

Draft
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WHEN PARTNERING DOESN'T WORK (WELL)

An Analysis of Less Successful Partnering Cases

**Prepared for the
U.S. Army Corps of Engineers**

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Why a Study about “Less Successful” Cases?

Often, when projects go very well, it isn't possible to isolate those factors that made them a success. Many of the factors that make a project a success may not even be in the control of the immediate people involved, so it is hard to isolate the value of any one thing people did. As a result, it's sometimes more useful to look at cases which were not entirely successful, to see what differences there were between the successful cases and the less successful cases.

The U.S. Army Corps of Engineers has made a significant commitment to the use of a technique called “partnering” on projects involved multiple parties, such as contractors, subcontractors, or other governmental agencies. Partnering is designed to break down the organizational barriers that block performance, and empower a team representing all the organizations to implement the program in a way that maximizes the resources of the participating organizations. It is a tool for creating the spirit of teamwork even though the participants represent different organizations and interests.

Research shows that partnering reduces costs, shrinks delays, and preserves working relationships between the organizations. But sometimes it works better than others. The case studies reported here were cases where partnering appeared -- at least on the surface -- to be less successful. The purpose in analyzing these cases was to illuminate “lessons learned” that could be applied to future partnering efforts.

These case studies are based on a series of phone interviews with Corps personnel and officials of contractors involved in the actual cases. Names have been dropped and other identifying characteristics of the case have been changed so that the full attention will be on what was learned. In the spirit of partnering, the goal is to “Fix the problem, not the blame.”

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THE SPILLWAY CASE

Background and Chronology

The Spillway Case involved a \$30 million dollar addition to an existing dam. The site is an isolated rural location.

Here's a brief chronology of events on the project, and the partnering process that was used:

1994

- Bids were submitted in October 1994, and the procurement process was expedited, so that work could begin in time so that an endangered species of birds would become accustomed to the sound of construction equipment before mating season began.
- The ABC Construction Company (a fictitious name) was awarded the contract, and a pre-construction conference was held at the end of December. ABC is a large firm, with excellent financial and management resources and a good reputation. ABC management has also been an enthusiastic supporter of partnering.
- The Corps expressed an interest in partnering in the Request for Proposal, and ABC accepted the offer. Because the Corps did not have a Resident Engineer on site, the partnering workshop was postponed for approximately four months.
- There was a "transition meeting" in which members of the Corps design team met with the on-site team from both Corps and contractor to explain the rationale behind the design specifications.

1995

- The partnering workshop was held in April 1995. Most participants remember the session as both "typical" and reasonably successful. An agreement was made to conduct monthly partnering sessions for on-site personnel, including completion of an evaluation scorecard, and quarterly meetings including senior management.
- ABC began work on the project, but was impeded by an extremely wet rainy season.
- Problems arose almost immediately among the on-site Corps/ ABC personnel. ABC's on-site Project Superintendent, was perceived by the Corps as extremely aggressive and domineering. The Corps'

Resident Engineer was inexperienced in his role, and was reported to be “very nice but unable to deal with confrontation.”

- In bidding the contract, ABC made several assumptions about how the work would be done. The specifications called for checkerboard placement of concrete to reduce cracking. ABC had completed a similar project for the same Corps District several years earlier, and had used lane paving of the spillway, which had produced a produce that both ABC and the Corps found fully satisfactory (and cheaper) on that project.

ABC did some quiet checks with acquaintances in the Corps who were not involved in this immediate project to determine whether it was likely that the Corps would accept lane paving once again. Based on those conversations, ABC made a decision to submit its bid assuming lane paving, even though the specifications required checkerboard paving. ABC also conducted test drilling and identified a source of “select impervious material” on the site that the RFP specified was to come from an outside commercial source, and bid assuming they could use the on-site material.

Ultimately, the Corps was unwilling to permit ABC to use lane paving. The Corps permitted ABC to use the on-site material but requested a credit because it produced a cost-savings not anticipated in the RFP. ABC and the Corps disagreed on whether there should be a credit, or how much it should be.

