideas.
- The continuous evaluation process was deemed to be effective with Severn Trent Water and Morgan Sindall working together to achieve improvements.

With a continuous evaluation process evident within this successful partnering agreement, there is support for the assertions of Crane et al. (1999) and Klein (2002) who declared that such a process is of paramount importance for partnering success. The reason for continuous evaluation being adopted is to strive for ongoing improvements for the benefit of both parties.

In addition the use of KPIs as measured targets can be likened to Bennett and Jayes (1995) 'benchmarking' concept, which ultimately aims for improvements from project to project. It is unsurprising that the continuous evaluation characteristic is actively employed in this specific partnership as it would have been unlikely for Severn Trent Water and Morgan Sindall to have established such a long and meaningful relationship without seeking improvements on a regular basis.

Finally, Ball and Chambers (2009) claimed that performance measures are only effective if the partners are truly engaged in collaborative working. To this effect with both Severn Trent Water and Morgan Sindall indicating that their continuous evaluation process is effectual, merely confirms that the aforementioned parties are genuinely working together concertedly.

4.3 – Relationship Characteristics

Long Term Commitment and Mutual Goals and Objectives

- Both parties stated that long term commitment was demonstrated through the five year framework agreement.
- Severn Trent Water and Morgan Sindall both felt that long term commitment was important as it gave relationships the opportunity to develop. Morgan Sindall also emphasised that such commitment was particularly important in the current economic climate as there is certainty of work.

- There were formal mutual goals and objectives in the sense that Morgan Sindall had produced an ‘integrated delivery plan’ containing their key objectives. This was produced to give assurances to Severn Trent Water’s board that Morgan Sindall was contributing towards their key strategic intentions.
- It was also deemed that the KPIs could be classed as mutual goals and objectives as the successful attainment of the KPIs benefited both parties in respect of project performance and company reputation.
- Mutual goals and objectives were considered to be very important as it moved away from the adversarial culture of ‘you and me’, it meant that everyone was working towards the same result and mutual goals were seen to be ‘the only way to actually make a partnership work’ (Appendix 7.3, p89).

With the AMP 4 Framework lasting for a period of five years, long term commitment was not only reinforced but it also allowed for relationships to develop, which was one feature that both Latham (1994) and Egan (1998) wanted to initiate. The long term commitment also gave both Severn Trent Water and Morgan Sindall the opportunity to assess the success of the framework under the ‘bigger picture’ perspective. As previously alluded to, this factor is imperative within this specific partnership. This is because in instances where one party may have felt aggrieved on an issue on one particular project, it was possible for this apparent inequity to be balanced out on one of the future projects. Had the five year, long term commitment not been evident, the ‘bigger picture’ perspective – which was essential for the perceived success of the partnership – would not have been possible. Consequently there is accordance with Kaluarachchi and Jones, (2007) who stated that commitment is required for partnering to succeed. In addition there is further alignment with Kaluarachchi and Jones (2007) in that the five year framework committed a set amount of turnover to Morgan Sindall. This meant that there was enough demand from the client to recompense Morgan Sindall for their substantial investment at the onset of the framework.

In respect of mutual goals and objectives, Morgan Sindall’s ‘integrated delivery plan’ supports Bennett and Jayes’ (1995) declaration that mutual objectives can be agreed if they are discussed at the outset. Through presenting the ‘integrated delivery plan’ to Severn Trent Water’s board at tender stage, such discussions seemingly took place. Also with the mutual goals helping to move away from the traditional adversarial

attitudes, another aspiration emanating from Latham (1994) and Egan (1998) has been achieved through the use of partnering. Lastly, with the KPIs also being categorised as mutual goals, specific KPI aspects such as on time construction, within agreed budget, reliable quality and safe construction, directly align with the mutual goals given as examples by Bennett and Peace (2006) and listed in the reviewed literature.

Win:win Attitude and Equity and Equality

- In respect of win:win attitude and equity and equality, the need to look at the five year programme of work was once again emphasised as it was difficult to always reach a mutually acceptable resolution on each specific issue. However there was acknowledgement that neither party was trying to win at the other party's detriment.
- Severn Trent Water admitted that they do try to drive cost down and use the lure of five years worth of work as buying power to push the boundaries but defended this as good commercial practice. Additionally, Severn Trent Water advised that they do not deliberately set out to 'screw' a contractor as they are 'not going to find efficiencies by seeing contractors fall by the wayside' (Appendix 7.3, p97).
- Severn Trent Water regarded the prices, profits and benefits on offer to the contractors as fair.
- Morgan Sindall stated that they are aware that Severn Trent Water does genuinely want contractors to make money.
- Morgan Sindall did have reservations over the transparency of the 'cost curves'. There were concerns as to what *exactly* the 'cost curve' price included for and what had been omitted (i.e. did the cost curve price include for associated groundwork, or did the price merely include for the physical construction such as steel fixing, formwork and placing of concrete), yet Severn Trent Water seemed reluctant to clarify this uncertainty.
- Morgan Sindall advised that some characters within Severn Trent Water may have tried to push the boundaries on certain projects but other individuals recognised the good, trusting relationship that had been long established.
- Morgan Sindall felt that overall the profits were fair as they had managed to surpass their own internal targets for the framework in exceeding the fixed

margin by 1%. Further, it was felt that the benefits were shared equally, particularly when it was considered that Severn Trent Water forgo their gain share to aid the contractors who are experiencing pain.

Through acknowledging that neither party is trying to win at the other party's detriment, there is agreement with Crowley and Karim (1995) who advised that neither party should seek to win at the other party's loss. In addition, although there was concurrence with Spekman et al. (1998) who claimed that Clients can convert to cost driven behaviour, thus pushing the boundaries, both parties were clear in acknowledging that Severn Trent Water do want Morgan Sindall to make money. Therefore cost driven behaviour does not necessarily mean that contractors are being forced to lose money. Further, Ng et al. (2002) queried whether Clients genuinely pursue a win:win outcome. Whereas it may be claimed that on a project by project basis a win:win outcome is not always achieved, over the five year framework there was a deliberate effort from both parties to attain parity. The only question mark that remained for Morgan Sindall was the transparency of the 'cost curves'. However with Morgan Sindall exceeding their own internal profit targets for the AMP 4 Framework, the 'cost curve' transparency issue did not have any substantial financial implication overall.

With regard to equity and equality, there was complete disagreement with Black et al. (2000) who felt that the benefits are not shared equally under partnering endeavours. As previously stated, Severn Trent Water does not gain financially from any project. Additionally, with Green (1999) suggesting that partnering simply disguises the crude exercise of buying power, although there is scope for buying power to unfairly transpire, in this specific partnership any threat of buying power is surpassed through a genuine desire for a win:win outcome to materialise over five years and a more than fair sharing of the benefits.

Mutual Trust, Effective Communication and Sincere Co-operation

- Both parties specified that mutual trust does exist, having been developed over the previous AMPs. However, Morgan Sindall did remark that although trust is evident, it may not be at 100%.
- Mutual trust was deemed to be important for partnering to work.

- Neither party thought that there were any concealed motives.
- Both parties advised that communication was effective to a certain extent, although Morgan Sindall felt that it could have been better had there been more written correspondence in support of the preceding verbal correspondence that had been issued from Severn Trent Water.
- Severn Trent Water admitted that they had not always listened as well as they possibly could have done, although this was attributed to traits of certain individual employees as opposed to an imposed Severn Trent Water approach.
- Severn Trent Water required open book accounting to be in place.
- Both parties felt comfortable airing any issue with one another.
- Sincere co-operation was evident with very little referring to the contract and an understanding of how to deal with issues such as the scope of work escalating with no increase in the fixed price.

As mutual trust was considered an important characteristic in order for partnering to work there was accordance with Black et al. (2000), OGC (2003) and Kaluarachchi (2007) who saw trust as being a key element of partnering. This is not surprising as trust underpins all relationships – socially and in business. This trust will also rationalise the belief that there are no concealed motives. There was further agreement with OGC (2003) in that trust needs to be developed; the level of trust that exists between Severn Trent Water and Morgan Sindall today is the result of several years of working together. However it is judicious to acknowledge that Morgan Sindall did suggest that trust may not be at 100%. This is insightful for two reasons. The first is that there is direct accordance with Brookes (2008) who claimed that it would be naive to think that companies within the construction industry will ever truly trust one another. Secondly, although the overriding sentiment is that both parties feel the framework partnership is strong, successful and effective, perhaps there is an unintentional hint of a facade when participants give positive responses when asked to assess the true nature of the relationship, but then later intimate that trust may not be 100%.

In respect of effective communication, Cheng et al. (2000) and Kaluarachchi and Jones (2007) felt that this was critical for the success of partnering. Somewhat interestingly there appears to be incongruence with such assertions as both parties admitted that communication could have been better, yet still acclaimed the success of the

relationship. As identified by Morgan Sindall, written communication for certain issues within a construction environment should be encouraged. A logical interpretation of this stance would be for the reason of enhanced clarity and auditing purposes. Conversely, the reality that Severn Trent Water appeared comfortable issuing instructions verbally may further reinforce the high level of trust. However this notion is open to scrutiny as well, with a sceptical outlook possibly suggesting that there may be underlying reasons as to why verbal instructions are not backed up with written confirmation. Overall in terms of effective communication, it could be suggested that in order for projects to progress productively, communication needs to be 'adequate' as opposed to 'effective' for partnering to succeed at the most basic level.

With regard to the Severn Trent Water requirement of open book accounting, which Bennett and Peace (2006) identified as a common Client necessity, this was not seen as an issue or a contradiction of the aforementioned trust. Instead, Morgan Sindall was of the opinion that if they were to share everything but hide the accounting information, this would raise awkward suspicions to the detriment of the partnership. Finally, in terms of sincere co-operation, the fact that both parties worked together as one and understood the other's needs (i.e. not getting contractual and co-operating as opposed to having concealed motives), there was evidence of Bennett and Jayes (1998) 'integration pillar' being used in practice.

4.4 – Benefits

Cost Savings

- Both Severn Trent Water and Morgan Sindall were of the opinion that partnering had contributed to cost savings, although this could not be substantiated through any 'hard' figures or percentages.
- From a main contractor perspective Morgan Sindall attributed their savings to the visibility of the works, which allowed effective resource management. This meant that there was no intermittent stop start 'laying off' of people and the fact that when they could see a programme of work for the forthcoming years it is possible to gear up for the efficient level of management required with mobilisation and demobilisation costs also reducing. In addition, the assured

level of work enabled Morgan Sindall to achieve economies of scale with both plant and material suppliers, with such savings also benefiting Severn Trent Water who can subsequently be offered a lower price for each project. Finally Morgan Sindall asserted that entrusting a large programme of work to a single entity gives the opportunity to generate efficiencies and continuous improvement, which will ultimately produce cost savings for both parties.

- However the following quote from Severn Trent Water, although somewhat lengthy, places a more philosophical perspective on the matter. When asked if cost savings had been achieved through collaborative working, it was stated,

The difficulty is how you measure that, it really is... There must be cost savings through undertaking similar work, so you've got the same project team moving from one scheme to another, they learn from one scheme and apply that learning to a new scheme to gain efficiency and therefore cost saving. However, as I said, it's how you measure that because unless you run a different contractor in parallel but in a completely different way where they are tendering for everything and not partnering and building those relationships and all the mutual trust, effective communication and all that we've talked about, how do you know?... There has got to be efficiencies, hasn't there? How you measure that, I just don't know.

(Appendix 7.3, p98)

On a theoretical level partnering appears to have great scope to produce financial savings. However as vividly explained by Severn Trent Water in the extracted quotation, it is not possible to *know* the precise level of savings that partnering contributes to construction projects. This is pertinent as it verifies the critique contained within the reviewed literature that directly attributing cost savings to partnering can be naive. Therefore the cost saving proclamations made by Bennett and Jayes (1998) and Mosey (2007) should be viewed with prudence. Nevertheless, the underlying, theoretical reasons given by both Severn Trent Water and Morgan Sindall as to how partnering can produce cost savings supports the declarations of Albanese (1994) and Hirst (2009). For instance the regular flow of work leads to continuous improvements and efficiencies, which in turn alleviates rework, all of which facilitate cost savings.

Finally with neither Severn Trent Water nor Morgan Sindall being able to quantify their perceived cost savings suggests that the primary reason for partnering being used in this specific relationship was not necessarily financial. It could be proposed that perhaps better relationships and a higher quality of work were the main drivers for the adoption of partnering.

Time Savings

- Time savings had been made in the sense that most projects finished within the contract period. However, there were no ‘hard’ figures or percentages to illustrate the extent of the time savings.
- Morgan Sindall advised that the nature of the work undertaken in AMP 4 did not assist in saving time as each product was a ‘one off’ as opposed to a repetitive product.
- There were also instances where Morgan Sindall *had* to find time savings in the physical construction of the project to meet the project deadline, as the preconstruction work tended to ‘drift’ and overrun without the project completion deadline being extended.
- Both Severn Trent Water and Morgan Sindall commented that partnering can achieve time savings due to there being a better understanding of processes, several overlapping activities and many parallel elements such as design, procurement and mobilisation.
- However, in relation to time savings per se, Morgan Sindall advised that as construction is exposed to multiple external factors, such as ground conditions and weather, it is sometimes impossible to assess the true time savings.

In relation to the reviewed literature, there is concurrence with Bennett and Jayes (1998) in the simplistic stance that time savings had been made. However, it is debatable as to how much influence the partnering process had in achieving the time savings that had been accomplished. The fact that Morgan Sindall were *having* to find time savings does not reflect the time saving benefit in the same way in which Bennett and Jayes (1998) had intended. The time savings in this specific relationship were circumstantial as opposed to being a product of working collaboratively. Indeed with both parties acknowledging that parallel and overlapping activities within a partnering agreement

have the potential for time savings, yet the preconstruction activities still overran in practice, suggests that any time savings that were achieved were not a result of partnering.

In respect of Morgan Sindall advising that external factors influence time savings, this provides further support for the critique within the literature review stating that it is too easy to assign certain benefits to the fact that partnering was used. For instance, if a partnered project experiences favourable external factors such as good weather and better than expected ground conditions and consequently completes ahead of programme, this benefit should be attributed to the external factors and not partnering.

Finally, as Morgan Sindall advised that the nature of the work contained within AMP 4 was not identically repetitive and did not assist in time savings per se, it could be argued that this supports the inference that in this instance time savings were not a result of the partnering philosophy being used in practice. This is because there is no standardisation in the product produced with each project being bespoke. The 80% reduction in timescales offered by Bennett and Jayes (1998) is based upon a standard, repetitive product. When the type of work constructed under partnering in AMP 4 is considered in alignment with the aforementioned preconstruction activity overrun, there was little scope to realise time savings in the way that the partnering philosophy promotes.

Improved Quality and Health and Safety

- It was believed that working in the AMP 4 Framework improved quality. The reasons for this were given as the desire of the main contractor to be awarded future work, the ‘quality’ KPI incentive which is integrated into the pain gain mechanism, the nature of a long term relationship that enables a main contractor to improve the quality over time, the focus on mutual goals and a high level strategic understanding of each other’s organisations.
- Also, with the AMP 4 Framework consisting of a small number of ‘framework contractors’ all working on similar construction projects, there was the opportunity to share knowledge and best practice. This was exemplified through all framework partners coming together to develop a ‘defects avoidance booklet’

that helped identify common areas where contractors continually fall down on quality.

- With regard to health and safety, there was an appreciation that working in a framework does allow for a better understanding of the impact each company has on one another. In addition learning and good practices were also said to be carried forward through the relationship.

The findings indicate that partnering does increase quality and that once again the KPI incentive system does influence project outcomes. Also, although not explicitly stated when questioned on the topic of quality, with it previously established that the continuous evaluation process assesses what went well, what went wrong, what can be learnt and what could be taken forward, there is a process in place that will improve the quality within a partnering agreement. With such a process in position the assertions of Matthews et al. (1996) and Black et al. (2000) – who stated that partnering reduces the rework required and produces high standards of construction – should hold true. In respect of health and safety, as Severn Trent Water and Morgan Sindall are working collaboratively and consequently understand the impact that they have on one another, there is accordance with Black et al. (2000) who stated that safety can be improved through parties working closely together.

Creating Synergies and Achieving Strategic Objectives

- The partnering relationship was deemed to be creating synergies and helping to achieve one another's objectives.
- The nature of the partnering agreement in it being long term and generating stability aided the attainment of synergies and strategic objectives.
- Examples of strategic objectives that had been achieved were the fact that Morgan Sindall wanted to maintain the relationship with Severn Trent Water and in return Severn Trent Water wanted high expertise working on their sewage and water treatment works to augment their built assets.

In relation to the reviewed literature Gattorna and Walters (1996) declared that partnering helps both the Client and main contractor to achieve their strategic objectives. From the findings of the research, there is direct accordance with this as both

Severn Trent Water and Morgan Sindall are reaping the strategic benefits from working collaboratively with one another – Severn Trent Water has the expertise they desire and Morgan Sindall have guaranteed work for five years. The guaranteed workload also creates stability meaning that there is certainty, which as alluded to by Sheils (2008) is good for commercial relations. This will subsequently aid a strategic objective of Morgan Sindall in obtaining and managing a positive cash flow.

Better / Less Adversarial Relationships and Increased Satisfaction

- Severn Trent Water and Morgan Sindall believed that the relationship was not adversarial and this was shown through the fact that there was no litigation during the entire framework. The non-adversarial relationship was attributed to the fact that the two parties were working together in a framework.
- In addition Morgan Sindall advised that the absence of litigation was due to the mutual understanding that there would be ‘good’ jobs and there would also be ‘bad’ jobs. This once again illustrates the ‘bigger picture’ perspective.
- Morgan Sindall also stated that working in a long term partnership meant there was a better understanding of where typical problems lay and this can be addressed and mitigated when moving forward onto future projects.
- Both parties agreed that there was less opportunistic behaviour.
- Morgan Sindall stated that the relationships could have been better as at times it was a little ‘them and us’, although the Managing Quantity Surveyor did advise that partnerships always bring the best and worst of people and that there needs to be an appreciation that it can not always be a win circumstance for Morgan Sindall. However there was satisfaction with the performance of the framework in that Morgan Sindall had achieved what they had wanted to.
- Severn Trent Water was very satisfied with both Morgan Sindall and the AMP 4 Framework performance.

Due to there being no litigation and the relationships being regarded as non-adversarial, it would appear that partnering has achieved one of Latham (1994) and Egan’s (1998) principal objectives. There is also accordance with Black et al. (2000) who established that both Clients and main contractors regard less adversarial relationships as being one of the main benefits to derive from partnering. The long term nature of the relationship

also aided the overall relationships with it being possible for the common problems to be identified at the outset of future projects before they became an issue during construction. There is also accordance with Greenwood and Yates (2006) in that there was less opportunistic behaviour due to the less adversarial attitudes.

In respect of the benefit of achieving a better *general* relationship, it is interesting that Morgan Sindall were of the opinion that the relationship could have been better, whereas Severn Trent Water were very happy with Morgan Sindall. Having received relatively positive responses to the relationship characteristics (mutual trust, co-operation, win:win attitude etc) from Morgan Sindall it seems peculiar that when asked outright about the *general* relationship they indicated a small level of dissatisfaction. This may go some way to support the comment in the preceding pages that there may be a hint of a facade when talking about the true nature of the relationship. In respect of Severn Trent Water's upbeat satisfaction with Morgan Sindall, this may explain why Morgan Sindall felt it was a little 'them and us' meaning that Severn Trent Water were very much controlling Morgan Sindall for their own advantage and contentment. This would therefore make it logical for Severn Trent Water to feel satisfied with the overall relationship. However, this in itself begins to discredit some of the earlier responses in respect of win: win attitude and equity and equality. Therefore it is difficult to obtain a wholly accurate depiction of the relationship with a multitude of interconnected characteristics occasionally contradicting one another. This aside, it was stated by both parties that the AMP 4 Framework overall was satisfactory, particularly for Morgan Sindall as they had exceeded their expectations. This concurs with Black and Sanders (1996) who stated that partnering can provide satisfaction to main contractors through reasonable profits and work continuity.

4.5 – Limitations

Failure to adhere to the principal partnering characteristics and Inflexible and Indifferent Clients

- Morgan Sindall advised that there were instances where both parties failed to adhere to the prominent partnering characteristics, although it was not continual. Once again, the 'bigger picture' was underlined.

- Severn Trent Water identified ‘effective communication’ as being the one characteristic that had not always been adhered to.
- In relation to inflexible Clients, Morgan Sindall stated that with Severn Trent Water coming from a public sector at one time it is inherent for them to be inflexible. There were also concerns surrounding the differing levels of maturity between Severn Trent Water individuals and their own internal relationships, with some not fully understanding Morgan Sindall’s needs. Additionally, it was acknowledged that the design freeze and fixed price meant that the nature of the contract was intended to enforce inflexibility. Lastly it was conceded that the Client should be indifferent as they are not supposed to be emotionally involved.
- Severn Trent Water denied that they are indifferent but admitted that they can be inflexible and that bureaucracy influences this as it can shackle individuals.

In relation to the reviewed literature, there is a degree of accord with Ng et al. (2002) and Chan et al. (2003) in that there were instances where one or more of the parties did not wholly embrace the partnering characteristics. However, as is evident, the framework was a success overall, despite the few identified complaints of Morgan Sindall. There is also alignment with Bennett and Peace (2006) who advised that partnering has to be worked at by everyone involved. Severn Trent Water and Morgan Sindall do collaboratively work together and in the main do sincerely co-operate, although it is difficult to achieve a win:win on every issue. This explains why there has been so much emphasis on the ‘bigger picture’ perspective. In addition, there does appear to be a desire from both parties to ensure that overall each party comes out satisfied.

The one issue that Severn Trent Water raised with effective communication was that through working closely in a partnering agreement, responsibilities and accountabilities can become blurred, ending in one party compensating for the other. Although having the trust and confidence to allow the other party to undertake a specific action, which may not have been their responsibility, is a clear benefit of partnering and working together, such actions need to be formalised and clarified through being written down (as opposed to amending the contract). This is to avoid potential problems if the entrusted party were not to fulfil the informal promise or responsibility that had been taken on in good faith in an attempt to progress an issue or ease one another’s workload.

The concern that Clients can be inflexible (Ng et al., 2002; Chan et al., 2003) through bureaucracy was substantiated. However Severn Trent Water did defend this through reiterating the above point; if the processes were to allow more flexibility, it causes the problem of accountability. Morgan Sindall supported the notion contained in the reviewed literature in that Clients can be inflexible as they do not always appreciate the main contractor's needs. However this was put down to individual traits as opposed to a more sinister characteristic of Seven Trent Water. Furthermore, with the contract intending to create inflexibility, any inflexibility that was evident did not have significant implications. Finally, although Severn Trent Water and Morgan Sindall diverged when asked if Severn Trent Water had shown signs of indifference, there was no significant impact on the overall relationship as Morgan Sindall expected and somewhat accepted the fact that Clients are not meant to be emotionally involved. Therefore, whilst this limitation was evident, it was not detrimental to the relationship or the success of the partnering approach.

