CREATING TRUST BETWEEN PARTICIPANTS IN THE CONSTRUCTION PROCESS

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ABSTRACT

The relationships between the different participants in the construction process are very often contradictory. This statement is true both with regard to the traditional contractual relationships and the more modern contractual forms. The development of relationships based on trust between clients and contractor seems difficult. In project-based collaboration relationships in the construction industry, business partners do not have time to engage in lengthy interaction processes that contribute to the development of trust in more durable organizational forms.

This article is based on research for creating trust between participants in the construction process, and the obstacles they have during that time.

Keywords: Construction company, Construction process, Creating trust, Participants, Relationships.

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INTRODUCTION

Relationships between participants in the construction projects are often adversarial and contradictory. This is true of relationships governed by a traditional contract, but also of more modern contractual forms, like design-build [1, 2, 3, 4]. Development of relationships of trust between client and contractor seems to be difficult. In the project-based setting of the construction industry business partners lack the time to engage in lengthy interaction processes that contribute to the development of trust in more enduring organizational forms [5]. As a result independent organizations that are relative strangers to each other have to engage in construction projects that are often characterized by high complexity, uncertainty and risk. In that light it is maybe not surprising that the interaction processes between client and contractor organizations are often conflict-ridden, leading to unsatisfactory outcomes of construction projects [6].

In this project-based industry, temporary relationships between organizations are established for a clear purpose: the realization of a project within a well-defined period of time. To realize a project a diversity of skills and functions from a range of organizations are brought together. Project success strongly depends on a tight and coordinated coupling of the activities of all these participants. As organizations in a project-based industry collaborate in ever-changing temporary combinations, the issue of developing trust assumes a special significance [7, 8].

1. Trust: definition and role

The concept of trust is widely discussed in literature. [9] Define trust as 'a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another'. This definition implies that trust is a state of mind, not a behavior, but that it may lead to trusting behavior [10]. Furthermore, it presupposes a condition of uncertainty which is, as observed, central to the notion of trust: '*it is related to the limits of our capacity ever to achieve full knowledge of others, their motives and their responses to endogenous as well as exogenous changes'.* On this basis, many authors have connected trust with the existence of risk [11, 12, 13]. With regard to this, it has been argued that trust concerns trusting intentions, a willingness to become vulnerable to another in a risky situation, as well as trusting beliefs, the expectation not to be harmed by the behavior of the other in this risky situation. Both factors are influenced by someone's own disposition to trust, i.e. the assumption that, in general, others are trustworthy [14, 15].

Rosseau and other authors formulated the following definition [9]: **Trust is a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another.**

Thus, trust is regarded as a psychological state, not a behavior, and it is not equivalent to co-operation. Cooperation does not necessarily require trust; it may also be induced by coercion. However, trust is considered vital to bringing about farther-reaching co-operative processes in the construction industry [16, 17, 18]. If trust is present, people can spontaneously engage in constructive interaction without pondering what hidden motives exchange partners might have, who is formally responsible for problems, or the risks of disclosing information.

Trust also has its costs—direct costs for building trust, potential costs for breach of trust and costs of inefficiency related to excessive trust [18, 19, 20]. Wicks et al. [18] argue that there is an optimal level of trust in each situation, and that the more interdependency there is between exchange partners, the more trust is required so as to achieve efficiency and not miss opportunities for improvement in the construction business.

2. Bases and types of trust

What people mean by trust and attempt to provide comprehensive descriptions of trust production, trust tends to dissolve into several phenomena, each having different bases and production processes. The trust literature review cited above [9] identified the following three basic forms:

- *Calculus-based trust* describes a rational choice perspective, where trust emerges when the trustor (the trusting party) perceives that that the trustee (the trusted party) intends to perform an action that is beneficial to the trustor. In this perspective, individuals are regarded as motivated primarily by economic self-interest, and calculus based trust is often based on the existence of economic incentives for co-operation or contractual sanctions for breach of trust. References, certificates and diplomas and other tangible information that communicate what performance and competence to expect from a potential exchange partner may also influence calculus based trust.

- *Relational trust* arises between individuals who repeatedly interact over time. Through this relationship, the involved parties obtain direct, personal experience and information that forms the basis of trust, and emotions and personal attachments influence the relationship. Indeed, the frequent use of concepts such as "vulnerability" and 'betrayal' in relation to trust indicates that strong feelings are involved and that there are psychological and social risks apart from the financial ones.

- *Institution-based trust* refers to the role of institutions in shaping the conditions necessary for trust to arise. Important institutions in this regard are legal systems and societal norms pertaining to conflict management and co-operation, as well as systems regulating education and professional practice. Institutions in the form of cultural rules influence our preconceptions of the trustworthiness of various categories of people and organizations. Consequently, the propensity to trust differs between societies [21].