- The first major delay occurred in September - October 1995 when problems arose around the work of a specialty subcontractor and different site conditions than had been expected. There was a 12-week delay related to this. The claim related to this issue has not yet been resolved.
- During the later part of 1995, ABC decided it had to take steps to change the personnel on site, and it replaced its Project Superintendent.
- Soon thereafter, the Corp’s Resident Engineers and his Deputy both took jobs at other locations.
- At some point during this period, the Corp’s Area Engineer and ABC’s Regional Manager (the senior ABC manager assigned to the project), held a one-day meeting in which they each meet with the “other side’s” staff and listened to their complaints, then compared notes.

- There was a temporary Resident Engineer for a few months, until a permanent Resident Engineer could be assigned.
- After several weeks on the job, the new Resident Engineer fired ABC's Quality Assurance Manager.

1996

- In April 1996, during anchor drilling, the first hole collapsed. The Corps had specified the drilling method, but it proved inadequate. A specialty contractor had to come in using an entirely different type of equipment. This caused significant delays, because the anchor drilling was the critical path on the schedule. ABC and the Corps are in strong disagreement on compensation for the delay. When they were unable to agree, ABC proposed the use of an outside neutral advisor, splitting the cost. According to ABC, the neutral expert's recommendation came close to ABC's figures, but the Corps was unwilling to accept his recommendation. This claim is still pending.
- Monthly and quarterly partnering meetings continued throughout the entire process.
- The project was completed in December 1996. A barbecue dinner was held on-site, with both Corps and ABC staff, to celebrate completion.

THE VALUE OF PARTNERING

The individuals interviewed were asked to rate the partnering process on a scale of 1-10, with 10 meaning "outstanding." Their scores ranged from 0 - 6.5, with a mean of 3.4.

Generally, people at higher levels gave the highest scores for the partnering process. In fact the Corp's Area Engineer stated that his relationship with ABC's Regional Manager was the best he'd ever had with a contractor. He rated the partnering at 3.5 down at the ground, but at 7.5 between himself and the Regional Manager.

All but one individual said that the project, no matter how troubled, had gone better because of partnering, although not necessarily much better. The most frequent reason given was that partnering provided a communication channel which led to quicker action to resolve the personnel problems that plagued the project. Several commented that given the cast of characters they would have had problems no matter what. But partnering helped with resolution, and with timely elevation. Another individual commented that he would have rated the partnering process at 0 initially, but it got up to about a 6 towards the end.

Another say that the partnering had to go to extremes -- "into the overtime period" -- to work, but in the final analysis it helped to get things resolved.

The two negative comments about partnering were: (1) partnering provided "another chance for the contractor to try to get out of performing to the specs," and (2) the partnering concept got in the way of quality control discussions.

ISSUES

Here are some of the explanations offered for why the process did not go well:

Staffing

Virtually everybody acknowledges that the mix of personalities originally at the site just didn't work. Had the Corps had a Resident Engineer who was more willing to be more confrontational, things would have come to a head faster and been resolved sooner. Each "side" had one other very difficult personality who eventually left before things began to be resolved.

ABC perceived the Corps staff at the site as generally inexperienced and lacking knowledge about this kind of construction. ABC acknowledges problems with their Project Engineer, but believe they acted in good faith to get the problem fixed. They point out that the Corps did not act promptly to remove its problem people.

The Corps acknowledges that it had difficulty getting an experienced Resident Engineer. Because of the remote location, some of the Corp's best engineers refused to go to the project. The Corps also acknowledges that another key person was on this project because of personality problems with prior supervisors. The Corps is admittedly constrained in its ability to act quickly to resolve personnel problems.

ABC also saw the Corps has having no one clearly in charge. They felt that authority was always shifting around, and the Corps did not give people on the ground the authority to make decisions. The Corps said that because some of its staff on the ground were inexperienced, there was more involvement from the Area and District offices than there might otherwise have been.

ABC's Bid

ABC did gamble that the Corps would accept its proposal to use the lane paving that had worked so well on a previous project. Corps staff continue to feel that the differences in the site justified their decision. ABC also gambled that the Corps would accept on-site materials (which the Corps did, but asked for a credit from ABC).

From the Corps perspective, the fact that ABC came in expecting major accommodations set the tone for the contract. Several Corps people expressed shock at a statement by an ABC Vice President that ABC had not bid to the specs, but assumed the lane paving construction method. Others reported a conversation between a senior Corps Official and the ABC Regional Manager in which the Regional Manager asked if the Corps was “really” going to partner on this project and the Corps official replied that they certainly would so long as ABC had bid to the specifications.