Owner and Slave and Master and Servant analogies

- It was accepted by both parties that these two analogies were apparent in AMP 4.
- However there was a level of disagreement; the Severn Trent Water Asset Creation Delivery Manager and Morgan Sindall Managing Quantity Surveyor advised that the analogies were only relevant in isolated cases. The Morgan Sindall Framework Director stated that he felt the analogies were prevalent throughout the whole of AMP 4 and even used his own analogy of 'parent and child' to depict his concerns. Despite this, a big issue was not made of it as the Framework Director acknowledged that 'parent and child' syndrome is expected to a certain degree in a Client : main contractor environment, primarily because it is the Client's money that is being spent and one party along the line has to make decisions. With the decision making party ordinarily the Client, thus results in the Client adopting the Parent / Owner / Master position.
- Severn Trent Water claimed that although the analogies are applicable to the Severn Trent Water and Morgan Sindall relationship, it is up to Morgan Sindall to stand up and challenge. In addition, Severn Trent Water admitted that their

Parent / Owner / Master stance does give them the power in contractual negotiations, but it is not a huge advantage.

Due to there being open agreement that Owner and Slave, Master and Servant and Parent and Child analogies are applicable to this partnering agreement, there is definitive accord with the underlying principles conveyed by Chan et al. (2003) and Wood and Ellis (2005). However, as with the 'inflexible Client' limitation, due to Morgan Sindall expecting and accepting that such limitations are likely to be evident, there were no significant implications for the overall framework as people's mentalities were already primed for such behaviour. Further, with the Framework Director stating that 'Parent and Child' is always likely to be the case when working for a Client, suggests that such analogies are not exclusive to partnering agreements – it is a scenario that is liable to occur in any construction situation. Lastly, there was agreement with Bennett and Peace (2006) who added that such a limitation means Clients can dictate the terms and conditions. Whilst Severn Trent Water conceded that this is the case, they denied that it was taken advantage of to any great extent. Overall when the AMP 4 outcomes for both parties are taken into account, this limitation although apparent, did not cause any notable adverse effects.

Economic Realities

- Morgan Sindall stated that although economic realities are clear, it is something that the company is aware of when entering into such agreements and there is an understanding that there will be good and bad projects and that the nature of the partnership is not to 'screw over' one another.
- Additionally, Morgan Sindall reiterated that the framework final outcome exceeded their own economic targets and the certainty of the guaranteed work provided visibility, which is important for Morgan Sindall's shareholders.
- There was a concern from Morgan Sindall that when OFWAT present their determination (declare how much money will be allocated to each water company), and consequently expect Severn Trent Water to make savings and efficiencies, it is always the asset creation programme / supply chain that is expected to achieve the savings and not other areas of Severn Trent Water's business.

- Severn Trent Water advised that in order for economic realities to have less significance and the fixed price to be seen as a fair reflection of the final delivered product at project completion, there is a considerable onus on defining the scope correctly at the outset, and this is something that both Severn Trent Water and Morgan Sindall need to improve.
- Severn Trent Water admitted that Morgan Sindall are seen as substitutable in the sense that Morgan Sindall are aware that there are a small number of ‘non-core’ contractors who whilst *not guaranteed* work under the AMP 4 Framework, are allowed to tender for ‘special projects’ that are located outside of the framework. To this extent, Morgan Sindall is conscious of the fact that a major slip in performance can result in a ‘non-core’ contractor taking their place on the framework. However, Severn Trent Water stated that this ‘threat’ is not over exploited.

There is a level of accord with Ng et al. (2002), Chan et al. (2003) and Wood (2005) in the sense that economic realities do exist within partnering agreements. However, the consistent way in which Severn Trent Water has operated within each of the five individual years of AMP 4 suggests that commercial pressures, such as the recent recession that severely impacted the construction industry in 2009 and 2010, has not made them immediately compromise on the partnering attitude. Conversely however, moving into AMP 5 it was intimated that monetary funding for each scheme would be significantly tighter and that things may become a little different. Therefore, it could be argued that commercial pressures do compromise on the partnering attitude, as OFWAT’s determination for AMP 5 was very much reduced due to the economic crisis, and the implications of a lower determination have been passed onto the main contractors. The reason why the recession did not compromise the AMP 4 partnering attitude was because that funding came from the 2005 OFWAT determination, which could not have foreseen the financial problems of 2009 and 2010.

The fact that Severn Trent Water has ‘non-core’ contractors who can take a framework contractor’s position if standards were to drop, shows there is agreement with Bennett and Peace (2006) in that firms need to have alternative suppliers, but there is also disagreement with Bennett and Peace (2006) who go on to state that the presence of alternative suppliers inhibits the development of deep partnering relationships. As has

been highlighted through the findings of this research paper, although there are a number of 'non-core' contractors (alternative suppliers), this has not hindered Severn Trent Water and Morgan Sindall establishing a deep relationship since AMP 2 (1995 – 2000). Furthermore, the presence of the 'non-core' contractors also dismisses the claims that deep partnering arrangements prevent other companies entering closed markets (Davey et al., 2001) and that partnering agreements have the potential for main contractors to become complacent and uncompetitive (Bresnen and Marshall, 2000c; Wood, 2005). Additionally, although it does not strictly comply with the partnering ethos, Severn Trent Water concurred with Spekman (1998) who felt that main contractors are seen as substitutable. However as stated, this was not over exploited and it did not adversely affect the relationship that Severn Trent Water had with Morgan Sindall during AMP 4. Lastly, there is further concurrence with Sheils (2008, p2) who believed that 'certainty is a good thing in commercial relations' in that Morgan Sindall acknowledged the benefit that certainty of workload and turnover has for their shareholders.

4.6 – Partnering Matrix

This subsection simplistically summarises the findings from the semi-structured interviews in tabular form.

Table 4.1 – Severn Trent Water and Morgan Sindall partnering characteristics

	Evident	Comment
Contractual Characteristics		
Partnering charter	×	Deemed that the established relationship and understanding did not require a charter.
KPIs	✓	Seven KPIs linked to pain gain.
Pain gain	✓	50% gain if all seven KPIs achieved. 100% pain, with contribution from ‘pain pot’.
Shared risk	×	Financial provisions were in place i.e. ‘pain pot’ and ‘cost curves’ to partly share risk, but risk was not explicitly shared. Required the ‘bigger picture’ perspective.
Procedural Characteristics		
Conflict resolution	×	No formal procedure. Required the ‘bigger picture’ perspective.
Continuous evaluation	✓	Project reviews for project evaluation. One to ones for relationship evaluation.
Relationship Characteristics		
Long term commitment	✓	Five year framework.
Mutual goals and objectives	✓	Integrated delivery plan and KPIs.
Win : win attitude	✓	Required the ‘bigger picture’ perspective.
Equity and equality	✓	Required the ‘bigger picture’ perspective.
Mutual trust	✓	Evident, although it was suggested that trust may not be quite 100%. Open book accounting in place.
Effective communication	✓	Adequate, but improvements required.
Sincere co-operation	✓	Minimal referring to contract. Mutual understanding with regard to increases and decreases in scope of work.

Table 4.2 – Severn Trent Water and Morgan Sindall partnering benefits and limitations

	Evident	Comment
Benefits		
Cost savings	✓	Theoretically achieved but difficulty in establishing how to measure the savings and whether they can be attributed to partnering.
Time savings	×	Time savings achieved but not strictly due to partnering.
Improved quality	✓	‘Quality’ KPI linked to pain gain. Long term commitment allowed improvements to be made over time. Framework partners collaborated to produce ‘defects avoidance booklet’.
Improved health and safety	✓	Working together helped both companies understand the impact they have on one another. Continual learning and good practices carried forward.
Creating synergies and achieving strategic objectives	✓	Severn Trent Water had Morgan Sindall’s extensive expertise for five years. Morgan Sindall has guaranteed turnover and has maintained a strategic relationship.
Better relationships and increased satisfaction	× and ✓	Morgan Sindall indicated that general relationship was not as good as it could have been. Severn Trent Water was satisfied with Morgan Sindall. Required the ‘bigger picture’ perspective as overall the AMP 4 was a big success for both parties, with this increasing end satisfaction.
Less adversarial relationships	✓	No litigation. Mutual understanding regarding the fact that there will be ‘good’ and ‘bad’ jobs – hence the ‘bigger picture perspective’ is once again evident.
Limitations		
Failure to adhere to the principal partnering characteristics	✓	Evident in isolated cases. No detrimental impact on the partnering ethos and framework operation. ‘Bigger picture perspective’ required.
Inflexible and indifferent Clients	✓	Inflexibility was evident through bureaucracy and the nature of the contract, but it did not hinder the framework success. Disagreement between the two parties as to

		whether the Client had been indifferent. However Morgan Sindall expected and accepted indifference from Severn Trent Water as they were the Client. 'Bigger picture perspective' required.
Owner and Slave / Master and Servant analogies	✓	Both parties admitted that such analogies were evident, but this was expected in a Client : main contractor environment. Therefore this limitation may not be unique to partnering. Severn Trent Water did not think it was a huge advantage and Morgan Sindall did not make a big issue of it.
Economic realities	✓	Apparent, but did not impact AMP 4. However economic realities are likely to affect the AMP 5 partnering approach. Substitutable behaviour was evident, but not over exploited through the 'non-core' contractors. The provision of 'non-core' contractors did not prevent Severn Trent Water and Morgan Sindall developing a deep relationship but it is likely to have stopped Morgan Sindall from becoming complacent and uncompetitive. In addition presence of 'non-core' contractors illustrated that partnering does not form a closed market to other main contractors.

In summary, the vast majority of predominant partnering characteristics and benefits are evident and where the limitations have been apparent, they have not overly affected the relationship. This in itself demonstrates that the partnering philosophy has largely been embraced. However one noticeable observation is the frequency that Morgan Sindall emphasised the 'bigger picture' philosophy. The frequency at which this approach is mentioned could potentially imply, as previously alluded to, a form of dissonance reducing towards certain issues that have arisen throughout the framework. In further defining dissonance reducing, it is proposed that perhaps there is a level of disharmony towards the outcomes of various individual issues that remain suppressed, and the way in which Morgan Sindall has dealt with such feelings is by looking at the five years overall and thinking that as the end result was good for both parties, the dissonance that remains over certain specific issues can be disregarded.

4.7 – Future Improvements

This subsection will simplistically list the proposed improvements that were suggested or inferred by both Severn Trent Water and Morgan Sindall to improve their overall partnering relationship. Many of the proposals are exclusive to this specific partnership; however there are some that should be considered and potentially applied to the global partnering philosophy.

Severn Trent Water proposed improvements

- In respect of the KPIs, health and safety should not be incentivised; health and safety should be in place in people’s minds and cultures automatically. Instead, aspects such as the final accounting process should be subject to incentives, as final accounting is often a procrastinated event.
- The scope of work needs to be defined better at the outset to facilitate the pricing and construction phases.
- Morgan Sindall needs to take a greater lead (or adopt the Parent / Owner / Master position) on M&E work as they have the M&E expertise and are in a better position to state what the best solution is.
- Morgan Sindall needs to challenge more often.
- When working collaboratively, the defining of responsibilities and accountabilities needs to be better defined (but in a non-contractual manner).
- Co-location of partners is desired. This was not a key feature of AMP 4 but has been wholly implemented in AMP 5.

Morgan Sindall proposed improvements

- The KPIs need to be entirely objective and practical. Although there was only one explicitly subjective KPI, it was felt that the ‘sub-measures’ to many of the KPIs were subjective and that on occasions it was deemed that Severn Trent Water were not even sure themselves what information they required. Additionally, Morgan Sindall considered that some of the KPIs were ‘measuring for measuring’s sake’ and served no real purpose.

- The KPIs should have a greater influence in the bidding process for each AMP to identify the better contractors. Currently the bidding process still adopts a competitive tender approach and the KPIs are not used to a great extent in distinguishing between the contractors.
- The whole ‘AMP’ cycle should be improved. The workload historically tends to peak in year three and drop off over years four and five. In AMP 4 this meant that Morgan Sindall had a problematic redundancy situation as a lack of AMP 4 projects meant that ‘surplus’ AMP 4 staff had to be transferred across the country to other parts of Morgan Sindall’s business or made redundant. This was not a direct consequence of the recession; it was more a reflection of the distribution of work over the AMP. The ‘peaks and troughs’ need to be smoothed over to allow even more efficient resource management.
- In agreement with Severn Trent Water, there needs to be full clarification of what the end user actually requires. Although not explicitly developed in this research paper’s findings, the end user is Severn Trent Water *Service Delivery*, whereas the construction side of Severn Trent Water’s business (i.e. the Client), is Severn Trent Water *Asset Creation*. This distinction did cause problems in terms of the actual scope of work and end user requirements. Therefore this needs to be attended to on future AMPs with the scope being fully clarified and appropriate.
- The main contract should be more applicable to a partnering approach. AMP 4 used the ICE 7th Edition, whereas the NEC 3 contract is being used for AMP 5. The NEC 3 is deemed to improve the communication between Client and main contractor, through the use of Early Warning Notifications and is thus more relevant to the partnering philosophy. It is acknowledged that there are also standard contracts for partnering.
- Morgan Sindall felt that the Client should be more receptive to challenging instead of viewing the main contractor as being awkward. However this is in direct contrast to Severn Trent Water’s proposed improvement in that Morgan Sindall needs to challenge more.
- Communication needs to be improved through proper minuteing of meetings, monitoring, shared IT and co-location. Shared IT has been implemented in AMP 5, as has co-location as previously remarked.

- The number of ‘framework contractors’ and the general number of people involved in each AMP should be reduced to enhance the quality of communication that Severn Trent Water has with each framework contractor. This will enable even deeper relationships to develop between Severn Trent Water and their main contractors.
- Severn Trent Water need to provide more clarification around their cost curves.
- The Client is encouraged to look internally within their own business to achieve efficiencies and cost savings, in addition to looking at their supply chain.
- The preconstruction activities and processes need to be improved to realise the proposed time savings. This has been partly addressed in AMP 5 as the contract is Design and Build for Morgan Sindall, meaning that they are fully in control of the design, programming and construction.
- Although expected and somewhat accepted, the Client should try and avoid adopting the Parent / Owner / Master position.

This section has systematically presented the findings of the semi-structured interviews and analysed the collated data in alignment with the reviewed literature. Through undertaking the data analysis it was possible to ascertain and portray the extent in which prominent partnering characteristics have been embraced within the water sector. In addition, improvements to both the Severn Trent Water and Morgan Sindall relationship and the partnering philosophy as a whole have been identified. The next section will draw conclusions based on the data analysis in accordance with this research paper’s aims and objectives.

5 – Conclusion

In direct reference to the initial research question, the findings of this paper demonstrate that partnering *has* worked in the water sector. This can be viewed under two perspectives. The first is that the findings illustrate that the embracement in practice of several prominent partnering characteristics has helped nurture an effective and productive relationship, which in alignment with the partnering philosophy is principally non-adversarial. Secondly, the majority of the reported benefits of partnering, although difficult to exclusively attribute to partnering, are evident. This represents a level of success for all proponents of partnering, particularly Latham (1994) and Egan (1998), as the fighting and hostility that once besieged the industry is not apparent.

With regard to the aims of this research paper, the effect that the partnering philosophy has had in the water sector in terms on the Client : main contractor relationship is a positive one. Aside from the aforementioned non-adversarial relationship, a partnership has formed between two separate and traditionally opposed entities who in the main have strived to co-operate and treat one another with trust and respect, to achieve one another's strategic intentions. This in turn allows both companies to prosper. In relation to project performance, partnering on a theoretical basis at least, has attained cost savings, increased quality and improved health and safety. However this point should be viewed with a small touch of prudence as there are no 'hard' figures to substantiate the claims, although the supposition is that such benefits will have been realised through partnering. Thus partnering has also had a positive effect on project performance in the water sector, which has been achieved through exploiting each party's resources with this creating a synergy for construction success. The significance of this is that companies from all construction sectors should be encouraged to adopt partnering for better relationships and project outcomes.

The findings have established that this water sector relationship has fundamentally embraced the majority of the prominent partnering characteristics. Although at the same time, the findings have also raised questions as to which characteristics are essential for success, particularly in comparison to the preceding literature. For example, whilst not

wishing to repeat the comprehensive data analysis, a partnering charter and a formal conflict resolution were not necessary for success in this study. However a good trusting relationship needs to be in place if such characteristics are not apparent. The same principle can be said of shared risk; if not explicitly shared there needs to be effective mechanisms and compensatory financial provisions in place for partnering to succeed.

Perhaps the most significant and fresh insight into partnering emanating from this research is the requirement for both the Client and main contractor to assess partnering performance under the 'bigger picture' perspective. This outlook, which is reliant on the essential long term commitment characteristic being embraced, appears to be the critical factor in allowing partnering to succeed within the water sector's AMP frameworks. The 'bigger picture' perspective is a logical and relatively novel way of managing a business to business relationship, particularly within the construction industry. It acknowledges and almost accepts that a win:win situation may just be an idealistic notion that can not be attained on every issue.

The reported limitations whilst being evident, did not adversely affect the relationship or project success. As has been established, where certain limitations have been apparent, such as the failure to adhere to principal partnering characteristics, inflexible Clients, Master and Servant analogy and economic realities, these were either expected from the outset or accepted as the framework progressed under the 'bigger picture' perspective. It could be argued that the 'bigger picture' perspective is merely avoiding the core issue but if this stops the adversarial fighting and legal battles then it should be embraced rather than criticised and encouraged to be adopted by other construction sectors where possible. In conjunction with the final research objective, suggestions have been obtained to improve partnering in the water sector and also within this specific Severn Trent Water and Morgan Sindall relationship. If such proposals are employed, both the partnering relationship and project outcomes should realise even greater benefits.

In a simplistic summary, Latham (1994) and Egan (1998) primarily promoted partnering to end the adversarial relations that blighted the construction industry, promote long term relationships based on co-operation and increase profits for all. This

research has ascertained that the water sector has achieved such aspirations through the use of partnering. Severn Trent Water and Morgan Sindall are not adversarial, they have a longstanding, successful relationship and Morgan Sindall has exceeded their own target margin by over 1%, whilst Severn Trent Water is making efficiencies in line with OFWAT's determinations. Whilst acknowledging that there have been minor issues and limitations, as well as some characteristics not being fully embraced, partnering has worked in the water sector. The one issue that does remain is that there appears to be accordance with Brookes (2008, p324) who stated 'that very few within the industry have truly embraced the partnering ethos of Latham and Egan'. As has been depicted, Severn Trent Water and Morgan Sindall have devised their own interpretation and implementation of partnering. Therefore, if the true ethos of Latham (1994) and Egan (1998) was applied in practice, it remains to be seen how much further enhanced the benefits would be.

5.1 – Discussion

The implications of this research indicate that partnering should continue to be adopted within both the water sector and the construction industry as a whole. The way in which partnering is fostered is primarily dependent on the Client and does not have to explicitly adhere to the ethos of Latham (1994) and Egan (1998). However, the Client must ensure that the way in which the partnering philosophy is interpreted and subsequently implemented must remain fair and equitable to all parties and embrace as many of the prominent partnering characteristics as possible. If a Client and main contractor are new to one another as opposed to already having an established relationship, it would be prudent to advise that all partnering characteristics must be adhered to. The 'bigger picture' perspective may facilitate the success of partnering agreements, but if such a tool is to be adopted, it is essential that the outcome of the construction project(s) maintains parity for both parties, otherwise the 'bigger picture' perspective will have failed or at worst have been deliberately abused by one party.

In terms of how this research fits into the existing literature, it has provided an empirical and up to date analysis of the partnering philosophy in the specific context of the water sector. This can be used to cross reference with recent and current studies to ascertain

how partnering has changed or affected the industry and / or water sector. This research will also represent how the partnering philosophy can be made to work through two committed organisations. For the water sector specifically, other water companies will be able to take onboard the findings and more pertinently the proposed improvements in an attempt to have more successful relations and project outcomes in their current and future AMPs.

Future research could attempt to replicate this study but focus on other water companies and main contractors. This will reaffirm whether this particular relationship between Severn Trent Water and Morgan Sindall is a one-off, or whether the water sector has adopted a partnering approach throughout and is profiting from the benefits. Ideally such research should concentrate on two parties that may not have had chance to have built up such a successful relationship; this will help illustrate how different the results are when the parties are less familiar with one another. It would also be fruitful to undertake similar research between Severn Trent Water and another AMP 4 main contractor to see if the findings are of a similar nature. Likewise, it would be constructive to analyse a Morgan Sindall partnering relationship with another water company to see if parallel traits are evident. This will be important in verifying the 'bigger picture' perspective to establish whether such an outlook can be transferred to other relationships. Finally, further studies centring on either Severn Trent Water or Morgan Sindall will determine whether both parties act in the same manner regardless of who the other partner is, or whether the behaviours and attitudes presented in this paper are limited to this specific relationship.

5.2 – Limitations

Although this research paper has been produced in good faith, it must be acknowledged that there are associated limitations. Firstly, only three semi-structured interviews were undertaken. It is plausible that had further semi-structured interviews been carried out, data may have been collected that directly contrasted the findings of this paper. In a similar manner, had three different participants been selected, the results again may well have been divergent with those presented. Secondly with the sample size being so small, it can not be classified as a representative sample of the water sector. As suggested in

the recommendations for future research, similar studies focussing on different Clients and main contractors within the water sector may reveal completely different results. The issue surrounding the sample size and selected participants is significant as the findings and conclusions may not be applicable outside the parameters of this paper.

In addition, the research focuses on the period 2005 – 2010 and the AMP 4 Framework, which was relatively unaffected by the recent recession. It may have been more germane to have incorporated an angle that assessed how partnering is affected by a recession. This would have produced a truly up to date, live document that managers and organisations could pick up today and immediately utilise the findings and recommendations. However as it stands, the findings that were presented may not be applicable until the economy fully recovers, and in that period the partnering ethos may have evolved even further, which would disregard the value of this research paper.

There may also be limitations in connection with the researcher's interviewing competence in collecting the primary data. Whilst assurances are given in relation to the integrity of the methodology, data collection and subsequent analysis, genuine indiscretions may have been apparent in the interviewer's style and technique whilst collating the primary data. This could have subsequently influenced the participants' response meaning their responses may not have been an accurate reflection of their true feelings and opinions. Further, as was identified through the data analysis, there were occasions where one participant's response contradicted an earlier statement that had been made by the same participant. This made it difficult to expound the true reality. Consequently the assessment or interpretation presented in the findings may be an unintended misrepresentation.

This section has presented the conclusions of this research paper in relation to the aims and objectives. A discussion surrounding the implications of this research within the overall partnering literature, including recommendations for future research, has also been provided. Finally the limitations of the research have been identified. The remaining sections contain a full list of references and various documents within the appendix, including full transcripts of the three semi-structured interviews.