Obviously, the boundaries between the above forms are not clear-cut, and the intention here is mainly to illustrate the various mechanisms and sources of information involved. Trust theory emphasizes that trust is not only tied to persons but also to circumstances. We trust a colleague or exchange partner in some situations but not in others, and decisions on whether or not to trust are continuously revised in light of new information [22]. People start a new relationship with a certain level of trust, either high or low depending on institutional factors and perceived incentives for co-operation. However, close co-operation is unlikely to take place or persist if relational trust does not develop between individuals who interact directly and intensely over a longer period of time. What kind of behavior and attitudes are likely to inspire trust in an exchange partner? Also based on a review of trust literature, Mayer et al. [23] suggested that, apart from the trustor's propensity to trust, the most important antecedents of interpersonal trust could be grouped into three categories: the trustee's perceived **ability, benevolence and integrity. Ability** refers to skills, competencies and characteristics relevant to the specific situation, while **benevolence** is the extent to which a trustee is believed to want to do good to the trustor. This aspect encompasses factors such as loyalty, receptivity and caring, and suggests that the trustee has some specific attachment to the trustor, aside from an egocentric profit motive. **Integrity**, finally, involves a perception that the trustee adheres to a set of principles that the trustor finds acceptable. Such principles include consistency, fairness, reliability, openness and a general value congruence. All three qualities—ability, benevolence and integrity—are considered to be required for trust to arise.

Fairness is often considered fundamental to trust, and Ring and Van de Ven [24] maintain that co-operation is impossible if the parties do not consider their outcome as equitable in relation to that of their exchange partners. Perceptions of equity, however, are also strongly influenced by the perceived fairness of decision processes as well as by sensitivity and respectfulness in personal relations, especially when outcomes are not transparent [25].

3. Trust in construction project relations

In construction, projects as well as the constellation of participants are unique. In the traditional model, the client appoints consultants to specify the building design in detail and contractors are then invited to tender. Lump-sum contracts are common and it is normal to appoint the lowest bidder. Still, many

aspects of the building design cannot be specified in objectively verifiable terms, and work may be hidden and impossible to inspect after the completion of the building. To avoid that contractors exploit these openings opportunistically, clients employ their own engineers to oversee and inspect site work on an ongoing basis [26].

Another factor shaping the terms of exchange is that changes are frequently made in contract documents during the construction phase [27]. Drawings and specifications always contain errors and omissions that need to be corrected, and changes in user needs or market demand often modify client preferences. Weather and soil conditions and failures in the supply of resources may also alter priorities. Thus, important aspects of construction contracts concern how changes are handled. Contractual agreements stipulate that the contractor already appointed has the right to carry out the 'extra' work that follows from specification errors or changes. The pricing of this work is cost based and not subject to competition. To improve their outcome, the contractor may therefore scrutinize the contractual documents for errors and ambiguities and exploit their monopolist position by excessive pricing. Consequently, clients are generally suspicious of contractor claims as well as of suggestions for improvements coming from contractors.

All these uncertainties make many clients feel vulnerable in relation to contractors and they then concentrate on defending their position should things go wrong rather than on establishing more proactive co-operative relations within the project organization.

4. Partnering measures in construction industry and creating trust

We need to establish the main characteristics of partnering in the construction business. According to Bennet J. and Jayes S. [28], partnering is based on three factors: mutual objectives, an agreed method of problem resolution, and an active search for continuous measurable improvements. Partnering measures typically include workshops for structured team building, joint goal formulation, and formalized systems for conflict resolution and evaluation of goal achievement. Sometimes, formal alliances or other economic incentives are considered important in reinforcing common goals.

- *Economic incentives for co-operation*- Economic incentives can be powerful motivators, especially on a company level. The prospect of high returns may push the construction companies involved to assign their best staff to the project and give it priority compared to other projects. Also, risk/reward schemes can facilitate the development of trust by encouraging open information sharing and perceptions of relative equity, particularly when the project economy is transparent to both parties. Another aspect is that social and organizational norms are influential in shaping trust behavior [29], and for individual decision makers, it is often more important that peers and superiors find the chosen strategy appropriate than that it produces optimal results [30]. In this perspective, economic incentives that promote co-operation between organizations clearly communicate that co-operation is legitimate and desired. In sum, it should be important that not too much faith is put in economic incentives, and that these do not overshadow or replace means intended to stimulate intrinsic motivation and mutual trust between the construction companies. Many partnering authors emphasize 'soft' goals and the process of joint goal setting rather than economic incentives for co-operation.

- *Formalized team building and joint goal formulation*- Workshops are key partnering measures in the construction company. Typically, an initial workshop is held in the beginning of a project to promote team building and agree on mutual objectives. During this workshop, processes of goal formulation and project planning are intertwined with team building processes. In particular, it is considered important that all participants express their own goals and the consequences these entail for the other parties [28, 31, 32]. This kind of communication provides a deeper understanding of the project's overall goals and of the difficulties and possibilities involved. In a trust perspective, this should mean that the integrity aspect is strengthened as common frames of reference are established. Also, the need for inspection routines and monitoring roles manifesting distrust is reduced. Partnering literature often recommends that explicit objectives should be formulated not only for cost, time and quality aspects, but also for relations and work processes in the construction business. Such 'soft' goals can be that participants will

treat each other with respect, communicate promptly and openly, solve problems quickly, and in general try to help all project actors reach their goals.

- *Systems for problem solving and continuous improvement*- Other central partnering elements are systems for achieving continuous improvement and conflict resolution. These systems all formalize, plan and structure the relations. Regular follow-up workshops, evaluations and cross-discipline teamwork are important elements of the construction business for building trust between the participants in that area.

CONCLUSION

Creating trust between the participants in the construction industry is of great importance for the successful realization of the goals. Establishing and maintaining trusted business relationships are complex and difficult to pursue purposefully, due to the fact that the industry is based on projects that create temporary relationships between organizations for a certain period of time. To avoid that the participants in the construction process must use the partnering measures in construction industry to avoid any lack of trust and cooperation in their projects in the present and in the future.

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