The Corps saw ABC as always out to cut an edge to make a buck, although they acknowledged that ABC ultimately seemed concerned about the adequacy of the product. In a number of instances they felt ABC didn’t understand all the reasons for a specification, but when the Corps wouldn’t change the specifications, ABC people would get very upset and accuse the Corps of being rigid. Another factor influencing Corps behavior is that years of consultation and discussion, involving many parts of the organization, go into Corps’ specifications. This results in people feeling that they have less freedom to change specifications than a private contractor might have.

ABC perceived Corps’ staff as very rigid. They saw the Corps as willing to do nothing for the convenience of the contractor, even if it didn’t cost the Corps anything. They contrasted the Corps’ behavior on this project with that on other Corps’ projects and on projects for other government agencies.

Attitude Towards Partnering

Both sides saw the other as having a distorted view of partnering. Both sides also saw senior management from both organizations as committed to partnering, but not the on-site staff.

All the Corps participants who attended the partnering workshop remember ABC’s on-site Project Superintendent as saying something in the partnering workshop to the effect that: “I’ve done this for 30 years, just get out of my way and let me get the job done.” At the time they chose to ignore the remark, but later came to believe it was prophetic.

Corps staff characterize ABC as using partnering as a club to try to force changes in specifications. They believe ABC sees partnering as a way to make the project easier for the contractor. The Corps District sees partnering as dealing with the gray areas about how to go about meeting the specs, not as a way of changing the specs themselves.

ABC believes the Corps is hung up on the specs, and that when one guy takes a stand, everybody just rallies around without questioning whether that stand makes sense. ABC believes that partnering focuses more on whether the product is good and does the job. If there's a method that would do as good a job, even if it's not in the specs, then, in a partnering relationship, it should be considered.

Management on both sides felt some frustration at being able to get its own staff on-site to work in a manner consistent with a partnering process.

Partnering Workshop

Generally speaking, people were satisfied with the partnering workshop. Several participants have participated in a number of partnering sessions and they thought it about average, neither exceptionally good nor bad in comparison to others.

ABC expressed concern that the partnering workshop took place four months after the project started. The reason for this is that the Corps did not have its Resident Engineer in place until then. ABC staff wonder whether this delay contributed to the problems on the site. Corps personnel did not feel this delay made any difference.

There were comments that the partnering session was very large, involving 35-40 people.

Follow-Up Sessions

Both the Corps and ABC were very diligent in attending monthly and quarterly follow sessions, and management on both sides made a significant commitment of time to address problems that arose.

Scorecard

During the partnering session, a commitment was made to use an evaluation score card in on-site monthly meetings, and also in quarterly meetings between the Corps Area Engineer and ABC's Regional Manager.

Use of the scorecard on-site did not turn out to be helpful. It degenerated into a bitch session each time. Upon reflection, this was probably because the scorecard was used to evaluate each other, not the relationship. The evaluation should really be focused on "how we are doing" not each other's deficiencies.

The scorecard did not prove effective at the senior manager level either because -- since they didn't have direct experience of what was going on at the site -- their evaluation was based solely on what their staff had told them. Senior managers did find value in talking about how they were doing at their own level.

Another individual commented that all the evaluation focused too much on whether they have problems, not how well they were working them out. The emphasis should be on the process, not the fact that problems arise. On a big project like this, problems are inevitable.

Best Value Contracting

One individual, who has worked in the private sector as well as for the government, suggested that partnering really only makes sense if it is teamed with "Best Value Contracting." Best Value Contracting does not require the government to accept the lowest bid. The government is able to look at the personnel, management plan, and resources of the bidders and take that into account in selecting the winning contractor. This creates a better climate for partnering because the contractor is not totally driven by price, and weight can be given to providing top-notch personnel.

ABC Construction would still have been a strong competitor under Best Value Contracting, but might have been under less pressure to gamble that it could get changes on specifications. Several Corps managers commented on what they perceived as efforts by ABC to cut corners on the project. They described ABC's work force as poorly skilled and were surprised at the lack of equipment supplied by ABC. They attributed this in part to the remoteness of the site, which made it hard to get workers. But also said that the low-bid procurement process pushes contractors into this.

The individual advocating Best Value Contracting said he was very surprised by what he found at the site because ABC was a firm with huge resources and an excellent reputation. But this project left a very bad taste in his mouth because of the poor workers, lack of equipment, and scrimping on the safety and quality assurance programs.