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7 – Appendix

This appendix contains Table 7.1 and 7.2 concisely listing the partnering characteristics, benefits and limitations that were identified through the partnering literature.

In addition a copy of the ‘interview themes’ that was sent out to all interviewees in advance of the semi-structured interviews is also provided.

The final section of the appendix contains copies of the full interview transcripts.

7.1 – Partnering characteristics, benefits and limitations

Table 7.1 – Summary of Partnering Characteristics

Contractual Characteristics	Relationship Characteristics
<ul style="list-style-type: none"> ▪ Partnering Charter ▪ Pain-Gain ▪ Key Performance Indicators ▪ Shared Risk 	<ul style="list-style-type: none"> ▪ Commitment ▪ Mutual Goals and Objectives ▪ Win:Win Attitude ▪ Equity and Equality ▪ Mutual Trust ▪ Effective Communication ▪ Openness & Sharing information ▪ Sincere Cooperation
Procedural Characteristics	
<ul style="list-style-type: none"> ▪ Conflict Resolution ▪ Continuous Evaluation 	

Table 7.2 – Summary of Partnering Benefits and Limitations

Benefits	Limitations
<ul style="list-style-type: none"> ▪ Cost Savings / Cost Reductions ▪ Time Savings / Quicker Construction Time ▪ Improved Quality ▪ Reduced Litigation / Less Adversarial Relationships ▪ Creating Synergies and Achieving Strategic Objectives ▪ Improved Health and Safety Performance ▪ Better Relationships and Increased Satisfaction 	<ul style="list-style-type: none"> ▪ Failure to adhere to the principal partnering characteristics ▪ Inflexible and indifferent Clients ▪ Master and Servant / Owner and Slave analogies ▪ Economic realities

7.2 – Interview themes

Tim Payne Dissertation – Interview Themes

It is intended that the following partnering characteristics will be touched upon in respect of the Severn Trent Water – Morgan Sindall collaborative working relationship:

<u>Contractual Characteristics</u>	
<ul style="list-style-type: none">• Partnering / Framework ‘Charter’• Pain : Gain	<ul style="list-style-type: none">• KPIs• Shared Risk
<u>Procedural Characteristics</u>	
<ul style="list-style-type: none">• Conflict Resolution	<ul style="list-style-type: none">• Continuous Evaluation
<u>Relationship Characteristics</u>	
<ul style="list-style-type: none">• Long term commitment• Mutual Goals and Objectives• Win : Win Attitude• Equity and Equality	<ul style="list-style-type: none">• Mutual Trust• Effective Communication• Openness and Sharing Communication• Sincere Co-operation

In addition, the following benefits and limitations of partnering / collaborative working / framework agreements will be briefly discussed:

<u>Benefits</u>	
<ul style="list-style-type: none">• Cost Savings• Time Savings• Improved Quality• Creating Synergies & Achieving Strategic Objectives	<ul style="list-style-type: none">• Improved Health and Safety Performance• Better Relationships and Increased Satisfaction• Less Adversarial Relationships
<u>Limitations</u>	
<ul style="list-style-type: none">• Failure to adhere to the principal partnering characteristics• Inflexible and Indifferent Clients• Economic Realities	<ul style="list-style-type: none">• Owner and Slave / Master and Servant Analogies

As a general concluding discussion, the interviewee will be asked whether the partnering / collaborative working / framework agreement can be regarded as being a success and whether it can be improved in any way.

7.3 – Interview transcripts

This section contains the full transcripts for the three semi-structured interviews that were carried out in collecting the primary data for this research project.

7.3.1 – Interview One: Morgan Sindall Managing Quantity Surveyor

Participants: Morgan Sindall Managing Quantity Surveyor (MQS) and Tim Payne (TP).

Date: 3rd July 2010

Time: 10.30am

Location: Stourbridge

TP	Hello
MQS	Hello
TP	Thank you for agreeing to be interviewed
MQS	Not a problem
TP	Right, at the moment I am looking at partnering. I've done some research to identify the main characteristics, and now I am at the point at which I want to see how they have been embraced in practice. You've got the right not to answer a question if you feel uncomfortable...
MQS	It's alright
TP	So please say so... The nature of the outputs of my research is really just to contrast the theory with the real practice, and draw conclusions. Right, so, I've given you my handout and we'll start with the contractual characteristics, in terms of AMP4, Severn Trent Water and Morgan Est or Sindall – I'll use the names interchangeably...
MQS	It doesn't matter!
TP	And see what evidence we have in practice. So if I start with partnering charter... A partnering or framework charter complements formal contract terms, setting out and agreeing the principles, attitudes and commitment to everyone buying into
MQS	Right
TP	In terms of the Severn Trent and Morgan Est AMP 4 framework, do you know if a charter has been signed?
MQS	I'm not sure if there is. Certainly in the framework agreement as far as partnering is concerned, it does mention the spirit of working in a partnership, but it doesn't go onto any formal agreement in actually physically signing to say we have signed onto a charter between the two parties.
TP	Right, do you know if it was discussed at a higher level...
MQS	Um... you may get more information on that from the framework director, so I can't answer that I'm afraid – it's not that I don't want to.
TP	No problem. Ok, with your brief understanding of charters, do you think in terms of frameworks or partnering do you think they're a good idea, or do you think that they're not really required?
MQS	From my experience of charters that I've had on previous contracts, I do think that they're a good idea. It does set out the basis of communication; it does set out what the ethos of the contract is all about. If you're going into partnership you are looking at the long term, you are looking at working together and on the basis of, yes whilst there are contractual needs, it is still good to go into a charter to say this is how we should work together and we can refer back to this charter, so I think it is a good idea.
TP	Ok, although we are unsure as to whether one has been signed, with Severn Trent and Morgan Est agreeing to a design freeze and a price freeze, the fact that the price freeze has always remained in place, but the design freeze appears to have been broken by the client on several occasions to the frustration and dismay to Morgan Est site teams, that would tend to suggest that maybe a charter wasn't signed...
MQS	I would agree with you on that
TP	Do you think that would have helped people's approach and attitudes?
MQS	As long as it is communicated out to the wider parties, yes I would say so. The thing about the design freeze, it is only the outline design freeze, when you get to the detailed it is expected within a construction environment that there are a few variables that would stop it from being an easy case of doing a complete design freeze. It was always given out to be a case of being an outline design freeze, but the understanding is, yes you're pricing on fundamentally what you are going to build, but it isn't always necessarily completely designed
TP	Right, so a partnering charter probably could have helped ease people's understanding of that
MQS	Definitely
TP	Right ok. So if we move onto the notion of pain gain and KPIs, again just briefly, are there KPIs on the Morgan Est Severn Trent AMP 4 agreement
MQS	Yes there are key performance indicators. There are seven of them, which outline what the client is aiming to achieve.

	The KPIs are price – so if you exceed the price you have broken that KPI, timescale, environmental issues, no outstanding defects at the end of the works - so a quality situation. I've done four of them now haven't I? Er... If you can't remember them I can always get them after.
TP	
MQS	I can get them to you afterwards.
TP	What is the function or the purpose of having KPIs?
MQS	The KPI process was to design an incentive - sorry, there's health and safety which is a very important one – it is to incentivise the contractor to complete the works to the advantage of the client. Of course there are advantages to ourselves in not causing an environmental issue or a health and safety concern, but the idea was to link them to an incentive mechanism to ensure that we performed to the client's needs.
TP	In terms of KPIs is it a scale of one to ten, or is it yes you have achieved it or no you haven't achieved it?
MQS	It is a case of yes, no. It's black and white.
TP	Would you say that the KPIs that you listed are objective or subjective?
MQS	Six of them are objective, one of them is subjective.
TP	What is the subjective one?
MQS	Which is the one that I've not mentioned yet! It's client satisfaction.
TP	I had a feeling you were going to say that! Which leads onto my next question. Do Seven Trent, or indeed Morgan Est where we can... are the KPIs abused?
MQS	Because six of them were objective, it's very easy to see that they have not been abused by either party. So for instance, the one for health and safety, was if you had a RIDDOR then of course you have failed that one. If you go over price, it is quite evident. If you go over time, it's quite evident. The time one can be an issue, and could be abused in circumstances where maybe the client has affected us finishing on time. We did have the right to claim for an Extension of Time, but that would never actually... sorry. You could in certain circumstances, if the client was open to it actually move that to be a successful KPI. But we are in a situation of coming to an agreement and an understanding at the earliest opportunity. Before it was a case of yes, here is the certificate to say what you have achieved and haven't achieved in your KPIs without any prior discussion with us for our perspective.
TP	Right, so where you did apply for an Extension of Time, I think on one of the projects that I worked on, it was kind of, the client causing the delay like you say, and if we asked for an Extension of Time they would grant it so that we can finish within the revised completion date, but then they would say, well we're not satisfied with having to grant an Extension of Time. Did that even happen?
MQS	I think that we were successful, certainly in the projects that I was involved in, we were successful in having the KPI reintroduced as succeeded on, on the cases where the client had affected our end date.
TP	Right ok, so there was scope for it to be abused, but they were receptive to our counter arguments?
MQS	Abused is a bit strong. If you had somebody who didn't want to look bad in the eyes in the people above, he may have been pushy in saying that you had failed a time KPI. Sometimes it's difficult to deal with people like that. You can't prove anything; it is a case of the contract says that if you go over time, you can be granted an Extension of Time. It can be read into the contract that it says that there is no removal from the fact that you have failed that KPI. So you could say that we possibly abuse the situation by talking openly and honestly with the client, and saying look, how can we be punished for losing this KPI when you had an impact on it. So, the timescale for the job should take into consideration the external factors that would impact on you not finishing within the time, so the timescale that we were set on the project should be realistic, taking into consideration those external areas of impact. So I feel that the client probably abused it less than we do, insofar as they could have stuck by their guns, and said no you failed, we're not giving you the KPI. So as I say, abuse is probably a bit harsh, it is open and understanding, and being flexible, rather than abuse.
TP	Right ok. Are the KPIs linked to any pain gain mechanism?
MQS	Yes.
TP	Just briefly, what is...
MQS	Briefly because it is quite complicated!! If you are in a gain situation, on a standard project, you would have to succeed in getting seven out of seven KPIs to receive the gain payment, which is 50% of the difference between the target price and the actual cost. If you are in the circumstance where you fail to achieve one or more of the KPIs, the money that you have saved is put into a common pot to be shared amongst all the contractors.
TP	Is that for all projects that are within the same framework?
MQS	It is for all projects and all contractors who are working on that framework or partnership, and that common pot would then be shared out at the end of the year, depending on how many successful KPIs you'd got and how much you had contributed to the pot, in comparison to the size of the pot.
TP	How often did you get all seven KPIs? Is it a pretty good success rate?
MQS	We had a good year the first year, the second year was not as successful...
TP	Was that a fair assessment from the client, or was that something that we disagreed with?
MQS	We didn't disagree with it because they were a rightful assessment. It was just a case of they were more developed projects in the first year, in the second year they tried to rush some through so we were in circumstances that we accepted jobs that weren't full designed and so there were circumstances where we spent more money than was available in the target price.
TP	Was that not partly the Client's fault if it hadn't been fully designed meaning that we then exceed the target price...?
MQS	Yes... but it's the spirit of the contract that you are going to be successful in certain circumstances and you're not going to be in other circumstances. Across the AMP, where we stand now, it has been a case of swings and roundabouts. It's a fair mechanism, we got payments out of the pot that helped us in a position where we exceeded the target price and fell into pain.
TP	Ok, so briefly wrapping up pain gain and KPIs, are KPIs and pain gain a good thing and how much gain do you think a main contractor should get?
MQS	Being level about it, I think they're a good thing. Certainly within the partnership that we entered into where you've got a fixed price, you have got two options. You can go with 100% pain and 100% gain, but what incentive is there for you to perform in those circumstances?
TP	Well you'd get 100% gain, is that not a big enough incentive?
MQS	But if you're in the circumstance that you're constantly going into pain with the mechanism that is in place, then there was some recompense for it. So unless you are in an environment where you haven't got external variables, then it would be unfair to be on a fixed mechanism that said the price is going to be this, we know you're going to roughly come in in this circumstance, therefore you could say that a pain gain mechanism, or an incentive mechanism, wouldn't be wholly necessary. When going into a long term partnership, there should be some drivers that make sure that you

	perform to your best ability and if you're hurting people, if you're constantly running late on the project, the price mechanism, fine you've got that, but if the client is suffering because you're constantly running late on the project, from a client's perspective would that be fair? So he's got to drive you to achieve certain goals that he requires, which are a good quality project, on time, the right price, done safely, third parties are satisfied with the product that you are doing, you're not affecting external stakeholders such as the public and other suppliers that the client may be providing product to. So if it was purely based on price the incentive mechanism wouldn't achieve what the client is trying to achieve... I'm waffling now aren't I?! In a yes no answer, it is good to have an incentive mechanism as it drives the contractor to perform, which then the client gets what he wants out of it as well. So both parties should get out of it what they require as long as it's a fair mechanism.
TP	Do you think that 50/50 is about right, when you take into account that that's 50% gain plus 50% pain where pain has been encountered?
MQS	Pain was always 100% pain, which would contribute to a common pot but there was no guarantee that... for instance, if all the contractors went into pain in a particular year, then there would be nothing to pay out of the pot. As far as the contract as a whole is concerned, then it would be a case of saying, if you look at it, it's 100% pain, you get 50% gain, you've got no guarantee that you'll get a payment out of the pain pot, so you are always in a circumstance where with the fixed fee that it's not particularly a good contract on paper.
TP	No problem... moving onto risk, or shared risk... quite simply, is risk shared on AMP 4 between Severn Trent and Morgan Est?
MQS	In certain circumstances it is. What the client can do is ring fence some risk. Although it's a target price mechanism, and it's fixed at that target price as far as the works order is concerned, and as you said previously there are no variations so you can't increase the price, if there is an understanding from the client that an element of work may come in that they haven't fully researched, then they would say, ok price up this particular article, we'll ring fence that, we'll make sure that we've got the budget from our powers so if that work does happen then we will increase the target price to incorporate that. I'll give an example of Trimpley. This job we were to go along and increase the capacity of a pumping station. But around this pumping station there was a metering process - when I say metering it looked at how much water was needed to feed these pumps. Severn Trent weren't too sure because the meters hadn't been serviced regularly whether the meters were giving the right figures. So they were in a circumstance that they would say right we will build this pumping station with this capacity, but we will put on a ring fenced item to say that if you Morgan Est go and fix the meters and it shows that we need a higher capacity pump, we'll set aside a budget of money to bring that into the target price. So we want you to price that up as a risk, but we're not going to put it into the project in case we do that. And what fundamentally happened was, they decided not to go along with servicing the meters, they took the risk that what we were helping them to design to build would be ok... and we built it at the target price.
TP	On that occasion, if they could see that the scope may increase, there on that one job, why couldn't they do that on all the other jobs where we priced the basic product, and the scope has inevitably increased...
MQS	Because that was a visible risk.
TP	Right.
MQS	Other risks we are expected to build in, and we can build in a risk proportion. If we have site specific risks, we make them evident to the client, and say look because you can not give us this information, we need to build in this price. I'll give the example of Frankley GAC. We were in a circumstance where it was urgent that they did that work to meet OFWAT and EA requirements. But they had not developed the design fully enough for us to fix the price. There was an area where we had to do mains water connections to the public, where they had not done any ground surveys and they hadn't got any particularly effective drawings to say what the existing pipework was like. We had to attach some substantive pipework to tie in with what we were building there. What we said was because you can't give us any evidence of what we need to do there, we are going to put a great big lump of money in there. And it was a round one million pounds PC sum to do these works. So there was an understanding that there was a risk there of what we would have to build, we weren't sure what we had to do, and the client wasn't sure what was existing. So that was a risk that they took. As it turned out, we did the work for £455,000. There was an appreciation from the client - it wasn't a case of, oh well we will have to discuss this because it's ended up nothing like the amount that we were thinking. There was an appreciation and an agreement that a lump sum risk figure should go into the contract.
TP	Did we get the one million or the four hundred and fifty grand?
MQS	In the end the £555,000 ended up being part of the gain mechanism that we achieved.
TP	Oh right, so in a sense it just increased the potential gain?
MQS	Yes.
TP	Great, right, ok. Would you say that on the AMP 4 framework, the way that risk is shared, has it moved away from the you and me mentality? Has it aided the partnership?
MQS	It can be down to subjectivity, it can be down to characters, as can most circumstances, it can be down to the reading of the contract and the agreement that you have entered into. I would say you are again going to be in the circumstance of swings and roundabouts. Some projects like GAC, like Trimpley, there was an understanding of a shared risk, in other circumstances it was a case of, you've looked at the work, you've taken into consideration the risk, because you didn't take certain risks into consideration and the factors didn't work in your favour, I'm afraid that's one of those cases where you have lost in those circumstances. Put into parity where you have got situations where we have gained, where we have had to build in risk, the client has accepted the risk was a shared risk, and we've made substantial gains, across the board it has been on par I'd say.
TP	Right, ok. Would I be right in thinking that if you don't identify a risk at tender stage or at pricing stage you are basically taking on that risk...? In order for Severn Trent to agree for a risk to be shared, you need to identify it?
MQS	Yes.
TP	Right.
MQS	On AMP 4, we had a design responsibility with regards to the mechanical and electrical aspects. The client had the responsibility for the civils design. To be fair, to us, we were sharing that risk with our subcontractors who were doing the majority of the mechanical and electrical design. As far as civils are concerned, that is where you have got your most variables that will affect you. So, the risk was for the client to design in in most instances, or for us to identify if we don't think they have spotted the risk that was there. And in most instances, it was those circumstances where the client hadn't spotted it, we hadn't questioned it, that we came under the most impact of pain.
TP	Ok, so finally on risk, would you say that any major or onerous risks are deliberately left with the main contractor?
MQS	A cynical view... I think as a partnership, as a shared circumstance, we should be looking at stuff that has been provided to us and questioning and making sure those questions happen early enough to make sure we had ratification of them

	and a clear understanding of any risk that we may be entering into and therefore being priced into the ultimate price.
TP	If it is up to us really and they are more than happy to talk to us if we identify risks...
MQS	Yes. And I don't think there is any case of them abusing the circumstances and thinking oh we've got a risk here, let's not mention that to the contractor. I think in most circumstances we were involved in the ground conditions surveying, the problem we have and it can be inherent in any client situation, historical drawings and lay of pipe etc wasn't as accurate as it is nowadays – they didn't have GPS navigation, they didn't have GPS logging, some drawings were fairly vague, as you can appreciate we are working on some stuff that is pre-1930s, so it wasn't always that accurate. They weren't thinking necessarily of the future so you take on that risk as soon as you put a spade in the ground – there could be something there that you're not expecting to be there.
TP	Right no problem. Moving onto what I have classed as the procedural partnering characteristics. The first one being conflict resolution. Is there a process in place? A formal process.
MQS	What do you mean by conflict?
TP	Well, if a problem happens on site, or a contractual problem, how is it resolved or discussed? Is it discussed at site level or do you go straight in for the kill for a variation?
MQS	The nature that we have managed to establish with the client, not forgetting that we have worked with the client on previous partnerships on AMP 2, AMP 3 and also AMP 4, we had already established a firm relationship with the client. Where possible, and I think it is the best approach, is not to go down the contractual line. You're always going to have a conflict internally, between an operational and a directors' need and a commercial aspect. Commercially, which is what I am obviously involved in, you are looking at trying to make the best profit out of each project, ensuring of course that it is done as safely as possible. So when you feel that the client is pushing the contractual requirements it is up to you to bring it to the attention of other people, your directors, your management, who may have a more global view and will say alright, we've made good money on other projects, let's not push this because it just looks like we're abusing the circumstances. My stance will always be, wait a minute we've got to set a precedent, we've got to show that we're not a push over and we've got to get the best out of each project because, my commercial directors are wanting to see a good profit. So if we are in a conflict situation, where we feel that the client is pushing the boundaries, we do tend to ask to sit down with the client, the main representative, and say look we feel that this, say for instance, this variation that you are asking us to do is within the ethos of the contract, it is a circumstance that there are no variations to price, we are given a target price to go and do a particular job, and if they want to add something to it, there are two particular clauses that said for the proper functioning of the works and the other one was deemed necessary by the client for the completion of the works. Again, they are still looking at the ethos of what you have gone along to build, so if there has been a design problem and the works aren't going to function properly unless this additional equipment or process is brought into place, then you can see, what's the point in building something that is not going to work properly? So you have got to keep an open mind on that. But if it's a case of a nice to have, then no, we should be closing the door. So what our process tended to be is, we'd discuss it with our management and with our operational colleagues, if we thought we had a case, then we would discuss it with the resident engineer. In some instances, not most, we were able to actually resolve that conflict without going to full contractual or legal obligations. There was never an instance where we felt it necessary to go to arbitration, although there was the process available to both parties if that were the case, and there were cases where we took it on the chin because overall we knew we were going to be successful.
TP	Successful in terms of finishing under budget?
MQS	Yes, across board. One job we may lose on, another job we may be making a killing on.
TP	So even though you didn't necessarily agree with it, you took a global picture?
MQS	We took a global picture. In a mutual relationship, in a long term relationship, and there is always the case that you are looking to the future. If you are being successful with that particular client, and the project is going to be successful, why spoil the good relationship by firing the water by the case of, we could take this one too far but it's only a small value project, let's move on.
TP	There's always a bigger picture...
MQS	It's always the bigger picture. As far as the need to go to serious conflict resolution, there is never that need. With regards to conflicting opinions on what the contract meant, these were normally resolved locally, outside the contract although the contract would be quoted in certain circumstances.
TP	When you say locally, do you mean site level?
MQS	Yes, site level.
TP	Right, one thing that I have read about is the conflict resolution ladder, where things normally start on site and they get escalated up when they can't be solved at the lowest level. Is that in effect what is happening here?
MQS	Yes. That's what happens. And it is being in the spirit of a partnership. The spirit of understanding and you are not going to win every bout.
TP	Ok, moving onto continuous evaluation, and I'll put this into the context of the overall relationship and also each project, if we start with the projects, do Severn Trent or Morgan Est have a continuous evaluation process, where you are constantly trying to improve what you've done on a project basis?
MQS	Do you mean internally or in the spirit of the partnership?
TP	The partnership. For instance, if you build a sewage works, do you look at that, evaluate it, what went well, what went bad, and then move forward?
MQS	Yes, at the end of the project, we have to agree the KPIs, which we've covered, within that you also have a project close out process where our quality assurance team would arrange a meeting, which would involve the client, the contractor and the third party, which was Service Delivery as far as the client is concerned. Just to paint a picture of that, we were employed by Severn Trent Water Services, but they are effectively the asset creation team. They then had to hand over the works to the Service Delivery team which would be the people who operated the sewage treatment works and the water treatment works. So, although Service Delivery and Severn Trent Water Services Asset Creation are the same company, they are two separate entities.
TP	It's like having two clients then really, isn't it?
MQS	Yeah and one of the KPIs that has come back to me is third party satisfaction, which was effectively Severn Trent Service Delivery team. So the evaluation was, as you said at the start, what went well, what went wrong, what can we learn from this, what shall we take forward? That was minuted and then shared.
TP	In terms of the partnership, the framework of the two of you working together, is that ever evaluated? Do you ever go into an open forum and say what's good and what's bad about the relationship?
MQS	That tends to be done at a monthly management team meeting. It will be the likes of the operational management and

