Towards Effective Governance Structures for Contractual Relations: Recommendations from Social Psychology, Economics and Law for Improving Project Performance in Infrastructure Projects

1 OVERALL CONCLUSIONS OF THE STUDY

Infrastructure projects often perform poorly. Empirical studies show that worldwide most of these projects do not perform well in terms of the criteria of construction cost, construction time, and quality of the end product.

In the first part our purpose was to draw on literature on partnering and alliancing to identify project success variables. Our second purpose was to identify the main causes of success or failure of relational contracting models. From theory and empirical findings we have drawn factors that contribute and complicate achieving project success (meeting or beating the project goals). In our review of construction management literature, we found support that the collaboration process between client and contractor is instrumental to project performance. We also distilled from literature the characteristics of infrastructure projects that make it so hard to instill and maintain a collaboration process that allows for project success. First, we found support that the adversarial nature of the sector and the complexity of the construction process make it difficult to establish relationships that allow for a smooth collaboration process. Second, we observed that disputes between clients and contractors are a major reason why they fail to achieve project goals. Conflicts tend to arise frequently in infrastructure projects as the environment is uncertain and subject to unanticipated events.

We continued with an analysis of the relational contracting models partnering, alliancing, and the instrument dispute boards. These models and instruments are developed to improve collaboration between client and contractors. Our overview of evaluations of the performance of these models in practice shows mixed results. We found that on a number of occasions partnering, alliancing, and dispute boards have brought substantial benefits; in others, they were less successful. We concluded that the main problem with the performance of these models is the fragile commitment of the parties to the underlying collaboration principles. Without management support and/or clear legal support for these models, it is hard to implement and maintain them on a project level. Our proposition based on this was that in order to achieve project success through better collaboration, the parties need to develop adequate governance structures to instill and maintain a more successful collaboration process.

In the second part, our purpose was to make recommendations based on theory and empirical findings from social psychological, economic and legal studies. For that purpose, we identified factors in infrastructure projects that facilitate or threaten a successful collaboration process. In our review of literature on cooperation, we first subdivided the general collaboration process into the different sub-processes that take place during infrastructure development and that demand collaboration between client and contractors: negotiations, relationship development, foreseeing conflict, and dealing with conflict. After that, we distilled the factors from literature that positively or negatively influence these four collaboration sub-processes. Subsequently, we derived from theory and empirical studies ways to positively influence these factors in order to optimize the collaboration process. We formulated these findings as recommendations (or propositions) for successful collaboration.
In the third part of this study, our purpose was to explore how the recommendations may be implemented in practice. First, we showed how these recommendations might contribute to project success, and categorized them by “project performance mechanism” (mechanisms used in practice to influence project performance). We distinguished recommendations by their potential to either contribute to mechanisms that encourage people to commit to project goals; to organize effective interaction and communication; to organize monitoring and feedback; to prevent bureaucracy and foster adequate decision making processes; to identify conflict; to deal with conflict, and to decrease the negative effects of adversarial tendering. Second, we distinguished the different stages in the tender, realization, and maintenance stage of the construction process. Subsequently, we categorized the recommendations based on their relevance in the stages of infrastructure development. Third, we presented the governance structures that seem most suitable to implement the recommendations at a project level.

Finally, we offered the result of these categorizations in two academic checklists. These lists are a first step in making a practical working tool to instill and maintain successful collaboration in practice. In the first checklist we suggest where in the collaboration process which recommendations may be used. The second list gives an overview of the mechanisms that we found that contributed to project success and the recommendations that may contribute to developing each of these mechanisms.

Peter Kamminga is a PON postdoctoral fellow and Associate Professor of Law at VU Amsterdam University, Netherlands specializing in negotiation and contracting of complex projects. Peter earned a LLB, JD, LLM and a PhD studying at Dutch, Belgian, US and German Universities. He has published several articles and co-authored books on claim handling, contracting and cooperation, negotiation and dispute resolution, and access to justice. In his current research Kamminga examines the influence of legal governance mechanisms on contracting and dispute resolution processes. He has a particular interest in the negotiation and contracting processes of stakeholders involved in infrastructure development and water projects. Kamminga has developed and taught several courses on complex negotiation, international mediation, contracts, and construction law.

As research affiliate/guest lecturer he is attached to Stanford Universities (Gould Center) and UC Hastings College of the Law in San Francisco. Next to his academic career Kamminga has been an in-house counsel and legal advisor at one of the Netherlands’ biggest law firms advising on arbitration cases and complex settlement cases. He has carried out several studies for the Dutch Ministry of Justice, the insurance industry, and the construction industry. Kamminga is consulting with IICC and is a trained mediator. In 2011 he was awarded a JAMS Weinstein Fellowship in recognition of his commitment to the constructive resolution of conflict internationally.

Contact:
Peter Kamminga
pkamminga@law.harvard.edu
y.p.kamminga@vu.nl