INNOVATIONS

There were two innovations during the project. The first was the "transition meeting," in which design staff were brought to the site to discuss the reasons behind the specifications. This was intended to make a better transition between the people involved in the design of the project, and the people involved in construction. In this particular case, the meeting did not seem to make a

difference. But the manager who set up the meeting continues to think it is a very good idea, and will be using the technique on future projects.

The other innovation during this project was the session in which the senior ABC manager sat in with Corps staff and listened to all their complaints, and the senior Corps managers sat in with ABC staff. Both managers saw this as a very useful meeting, and would use the technique again as appropriate.

THE NEW OFFICE BUILDING CASE

Background and Chronology

This project involved the construction of a very large office building -- 640,000 square feet -- under extremely compressed time limits. The client organization (the organization that would occupy the building when it was finished) was moving from a base that had been closed, and was required by law to be off the base by a specified date. The Secretary of Defense had made a public commitment that the date would be met. Moving the organization temporarily to an interim facility was not considered an option either politically or from a cost perspective -- it would have cost at least \$30,000,000 to house the organization in an interim facility. The client required extremely sophisticated communication capabilities, so the construction itself was more difficult than a normal office building.

1992

- Construction began in October 1992. The project was scheduled for completion in three years, at an estimated cost of \$189 million.
- The design of the facility had also been completed in a very compressed time. As a result, there were problems with the design that showed up during construction and provided a basis for numerous change orders and claims.
- Corps staff report that there was some anxiety when it was announced that the XYZ Construction was selected. This firm had built another major building in the area for the Corps, and there had been lots of claims and the Corps saw this contractor as very litigious. So the Corps was somewhat anxious, but determined to make the project work. In actuality, XYZ was not the only prime contractor on the job, although its contract was for approximately \$100 million. Additional contracts were issued for the very sophisticated communications work, for office furniture (which was a \$14 million contract all by itself), and for moving the client from its old offices to the new building.
- XYZ Construction accepted the Corp's offer to use partnering.
- The initial partnering session included XYZ and representatives of all responsible parties on the government side (a fairly sizable group which included the Corps, the client organization, and officials from the garrison commander's office). No subcontractors participated, nor did the other prime contractors. Most participants in the partnering workshop described it as a "typical" partnering session. However, one Corps participant observed that the first inkling of future problems

came during the first session. He felt the contractor came into the session as if it were a negotiating session, with a list of things they wanted the Corps to do for them.

- The Deputy Garrison Commander (a civilian) also set up a partnering process where representatives of all the government entities met regularly to resolve issues. At the project level, all entities met weekly, at a higher level they met monthly, and still higher they met quarterly. While serving as the “champion” of partnering for the governmental entities, the Deputy Garrison Commander had no involvement with XYZ Construction. That relationship was left up to the Corps.

1993

- According to Corps’ participants, the partnering process went exceptionally well during the first year. At the end of the first six months there was a one-day refresher session. At the end of it, everybody was feeling very good about each other.
- However, shortly thereafter, XYZ’s Project Manager quit. Corps staff claim he told them he was so frustrated with XYZ management that he quit in disgust.
- Corps’ staff report that when the new project manager came on board there was an immediate change in style. There were a number of formal requests for Information, instead of things being handled informally, and the Corps perceived the new project manager as “building a paper wall.”
- A number of significant disputes arose very quickly, particularly about environmental issues -- at one point there were even threats from the garrison that the Area Engineer would be thrown in jail because of the environmental problems on the job. The Corps perceived XYZ as being totally non-responsive to its efforts to get these issues resolved, and saw the entire relationship as going down hill from there on.
- From XYZ’s perspective, their biggest problem was that they would submit change order proposals but would never get an answer. They were doing the work, but the Corps didn’t give them timely responses to their proposals, so they couldn’t get paid for the work. They saw this as undercutting the entire partnering process. This hurt not only XYZ, but also all its subcontractors.
- There was one more six-month partnering refresher session. The XYZ project manager participated, but no one from XYZ senior management attended. There was an effort to grade the partnering

relationship using the charter goals as a basis for grading. XYZ graded the partnering process considerably higher than did the Corps. The XYZ Project Manager thought the session ended with good feelings. Corps staff saw the session as so conflictual and antagonistic that they dropped any mention of further follow-up sessions. The client representative also saw the session as full of tension.