	the heads of the departments from Severn Trent.
TP	So that's not something that you yourself are involved in?
MQS	I've not witnessed it, no.
TP	Ok, briefly, although we have somewhat covered it, are there regular reviews trying to see if goals and objectives are being achieved?
MQS	It wasn't done wholly at a site level, it was done more in a circumstance of the operations manager and the asset creation manager and the service delivery manager; anything that was needed from us to feed into that was given to the relevant people to take in.
TP	So again, that was out of your scope of work really?
MQS	Yeah I didn't attend any of those.
TP	No problem. Right, moving onto relationship characteristics, the first one is long term commitment. This is seen by many of the commentators or practitioners that I have been reading up on as being very important. Is there any from the main contractor and any from the client in this agreement?
MQS	The long term commitment is the fact that you are entering a five year framework.
TP	Is there a get out clause at all?
MQS	The get out clause is really if you go under. So there is an understanding there that companies do not always last forever. The commitment is that your intent is to be there for the five years and, yes there have been instances where companies have got out of them. There are get out clauses available but it is seen as not the best thing to do as it is not going to do your company any good if you've tendered for something and you've completely failed, you're losing too much money, what kind of marketing does that give your company in the future?
TP	So it's not really worth pursuing then?
MQS	It's not something that we've had to pursue. But certainly there are clauses available for that to happen.
TP	And is that to protect both parties?
MQS	Yes.
TP	Ok, so long term commitment is obviously important you would say...?
MQS	I would say so, certainly in the current environment you want to be in long term relationships. You want those relationships to work, it gives security for both public limited companies who have both got shareholders. The problem is as you have already mooted, if it's not a successful one then you are tied into something that can cost you money to get out of. But it is important in most environments to give a chance for the relationships and partnerships to develop.
TP	Ok, moving onto mutual goals and objectives. Do you know if any have been formally agreed between Morgan Est and Severn Trent?
MQS	The only mutual goals and objectives are to achieve the client's KPIs, and obviously those KPIs cover the fact that the client is getting something at the price, it's been done safely, it's been done in the situation that there will be no defects, no return to fix the works, they're getting the quality and they're getting it done with the environment in mind.
TP	Although the KPIs are very much centred on Severn Trent's needs and desires, they actually benefit Morgan Est as well...
MQS	Certainly for reputation. You don't want to be upsetting third parties, you don't want to be polluting watercourses, you don't want to be killing people, and you want to do it within the price and you want to go away having done it on time. The other thing that we have introduced to help us promote ourselves is Perfect Delivery, which again is looking at what does the client want? And trying to achieve and make robust, fair incentives and sign onto something to show that we have done it to the quality that they were expecting.
TP	Do you think that having these mutual goals and objectives are a good thing for the relationship?
MQS	They are because it gives the client what they need and it also makes us strive to achieve what we need.
TP	Ok, moving onto win win attitude and equity and equality. If we start with win win attitude, which has been described in one of the papers that I have read that neither party wins to the other party's loss, does this happen within the framework?
MQS	Again you have circumstances where it does and it doesn't. It is a difficult relationship when really as we've already stated, the fact that the contractor is doing the work, they're handing the works over to Severn Trent Water, but Severn Trent Water then hand it over to their operation side, Service Delivery. Fundamentally, as operations are the end user, you'd expect to be in a relationship with them, because you can be in circumstances where you have gone along, you've done exactly what you were supposed to, and then the end user is not satisfied with the product, even though that is the one that has been sold to them shall we say, by Severn Trent Water. The client you could say, which are Severn Trent Water, are in the middle position, where they have asked us to do something, but if the operations aren't satisfied with that, then they have a tendency to say, you the contractor need to improve that because we can't give that to the people who are going to use it.
TP	The win win attitude isn't 100% there quite then, is it?
MQS	I wouldn't say so. The only circumstance that is seen as a win win is well you've priced it, you're going to build it for that price and it's going to be what we want. That's the only win win circumstance that we've got.
TP	In a way it seems a bit political within Severn Trent with the two separate departments. In a sense is the client reverting to cost driven behaviour? If they really felt sympathetic and really wanted a win win attitude, could they not increase the price a little bit to acknowledge the extra work that we're having to do?
MQS	But the contract that has been signed and agreed and we've taken on, is one that says you will do it for that price, there's no variations. Let's be honest with it insofar as if we didn't like that, why did we accept the contract at the start of the 5 years? We knew what we would be exposed to, we were tendering to do the works as a competent contractor, so if we were then to say and moan well we don't like the contract that we've signed onto, we shouldn't have signed the contract in the first place. It's something that you've entered, you've entered willingly, you've not been forced into it, and you've got to take the punches in certain circumstances. With regard to the win win attitude, it is down to the way that you discuss and communicate with each other to ensure that both parties are getting out of it what they want. You're not trying to win at their detriment and you're trying to show them where they may have been in the circumstance where it looks like they are trying to win at your detriment, but that isn't the nature of the partnership.
TP	Although having said that, the design has tended to increase a little, so in terms of the contract being adhered to, it's not a win win as Severn Trent are slightly bending the rules to suit themselves.
MQS	But you've got that character problem again, where you've got certain circumstances where a project has flown through as it is supposed to... yes we've been in circumstances where we've not gone along to do what we were supposed to, but for the proper functioning of the works, the clauses in the contract there, we had to change, so we have to take that on the chin. But then we've looked at other areas and said to the client, right well we're not doing that bit anymore, and

	<p>they haven't said well we need to vary the price. So it has been circumstantial, but then you can go to another project where the client has caused delays because operations won't give them the time to do the work, we've gone over time and over price and they've said, well you win some, you lose some. In that instance we should be saying its not in the nature of the contract, we should be tearing that works order up and telling them to tell us to come back when they are ready for us to do the work. Maybe we have been soft. Rather than them being hard, maybe we've been soft and not said this is not a win win situation, so I wouldn't like to wholly say its the client's fault for abusing the contract, or using the contract in the way it's worded, but there are situations where that work could stop. I would possibly say, trying to be unbiased, it may have been a situation that we have not pushed the contractual position that we have and say come back and talk to us when you want us to do the work and tell us what you want us to do instead of developing too much the work that we have already started doing.</p>
TP	Why do you think it is that we haven't pushed?
MQS	A couple of factors. One, it's a partnership, and so therefore we've entered that for the long term and as we know with any partnership you are going to have days where you are going to argue. The other situation will be as most of these instances were later on in the framework, we were looking at winning the next framework and prolonging the relationship or extending the relationship to our advantage into AMP 5, so it was thought that if we rocked the boat too much, it may affect our chances of getting further work.
TP	Ok. Well that is a logical explanation. One of my notes is, is partnering / frameworks just a term for buying power? In that last instance, Severn Trent had the power, the enticement of AMP 5. Do you think they were using their power?
MQS	I don't think so because it works two ways. If they were dissatisfied with what we were doing, would they want us on into the next AMP? I think the buying power that they may be looking at is the fact that you've got a long term relationship, you're there for the long haul, and you can gain efficiencies by working long term with a company. If you think of their framework agreement with their suppliers, the likes of CEMA or Weir Pumps, they've entered a relationship that says you're going to get good turnover from us, therefore can you give us the best possible price? And that is the buying power that they are trying to get from the long term relationship. Let's face it, if they were to be abusive to all contractors then they would end up with nobody to do the work.
TP	True. But just going back to not pushing because we wanted to win AMP 5, I'm playing devil's advocate here, do you think Severn Trent may have pushed the boundaries a little, full in the knowledge that we wanted AMP 5, and they may be able to get away with it?
MQS	I think that may have come to light with some characters within Severn Trent. I think others understood that we had a good relationship, we have been there a long time with them, there aren't many contractors who can say that they have done AMP 2, 3, 4 and now 5, so I think our reputation is there, I think our understanding of what the partnership is about is there, and from the auditing that has been undertaken the client can see that we have been open and honest. I can't see that that has been abused across the board, but I can see certain circumstances, without naming particular projects, where I think it may have been pushed.
TP	Fair enough. Quickly touching upon equity and equality – fair prices and fair profits, is that something that Morgan Est has been able to achieve?
MQS	I would say so. We went with an idea of what kind of margin we would produce. We gave ourselves a target that would exceed the margin by 1%, and that's what we have done. We've done what we wanted to achieve. Possibly there were other areas where we could have achieved more, and in certain projects we did way above what the project should have turned over in terms of margin, so yes I would say there is equity there.
TP	Ok. I think we have touched on this, but are benefits shared equally?
MQS	Yes. Well, probably more fairly to ourselves than to the client because the pain gain mechanism means that they stick out any share of the gains that they have got, to the contractors, designers and consultants who experience pain. Severn Trent are not really making anything out of it. But let's remember that if the jobs go over the target price, that Severn Trent are not having to pay more than the fixed price that had been agreed and what they are expecting to incur.
TP	Ok, onto mutual trust. Does mutual trust exist? And if so, how is it shown or exemplified?
MQS	The contract is presented, as are most to be honest, in a state of mutual trust. The way that it was shown within AMP 4, is by the auditing process. Certainly there is a case of open book philosophy, but as far the auditing process was done, it was fairly low key for the first four years of the contract and then an external consultant was brought in to do a major audit.
TP	It's a five year contract...?
MQS	Yes, it's a five year contract. At that stage you could say, four years were allowed to go by, believing we were doing things in a fair and equitable way and I felt that because of the level of the auditing it was done in a spirit of mutual trust.
TP	What made them bring in auditors after four years?
MQS	I think it was probably external pressures from above and there was always an intent to do it at some time during the framework. If I were in their shoes I probably would have done it earlier in the framework so if anything was being abused it could have been nipped in the bud. But as it came about, their auditors came in heavy footed as they usually do, but we were in a circumstance where we could prove we were trustworthy in the way that we had approached the costs.
TP	Right, ok. How was this mutual trust earned and how long did it take?
MQS	I think certainly the previous AMPs had a bearing on it. Due to the fact that we had been involved in AMP 2, 3 and 4, certainly helped build the relationship. I may be saying different words had it been a circumstance of a brand new relationship. But it didn't take long to build the spirit of mutual trust within the relationship as it was already there.
TP	Slightly controversially, or slightly brutally honest, would you say there are any concealed motives from either party?
MQS	Not concealed. Obviously the client wants us to go along and provide a service and we want to be fairly paid for the service. They are the two headlines. They want it at the best possible price, and as we have said before done safely and without affecting anybody. And our motive, which I think is sometimes forgotten, is that we are here to make money. I think sometimes our operational colleagues want to provide a quality product without thinking about what the price is. They want quality products for the reason of reputation, but of course if we keep doing that without thinking about the money then we won't be in business very long.
TP	No. Ok, the final relationship characteristic, or grouping of them, effective communication, freedom of speech, sharing of information and sincere co-operation... so effective communication, is this evident?
MQS	I would say it wasn't as good as it could have been under AMP 4. We were in a circumstance that Severn Trent were developing their communication processes. With regard to most instances, it was verbal, which is not always the best way to monitor anything. Certainly it is effective for an understanding, but that should be backed up by some kind of

	written confirmation of the discussions that have been had.
TP	Do you think that was deliberate from Severn Trent?
MQS	I don't think so. I just think it was old schoolboys doing it in old school ways. Certainly looking at AMP 5, I think that they have learnt by those lessons. They've now got electronic processes that are improving that, they've now got systems that we directly input any communications to, they have a central bank to keep the communication succinct and effective. I would say no, it was not always effective, it was verbal and a lot of things weren't minuted.
TP	Just briefly on freedom of speech, do you or the whole of the Morgan Est team feel as though you can say what you want to say?
MQS	Yes. I think that goes for both parties.
TP	Right, ok. With openness, I know there is open book accounting, and with the whole partnering ethos of trust, is that not a slight contradiction?
MQS	I wouldn't say so, because you have still got to maintain the situation that you are getting into. Mutual trust can only be shown by the fact that everything is open and honest. To develop that, you've got to be able to show them what you are doing, why you are doing it, how you are doing it and what it is costing. If you are in a circumstance where you are telling them one thing but going well I'm not going to show you, where are you going to get the mutual trust? You have to be open and honest to prove that you are being open and honest.
TP	True, but you said that we worked in AMP 2, AMP 3 and AMP 4, surely that trust has been built up, but they still want open book accounting? Why is that if the trust has been built?
MQS	Because certain characters' and persons' natural nature can be in the circumstance where they think that well I've proved I'm doing alright, now I can abuse that trust. I think there always has to be a check in any relationship, in any partnership. If you were to say that we're open and honest but you can't see what we are doing with our books, then how long would that trust last?
TP	Ok, sincere co-operation... does it exist? Have you got any examples?
MQS	I would certainly say as a good example, the GAC project again, we were in situations where there were additional variations to the proper functioning of the works that were thrown at us, that we accepted because the client had another circumstance where they could have torn up the order, reduced the price of the order because we were no longer doing those works, and re-issued a new order. There was that co-operation insofar as there was an understanding of the works that had to be undertaken had changed, they changed the benefit, and it changed for both parties.
TP	Ok, just briefly going back to effective communication, one of the benefits of effective communication is that it minimises surprises. Has that benefit been realised?
MQS	I can honestly say that there haven't been many surprises through the framework. We had the benefit of being involved in most of the projects very early on, the only factors that were surprises would be ones that were external factors that neither party could have been aware of. That would be for instance, ground conditions, external factors such as third party s in the Service Delivery team, weather conditions, so as far as major surprises that were in the hands of the personnel, there weren't many instances.
TP	So regardless of whether the communication was verbal or written, there were never any massive shocks. Everyone knew where they were at any point in time and what the situation was?
MQS	Yes.
TP	Right, well that's all the characteristics done. I just want to briefly go over the various benefits and limitations that I have identified. One of the main benefits of partnering and long term collaborative working are the cost savings that can be achieved. With some studies showing up to 60% cost savings have been achieved through this form of procurement.
TP	Have cost savings been achieved would you say?
MQS	I'd say because we had visibility of the works, we haven't got the intermittent stop start, laying people off, bringing people forward, we're looking at visible sections of work for at least a 12 month period so that you can then gear up for the effective level of management and similarly with our operational staff. So if there's a through flow of works, you haven't got the cost of mobilisation and demobilisation. We've also got the fact that you can go to suppliers with an assured level of work that you can provide to them, so our plant companies, our stone and material suppliers and say we've got X amount of work, what kind of benefits can you give to us with regard to reductions? So, yes there are benefits in being in a long term relationship. If we don't know where the next job is coming up, and you don't know how long it is going to last, and you don't know what value it is going to generate, it puts you in a situation where you don't have a buying power.
TP	So these cost savings can be genuinely attributed to being in a partnership?
MQS	Yes.
TP	Right, that's just from a contractors perspective, do you think Severn Trent as the client has achieved cost savings?
MQS	Certainly. Because they are in the situation where we are coming in at a lesser price, they know that they have got us administering it so that they can reduce their management levels, the more that we are involved in the designing and building then they are outsourcing that to other parties, because they are in a long term relationship they haven't got to think about managing those things in an intermediate fashion, so they have clear cost visibility of what they're going to be doing over the next 5 years. And on the success of that they can see if they can downsize even further, whether it be buildings and people, or just people. So there are benefits to both parties.
TP	Right, ok. One other way of achieving a cost saving benefit is through building up experience, say building sewage works and building water works over a long period of time, are savings being achieved through people enhancing their expertise and knowledge?
MQS	I'd like to say that was the case. We haven't actually recorded that as a factor. You'd think that by looking at the knowledge early on in the AMP, and the projects later on, you could say whether any efficiencies had been built into that. Because of the nature of the works, it's difficult to see because every project is different. Just referring to AMP 5 for a moment, the client feels that there is scope for efficiencies, so therefore they have put an efficiency curve on us, where we have gone in on a set of rates and throughout time they'll be seeing a 20% efficiency requirement. So as far as going forward, Severn Trent have seen that as possibly being evident in other works that they have done, for instance the laying of pipes, so they can see that we are possibly achieving that. I don't think that we would have bought into the contract if we didn't think that we could achieve savings through those efficiencies.
TP	Is there a vast difference between building or renovating a sewage works and laying pipe?
MQS	There certainly is.
TP	That would maybe explain why they think that we can build up efficiencies with straight forward work.
MQS	Yes, but you certainly would. But again we had the benefit of being in the previous AMPs, but a new contractor would start cost heavy I think and through learning the processes they would be in a situation where they would make greater

	efficiencies closer to the end of the term.
TP	Ok, moving onto time savings or quicker construction, again some commentators are saying 80% reductions in timescales can be achieved. Have we been able to achieve time savings in the framework?
MQS	Across the board, most projects finish within the period. I think, what you have got to be mindful of, is the nature of construction. And there are multiple external factors that can ruin your time saving. If you're in a productive manner, such as working within a factory. Then yes I think you could see more time savings. When you have got the external factors of ground conditions, weather, the public, third party stakeholders that can all affect your time, which does happen in the construction industry, it is difficult, and sometimes impossible to see if you have made those savings.
TP	Right, so where time savings have been achieved – what you are saying, you can't directly attribute that to the fact we're in a framework, we're in a partnership...?
MQS	You can't because within the framework that we're in, every job has been a different type of work. So there has been no repetitive product that we have produced that we can say oh we can take that forward.
TP	There's been no standardisation...?
MQS	There's been no standardisation. If we had been in a utility type of work circumstance, I think you've got more chance of showing that. If you are building something different every time, there is not a lot that you can then take forward to the next project.
TP	Right, so it sounds as if the AMP 4 framework wasn't really geared towards achieving time savings in terms of what you were building, and any time savings were luck?
MQS	I think as a contractor you have got to try and save time, as the quicker you can do a job, the less your overheads are.
TP	That applies whether it is partnering or traditional...?
MQS	It does. I don't think the nature of this type of work would lend itself to a partnership assisting in saving time. Because it is a one off product in each instance.
TP	Another benefit was improved quality. For instance less rework, higher quality through higher efficiency...
MQS	As a partnership you are wanting to maintain the relationship and you are also wanting to maintain the desire to work with that particular client in the future. And the fact that you have also got an incentive mechanism that pulls on quality. I think that we have shown, whether it be because of the nature of being in a partnership, that our quality has improved and has always been good. So I think that there is a benefit to certainly the recipient in a long term relationship if they can maintain that relationship for the contractor to improve their quality. Conversely, if the client takes on someone who has poor quality and keeps on producing poor quality, they may have entered a partnership that is not beneficial to them.
TP	No, no. So do you think some of the characteristics that we went over such as co-operation, common goals and continuous evaluation also help improve the quality?
MQS	It should do. But you are always going to get a few bad apples that will spoil the bunch. I think the client wants to improve, has a good relationship because they have entered a long term relationship with somebody and if that person starts failing on quality, that they would pull their socks up and do something about it. But in the circumstance, there are two ways that the parties can lose out on that, the contractor will lose out if they keep doing poor quality because of their reputation and also the incentive mechanism, but the client will lose out insofar as they will get a poor product and they might not be in an easy situation to release that contractor from that partnership. Because we have produced good quality products, we haven't been exposed to that circumstance that we've made the client feel uncomfortable.
TP	The next benefit was improved health and safety... is this a benefit that Severn Trent and Morgan Est have achieved?
MQS	You do get a better understanding of the impact you have on both parties. Let's remember that our relationship was passing onto Service Delivery, they want something that they know they can trust, will perform well insofar as health and safety is concerned, they want to know that what we have learnt at other jobs we can carry forward with regard to an improved health and safety, we can bring good practices to them show them and then carry them forward in the relationship, it's not just on that one particular instance and we can also learn whilst we are in that relationship that if we've done anything that would impede health and safety that we can improve and we can take that forward with the same partner.
TP	Right, I've got creating synergies and achieving strategic objectives, do you think this framework with Severn Trent is creating any synergies and achieving strategic objectives?
MQS	Yes, you are certainly creating synergies. The longer you are in a relationship, you have a better understanding of both parties' aims and objectives. The client certainly has strategic objectives that they make us aware of, and we can understand the benefit of those. So again I would say yes, if you want me to give examples, they want to be the best water company, they want to make sure that they get the things at the right price and it doesn't affect the public. We want to maintain the relationship and of course because we are working within the public areas, we want to have a good reputation. So there are mutual benefits both in the synergies and in the understanding in how each other works, and there are benefits in achieving Severn Trent's objectives because it helps us achieve our objectives in being probably and hopefully one of the best contractors in the public environment.
TP	So you would say that partnering does allow these benefits to be achieved?
MQS	I think it does because you are more in agreement with each other's needs. It isn't a one off where it doesn't matter if you hurt each other.
TP	Which is what used to happen traditionally...
MQS	Traditionally yes. It was a case of go and make your money and it doesn't matter because that was just a poor job or that was your fault etc. Being in a partnership, it has its benefits, insofar as its long term, its stability for both parties, but if either party is liable to lose out for the full duration, then that isn't helpful for either party.
TP	Ok, another benefit was reduced litigation and less adversarial relationships. Now I think we have already covered this...?
MQS	I think we have... and it is a case of we haven't had any, and that's because there is a mutual understanding and there is a belief that not every job is going to be a gold covered job. But at least if we do get gold covered ones it doesn't matter if we get the wooden covered ones as well. From my experience it is less adversarial, and I would promote partnering for that.
TP	And would you say that it is less adversarial purely down to the framework, to the partnering?
MQS	Yes because you know that when you finish a job you will be working with that person again. To have a mutual understanding and also find where there are problems are, you can take those forward to the next job and hopefully learn from it. It does mean that you are keeping an eye on the future, so you want to set a precedent, and I think both parties do. So it can be one of those, storming, norming and falling circumstances as far as the relationship is concerned.