1994

- In February, the client representative moved physically into the on-site project engineering facility, sharing it with the Corps.
- The Corps seriously considered firing the contractor, but felt trapped by the time pressure to complete the job. Months would have been lost getting a new contractor on board. The contractor, on the other hand, perceived the Corp's project engineer as rigid and utterly unreasonable.
- The relationship between the Corps' project engineer and XYZ's project manager had become so bad that the client representative assumed a more significant role in resolving conflicts. Towards the end of the project, there were many issues resolved informally between the client and XYZ which the client would then communicate to the project engineer for formal documentation. (This level of client involvement in Corps projects is extremely unusual). The client organization was highly motivated to get things resolved, even if it cost more money, because of the political and economic costs of not completing the project on schedule.
- At one briefing the Deputy Garrison Commander had to stand up and tell an audience including seven general officers that based on the then current level of completion the project would not be completed on time. He was informed that this was not a possible answer.
- Because of the high priority for the project, many change orders were written, and the client made funds available for these changes.

1995

- Normally, the contractor would complete construction, then other contractors (such as communications, furniture, and movers) would be permitted into the building. In an effort to complete the program on schedule, XYZ, the client, and the Corps agreed to a plan to complete some portions of the building first, and let other contractors begin work in those portions of the building while XYZ was completing other portions. At the very end, the client was actually occupying some

portions of the building while other portions were still under construction.

- During the final rush to completion, disputes arose among the various subcontractors, between XYZ and its subcontractors, and between the various prime contractors. One fight broke out. The employee of one subcontractor urinated on new office furniture because he believe he was being rushed too much by the furniture installers. There was also some theft, with each contractor or subcontractor blaming the other.
- The building was occupied in September 1995, on schedule, having passed all inspections.
- The building itself has won prizes, and everybody acknowledges that the building itself is a resounding success. The Deputy Garrison Commander won a prize as the outstanding civilian employee of the year in his Division..
- There were approximately \$10 million in recognized change orders issued during construction (about a 10% cost increase, undoubtedly due in good part to the hurry-up on design and the tight deadlines). This involved 650-700 change orders, most for small amounts. There are still \$4-6 million in outstanding claims, primarily with four subcontractors. There is no litigation pending.

The Value of Partnering

In this case, the assessment of the worth of partnering differs significantly based on who's doing the assessing. The Deputy Garrison Commander, who had little to do with XYZ Construction, believes partnering was a major success. It wasn't easy, but it gave him the leverage to pull together 5-6 governmental entities, each with a different sense of vision, and complete a gigantic task with an almost impossible schedule. The client representative, who came on the scene later in 1993, questioned whether there ever was a partnering agreement in place. If there was, she claims, the groundrules certainly weren't very clear and they fell apart when the pressure increased. Her agency wants to use partnering more, and is considering this case as an example of what they want to avoid. The Corps project engineer says that "it could have been even worse without partnering," but adds that he doesn't think it will ever be much better "with a company like XYZ." His boss rates the value of partnering on this project in the low mid-range, although he is a strong supporter of partnering generally. A senior manager from XYZ considers the overall project to be a success, but gives partnering between XYZ and the Corps a 1-2 on a scale of 10. XYZ's Project Manager rates it a little higher, about a 4, and describes it as "not a total bust, but below average." He adds that it probably would have been worse without partnering

Issues

Here are some of the issues people raised for why partnering did not work as well on this project:

Taking the Contractor's Past History Into Account

Corps staff reported they were worried when they heard XYZ was the low-bidder because of its history on a previous project. There had been numerous claims on that project, and XYZ had a reputation of being adversarial. But government contracting procedures require acceptance of the low bid. So long as the contractor's behavior is legal, the fact that the contractor is rumored to be adversarial cannot be taken into account. There would be the danger that unfounded and unproved rumors could influence contractor selection.