TP	Would you say there is less opportunistic behaviour going on?
MQS	Yes.
TP	Right, I think that this is the last benefit, better relationships overall really, increased satisfaction, would you say that would apply to both Severn Trent and Morgan Est?
MQS	Yes, but I can also see where it doesn't necessarily apply but they are few and fair between. A partnership will always bring out the best and bring out the worst in people. And likewise it does in commercial relationships. So if you know that you are there for the long haul, there is more of an opportunity to try and ensure that you put your point across, but also that you understand that it is not always going to be a win circumstance for yourself. It's going in with that consideration that it is a long term relationship and knowing that you are not going to win everything, but hope that they are coming in with the same consideration that they are not going to win everything. If you have got that understanding and that belief the partnership will work, if you don't, then I'm sure that some people can give you a situation where they don't see a long term partnership being a good thing. Both have to go in with the mutual understanding of what that partnership is going to achieve. It is to achieve the success of both parties and not for one just to abuse the other.
TP	And is that happening with Severn Trent and Morgan Est?
MQS	Across the board, yes we have achieved what we have gone into the relationship for and the client has certainly not come back to us and said there are quality issues that we have been particularly abeyance to.
TP	If we look at the relationship that we have got with Severn Trent now, as opposed to what had been formed previously under a traditional arrangement, is it any better?
MQS	I feel there are certainly benefits to it, but it has to be a mutual understanding that you are there to make money as well as to provide a good service and also that when you are there making the money, you are not actually abusing the client in making too much money at their detriment. So, a partnership has to be in the true ethos of a partnership in that it is a win win circumstance and no-one is going to get the better of the other. My experience of AMP 4 with Severn Trent is that we have a mutual understanding.
TP	Good, good. Before we move onto the limitations, are there any other benefits emanating from the relationship that we have with Severn Trent that you can think of?
MQS	Not particularly. I think you have done a thorough job of covering those avenues.
TP	Ok, swiftly moving onto limitations... one limitation is when one of the parties fails to adhere to the partnering characteristics, has this happened at all?
MQS	There have been odd instances on particular projects. Because of the nature of our works it is difficult to put a broad perspective on it and say it happens continually. There have been cases where a particular character's belief is that they're acting on the best nature for their party rather than looking at the broad perspective. There's been certain circumstances that we've already touched upon where in my mind we should have said this particular project we are being abused on we should do what the contract says and say until the client is ready for us to physically build that, or if they have changed the design to the extreme, we should say no this isn't in the ethos of the partnership. I have been told in the past to bite my lip, so there are circumstances I think where there have been some principal failures. But across the whole thing I've got to say that we haven't suffered because of that.
TP	So again it sounds as though it is the global picture, the bigger picture, once again...?
MQS	Yes you have to do it that way, because of the five years.
TP	Right, ok. Although a little bit similar to the first limitation, would you class Severn Trent as a little bit indifferent and inflexible within this relationship?
MQS	I think they have it inherent in the nature coming from a public sector area at one time to be inflexible. The nature of the contract is to try and be inflexible anyway. Let's remember the idea of AMP 4 was, we jointly design it to a certain point and then we say, right that's the price for doing it And from thereon we are supposed to do it with no variations and nothing changing. So it's supposed to be an inflexible contract, it's supposed to be a case of, you've jointly designed it, go and do it. If something gets in the way of that, the contract doesn't allow for it. So the external factors that we have talked about, and the external variables, don't necessarily fit with the nature of this contract. But as I've said before, it hasn't hurt us that much because there have been situations where it has assisted us. So they're inflexible insofar as the nature of the contract is supposed to be like that, yes they are going to be indifferent because they're not supposed to be emotionally involved with what you are doing I suppose.
TP	No, but they could at least be sympathetic in certain circumstances?
MQS	I think the nature of our contract and the partnership that we entered was supposed to be that way. I don't think that it necessarily fits the type of work that we are doing.
TP	Moving onto the next limitation, two analogies, master and servant and owner and slave, which I hope are self explanatory...
MQS	Yes...
TP	It basically centres on abuse of power really... things like the client holding the advantage in contractual negotiations...
MQS	I think it is evident that that hasn't wholly happened. You've always got a belief between both parties that we're there to do what they want us to do. But broadly speaking there is an understanding that we are there to provide a service, and we are there to provide the service as best as we possibly can. They've asked us to come and do the works so there is an expectation off them of what they want. It's certainly not a case of master and servant, but I do believe that they understand that we are there to provide a service that we have discussed, rather than it being a case of us working for them. But there can be circumstances where that can be abused and in isolated instances it does happen.
TP	Ok, but again we're coming back to the bigger picture all the time.
MQS	We are. The nature of our work is because it's not a repetitive process that goes on and it is dealing with different characters in different locations, who are dealing with different stakeholders. You are not in that constant situation, so you have got pockets of belief of the master and servant situation and then you have got ones who are totally compliant and flexible in their approach. So because of that you can see both sides of the limitations and the benefits, but as we've said already, because it is a global circumstance, I think the global position is, there is a common understanding, that it is a partnership.
TP	So again, going back to the very first point, perhaps a partnering or framework charter would have spelt that out to everyone – look at the bigger picture...?
MQS	I would agree. I'd have to say that it may be my fault that I have not looked into seeing whether there is a charter in position, but if there isn't it would be a useful document to put in front of certain characters and say look this is the ethos. If there wasn't one there under AMP 4, there certainly appears to be one under AMP 5. So whether that's a lesson learnt, I'm not too sure.
TP	Ok, economic realities, obviously the partnership is there for everyone to get on and not to get one over on one another,

	but at the end of the day, it's a commercial buyer seller relationship, you're going to face commercial realities to compromise on the partnering attitude... have we? Have we faced commercial pressures?
MQS	You're always facing commercial pressures!! Especially in the climate that has been around recently. I think what we've shown throughout, and it is probably something that we have said several times now, is the visibility of what we've had - what we're going to produce, the understanding of where there are going to be pitfalls, the understanding of where the halcyon days are – rainy days and sunny days – the economic reality is, we achieved what we set out to achieve, we've achieved 1% higher than what was on the table, and therefore the reality is, we've been able to give Morgan Est the income that they were expecting. So it's the full visibility, it's also the fact that that helps the client because then they have achieved what they were supposed to. As we've said before both are shareholding companies, so they need that visibility. And I think that's probably led to us being successful in being awarded AMP 5 and that both parties have been able to get out of the relationship what they had set out to.
TP	What would have happened had Morgan Est not been able to get the 1% on top of their intended margin, let's say they were trading at 2% under what they wanted. Morgan Est would have been under more pressure to chase the formal variation...
MQS	Yes.
TP	Would that have happened do you think?
MQS	Er...
TP	Or would you have still tried to have maintained the relationship?
MQS	You'd have been in the circumstance where you would have had to maintain that relationship and learn the lessons when tendering for the future AMP, or made the decision as some parties have, not to go for the next AMP. So you enter it for the long haul, you enter it with the aim to achieve, you enter it with the understanding that the client is not going to screw you over. If you are in the circumstance that you were going to be abused by the client, and you hadn't got your prices right, yes that is a limitation. It's not a limitation that we've been exposed to but I would agree with your point that failure of any of those entities, failure to adhere to the characteristics, failure for anybody to understand the ethos of the contract and failure of the economic structure of the contract, its difficult to get out of.
TP	Right, ok. Has Severn Trent ever shown cost driven behaviour or viewed Morgan Est as being substitutable? Do they use that?
MQS	They've never used that principle, they've never discussed that with us. It might be a different circumstance under AMP 5, but I think the relationship was good, and I think it worked for both parties. But if it didn't, as we said before, it's like a marriage and if it goes wrong, it's difficult to get out of.
TP	The final limitation and I don't think it is too applicable to sewage and water works, but standardisation inhibits creativity.
MQS	The client isn't expecting standardisation from us. They certainly want us to show when we are looking at innovative methods, and they also wanting us to question their standards. So they are very overt for the possibility of improving their processes and principles. So its something that they've come along and openly said challenge the way that we do things, even challenge some of our framework suppliers as far as their materials that they tend to insist on when purchasing, so it hasn't had a limitation in the environment that we are in, but if you were exposed to the fact that the client was saying things like you must do this that way, that way and the other, yes it would inhibit that.
TP	Another way that I was approaching this point was that, if partnering and framework agreements are the way forward, and that is what the whole of the industry adopts, you are standardising the way in which contractors are procured, you are keeping all the like minded and conforming people together and keeping the non-conforming people outside... these people outside may have something to offer, they may come up with something even better...
MQS	I would agree with you. As I say, the relationship that we've entered, the client has wanted us to challenge their ways. You're right, you could say if they've entered into a contract with us for five years, a partnership with us for five years, then what if we don't perform? What if we're not bringing anything new to the table? That isn't helping them flex with future demands. So it is in that way, I would agree that it is a limitation. But I'd have to say that it is something that we're not exposed to because the client is willing for us to bring new ideas. What that should do is incentivise us to actually look outside what we do and it also gives the client – it's a two way challenge – if they don't think we're bringing new innovative ideas in, then they can say we want you to do that. So I think it has been understood that that can be a limitation, and both parties are asked to show flexibility and introduce those processes and principles. I can give you an example of that, we were in the circumstances where the old method of putting pipes through areas would be through either directional drilling or open cut, We were looking at some works at one particular project and the client said have you considered vacuum excavation? We hadn't considered it, so they suggested that we use that process. So if we'd been inflexible and it had been written into the contract, that we should only do certain things in a certain way, then yes it would inhibit that creativity. I would agree with your statement that it could be a limitation, what I'd like to see is the same ethos being carried forward in other partnerships as we have done with Severn Trent insofar as we have both been open to each other on challenging processes and improving the way things are done.
TP	Ok and just wrapping up the limitations, have there been any other negative issues with Severn Trent, although it doesn't sound as if there have been many negative issues to be honest with you...?
MQS	The contract is limiting, every one you would like to be a rosy project that we've dealt with, the limitations with regard to no variations, adherence to time, has caused us pain on three or four projects...
TP	That is down to the nature of the contract though rather than the partnering relationship...
MQS	Yes, everything that you've covered, covers those principles, if we'd been the reality where we had been losing money, it is difficult to walk away from a contract because you know its going to affect you in the future. I am of the opinion that partnerships are good, I think it drives both parties to work productively towards the common goal. I think if you go in with the selfish approach, either one or the other party would suffer. I would see that a partnership should have a sensible duration so if people are talking about 10 or 20 year relationships, I don't think that they work, I don't think that they are productive. But also, I don't think necessarily that short term partnerships of a year or so again they can have a negative impact. I think that there is a balance to strike, depending on the environment that you are working in on partnerships, but I do see them as a good thing.
TP	Finally, just to wrap up the whole interview, can the Severn Trent Morgan Est AMP 4 partnering, collaborative working, framework agreement, can it be regarded as a success?
MQS	I would say so, certainly as far as our directors are concerned they say go and do AMP 5 as good as you have done AMP 4.
TP	Is that from a commercial or operational perspective?
MQS	I think it is commercially and operationally. Both directors have said go and do an AMP 4 on it. I would also that the

	client by choosing us, the only contractor who has been successful in all three areas of work that they have asked us to tender for, has shown it has been successful for Severn Trent as well. So I think the partnership worked and I hope it does in the future.
TP	Right, last question, can the relationship that we have established at the moment be improved and if so, how?
MQS	We've been fortunate in this in the fact we have been taken forward to AMP 5, and yes it could be improved, some of the methods that have been introduced into AMP 5 are showing the ways it can be improved. The ways it can be improved is by making sure that any of the incentive mechanisms, KPIs are more objective than subjective and that's been undertaken. I think it can be improved by using a more appropriate contract – the NEC 3 has been taken on which has improved communication methods, it improves openness in a committed partnership, that's been taken on. Ways that we've already touched upon is communication, it needs to be improved insofar as being minuteing and monitoring the steps that we take – full, effective communication – that's been undertaken by the client introducing common processes that we can share network spaces for us to put things. They've got Business Collaborator – which sounds like they are certainly in a collaborative frame of mind – which is where we store documents...
TP	Is that an IT program?
MQS	That's an IT program. There's also that we input into their forecasting mechanisms, we input the construction progress into their processes – that certainly brings the two parties closer together.
TP	So, we're basically adopting shared IT...?
MQS	Shared IT, yes.
TP	Whereas on AMP 4 it was standalone, individual systems...?
MQS	It was very much individual. Obviously certain areas need to be protected, that's as far as the client is concerned and as far as we are concerned commercially. Because it is a shared network, it is shared across all contractors as well, so commercially sensitive stuff we are not expected to put on and the client wouldn't want us to put on – well at least understands why we wouldn't want to put on, shall we say? Where the client sees it improving is by actually, as we've said before, is by looking at ways that they can impose processes on us, trying to reduce price. And they have done that by actually putting a ratcheting system on the tender price that we put forward.
TP	But is that improving the relationship?
MQS	I don't think it does. I was actually looking at ways in which the relationship could deteriorate as well. And I think that's fairly unfair under the current climate, and also the nature of the works as we've said before, don't necessarily tend to push towards that. They have been given a directive to say 20% across the board, but I think that is being unfair as they have put the majority of that onto the contractor whereas they should be looking at their own efficiencies as well.
TP	So therefore, going back to economic realities, commercial buyer seller relationship, and buying power, they are adopting that type of approach?
MQS	They have probably read some of the documents that you have and have tried to apply it to our contract!! And I think it is a different monster. I can certainly see it working on a production line environment as being more successful than a construction environment where you have those external factors that you can't allow for. You can't change what you don't know.
TP	No. Also another positive that I think we touched on was in terms of improvement, was a charter. If there wasn't one in place, as we've already said, it sounds as though maybe there should be?
MQS	Yes. I would agree with you on that.
TP	Ok, any other ways of improving the relationship?
MQS	I think I could waffle on for another three days!! No I think we have covered everything succinctly.
TP	Right, well thank you very much for your time. It is very much appreciated.
MQS	I hope you enjoyed it and it was helpful.

7.3.2 – Interview Two: Morgan Sindall Framework Director

Participants: Morgan Sindall Framework Director (FD) and Tim Payne (TP).

Date: 5th July 2010

Time: 10.00am

Location: Warwick

TP	Hello, thank you for agreeing to be interviewed for my dissertation. Currently, I have read up on the partnering ethos, identified the characteristics, benefits and limitations. I am now in the process of interviewing people to see if what should happen in practice, does actually happen in practice. Obviously you have the right not to answer any question, I will try not to make you feel uncomfortable. The nature of the outputs of my research, like I said, is to compare what happens in practice with the theory.
FD	Ok, great.
TP	So if we start with the contractual characteristics. I'll start with partnering charter. Do you understand what I mean by a partnering charter?
FD	Yes...
TP	So, it basically complements the formal contract terms by setting out the attitudes and mentalities that people should adopt.
FD	Yes.
TP	So first of all, is there one in place in our framework / partnering agreement?
FD	There is not a single charter as such. There are a number of documents that do form the basis of a charter, so we have developed an integrated delivery plan, business plan, which involved Mouchell, Severn Trent and Morgan Est at the time, to develop a plan and set out key targets and objectives in 8 specific business areas. So that is a charter element, there's also two documents which were agreed amongst all the parties which were similar to a Perfect Delivery cornerstone document. They are quite Severn Trent bias, but they are charters, statements – this is what we are going to do, this is how we are going to do it – but it is only in a fairly succinct, bullet point format.
TP	So did it deal with how small issues would be dealt with? For example, there is a price freeze and a design freeze, and from my experience the design freeze was constantly broken whilst the prize freeze remained in place - was that ever discussed? The fact that you wouldn't keep on hammering on at them that that wasn't fair?
FD	I don't think the escalation process for issues like that was ever clearly defined. I think the approach there is that, adult to adult is the way that we would operate, and therefore you know, you should feel comfortable talking to anybody about anything. In reality I'm not convinced that is actually the case. It is still a bit parent and child from the client.
TP	I think the analogy of parent and child is something that we will come onto later... So, regarding the idea of a partnering charter, do you think that if such a thing had been discussed with everyone at the start in terms of how to deal with certain issues, it would have helped people understand why we weren't pushing for an increase in price and things like that when Severn Trent were giving us more work to do, for free effectively?
FD	I think it may have helped. Again there is an argument that all a charter is, is a piece of paper that people sign up to. Yes ok, you expect that they sign up to it with a true intent to operate and live the values that are defined in that charter, when push comes to shove, and you start to get commercial pressures creeping in, people sometimes revert to type and therefore don't live by the ideals established in the charter. So I don't think that by just putting a charter in place solves all the problems. It is much more about developing a stronger culture around that charter.
TP	Ok, well that is something that I have found within my research. Ok, moving onto pain gain, I know that there is a pain gain and KPI system in place, the previous interview went through what they were, what do you believe the function is for the KPIs and the pain gain?
FD	My view on the KPIs is that fundamentally they are there as measures of performance so we can drive continuous improvement, continuously deliver efficiently and ensure that any areas where we are not performing we can focus our attentions to improve on. So that's the fundamental. I think if you get a bit more specific, looking at some of the KPIs, I think that some of them are measuring for measuring's sake, so if we're not careful we are going to end up developing a cottage industry for performance measurement and then actually not doing anything with any of the measures to improve the way in which the business operates. Some are good and work well, some I can't see the benefit in really. The pain gain mechanism is obviously there for an incentive, linked in with the KPIs to drive efficiency basically.
TP	Would you say that the KPIs are objective or subjective?
FD	I think they are pretty objective most of them. I think that as high level measures, they are objective, but when you then get into the sub measures that feed the high level measures – if that makes sense – they tend to get a bit subjective, and you have to interpret them and to me, if you have got to do any form of interpretation then they are not a well defined measure because you could look at something in one way and measure it one way and give a different answer to the way that I may do it. That can't be right basically.
TP	Staying on that point, do you think that in the framework between Severn Trent and Morgan Est or Sindall, do you think that they are abused in any way to favour the client because they are obviously the ones who are assessing and scoring the KPIs?
FD	I wouldn't say that they are abused. I think all we generally do is provide the data. And it's about providing the right bit of data to answer the specific KPIs, so that if the sub measure is subjective, initially we are having to question, well is it this what you actually want or is it that? And I guess if there is more than one person in the team at Severn Trent answering the questions, is one going no it's this we want, another contractor then rings up and asks what are you

	actually looking for, and a different answer may come back – oh it that’s that we want. You’re not comparing apples with apples if they’re using it as a league table for performance measure, which they will be doing. I think that a lot of the KPIs that Severn Trent has developed are focussed internally for them on delivering their key strategic intentions and things that they are focussed on as a business. So we are just really a machine that is feeding how well Severn Trent is perceived and measured from the outside.
TP	Do you think that as the KPIs are linked to our gain, that they ever use it to try and save money on their part.
FD	I think there’s a possibility that that could happen. But I think that the people that are actually reviewing and assessing those measures are probably far enough removed from the who gets what and because it is done on the common pot, the impact of one job on what we actually get at the end of the year from the gain pot could be minor, or it could be significant. It depends on the job really. So I don’t feel uncomfortable with the way the system operates. And you must remember that Severn Trent do not really gain from the gain share as it used to help contractors who have entered pain.
TP	Yes, that was mentioned in the previous interview. Ok, moving onto shared risk. Would you say that the risk is shared fairly? Is it shared at all?
FD	It’s not shared I would say because the contractor takes all the risk through the cost curve mechanism. When we are pricing non standard projects, and there are issues around non standard stuff and we bottom up price it, then we discuss risk and share it at that point and sometimes ring fence it if there is not enough information about it and then it will be redistributed when we have done the investigation. But generally all the risk sits within the cost curves, but the contractor carries all the risk basically.
TP	How do you feel about the cost curves? Do you think that is a fair way of doing things?
FD	I think that it is a fair way, but I don’t think that it is transparent enough in terms of how things are built up. There’s no agreed date in terms of when they will be reviewed and how they will be reviewed and who will review them and when the new curves will be published. As far as I am concerned there is too much secrecy around the whole cost curve thing. And whenever there is a challenge on the curve, we just keep getting the same answer which is basically everything is included. I think that all of the contractors feel the same.
TP	Do you think the client is, I know abuse is a bit of strong word, but you know what I mean...?
FD	They hold the trump card and generally talking about partnering and collaboration being open and honest with everybody, I’m not convinced they are as open as they could be, or should be, on the cost curves.
TP	Just briefly, would you say, well I was going to ask does the shared risk move away from the you and me mentality, but it sounds as if it is still lingering around...?
FD	I think the shared risk, I guess at the end of the day Severn Trent Water do share the risk because if we can’t deliver for the cost curves and we go into pain then that pain is coming from the common pot, which effectively would be Severn Trent’s money. So they are sharing it to a degree and there is a clear intent that they want contractors to make money, they don’t want us to lose money and the only way we’ll do that is by having a sensible approach to risk. If it all sits within the cost curves then that’s fine, but eventually as time goes on we’ll get a better understanding of whether those curves are right or wrong. We also have to be a bit more grown up and not just focus on individual projects, we’ve got to look at the whole programme – its swings and roundabouts, you’ll win some and lose on others.
TP	Ok, moving onto procedural characteristics. Is there a formal conflict resolution procedure in place? Where something happens on site, the work is increased maybe, and we’re not too sure about it, how is that resolved?
FD	We generally don’t get into conflict because there is a cultural understanding that has been built up through AMP 4 where things are done on pretty much the same basis. The process maps are quite well defined, and there are sort of meetings and sort of question boxes, so if there are decisions to be made there is a defined process to resolving it. I don’t necessarily think there is a real structured conflict resolution process, but there is an understanding and a way of working that at the moment is probably good enough to get things progressed if we need to.
TP	One of the processes that I read up on, was the idea of a ladder, where problems start on site and only get escalated to higher levels of management when they can not be resolved at that current level. Is that effectively what happens?
FD	That is pretty much it. People take ownership and responsibility to progress things themselves. It will then go up to the contracts manager and if he can’t deal with it, it will come to me and I’ll take it to someone in Severn Trent. Whilst it is not clearly laid out, there is a known process.
TP	Ok. Has there been any litigation in AMP 4?
FD	For us, no. We’ve had very few claims. Nothing has gone to a legal status.
TP	Ok, moving onto continuous evaluation. In the context of relationships and also projects, do we continually evaluate the relationship that we have with Severn Trent, and also do we look at the projects that we’ve done and look at what’s gone well and what has been bad, and have lessons learnt going forward?
FD	Yes, obviously the KPIs are a form of continuous evaluation. We hold our own project performance reviews – we have a start up, intermediate and a post project review – where we get all parties around the table, open forum, it’s facilitated and you know, let’s not keep anything to ourselves, if there’s an issue, something that we can improve on the next one, let’s get it out on the table.
TP	Is that just for the projects or is that for the relationship as well?
FD	Yes, I have one to ones with counterparts in Severn Trent, others who report to me have one to ones as well, so there a continual engagement of formal and informal sharing of ideas and thoughts and the like.
TP	Is that working would you say or is it falling on deaf ears?
FD	No, I think it does work. It could be better though, you probably sometimes need to see more coming back in terms of actions, as a result of that feedback. But I think that people listen and share. What is interesting is that we are usually on the same wavelength, so something that I will flag up as being a bit of an issue, my counterpart in Severn Trent will quite often say, yeah I’ve seen that myself, we need to do something with that. So we will generally work together to solve the problem.
TP	They are quite receptive then?
FD	Yes I would say so, yes.
TP	Ok, moving onto relationship characteristics. Long term commitment, is there any from the main contractor or the client?
FD	I guess the commitment is there in that it is a five year framework. That is a significant commitment. From us, yes, we will want to get more from this. We don’t want to be bidding for another framework contract if we can avoid it, because it is extremely costly to bid for it. I dread to think what it actually costs to bid to be honest. It is extremely costly. I think our view is, let’s use some of the things that we have already talked about, KPIs, pain gain, partnering / framework culture and charters, continuous evaluation, use those as the tools to monitor and assess and not just go to a competitive bidding process as the only way in defining whether this company is better than that company.

TP	So long term commitment is pretty important you would say then?
FD	Yeah, absolutely.
TP	Ok, mutual goals and objectives. Within Severn Trent and Morgan Est, are they discussed and agreed?
FD	Yeah, we mentioned about the delivery plan and what that is, is some words and then there's some key objectives and targets?
TP	Are they Severn Trent driven?
FD	No, to be honest, they are actually Morgan Est driven. We actually put the delivery plan together, albeit there were contributions from Severn Trent. We were looking at all the stuff that we felt we needed to be working on to give assurances to Severn Trent's board that we were contributing towards their key strategic intentions. But there is a lot of cross over with our own internal targets and drivers, so I think that document really maps out what the goals are.
TP	I don't know if you said earlier, but if you could give me a couple of examples of the mutual goals...
FD	Safety benefits obviously. Severn Trent and Morgan Est don't want to be injuring or killing their staff. There are issues around culture, so looking at an integrated team culture survey that we agreed to do twice a year or quarterly – I can't quite remember – that's something that Severn Trent have within their behaviours model, but also one of the desires for us is to actually find out how well we're working as an integrated team and is the culture developing? It's just a ten minute questionnaire that will give us that sort of feedback really.
TP	Do you regard mutual goals and objectives as a good thing?
FD	It's the only way to actually make a partnership work is if you are focussed on delivering the majority of your targets as shared targets, not well I'm this and you're that, because you will never get anybody aligned otherwise.
TP	So it is moving away from the adversarial culture of you and me?
FD	Absolutely, yes, yes.
TP	Ok, moving onto win win attitude and equity and equality. Win win attitude has been defined as, neither party winning to the other party's loss. Would you say that that has been exemplified in our framework agreement?
FD	It is a bit swings and roundabouts really. There is a clear intent that Severn Trent do want us to make money, they don't want us to lose money. At the same time, we have to be a bit more grown up and not just look at individual projects. We have got to look at the whole programme of work over the five years. We may lose on some projects, but at the same time we may win on other projects. Instead of looking at the poorer performing projects and thinking Woah! Let's get back in and challenge the target price, we need more money for this, what we have got to start doing is looking at certainly a year's programme and then a two year programme, and then the whole five year programme, and think well on balance, we've got some wins and some losses. Like I said, it is a bit of swings and roundabouts. Overall I think that it is a sort of negotiation type approach, where being in a partnering arrangement where you are aware of the other party's drivers, targets and intentions helps you defend your own position if you like, whilst incorporating their views, thoughts and their position into your decision making process. So in an adversarial environment it would be very much, well that's what I want and I'm not prepared to compromise, whereas in the environment we're in, it's well that's what I'd ideally like, but I know the client is really pushing for this, I could actually probably accept that, therefore if he's willing to move a little, then I'll move a little, and I think yeah we have got that.
TP	So it is more of a global perspective then, rather than looking at project on project?
FD	Yeah, project on project it is pretty much, that's the cost curve, that's what you are getting, get on with it and then if there are a number of issues that crop then we'll say look, there are common problems here I think we need to review the cost curve.
TP	Would you say that Severn Trent has slightly adopted cost driven behaviour then with the cost curves?
FD	Well they do look at cost in a great amount of detail, obviously when we are setting the target prices and there are elements of non standard work that aren't paid for off the cost curves, there is always a significant challenge on the non standard prices. Whereas the client's general approach is, no everything's included nothing is non standard, ours will be well hang on a minute, you've got half a mile long access road to get to this isolated pumping station, surely half a mile of access road can't be included in the cost curve? Where the majority that they will have built on historical data, they will probably have had one hundred metres of access road, so our argument would be, well one hundred metres can be included in the cost curve, but the other 500, 600 metres, we need to discuss that and we are looking for some non standard payment.
TP	Do they agree with that outlook?
FD	They agree with the outlook, we don't always get the outcome that we want. We can't just apply the cost curves carte blanche to absolutely everything, there are some special circumstances. We need to be sitting down early, look at a project and go, yes it's all standard just get on with it, or this item is non standard, draw a circle around it and agree which bits are non standard that we will then take away and price as a bottom up additional item. But the target price is agreed with the client, target price team, asset creation, and the contractor, so you haven't got people going away and wasting time looking for a new angle to argue to generate a bigger target price.
TP	Ok, so in terms of equity and equality, would you say that it is fair prices and fair profits?
FD	I think that the principle is fair prices and fair profits. The biggest principle for me is that we can't just focus on individual projects. I think that for us, our team based within Severn Trent, we have got that. For our Morgan Sindall directors, they haven't, and they still view every project as an individual project, so where one project makes a loss we get questions on that, but then another project will make a lot of money. What the company has got to do is start to look at it as the whole framework, not just one project. The framework as a whole will be delivered in profit. Severn Trent themselves I think acknowledge and accept that and are very good to communicate that they want the contractors to make money. At the end of the day, they have only got seven contractors on the framework, if none of them are making any money, they are going to be in a mess because we will all be wanting to pull out of the contract.
TP	Ok, the final thing on equity and equality, one question or term that I have come across is, is partnering or frameworks just a term for buying power?
FD	I think that there is obviously some benefit for the client in terms of reducing the number of suppliers, developing relationships with those suppliers, or supply chain partners – call them what you will – you know, all the things we've talked about, understanding the client's business that bit more, negotiating from a well I know my position but I also know the client's position, so you are able to have a more structured negotiation process, rather than just throwing stones at each other. I think generally, yes there is buying power there, because you've got a much bigger pot that you are entrusting to a single entity to deliver, but by also giving that opportunity should generate efficiencies, continuous improvement and therefore ultimately cost savings which benefit everybody.
TP	Ok, moving onto mutual trust, does mutual trust exist?
FD	I think yes in lots of ways, but then there are still elements that I have talked about – the cost curves and the fact that we

	don't think they are as transparent as they should be – so I think there of elements of cost information and how the cost curves are put together and what's included and what's not, that we just get a stock answer, oh everything's included.
TP	Looking at the positives, how is mutual trust shown?
FD	I think sharing goals, being in a co-located office, open plan so there is nowhere to hide, you know if you've got a difficult conversation, you say it in front of everybody, all the cards are on the table generally, whilst it's not 100% at the minute in terms of the way we share and trust, it is getting a lot better as each day goes by, and individual relationships and company relationships develop, then things are improving and moving forward. We approach things by thinking what does the client actually need at the end of the day and how can we as a team deliver that? But also make sure we are efficient and everyone goes away smiling. So win win for everybody really.
TP	Ok, moving on... effective communication, freedom of speech, sharing of information, and sincere co-operation, is that all in place? I know that we have an open book accounting process, one of the things that I have picked up on is the fact that we appear to have mutual trust, but if they want open book accounting is that not a contradiction?
FD	The fact that it is singled out that we want this open approach to your accounting and yet we've got mutual trust would make you think, well we're sharing everything except our accounting processes... I don't necessarily think that it is that big a deal. Yes there is an understanding that it is there, all they need to do is come and have a look at it when they want to, and they can do that. We've set up a machine in the office that their auditor and cost compliance team can use to log onto our system and look at anything that they want. I wouldn't see it as a contradiction necessarily.
TP	And do they use that facility to log onto our system?
FD	Yes. I mean cost checking and cost compliance was done on a monthly basis, every month. They wouldn't look at the same things every month, but they would target different areas.
TP	Have they been happy with what they have seen?
FD	Yes. I think that we've had probably one or two minor non conformances. So yeah, generally happy that the systems are robust.
TP	Sincere co-operation... Does it happen? Have you got any examples?
FD	I think generally AMP 4, it still was perceived that whilst we were in a partnering arrangement, if the client says he wants something then you as one of the partners will do whatever he wants, so from that respect we co-operate with everything that we asked to get involved in and support.
TP	Is that being reciprocated?
FD	Sometimes and sometimes not. I think there have been particular examples where perhaps we've wanted people to get involved with workshops that we're running internally as a continuous improvement process, maybe not directly related to the Severn Trent framework, more sort of Morgan Est core frameworks, and we've asked for representatives from Severn Trent and we've struggled to get people involved with that.
TP	Right, ok, moving onto the benefits, one of the main benefits of partnering and collaborative working is the cost savings. From a client perspective, it has been stated that they can achieve savings of up to 60%. Would you say that cost savings are being made working together in a framework?
FD	In AMP 4 I don't think that we realised as many cost savings that we could have done, as there was a mentality of well that's what you've priced, that's what's included in your price, therefore I want it doing. So we were almost building for building's sake. Whereas going forward with AMP 5, we're very much looking at, how can we not do as much as we said we were going to do, yet still deliver the outputs. In infrastructure work it is all about outputs, so if there is a flooding property on a flooding register, how can we get it off? And it's almost as if we want to get the property off the flooding register by doing as little work as we possibly can. And that is the intent from all parties. So almost like developing no build solutions. Unfortunately for us, no build is not a great place for us to be, because the only way that we make any money is by doing some work. In other arrangements, other frameworks with other water companies, no builds benefit everybody. If you've got a fixed fee that is based across the whole framework, I think the Welsh Water one is done like that, so if you don't build anything for five years, all your overheads are covered and you still get your management fee. Everybody wins that way. That's not the same for us because our fees are related to individual projects and target price. If targets are low, then the fee is low as well.
TP	So it sounds as if, in terms of cost savings, Severn Trent with the target price freeze, they are probably saving money?
FD	Yeah, I think that what it is doing is ultimately challenging us all to be a bit more efficient in the way we do things, looking at leaner approaches. Ultimately we will all benefit. Any cost savings we all effectively benefit from. And its getting that sort of agreement that yes, that solution that you are proposing is good enough and will deliver the output and challenging back to the Severn Trent specifications, which may say well it's got to have gold paint, it's got to have this, it's now a much more open environment to challenge well why does it need gold paint, silver will do and it's not going to affect the performance of the bit of kit and it costs half the price. So yes, ok, fair point, we'll go with silver.
TP	There is much more of that now where we can go back and challenge and that will generate cost savings for everybody.
FD	Also, another benefit was time savings or quicker construction. And again, one of the percentages that was stated in the research was that some companies or clients have been able to achieve 80% reduction in timeframes. So, I'm not saying we've achieved 80%, but have time savings been achieved through our collaborative working?
FD	I think time savings have been achieved because they have had to be achieved because the client's processes are such that construction time doesn't start until stage four, but stage five which is the completion date never shifts, so all the up front processes drift and aren't delivered on time, and then when we get to site, we've got probably 20% of the time left for us to actually get on and deliver the scheme. So, we make construction time savings, I think what is being addressed in AMP 5 is how we are going to deal with all that front end, and reduce that time implication, so that you can reduce the overall project time, but also you've got a bit more flexibility and the areas where you've got most safety issues or where you are spending more money, you actually allow yourselves to plan them and have sufficient time to deliver them.
TP	Because in phase five we are achieving, well we are <u>having</u> to achieve the time savings, is that due to partnering, I mean, how are we achieving that?
FD	Well, the change in contract from a designer and builder back to a single entity D&B contractor is obviously helping because we are now managing the whole process pretty much from start to finish, so there are less interfaces and we are the lead responsibility for delivering from stage two pretty much feasibility through to the end of the project. And I guess contractors historically are much better at managing programmes and delivering to timeframes, so we are now managing those upfront processes, the design, in the same way as we would actually manage the construction activities, from a programming and planning perspective.
TP	So it sounds as though the time savings that we are having to achieve, that isn't down to the partnering or framework agreement as such, that's not a benefit of working on an AMP, it's just the fact that we are <u>having</u> to achieve them?!

FD	There is a bit of both. The partnering does help because as I've said before the understanding relationship, issues and processes that each individual organisation has to go through, there are lots of man marking and overlapping activities in there, and if we're open enough to say well hang on a minute we don't actually have to do that internal process, if we can have a copy of your sign off sheet for your internal process, so we are looking at the way in which we can streamline internal processes, so we are not man marking and overlapping, we're just doing things once, will help us with all of that. But Severn Trent have also made quite a big thing about, a planning and programming process and a critical chain programme management where you basically assume, which is similar to the percentages that you have got, where you plan a job as normal and chop the time in half, and then put half of that back in, and put half of it back in a contingency pot, so basically 25% of your programme goes into a contingency pot. Then you are looking at managing your programme so where you get a slip and you have an impact on the contingency pot, you can have a look at it and go ok, yeah we can agree and take that, or it generates some management action to go well how can we avoid this happening? What do we need to do? What steps need to be taken? It's just a bit more of a sophisticated way of not accepting that every job will take this long because it does, not allowing everybody to build float onto every single bar on a project, which then when it's cumulated is a huge amount of time that just gets wasted because people just accept that when something should take two weeks to arrive, it will take three. We need to manage that and improve the whole supply chain network as a result of that. So that is something Severn Trent are pushing and that is a direct result of partnering because it was developed with Bi-Water and then its been communicated to us as innovation that we will be buying into.
TP	Another benefit of partnering was improved quality. Do you agree with that?
FD	I guess the sharing of knowledge and information with regard to what good looks like, best practice, a limited number of suppliers all focussed on the same goals, having the high level strategic understanding of each other's organisations, out of that will come an improvement on quality. Specifics that we are looking at there is the development of a defects avoidance booklet, which is again a direct result of partnering, all of the partners are involved with the development of it, but what it will be used for is to communicate to front line staff that have the biggest impact on quality at the end product, what's acceptable and what's not, and looking at common areas where we continuously fall down on quality. That is quite a positive message that wouldn't have happened probably if we had just done it as a single source, but because we've got seven, eight, nine different organisations contributing it is a much more useful document.
TP	I don't think I'll ask this one. One of the benefits I have is creating synergies and achieving strategic objectives. But I think we have already covered that?
FD	Yes, yes.
TP	And we've also partly covered, reduced litigation and less adversarial relationships. Again you seem to be saying that nothing has gone to litigation because we're working together...?
FD	No, we've not had anything go to litigation for 10 to 15 years with Severn Trent.
TP	The partnership is obviously working!
FD	Well something is working and I think in each AMP the relationship develops that bit further and that is what it is all about really. It's having those relationships to make things happen.
TP	And the last benefit I think, that I identified, was just better relationships and increased satisfaction all round. Would you say that is a benefit of our relationship with Severn Trent?
FD	I think that's the intent. Certainly in AMP 4 I don't think the relationships were that great, we were still in a bit of a them and us situation. We are hoping that going forward into AMP 5, by reducing the number of supply chain partners will undoubtedly develop much better relationships at a senior level, and that will all cascade down. Effectively in the end, that ought to be that we feel more satisfied that the client understands issues that we are going through, we've got opportunities to communicate that and listen to their responses.
TP	So when you say on AMP 4 the relationship wasn't as good as it perhaps could have been, why was that then?
FD	I just think that basically because there were times where it was very adult child, the client was very much in charge, you will do what I tell you and we were kicking back against that I suppose and challenging, and that was seen as not being a good partner and not playing the game, being awkward.
TP	Well it's funny you should say that, because one of the limitations is master and servant and owner and slave, but I'll come onto that in a minute. Lastly on benefits, can you think of any other benefits that maybe I haven't mentioned that Severn Trent and Morgan Est have achieved through partnering on AMP 4?
FD	No, I think they have basically achieved the targets that they set themselves on AMP 4, so AMP 4 was a success. I think that a lot of that was down to the way people operated in the early days of the partnering ethos that was in place. But I can't think of any other benefits.
TP	Would say that AMP 4 was a success as a whole?
FD	It was a success for us and I believe from discussions I've had it was a success for Severn Trent so I think the relationship and the contract and the whole sort of payment mechanism if it was a success for us then it was a success for Severn Trent as well because we were sharing the benefits.
TP	Ok, moving onto limitations. One of the main limitations of partnering is the failure to adhere to partnering characteristics. Has that happened would you say, all the characteristics that we've covered?
FD	I think that in AMP 4 there were times where when it suits Severn Trent to veer from the partnering arrangement then they can. And there have been examples where we have gone to them on one project and said oh we need to take this stance, because of this issue and they've gone, no, and then on the next job when it suits them to adopt exactly the same stance that we were proposing they've put it through and promoted it. That has a positive impact for them and a negative impact for us, so master slave again, when it suits the master he'll do it, when it doesn't he won't.
TP	How do you deal with that then?
FD	Well I guess there's general escalation, but a lot of it to be perfectly honest is probably borne out of the fact that throughout the whole AMP, we potentially didn't adopt the think programme not project approach, so we were always dealing with issues at project level. If you look at how AMP 4 finished up for us, we've delivered all our targets, made more money out of it than we had intended to make out of it, satisfied the client and done what we needed to do. So at programme level, there wasn't an issue. We got out of the framework what we needed to and so did Severn Trent. But underlying all that were a number of issues at project level on individual projects that we did get niggly about and I think it is a case within Morgan Est, we've got to be a bit more mature in terms of the way we deal with things. Part of the issue there is that all of our processes are focussed on individual projects and focussed on individuals on those projects. Well you're responsible for the commercial outcome of that project and they then only see that project. That's the little part of the business that they are managing, they don't see the contribution that they make to the bigger picture. Maybe that's a communication issue, maybe we're not communicating back to the site QS' and the site agents how well

	the whole framework is doing. That's probably something that we need to take as a lesson learnt going forward I suppose.
TP	Right, ok. I think that we just briefly touched on it, it's quite similar to the one that we just talked about, it's inflexible and indifferent clients. For example, clients may put too much emphasis on things that don't really matter and not focus enough on the things that do matter. I know that Severn Trent were responsible for the civil design on AMP 4, weren't they? And they sometimes seemed to drag their heels, or change it which was highly inconvenient for us and that was actually what was impacting the project success.
FD	Yes, managing the interfaces between the various parties has always been an issue. And I think you can link that to the fact that the various parties don't actually understand what is important to the other parties. That has gone away now in AMP 5 as we have got a much smaller integrated team, less people involved, those that are involved have got control over a bigger number of the interfaces, so for us now that we manage the design and the build process, we deliver all the design and can therefore manage those interfaces a lot slicker because it all falls within our gift if you like. So that's a positive. I think the limitations centre around you've got different levels of maturity in all the relationships between many, different people, you've got different levels of maturity within the client teams, and again Severn Trent has completely rationalised their teams. They've basically gone through a restructure process where they have selected people for expert client roles, D&B contractor roles, and they were TUPE'd into the contractor's organisations, or classed as unsuitable for AMP 5 and therefore they didn't have the right cultures, behaviours and approach to actually be a key player in this integrated team. That's interesting, and there are things like Severn Trent's behaviours model which map out the way people are expected to behave and operate and we can relate to that as well and make sure that out people are similarly aligned.
TP	Ok, we've touched on this before. You classed it as adult and child, I've got master and servant and owner and slave, would you class that as an abuse of Severn Trent's power?
FD	Yes.
TP	What's your opinion on that then?
FD	Well I think that all the way through AMP 4 it was very much master slave, but there wasn't a big play made of it. As a contractor working for a client, you are pretty much resigned to the fact that that is the way it is going to be.
TP	Does that not go against the whole partnering ethos?
FD	Well, it sort of does and it doesn't. I guess somebody at some stage has got to make a decision. It is the client's money and therefore whilst I think we should work together towards making decisions, somebody ultimately has got to sign on the dotted line. That is usually the client. Then you know, that is where the adult child bit might creep in. I think in AMP 4 it was much more prevalent than that, and we weren't really working as a partnering organisation. Again, looking forward in AMP 5, it has been spelt out massively that it's about developing adult to adult relationships. People that can communicate openly, feel free to say what they need to say and have influence over the decision making process. So there is a clear intent that things are going to be different going forward. My initial view is that we're still in an adult child environment in many ways.
TP	It sounds as if partnering still isn't being fully embraced by the client perhaps?
FD	Well I wouldn't say partnering per se, I think elements of stepping back and accepting that it is down to them guys to do it now... I'll try and give you an example, because we are now in a D&B environment, there are no resident engineers now on site, so it's all self certification. So the contractors are now responsible for doing the design, approving the design, getting sign off for the design, delivering it, building it and ensuring that the quality, health and safety is managed solely by us as an entity. Yes there are times where Severn Trent expert client interact with that and give their views and make comment, but fundamentally it is, all that we used to do is now over to you to manage, and we must have gone through already seven or eight audits, and we will be giving two or three presentations to Severn Trent board and directors on how the self certification is working or not working. That to me smacks of, we've gone through this whole, great selection process where a lot of what we talked about, the systems we've got in place, how we can give assurance and prove compliance and governance and yet still after they have gone through that whole selection process, they are still concerned and they still don't probably believe that we will actually do it properly.
TP	Ok, another limitation is that of economic realities. At the end of the day it is still a commercial buyer relationship, they'll be facing commercial realities, which will probably make them compromise on the partnering attitude, and it does in fact sound as if that is what is happening...
FD	Well the cost curves are a good example of that, where because it is a regulated environment and OFWAT came back to Severn Trent when they put their final business plan in and said well that's not acceptable we want another well generally 12% chopping off the efficiency targets, so we went from an 8% to a 20% efficiency. Yes, we could have gone we're not prepared to do that, but it's not that easy and you are pretty much expected to just go with the flow. So there are some tough calls commercially there. Tough for Severn Trent as well, but then you also look at the profit margins that they are returning as a business, and they're huge compared to what we as a business are returning. Yet all of the risks and the cost implications seem to get carried through to the capital programme.
TP	So looking at the global picture, although you are saying that a lot of these limitations are evident in our relationship with Severn Trent, you still appear quite happy with the actual outcome of AMP 4? Would that be about right?
FD	AMP 4 was good for us, yes.
TP	Even though all these limitations are being realised?
FD	Yeah I think because in AMP 4, a lot of the work we delivered we were able to negotiate lots of the bottom up activities, the non standard, which is the type of work that we were doing, there weren't sufficient cost curves to cover it all. The intent was that there would be 70% of the work that would be done off cost curves, and it actually probably worked the other way in that 25, 30% was done off curves and 75% was basically negotiated. Rightly or wrongly in a negotiation environment, we were able to probably able to build in sufficient contingency, cost covering processes to make sure we were going to come out ok.
TP	If it was true mutual trust and co-operation, we shouldn't have had to rely on the non standard work...
FD	No we shouldn't. We shouldn't. There were times when we challenged ourselves internally and said that we shouldn't be doing that, we shouldn't be putting that across to the client because that is taking the mickey a little bit, let's put the best value solution down on the table and communicate that. But it's very difficult when the client is perhaps driving you down the lowest cost route, and you're trying to promote a best value route. Ultimately the end out cost will be the same because the entry level lowest cost will never be the actual end cost because there will always be claims or additional works and things will creep. Whereas one would hope that with a more professional and up front approach with delivering best value, that you actually go in with an entry level best value cost and are able to deliver it for that because people are all bought into that being the approach. And we had times when we were struggling to get the client