Processing of Change Order Proposal

XYZ is extremely bitter about the manner in which the Corps processed change order proposals. There were as many as 650-700 change orders on the project, so large sums of money were involved. They would submit a bid and hear nothing for months. They wouldn't know whether the bid was disputed or not. Under Corps procedures, the individual who reviews these proposals is not the person who authorized the change order, so this individual has not past history on why the change order was needed. As XYZ describes it, their first communication with this individual would be 6-8 months after the proposal was submitted. The first thing this individual would say was: "I don't have all the documentation on this, can you fill in the gaps." They would spend most of the first meeting educating this individual. Often he did not even have full documentation, and then would spend part of the meeting just photocopying basic document. Then the Corps' representative would go away and review it, and they would wait to hear his response. XYZ acknowledges that the problem seemed to be Corps staffing. The individual who processing proposals was first hired as a consultant, then he became a full-time employee. The District Office also sent down some staff, when XYZ went to the District Engineer and complained. But XYZ feels it should not have had to go to the District to complain. There should have been some Corps employee who cared that things weren't getting processed, and who would have notified management that there was a build-up of unprocessed proposals.

XYZ makes two recommendations: (1) the partnering charter should contain language about how quickly change orders proposals will be possible, with a provision -- much like the dispute resolution provision -- that if the issue isn't resolved within a certain number of days, it can be

taken to a higher level of management; and (2) the person issuing the change order should be the person reviewing the proposal, because he has the knowledge of why the change order was issued in the first place.

XYZ argues that the failure to process change order proposals quickly had a particularly harmful effect on subcontractors. They believe that the Corps' lack of interest in addressing the contractor's basic survival needs undercut the entire partnering process. They do say that the Corps was very good about processing and paying their monthly progress payment. Apparently the difference in attitudes came from the fact that the people reviewing change orders were from a different part of the organization from those processing monthly progress payments.

Multiple Primes/Subcontractors Not Included

Particularly in the final phases of the project, the integration of the work of all the prime contractors, and XYZ's subcontractors, became a major issue. Only XYZ was included in the partnering workshop. Virtually everybody agrees that major subcontractors should have been included in the partnering from the beginning.

The suggestion was also made that there be only one prime contract. Coordinating multiple prime contractors became a challenge, and XYZ felt it was often put in the position of having to make things happen with the other primes because the Corps had not control over the other primes.

Differences in the Definition of Partnering

The contractor argues that "partnering" can be used two ways: (1) it can be a rationale or philosophy that enables people to be reasonable; or (2) it can be a set of agreements on how disputes will be resolved. On this project, the contractor argues, it became more of a cliché or buzzword, "let's do this in the spirit of partnering," rather than an agreement on how to resolve issues. Corps staff believe that after the first year, partnering was just used as rhetoric whenever the contractor wanted something from the Corps. They believe they bent over backwards to go the extra mile, but began to stiffen their backs when they felt they were being taken advantage of. The client agrees that XYZ "used the concept of partnering to manipulate the government." But she quickly adds: "A lot of the things we were asking were unreasonable. We were applying tremendous schedule pressures, and there was never enough money. We were asking for agreement, but we had nothing to offer." XYZ claims that the Corps would constantly come to them saying "we need you to partner on something" but there was no reciprocity in addressing XYZ's problems, like the unprocessed change order proposals. Everyone acknowledges that XYZ's willingness to begin moving the client in at one of the building

while finishing up work on the other end was a major concession on its part.

Key Personnel

Corps staff see the loss of XYZ's original project manager as the key turning point, and the beginning of the problems. XYZ certainly acknowledges a major personality clash between the Corps' project engineer and its own project manager, and describes the Corps Project Engineer as "someone who was always keeping score, but the score was his personal score, not the community score." Changes in either the project engineer or project manager were not possible due to time constraints.

Whether conflict was inevitable, given the two personalities, is not clear. It is clear, however, that if partnering is to survive a major transition such as a change in project engineer or project manager., considerable effort must be expended to protect the continuity of the partnering relationship when there is a change in key personnel.

Focus on Dispute Resolution Not Avoidance

Corps staff report that much of the emphasis in the initial partnering workshop was on how to avoid disputes. They felt some pressure because they feel that the Corps Alternative Dispute Resolution (ADR) approaches creates pressure to avoid litigation. They felt the "dispute avoidance" approach weakened their position during negotiations. They recommend that the emphasis be put instead on "how we'll resolve disputes." The contractor also recommended that the emphasis be less on partnering as "rhetoric" and more on procedures for resolving disputes. One of the problems

Involvement of Contracting Officer

The client representative reports that based on this case, her agency is looking at much more active involvement of the contracting officer in future partnering. She says they are even considering having the contracting officer chairing the partnering session. Her observation is that the Corps contracting officer did not participate after the contract was in place. XYZ would announce that it wasn't contractually bound to do something and the project engineer could do little about it. She saw the Corps project engineer as trying very hard but just not having enough authority to do the job. She says: "It's nice to say we share everything in common, but the reality is that the relationship is based on what's in the contracts."