	on board, they would want the quality and we would go well this supplier will give us that quality, this one we don't know them, they're ten grand cheaper but we could end up spending twenty grand to put the thing right at the end of the day. And we didn't always have that buy in and support from the client.
TP	So why do you think that we are putting up with all these things then?
FD	I think at the end of the day historically we have always made money in water frameworks. We don't make huge margins but its considerable turnover and for us in AMP 5 it's three times the size it was in AMP 4, so it's considerable turnover. If we look at it from the programme level, then we will make money out of it but we've got to adopt the sort of getting involved, looking at the nuts and bolts, being prepared to challenge the status quo, and doing things differently and not just giving the same old, same old solution, because ultimately we will start to lose money if that is the case.
TP	Ok, the last limitation I came up with was standardisation inhibits creativity. Where I was coming from with this is, the 60% cost savings that have been claimed to be possible, I was thinking would only be achievable where the majority of projects would consist of prefabrication or standardised design. On a sewage works it's bespoke most of the time I would have said...
FD	The problem is because of the type of individuals that we employ, a lot of them engineers, designers that have been in the industry for a long time, what they like doing is dabbling and designing. If they can spend six months coming up with a fandango solution, they will, where in reality what is actually needed, is it just a bog standard solution? And if a bog standard solution will do, and will deliver the output, and you have cost certainty and the design is done, therefore you've got time certainty because you can go, there it is, that's what we did on the last job, just do the same, I think we're a bit too much in the ooh no, this is a special case this job and we've got to do something different. There are a lot more opportunities for standardisation, and it is about looking at things differently, the challenge for us is to innovate, and my view is that you can innovate by just doing the same thing time and time again and generating more profit and margin that way rather than continually looking to improve and change, and sometimes what we actually change doesn't improve things anyway. It might change your capital budget, but it has a massive impact on your operational budget. That's one of the things for AMP 5, we've got a much better operational budget, we're not only looking at CAPEX, we're looking at OPEX as well. So what is good for one is not always good for the other so it's about well lets bring it all together and what is the best whole life solution for Severn Trent? Is it better to save a million quid over the next twelve months on the build, and then spend an extra five million quid over the next forty years running the thing because it's not very efficient. Well obviously no it isn't, we're better off to save half a million now and not spend the five million quid going forward. So that's starting to happen, whereas in AMP 4 we never really had that operational involvement. It was engineers, the contractor and ops, and ops were out of the loop a lot of the time.
TP	Ok, that's all the limitations that I could come up with. Are there any other negative issues that you can think of that we've encountered in the relationship with Severn Trent?
FD	Well, we've touched on a lot of them. Generally, more positive than negative because we've signed up for another five possibly ten years with them on a slightly different contract basis, but the same concerns, commercial pressures are there if not more so in AMP 5, so generally no, I think the benefits outweigh the limitations and I think its probably a case of everybody working towards creating more benefits and reducing the limitations to really sell the partnering ethos, whether we are in a formal partnership or not. It doesn't matter if the intent is there.
TP	Right, ok. Just finally, wrapping it all up, well you've answered the first question, can it be regarded as a success? Yes.
FD	Yes.
TP	Can it be improved, and if so, how?
FD	I think there are improvements to the way we bid. Certainly where we are now where we've got a five years plus five years, where there should be a rollover, and as long as that is not a complete full competitive re-bid, if it's a review, use the KPI data that we've been gathering for the previous five years to actually influence and select going forward then there is very little cost involved and you can actually see the real benefit in measuring some of the things that we have measured because it creates a league table of performance, and contracts should be awarded on that performance basis.
TP	If they were to do that though, are they not perhaps closing the market? If Morgan Sindall perform well on the KPIs, fair enough, but how do they know someone else outside the framework can't do it a bit better, a bit cheaper...?
FD	Well they don't I guess. Although looking at the people that are delivering, are probably the market leaders anyway based on market share based on market share throughout the whole of UK Water if you like. But I don't think they always get best value by broadening it out. There will always be somebody that will come in and at entry level will offer you a better deal.
TP	But they haven't got all this underlying relationship...
FD	They haven't got the culture, they haven't got the behaviours behind them and I think for Severn Trent, yes whilst commercial and efficiency are key aspects, the only way you'll do some of that is by having that relationship and that culture and the shared values that help people to focus on them. Arguably if you get the cultural bit right, the partnering ethos bit right, the commercial benefits and the efficiencies just happen as a result of it, or should do and if they don't it is because you haven't got the partnership bit right.
TP	Ok, so any other improvements? Or is that the only one you can think of?
FD	I think just the whole AMP cycle, and the bidding process and the award process is something that needs improving.
TP	Ok, well thank you very much for your time.
FD	Ok, no problem.

7.3.3 – Interview Three: Severn Trent Water Asset Creation Delivery Manager

Participants: Severn Trent Water Asset Creation Delivery Manager (DM) and Tim Payne (TP).

Date: 23rd July 2010

Time: 9.00am

Location: Warwick

TP	Thank you for agreeing to be interviewed for my dissertation. The nature of the research is to go through the characteristics of partnering that I have identified and also the benefits and the limitations, and to see the extent in which they have been embraced, or possibly not in AMP 4 and how things may be changing in AMP 5. You've got the right not to answer any question if any of my questions do make you feel uncomfortable. And the nature of the outputs of my research is as I say just to see if what the theory says does actually happen in practice. So if we start with the contractual characteristics and the idea of a partnering or a framework charter, was there a charter in place on AMP 4? Do you know what I mean by the term charter?
DM	I think I do, and that is really just to... a charter would really just outline people's expectations, you know the attitudes and the ideals. So was there a charter in place? No I don't think there was, or not that I was made aware of.
TP	If there wasn't a formal signed one in place, do you know if such attitudes were discussed at a higher level?
DM	I don't think it was really. People were just left to get on with it. So then it is down to individuals.
TP	To sort it out amongst themselves?
DM	Yeah and I presume, or I am guessing, that the success or otherwise of different schemes would depend on individuals' approach and attitudes.
TP	Have you had any experience of charters in your time in the industry?
DM	We've had charters within Severn Trent for particular groups. I sit on the business forum for Asset Creation. We have a charter and it is just about agreeing the behaviours that you're displaying, in that forum. Open and honest, challenging, not dominating the meeting as some people like the sound of their own voice too much don't they?! Really it's just at the beginning people sign up to particular behaviours that they want to see.
TP	So just briefly, do you think that they are a good idea or do you think that they are not really required in terms of, well in this instance Severn Trent and Morgan Sindall?
DM	Most of the time they are not necessary.
TP	Ok, I'll move onto pain gain and KPIs. I know there were KPIs on AMP 4 and there was also a pain gain mechanism. Just briefly, what do you believe their function is? The KPIs...
DM	I think their primary function is to incentivise the right way of doing things. So, I mean health and safety I don't necessarily think there should be financial incentivisation or penalties, it should just be there. But some of the ones, especially towards the end of the scheme, so getting the final account sorted, completing without defects, it focuses the mind. And I don't think people set out thinking oh we'll just leave that and we'll catch it up later, it's just the nature of the industry. We get to the end of one scheme and we're already on another scheme and people just focus on a new task don't they?
TP	It's natural to a certain extent.
DM	That's right, it becomes lower priority. So by having some mechanism to incentivise getting that sorted, you don't get your gain share if you haven't done that, then it just makes sure that it gets done.
TP	So do you think that KPIs are a good thing and do they improve the project outcome?
DM	Yes and yes.
TP	Right ok, with the KPIs in AMP 4, would you say that they were objective or subjective?
DM	They were a mixture. Most of them were objective actually, but there were a few subjective ones. I mean there's one which is client satisfaction. And that can be across a whole... that can be from Service Delivery point of view – our operators, that can be from programme manager's, project manager's within Asset Creation, and I'm aware it can also be affected if something has happened and the project team as a whole, both Severn Trent and the contractor, have missed something out and is of such importance that we've got to say the target price is no longer applicable, we need to have a new target price for this scheme. Then, the 7 KPIs, the one for client satisfaction, that goes. And it might not have been a contractor's main responsibility, that particular issue in identifying it. It could have been Severn Trent or in AMP 4, the consultant – the designer.
TP	So with regard to client satisfaction, that is obviously quite subjective, and Severn Trent can score that how they feel really, and this is where I might be getting a bit controversial, is there scope for that to be abused do you think from Severn Trent? If they didn't want the contractor to get the 7 KPIs, which I think it was in AMP 4, they could say oh we're not happy and come up with any excuse...
DM	I don't believe so. I don't believe anyone would set out to abuse that.
TP	Well that is what the previous interviews said. That was just really me trying to see if these sort of things actually went on or not! So with the pain gain, it was 50% gain shared between the contractor and Severn Trent, and was it 100% pain? I think it might have been up to 110% and then anything over was the contractor's...?
DM	Good question...
TP	It was so long ago!
DM	It is, it is! Because AMP 5 is 50/50. But... AMP 4... I think you're right...
TP	Well ok, how much gain share do you think that a main contractor should get or is entitled to? Do you think 50/50 is fair, should it be more? Or less?

DM	I think it depends upon how the whole relationship works and so... but what comes first? The relationship or the ratio of pain and gain? With the teams working properly and everyone's contributing, then it seems reasonable that you get a 50 50 split. If the way that the way in which the project has been delivered means that the client more or less hands a project to a contractor through the contract, and then it's really then down to that contractor to find the efficiencies to make the gain, is it fair that the client is getting any of that gain back again? However, within AMP 4 it was set up that Severn Trent engineering personnel, or the consultant, or both, and the contractor were all trying to find the efficiencies and so I think 50 50 was about right.
TP	
DM	Right ok, moving onto shared risk. Was risk shared fairly on AMP 4? Or was it given all to the contractor?
	I think it was shared perhaps, not quite the right word, I think it was fair and I say that because the cost curves used for building up the target price where cost curves were used, include the outturn price from AMP 3. And those outturn prices or costs included all eventualities so where risks had happened and had cost money, then it was included in the target price. It's reasonable therefore that if the target price includes for an element of risk, then that risk is then managed by the contractor.
TP	The cost curves were something that we'll probably end up talking about later but that was one thing that was brought up in an earlier interview, that the cost curves were a little bit, I don't know what the word is... it was thought that they were perhaps not as transparent as they could have been...?
DM	I think that might be true, but not necessarily around risk.
TP	Ok well we'll get onto that later.
DM	I mean, risk is always best allocated to the party best able to manage it.
TP	Is that what happened in AMP 4?
DM	Is that what happened in AMP 4... I think largely its true. Certainly over ground conditions, where the contractor is in the best place to manage it, where there's maybe issues and this is where the contractors have to come to the party really, is that if there isn't sufficient ground information for the contractor to build up a target price and understand the risk, then they need to challenge the designer or the client and say I can't put in a price because you've not given me sufficient information. If however the contractor is willing to say, you know what we're only digging a shallow foundation here, it almost doesn't matter what the ground is, we can afford to deal with it, then the contractor has made his decision. Should weather be with the contractor? Again probably. They are in the best position to change their programme, to programme their works to what kind of weather they can expect at different times of the year, and also with weather I think that we extended time when weather conditions were particularly adverse although not necessarily increasing cost or increasing price.
TP	Right ok, I was going to say does the joint or the shared risk or the way that we dealt with the risk, does that move away from the you or me mentality and bring together the collaborative working?
DM	There was a little bit... Perhaps as teams we didn't manage risk as well in AMP 4 as we could have done. AMP 3 when risk or certainly quite a lot of the risk remained with Severn Trent, then it was obviously in Severn Trent's interests to make sure that those risks were managed well and there was a big drive to make sure that we had pretty comprehensive risk registers, and risk mitigation plans should that happen. In AMP 4 because much of the risk had been transferred to the contractor, then Severn Trent were, I suppose, less vigorous in making sure that those risks were well managed. But, the contractor is fully aware that those risks have been transferred and it's in their interests to make sure that they are managed well.
TP	Can that risk then be priced up and included in the TC as well?
DM	Yes insofar as the cost curves allow. If it's non standard type of work for which there isn't a cost curve, then I suppose that is where certainly I would have more interest... Pricing some risk, fine, if it means that you expedite the project you could you know it's going to cost £20,000 to understand these particular ground risks and you know what even if it was worse case we could deal with it for £30,000, and by doing the investigation it's going to add two months to the programme, then hey let's just carry on and live with the risk and have some risk money in the target price. Sorry, I've lost my train of thought...
TP	I was just saying has the way in which we have dealt with the AMP 4 risk, did it move away from the you or me mentality? But like you said earlier it was basically given to the contractor as in most instances they were the ones best positioned to deal with the risk.
DM	Yeah. Did the way the risk was shared move away from the you or me mentality? I don't think risk necessarily changed that mentality. I think there's been lots elsewhere within the industry over the last 10, 15 years, which has moved us away from the you and me.
TP	Has Morgan Sindall and Severn Trent achieved that so they are working together rather than working as two separate entities?
DM	Largely, there are still improvements to be made.
TP	Ok, we'll move on because I am wary of the time! Onto the procedural characteristics, conflict resolution, how small issues are dealt with that happen on site, is there a process in place? So, something happens on site, I don't know... I know on AMP 4 there was a price freeze and a design freeze, the design may increase in scope so that might become a bit of an issue with Morgan Est at the time, how are those kind of issues dealt with? Because the price was never increased in alignment with the scope increase...
DM	No, not always. Sometimes it would be.
TP	How were issues like that dealt with, or any issues that may have caused a bit of a problem...?
DM	Yeah... my experience with Morgans in AMP 4 was reasonably good. So if there were issues then we'd just get together and discuss them. And that's the thing, it's in everyone's interests to resolve it and to sort it out, so we'd just sit down.
TP	Was there a formal procedure in place? I mean one thing I've read about was a conflict resolution ladder, where issues start at site level, if they can't be resolved there they go up to the next rung of the ladder, and if they can't be resolved there they go up to the next level of management and so on... Was there anything formal like that or was it just literally quite informal, sit round the table and sort it out?
DM	I suppose there was that escalation but not necessarily written down, it just happened.
TP	Ok, was there any litigation in AMP 4 between Severn Trent and Morgan Sindall?
DM	Not that I am aware of.
TP	Ok and do you think that a formal conflict resolution is required for partnering and framework agreements to succeed?
DM	I think the NEC contract and how conflict resolution is... proceduralised in that...
TP	With the Early Warnings...?
DM	Yeah, has greater potential of success than perhaps under the ICE as used in AMP 4.
TP	And AMP 5 is NEC?

DM	AMP 5 is NEC although modified in the usual Severn Trent way. So, what was the question again?
TP	Is a formal conflict resolution process important?
DM	I suppose if something goes badly wrong then yes it is. Nine out of ten, if not a higher ratio than that, of projects I would expect that you would never need to refer to that formal conflict resolution because the individuals would just get on and do it.
TP	Is that partly because you are working in a framework, you are working together?
DM	Yeah.
TP	Ok, no problem. Continuous evaluation... I was approaching this in terms of the Severn Trent and Morgan Sindall relationship and also projects. If I start with the relationship, do Severn Trent and Morgan Sindall ever evaluate how they're working together, if it's good, if it's bad, if it needs improving?
DM	Yes, it is instigated primarily by Morgans, the lady's name escapes me...
TP	Gail Hall?
DM	Gail, yeah. So we have a few workshops with Gail on Barnhurst, on Ray Hall there was one, so yeah.
TP	So what kind of things are coming out? Is it generally a good relationship?
DM	I think it was generally, yeah.
TP	So were any improvements suggested?
DM	I can't remember! There probably were. On Barnhurst, it was perceived that some of the operations people were awkward. I suppose they were prepared to challenge, which is no bad thing...
TP	The operations people?
DM	Yeah. And it was largely around where the scope hadn't been properly defined before the target price had been confirmed. And so you know, the lesson learnt from there was make sure we fully understand the scope before we enter into that agreed target price.
TP	And has that been implemented?
DM	Well I suppose through, as we move into AMP 5, then potentially insofar as we have probably got a more rigid, gated approval process now, whereby gate 2 we are confirming the sort of overall solution and making sure that we have operations buy into that and then at gate 3 before the target price gets confirmed, between those two gates there is more liaison with Service Delivery so that not only do Severn Trent Asset Creation understand the scope, clearly the contractor understands the scope to price it, Service Delivery also understand that scope and have bought into what we're doing. Time will tell how well it works. But I think it certainly has potential to be an improvement over AMP 4, which could sometimes be a bit loose. And it's normally time pressures that drive towards agreeing the price when you don't necessarily have all the scope.
TP	Ok something that you touched upon was you said that it was normally Morgan Sindall who initiated the whole relationship evaluation with Gail Hall...
DM	Yeah I suppose to clarify that on a project by project basis, now we have our central purchasing teams who will also look at that relationship at a higher, broader level.
TP	So there is some evaluation coming from Severn Trent as well...
DM	Yes.
TP	It's not all just coming from Morgan Sindall?
DM	No.
TP	Ok, well I think we have partly covered it, but do you ever evaluate the project on project, what went well and what went bad and then implement the lessons learnt? Is that carried out together?
DM	That was the Gail Hall type of stuff...
TP	Oh so that was relationships and projects?
DM	Yes.
TP	Right ok, well we had best move onto relationship characteristics... long term commitment, how is it shown from Severn Trent and Morgan Sindall in the AMP 4 framework?
DM	I suppose at the beginning of the AMP you've got five years commitment. By the time you get to years 4 and 5, it's not as well shown is it? Because all of a sudden you say, I tell you what we're going to renegotiate the framework, well not even renegotiate, we're going to tender, well invite tenders for AMP 5, and some of those, I think all the AMP 4 contractors were certainly invited to tender, put in their submissions for AMP 5, obviously some didn't make it. And so for those who didn't then they are informed before the end of AMP 4 that there isn't long term commitment from Severn Trent.
TP	But they will have still had the 4, 5 years...
DM	Yeah they've had the full AMP.
DM	Do you think long term commitment is important for partnering agreements to work?
	I think it is. Not least because if you've got long term commitment then you build teams where individuals are going to be there for not one or two projects, but for a number of projects. And so that enables the building of those relationships on both the contractor and client's sides. Whereas if you're doing project by project, then... you do get some, you tend to get the same individuals because of geographic reasons. You know people live in the West Midlands so people are going to continue to work on schemes in the West Midlands generally, but not certainly. If the contractor knows that they've got the possibility to tender for schemes throughout the year but there's no guarantee of the work, then you're not necessarily going to keep people or prevent people from going to another key contract down the road, whereas if you've got that long term order book then you are going to want to keep the team there in place. So it is important just for building relationships.
TP	Ok, mutual goals and objectives. Were any agreed for AMP 4 between Severn Trent and Morgan Sindall?
DM	Yeah, though the KPIs the objectives are sort of made clear?
TP	Are they Severn Trent driven or do Morgan Sindall have some say in them?
DM	They're mainly Severn Trent driven. In terms of health and safety, that's in everyone's interest. I'm just trying to think because there can be conflicting objectives and it's sometimes between, not necessarily between the Severn Trent Asset Creation staff and contractor, but between Service Delivery because obviously they've got, they have particular I suppose targets to meet in terms of consent, in terms of operations cost, and the contract can put some of that at risk and so the Service Delivery may in order to safeguard their targets, may require the contractor to do a particular activity in a more expensive way than is absolutely necessary. So then the targets are diverging. Again though, by ensuring that discussion takes place early, then there's ways of getting around that or minimising that difference, or simply ensuring that we have got the money in the contract to meet Service Delivery's requirements.
TP	So do you think that these mutual goals and objectives are they a good thing or a bad thing?

DM	Well if you can define what the mutual goals are, where there are common targets, then it's got to be a good thing because then everyone is working towards the same thing. But it is potentially adversarial if there are separate goals. But it's, as I said it is more important to understand early where those targets and goals are diverging and how to resolve it.
TP	And as a general rule, was that happening? Were Morgan Sindall getting involved and understanding what both Asset Creation and Service Delivery wanted?
DM	Yes, but not consistently. And it's often down to individuals who understand better where Service Delivery are coming from. And it's down to experience with what's happened on previous contracts.
TP	Ok no problem. Moving onto win win attitude and equity and equality. If we start with win win attitude, that was defined as neither party wins to the other party's loss, was that happening in AMP 4? For example, Severn Trent... like I say, the scope increases so Severn Trent are winning, but Morgan Sindall are not getting any more money for that, so in a sense they are losing. That's not a win win, if you see what I mean...?
DM	I do. Conversely, if the project team allows the scope to increase and the cost of that increase was always just added on to the target price, and the target price just kept on getting bigger and bigger, then Severn Trent in the wider sense, doesn't win. Because it doesn't have good control over its costs, it doesn't have certainty of cost, which means it's paying more for the money it borrows to invest. So I suppose on the scope issue again it's making sure that the discussions take place early and to fully identify the scope or to have identified it sufficiently that you've got that certainty of cost. So any scope change, because there can still be scope change which doesn't necessarily result in increased cost, any scope change doesn't mean that one side or the other are losing.
TP	No, no. And also the previous interviews both said that you have got to look at the bigger picture, because they said in some cases the scope reduced, which had been priced, and we didn't end up doing it, so there were savings there. So you might win on one project but lose on another. So they said you have got to look at the whole programme of works really.
DM	You do and that is sometimes difficult when you are responsible for one project and you know, people do get emotionally attached to these things so they're like why's it my project that's looking a bit dodgy, whereas over the programme if everyone is winning then hey it's alright, isn't it?
TP	Would you say that Severn Trent ever convert to cost driven behaviour, which would kind of go against the partnering ethos? Does that ever happen?
DM	What do you mean by cost driven behaviour?
TP	Well, in partnering you're meant to be getting on together, you're not trying to get one over on the other partner, but some clients especially in the recession may be trying to drive down the contractors' costs – it's definitely happening in the Welsh Water framework – because they can really. They see that the recession is here, there's a chance to get some of their money back or get a bit more controlling over the contractor, which doesn't really go with the whole partnering ethos – you're meant to be fair with one another. So would you say that Severn Trent has ever tried to force down the contractor's costs? Unfairly obviously, you can always strive to make efficiencies...
DM	I'm not sure to be honest with you. Severn Trent certainly try to drive down cost. There is no denying that. Is it unfair?
TP	Well is that a deliberate attempt to try and screw the contractor over as such? Or do you just think its good commercial management of the company?
DM	I'm pretty confident that it's not deliberately to screw a contractor because Severn Trent, I can say with confidence, understands the benefit of those long term relationships. We're not going to get best value and good quality plant being built by screwing a contractor. It's just not going to happen. Whether Severn Trent if you like uses its buying power to drive down cost or to try and push the boundaries a little bit... probably. But is that just commercially aware?
TP	That's something that we will come onto later.
DM	Its business at the end of the day and at the same time, Severn Trent through its regulatory contract and determination that OFWAT makes, has its cost squeezed also. One way of making sure that Severn Trent finds efficiencies is by squeezing the costs in the supply chain.
TP	Well a previous interview did say that he knows that Severn Trent want the contractors to make profits, for exactly the same reason that you've just said because if they screw us it doesn't benefit anyone really.
DM	Well no and you know, we had contractors go bust.
TP	Was that due to Severn Trent being...
DM	No, no, not necessarily, but you know in the 1990s when things were a lot more adversarial... where am I leading with this? You're not going to find efficiencies by seeing contractors fall by the wayside.
TP	So you need them to stick around for the long term to build those efficiencies...?
DM	That's right. And you need contractors which are generally in good health to make sure that they have the best people, that they are investing correctly in the training and all those sort of things, to make sure you're getting the best product and also through having the best people and having the training you can continue to find further efficiencies and improvements for the industry as a whole.
TP	That's a good answer! Equity and equality then, would you say as a general rule AMP 4 was fair prices and fair profits?
DM	Yeah I think so. I'm not sure if I can substantiate that very much other than I didn't see anything that was particularly unfair.
TP	No, I suppose it is hard to substantiate. But as a general rule, did both parties seem happy enough?
DM	Yeah.
TP	Ok, well this is where... my last question on this particular subheading is, are partnering and frameworks just a term for buying power? And you touched upon it a minute or two ago, do you think Severn Trent can use that lure of five years of work to get what they want from the contractor really? Do they use it as a contract negotiation tool?
DM	Undoubtedly, undoubtedly. But it goes, you know, if you look at that in isolation then you don't get to see the benefits to both sides having the five year agreement in place. As I said building the relationships and certainty of work and the increased expertise of the people in the teams you know, it's more than just buying power isn't it?
TP	It is... I won't ask any more on that as we covered it quite well before... Mutual trust, quite simply, does mutual trust exist would you say between Severn Trent and Morgan Sindall?
DM	Generally I think so, yes.
TP	How is it shown?
DM	How is it shown?! That's the obvious question... How is it shown...? Certainly in dealing with issues that arrive on projects, I believe there is open honesty in the discussions that I had. I don't believe that anyone is trying to hide anything from anyone else.
TP	I mean there's open book accounting on Morgan Sindall's part...