Involvement of Client in Decision Making

One extremely unusual aspect of this case was the direct involvement of the client in on-site decision making during the final year of the project. One interviewee described the typical attitude of the Corps of Engineers as: "We're engineers, we know about this stuff. Get out of our way, we'll talk to you again when the building is done." From a Corps perspective, it's extremely hard to control costs and manage a project if the contractor has "two bosses" who can be played off each other.

On this project, the relationship between the Corps Resident Engineer and the XYZ project manager was so bad, that during the last year some issues got resolved between the on-site client representative and the XYZ project manager, with the Corps merely documenting the changes. This worked, though, only because there was a deep-pockets client who was willing to pay for these changes.

Inequality in Evaluating Performance

The contractor believes that the evaluation system is one-sided. At the end of the project the contractor could receive an unsatisfactory rating from the project engineer that could affect its ability to get future contracts. On the other hand, if the project engineer was unreasonable, as the contractor firmly believes, there's no reciprocal way the contractor can express its dissatisfaction with the performance of Corps personnel. If they're supposed to be "partners," there should be some equality on this count, they believe.

Follow-Up Sessions

There were two follow-up sessions. The second follow-up session was the first session in which the new XYZ project manager participated. Following this session the Corps concluded that further sessions would serve no useful purpose.

XYZ believes the Corps opted out of partnering at this point, and just started issuing orders. There was a charter saying that issues would be discussed openly before becoming a dispute. But they feel the Corps just reverted to its old style of management of issuing directions, and saying: "If you disagree, file a claim."

Funding for Partnering

The Deputy Garrison Commander, who believes partnering was the key to keeping the numerous governmental entities working together, reports that there were no funds set aside in the project for partnering. As he

describes it: "Here was a project costing several hundred million dollars, and every time we wanted to have a partnering session we were scraping to come up with a few thousand dollars." He believes that partnering costs should be a budgeted item in the process, not something that everybody has to pull together out of other parts of the project budget.

Innovations

There were no innovative uses of partnering reported on this project.

THE TEST FACILITY CASE

The Test Facility is designed to test airplanes at temperatures up to 165 degrees Fahrenheit and down to -65 degrees. The original facility was built in 1948. This renovation project involved completely gutting and renovating the old building. The test facility is large enough to test any airplane that flies.

The key to the facility is a thermal vapor barrier system that both insulates and keeps the building vapor-tight despite tremendous expansion and contraction resulting from the variations in temperature. The old building was no longer vapor-tight, and ice cycles would form that could fall down and damage the airplanes. With the thermal barrier and advanced refrigeration and heating systems, the test facility is a very high technology building.

The test facility is operated by another branch of the military, for whom the Corps acts as construction contractor. This was not the first project the Corps had done for the test facility. In fact, there was considerable bad blood between the Corps and the test facility over a prior project, including left-over personal animosity between some of the test facility staff and Corps staff involved in the renovation project.

One of the constraints on the renovation project was that the test facility continued to be operated during the design phase. This meant that the designers could not conduct all the tests in the facility they would like to have done to determine the actual condition of the building. Nothing could be done to jeopardize the integrity of the existing thermal barrier until all testing was concluded.

The Corps proposed to manage the entire project using the partnering approach, beginning with partnering between the Corps and the test facility. Partnering was included in all contracts with designers or contractors.

THE DESIGN PHASE

The government estimated that design would cost \$4.5 million. When the bids were opened, the design contractor that was ranked highest technically bid \$8 million dollars. Despite extensive negotiations this contractor refused to lower its bid significantly. This caused the test facility staff to question the Corps on its original estimate, but the Corps insisted its original estimate was reasonable.

The Corps then turned to the second-ranked designer, the International Engineering Company (a fictitious name). International had also bid approximately \$8 million, but in negotiations was willing to reduce its bid to approximately the government's estimate. However, the test facility staff were sufficiently concerned that during the first partnering session they even asked the designer's staff whether they were comfortable with their bid.