DM	There is although that is driven by the contract to some degree. But yeah... it's quite a difficult one to answer...
TP	I'm still trying to think how it may have been shown. The message from the Morgan Sindall interviews just said that we give you everything that you want really and that we work together, if you ask to see something then we give it to you...
DM	Yeah well that's right. Nothing has ever been hidden.
TP	Do you think that mutual trust is important then for partnering or frameworks to work?
DM	Absolutely.
TP	And you just touched upon it yourself, one of the questions that I came up with was, are there any concealed motives?
DM	Are there any concealed motives? No I don't think so, well certainly not deliberately.
TP	Well you just said a second ago that you don't think that anything is being hidden. I must say it doesn't seem as if anything is hidden to me. Ok so moving onto the last three bullet points there, I've grouped them all together there... effective communication, openness and sharing information and sincere co-operation, are these as a general rule evident? Can you think of any examples?
DM	Generally yes to all those. Examples... I suppose it's in the delivery of projects in AMP 4 then any issues then just pick up the phone. I think I suppose looking how we are set up in AMP 5 with co-located offices, then communication is even more effective. I mean communication is just one of those things, isn't it?
TP	Do you think that communication is good between Severn Trent and Morgan Sindall?
DM	I believe generally yes it is.
TP	Does it work both ways? Is it always Severn Trent telling Morgan Sindall things, or is it working both ways with both listening?
DM	No, I'd say it works both ways. I think sometimes, sometimes in AMP 4 Morgan perhaps needed to challenge a bit more. There's always that, not parent and child that's a bit extreme, but when you've got an important client and a contractor then there's always a bit of, well tell us what you want, when really it should be, no, especially in the M&E element where Morgans are the designer, as designer you tell us what's best. You know, I'm not going to tell you, you tell us what's best.
TP	I think the lack of challenging, particularly in years 4 and 5, was because they didn't rock the boat ahead of AMP 5...
DM	Yeah...
TP	So the buying power comes into it again there.
DM	It does. But that's not always for the benefit of Severn Trent. You know Severn Trent needs to be able to listen as well and perhaps haven't listened as well as they should be. Although again I believe that is down to individuals and their particular attitudes and behaviours I suppose.
TP	Ok so before we move onto the benefits, sincere co-operation, can you think of any examples? One that I came up with is maybe not referring to the contract at every opportunity...
DM	We do very little referring to the contract to be honest with you. Sincere co-operation... I suppose it's around, well you get to see that where there are issues, so it's around scope and understanding of scope, what we thought we were building and perhaps what we need to build... I think this answers the question, I've seen Morgan Est as they were, accept change in scope where it has cost money and at the same time I've seen Severn Trent remove an item of work that was in the order of a quarter of a million pounds and again without any change to the target price. I think that decision was made over a programme basis, rather than just that particular project.
TP	That's a good example! Well I'll move onto the benefits now... One of the main benefits that I read about for partnering was the cost savings that can be achieved. One paper reckoned you can achieve up to 60% cost savings through partnering being adopted. I'm not saying for a second that Severn Trent and Morgan Sindall have achieved that, but have any cost savings been achieved through working together?
DM	I think the difficulty is how you measure that, it really is. You can argue that there must be costs savings because Morgans aren't having to price, I don't know what the ratio may have been in AMP 2, but say four projects for every two then win, or every one they win you know, so there are cost savings there, which if you're saving costs in that bit of the business then you can offer the delivery of other schemes at a slightly lower price. There must be cost savings through undertaking similar works, so you've got the same project team moving from one scheme to another, they learn from one scheme and apply that learning to a new scheme to gain efficiency and therefore cost saving. However, as I said, it's how you measure that because unless you run a different contractor in parallel but in a completely different way where they are tendering for everything and not partnering and building those relationships and all the mutual trust, effective communication and all that we've talked about, how do you know?
TP	Well that's one of the criticisms that I've been thinking of. It's very hard to compare partnering with traditional forms of procurement... Do you think Severn Trent, I don't know, but I would have said that Severn Trent have made some savings because of the whole fixed price thing, that has stayed the same and in some instances you've got increased scope, so you must have saved a bit of money there...?
DM	Probably, but again, how do you test? Because unless you take an almost identical sewage treatment works for example, with exactly the same scope, how do you know with that fixed price is, you know, could have been much bigger than the actual cost or was it lower than actual cost? And your actual cost, how much efficiency or inefficiency has gone into that? It's almost impossible to know.
TP	Just to summarise then, are you saying that you think it is very hard to extract the unique partnering effects in terms of cost savings?
DM	I do think it is very difficult in terms of cost saving. I think where you, there have got to be advantages in quality, in understanding the product that we are all trying to deliver and if you understand the product and you understand the problems better through experience because you've done it before with each other on different schemes, then there has got to be efficiencies, hasn't there? How you measure it I just don't know.
TP	I completely agree.
DM	Other than trying to compare with a scheme that maybe you did two years ago with one that you are doing now. But there is the issue and you've touched on it, that throughout AMP 4 and it happened in AMP 3 there's a sort of acceptability of standard changes, it varies. At the beginning of AMP 3, which was a very onerous determination on the water companies by OFWAT, we set off with there has got to be no whistles or bells, and there was this phrase, just good enough, and say in the first few years, plant was delivered which being perfectly frank, wasn't quite good enough. And I don't mean, you know say a primary settlement tank was defected in someway, but it was almost the ancillaries around access and operability and providing a decent bit of hard standing, it was trying to cut costs right at the margins, and delivered something that operations just weren't happy with. So then that pendulum appeared to swing back a bit and then in AMP 4 we had this whole process review because someone lost their hand in a screen and so then health and safety priority increased enormously and that pushed the pendulum even further in terms of what was an acceptable

	standard in terms of operability and maintainability. And I think we ended up then increasing scope a bit more, and again still at the margins, to meet that higher standard, but that's got to cost more. So again how you compare something that you delivered in the middle of AMP 4 against something that you delivered in the middle of AMP 3, to say well we're now doing that at a greater efficiency, you can't because you've not got the same two things to compare.
TP	It's not apples and apples is it?
DM	No.
TP	Ok, time savings were another benefit, or quicker construction. Again in the same bit of research, it claimed that partnering can achieve 80% reduction in timeframes, again I'm not saying we've done that, but have time savings been achieved through collaborative working?
DM	I'm not sure they have in all honesty. And that's not necessarily... why do I say that...? I think construction activities take as long as they always have. You can probably argue and I think that this is probably true, that if you've got good collaborative working and you're discussing the risk and issues with future activities on the programme, you can resolve them early and therefore you manage the risk better than shit happening on site and then having the programme extending. So in that way, yes you save time. But in terms of the work before you get to site, are we saving time? I'm not sure we are. But that's as much to do with... I suppose the time, if you think about how we used to do things... so you'd build up a design, you'd get a bill of quantities, go out to tender, assess both tenders, you'd award a contract, the contractor would then have to get himself ready to mobilise, start placing orders, and then you'd build the works, so you can get time savings by understanding the programme fully between yourselves, identifying where you can reduce some of the delivery periods for items of plant by placing orders early, you get greater visibility of the overall programme, so you can see when schemes are going to be happening, so how you plan resource better I suppose... I'm talking myself out of my initial answer here, aren't I?!
TP	Well you can turn around and say there are time savings. You almost said exactly the same as what was said in a previous interview, he was of the opinion that time savings probably had been achieved, they might not have been massive, but because you are working together you can, instead of duplicating work, you can work together on a process and it can streamline...
DM	There is certainly truth in that. And you can undertake more parallel activities between design and procurement and mobilisation activities, so rather than all being in series, so yeah, I think I will change my first answer!
TP	That's fine! Obviously they're not going to be 80%...
DM	No.
TP	But it sounds as though from what you are saying it will be within the more preconstruction work that will shorten, which will make the whole process shorter...?
DM	Potentially, potentially. I suppose, my initial answer was on the basis that it still seems to take an awful long time from a project being initially raised, all the way through to construction. A lot of that is, there's some going round the houses in terms of finding the right solution and then making sure we have got the scope right. And as I said earlier, that's an important part. So we need the time there and it's all about risk management. And I suppose, I suppose the perception is, it takes an awful long time there but by doing that we're saving time at the end in the construction. And even if you don't save any time overall, because your construction period has shortened, and your design and pricing period has lengthened, you've got to be saving money because you haven't got all the construction plant and everything that you are paying for, you've got people in offices.
TP	Ok, quickly move onto the next one. Improved quality. I think you touched upon that earlier when you said that you've got people doing the same jobs over and over again, so that they are building up their efficiencies, they're building up their expertise and hence the quality will increase...?
DM	Yeah, exactly.
TP	So I don't think we need to say anymore on that, unless you want to...?
DM	No, what you said is right.
TP	Ok, improved health and safety. Again I've got here more familiar work. Again I think that was what you were hinting at earlier as well...?
DM	Potentially. There's the old familiarity breeds contempt. Certainly with health and safety there is the risk that you get complacent isn't there? And so it has to be reinforced again and again.
TP	But I think one of the KPIs is health and safety?
DM	It is, it is. But in terms of, I believe that Morgans has got a very good health and safety culture, and as a consequence the safe behaviours are, or what is safe behaviour, is reinforced again and again at site level and that results in fewer incidents.
TP	And also with the long term commitment, I think you said earlier with the same people, the training, it's constantly being reinforced, they know the behaviours that Severn Trent want...
DM	It is certainly advantageous, yes.
TP	Ok moving on. Another benefit was creating synergies and achieving strategic objectives. Do you think strategic objectives have been achieved through working in the AMP 4 framework?
DM	Yes, largely.
TP	Can you think of any strategic objectives that may have been achieved?
DM	I would expect one of Morgan Sindall's strategic objectives is in having a framework with say Severn Trent Water, you can demonstrate to other potential clients, your capability and therefore expand your work base, turnover and profit etc.
TP	So likewise, are we achieving any Severn Trent strategic objectives?
DM	Well that may be counted to Severn Trent's objectives, having expertise working on our projects because if you build your client base in order to... so you demonstrate your expertise by having on framework, but then to deliver to those other clients you're probably going to have to take some of these people to share that expertise and build expertise in another area. So that dilutes the expertise working with Severn Trent. So that would be the concern. You can look at it the other way though and if you've got, if Morgans have got a healthy, wide client base, then there's expertise going on in other places that Severn Trent can draw on, and learn and innovate. So yeah, thinking about it, it probably does work both ways.
TP	Ok, moving onto the next benefit. Reduced litigation and less adversarial relationships. Has AMP 4 achieved that?
DM	We didn't have any litigation so it must have done.
TP	Would you say the relationships were less adversarial?
DM	Yes.
TP	And would you put that purely down to the fact that we were working together in a framework?
DM	Yes, I think so. I think so. I'm a great believer in that it is people's attitude and individuals' attitudes. So the people that

	I have met in Morgans are not the type that want to be adversarial. And to be honest you don't see that many people in the water industry now. The danger there is that you have people who are perhaps a little bit less commercially aware. And so as a consequence you can, between us, we don't necessarily exploit the efficiencies that might be there.
TP	Ok, do you think the way AMP 4 worked, there was less opportunistic behaviour from both Severn Trent and Morgan Sindall?
DM	Yeah.
TP	Right ok. And this is quite similar, the final benefit that I came up with was better relationships and increased satisfaction all round. Were you as the client satisfied with Morgan Sindall and the way that AMP 4 went?
DM	Hell yes.
TP	I know that Morgan Sindall were happy with the overall performance. Can you think of any other benefits that stemmed from AMP 4 and working together?
DM	I'm sure we have covered most of them.
TP	Ok, I'll move onto limitations. One major limitation that I came across in my research was a failure to adhere to the basic partnering characteristics that we've talked about. So things such as distrust, uneven commitment, lack of open and honest communication, has any of that been evident?
DM	No, no, I don't think so, I don't think so. I think one of the limitations that I would say can exist, and I suppose it is down to communication, and it's when you are working together then responsibilities and accountabilities can become a bit blurred. That's how you can end up with one side compensating for the other. And that can be fine as long as people fully understand that you're responsible for doing that, and you're responsible for doing that, overall you are accountable for that, and on individual projects we can even vary that slightly as long as people fully understand. So maybe sometimes you have to formalise that, and I don't mean through the contract, but just have it written down, who's doing what? When is it expected to be completed by etc etc? Whereas it can be a little bit too cosy where yeah I'll do that for you no worries, and then if you don't, yeah but you were supposed to be doing it anyway... So it's just making sure that those responsibilities are fully agreed.
TP	So overall do you think that the responsibilities that we've discussed, do you think it's been worked out by both Severn Trent and Morgan Sindall?
DM	Yeah I think so.
TP	Ok and this is similar to the first limitation, indifferent and inflexible clients. One way I thought I'd illustrate this was maybe, well clients sometimes put too much emphasis on things that don't really matter and not enough focus on things that do matter. For example on AMP 4, Severn Trent were responsible for the civil design and sometimes we would start procuring or going ahead with a design and the design would suddenly change slightly, which would incur cost, extra time... So sometimes it seems that clients don't fully understand that that is something quite important to get right and they can be a little bit inflexible or indifferent towards the main contractors' needs. So does anything like that happen? Also bureaucracy can come into it as well...
DM	Bureaucracy does come into it.
TP	So would you say Severn Trent have been indifferent or inflexible?
DM	I don't think that they are necessarily indifferent. I think Severn Trent can be inflexible insofar as its procedures and processes shackle its individuals. However, if you allow more flexibility, going back to what I have just said, you've got to have full understanding of who's responsible and accountable where.
TP	Ok, the next limitation, well it's funny that you said parent and child as that was exactly what was said in a previous interview. But two analogies that I came across were master and servant and owner and slave, both centring on perhaps an abuse of power. You said it wasn't quite as bad as parent and child, whereas I think Morgan Sindall did say at times it did feel a bit parent and child. You're of the opinion that's not really happening in our relationship?
DM	I didn't say it's not happening, I think it does happen to some degree. But both parties have got to be aware of it. People in Severn Trent need be aware of it and think are they sort of promoting that behaviour? People in Morgan Est also need to stand up and challenge.
TP	It is a two way thing then?
DM	Absolutely, yeah.
TP	Yeah, I think Morgan Sindall is probably aware of that. You made that point about the M&E stuff earlier, I hadn't really thought of it from that point of view. We should be advising you at times, rather than you telling us. So do you think as the master, as the owner or as the parent, do you think that Severn Trent do hold the advantage in contractual negotiations?
DM	Probably. I don't think it is a huge advantage. Ultimately Morgan Sindall or whoever could turn around and say, you know what, not interested. It's a huge decision because it's a big wedge of turnover that you would be saying goodbye to. I think there is probably a little bit...
TP	Would you say whether there is an abuse of power from Severn Trent? I know abuse is quite a strong word...
DM	There's probably... yeah abuse is too strong a word. There's some taking advantage of that slight power difference...
TP	Is that just because this is business?
DM	I think it is. If you think back to AMP 4, there were changes in target price, in the cost curves that build that target price, where in 2007, 2008 there were some quite large inflation on some commodity prices like steel, then it was recognised and as a consequence, the cost curves were lifted to accommodate that.
TP	It's sincere co-operation again!
DM	Yeah, I don't think that the slight power difference was a huge thing.
TP	Ok moving onto economic realities. I think we touched in this earlier. It is a commercial buyer seller relationship, do Severn Trent realities to compromise on the partnering attitude or partnering ethos?
DM	What do you mean by facing?
TP	Well I'm guessing from OFWAT's determination you've got less money spend, so obviously commercially...
DM	Yeah well certainly with AMP 5 it's more difficult for everyone.
TP	A good example would be Welsh Water, for those exact reasons, AMP 5 is getting a lot more contractual with Morgan Sindall, and that is partly because of the recession I think and a change of leadership at the top. Whereas Severn Trent on AMP 5, I'm not yet involved in it, but are they, well it seems to be more collaborative as we are now co-located, and that friendship if you like still seems to be there. That contractual nature doesn't seem to be there at the moment.
DM	Agreed. I think there's going to be far more stricter adherence to that target price, it should have included that work, just because you haven't got it in your price doesn't mean that you are not going to deliver it. So it's going back to getting the scope right. So I think we will see that. Whereas in AMP 4, there was a bit more work around if we can, or finding ways of payment outside the contract...

TP	Is that a commercial driver that is driving that attitude, you know just because you haven't got it in your price, you will do it...
DM	It is commercial insofar as, as a programme manager in AMP 4, I might have had a bit of fat in the amount of money that I had approved for a scheme, or in fact if I had so much money approved for a scheme and I needed some more, it was quite simple to get that approved amount uplifted. Whereas this AMP, no chance! So it's going to be a case of really, as in Severn Trent individuals, our hands are going to be tied. There isn't going to be any extra money, whatever. Whereas that scope is still going to have to be delivered.
TP	But hopefully, there will be an understanding from Morgan Sindall, which will mean that the partnering attitude is still there, it's just that you're having to be stricter, and Morgan Sindall will have to understand that.
DM	Yeah and it requires both parties to get the scope right To work better and get it right.
TP	Also on economic realities, do Severn Trent ever view Morgan Sindall as substitutable? You know, you've got alternative suppliers, some of them are already working within the framework, there must be others who aren't but they are knocking in the door, do you ever use that as a tool?
DM	The answer has got to be yes because the AMP 5 contractors that were selected, there were seven core contractors and there were four, what were they called? We'll say non-core... the intention was and it seems to have changed, but the intention was that those four non-core contractors would be invited to tender on about 20% of the programme, and they would be tendering against core contractors, because it was felt that we should be tendering about 20% of the programme to test the market to get some sort of assurance that the target prices and the cost curves were about right. But it was also made known that those four contractors would be there, so if any of the seven core contractors didn't perform in any way, there would be a swapping of roles.
TP	That to me is healthy to a certain extent, it's not always a bad thing.
DM	I think you're right, as long as that threat isn't over exploited.
TP	Would you say it is over exploited or do you think Severn Trent have got it about right?
DM	Well, we'll never know because... well I suppose we might do. I'm not quite sure of the state of those non-core contractors now because the whole strategy over tendering is going away and now we seem to be, we're now forming an alliance of core contractors to undertake work.
TP	Is that not similar to the framework though? In AMP 4 there were a certain number of contractors who would carry out all the work...
DM	It is different in that, it is almost a formal alliance of core contractors getting together to deliver a large proportion of the programme.
TP	Just briefly before we move on, on economic realities, you know how when the scope is decided and if it is in the scope and you've not priced it then tough luck, does that work conversely, so that if something isn't in the scope and you add it on, and you say you've got no budget to increase the price, but if you agree that you hadn't put it in the scope, do you have to hold you hand up and increase the TC?
DM	It depends how you describe scope. If it's... you have a problem, you determine a solution that addresses that problem, that's arguably your scope. However there could be sub-elements within that, which gets omitted from the target price for one reason or another, as far as I am concerned that is scope that should have been in there. If however you have a problem, you have a solution to resolve that problem, and then subsequently you find that problem is different, so the solution become wholly inapplicable and you need a different solution, then yes we just have to put our hands up and go back to Severn Trent board and say we got this wrong and we need more money.
TP	Ok, can you think of any other negative issues that we haven't discussed that our collaborative working may have created? Or any other limitations towards partnering?
DM	No I don't think so. Just to reiterate really, the danger is that the boundaries become a bit fuzzy in terms of responsibilities, so it is making sure that is fully understood.
TP	That is a good one, I hadn't thought of that one myself. Ok, so to close out the whole interview, can the AMP 4 framework be regarded as a success?
DM	Yeah I believe so.
TP	Ok, and can the whole partnering framework, partnering ethos be improved, and if so, how?
DM	The co-location I think is a big improvement. We did a bit of that in AMP 4. And yes I think as I said, the main thing is defining responsibilities and accountabilities better. So by all means, we're working together, we're working as one team, it appears seamless, you don't know who's a Severn Trent individual or a Morgan Sindall individual or a Grontmij individual or whoever, but when it comes to an issue arising, any one individual or one party fully understands who's actually accountable for that if you can challenge them on it. You know, we're working together, but you said you were going to do this, why isn't it done? It's just clarity.
TP	Ok, any others?
DM	I think that is about it.
TP	Ok, that's fine, that's fine. Well thank you very much for your time.
DM	No problem, I hope it has been useful for you.
TP	I'm sure it will be, thank you.