

Relational Contracting - Creating Value Beyond the Project

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Abstract

Relational Contracting is a transaction or contracting mechanism that seeks to give explicit recognition to the commercial "relationship" between the parties to the contract. In essence, responsibilities and benefits of the contract are apportioned fairly and transparently, with mechanisms for delivery that focus on trust and partnership. At a project level in construction, this can improve working relationships between all project stakeholders, can facilitate efficient and effective construction, can enhance financial returns and can minimise the incidence and make easier the resolution of conflict.

However, the value of relational contracting can extend beyond the project benefiting for example the relationships between the parties in the longer term, or construction industry productivity or profitability. Less well disseminated is the value that relational contracting can create for the wider community or society. The development of sustainable communities is a goal to which society aspires. The adoption of relational contracting approaches can make a significant contribution to the development of social capital, and the four pillars of sustainable communities, those of connectedness, citizenship, creative citizens and competitiveness. This paper considers relational contracting from this perspective and argues for greater recognition of the value created beyond the project.

Introduction

The use of relational contracting models in business generally and in the construction industry in particular has grown over the last thirty years and has acquired significance internationally (See Motiar Rahman, 2004).

"The globalisation of market economies, facilitated by developments in information and communications technology, has led to a shift towards collaboration and partnership as the models for commercial success, and demand a more trust-based approach to innovation and competitiveness" (Bryant & Colledge, 2002; see also Maclean, 1994, Gold, 1994; Keen et al, 1999 and Snowden, 2000).

This co-operative or relational approach is illustrated by the use of partnering or supply chain management practices for example and in the proposition that relational contracting provides a more efficient and more effective contracting mechanism for certain types of transactions particularly where these demand close collaboration of parties to realise a complex construction project or long term development programmes.

These people and process centred practices have been advocated by a number of recent studies of the construction industry (Latham, 1994; Egan, 1998; RCF, 1995, ECI, 1997; CIB, 1997) and are apparent in the rise in credibility of different forms of contractual

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relationships (for example, the increased use of partnering; the introduction of new forms of contract such as the ECC, GC Works suite, PPC; the use of mediation for conflict resolution). It is the increased mutual trust and co-operation that exists in these forms of contracting that enhances commercial competitiveness and advantage. *"Collective competitiveness is enhanced through exchange and sharing"*, (Bryant & Colledge 2002; Nalebuff & Brandenburger, 1996; Dixon, 2000).

Relational Contracting therefore is a transaction or contracting mechanism that seeks to give explicit recognition to the commercial "relationship" between the parties to the contract. In essence, the terms of the contract assume less prominence than the relationship itself, with mechanisms for delivery that focus on trust and partnership. At a project level in construction, this has been found to improve working relationships between all project stakeholders, to facilitate efficient and effective construction, to enhance financial returns and to minimise the incidence and make easier the resolution of conflict.

However, the value of relational contracting extends beyond the project benefiting for example the relationships between the parties in the longer term, or construction industry productivity or profitability. Less well disseminated is the value that relational contracting can create for the wider community or society. The development of sustainable communities is a shared international goal building on the United Nations Agenda 21 policies (UN, 1978). The adoption of relational contracting approaches can make a significant contribution to the development of sustainable communities through the building of "social capital" (Putnam, 2000), and the contribution to the four pillars of sustainable communities, those of connectedness, citizenship, creative citizens and competitiveness (Colledge, 2004). This paper considers relational contracting from this perspective and argues for greater recognition of the value created beyond the project.

The value of relational contracting in general will be considered first to set this approach in the context of wider economic models of contracting. The value that relational contracting provides to construction projects will be considered next to outline benefits that accrue to the stakeholders involved. Finally, this project-based value will be extended to consider the creation of value beyond the project to include wider social and community benefit that can accrue.

Relational Contracting Theory - Value in General

The relational contracting approach to commercial relationships is part of a wider set of economic models that are intended to provide value in terms of facilitating transaction efficiency and effectiveness. The purpose of such a relationship primarily is an economic one, to facilitate transactions between organisations and to provide a framework for the conduct of the exchange (see Macaulay, 1963; Goldberg, 1976 and Bryant & Colledge 2002). These models vary according to the nature of the exchange and the relationships between the parties to the exchange. Whereas a micro-economic approach focuses on the individual exchange or discrete transaction, theoretically without the prior existence of duties (see Goldberg 1976, pp 49, 51) the relational contracting approach gives recognition to the wider framework of rights and duties created by law and social value. Macneil's richer classification (Macneil 1978, 1983) takes account of the nature and duration of the relationships with levels of trust being a distinguishing feature across the spectrum. Thus, limited features of trust promotion might be displayed in discrete transactions with trust being a strong characteristic in relational contracting models (Eisenberg 1995, Macneil 1983).

This spectrum of commercial relationships results in three broad categories (derived from Williamson, 1981), classical, neo-classical and relational which align with the

general economic concepts of markets, networks and hierarchies (Colledge, 1992). Hierarchies here are seen as “alliances” or “confederations” rather than those associated with bureaucracy or command and control structures. This provides a range of efficient contracting models for commercial transactions that form the basis of those applied in the construction industry in many countries (see Figure 1).

The general value as we move along this spectrum towards relational contracting models is the increasing level of trust that becomes an essential component in sustaining and maintaining the relationship. Whilst most transactions are partially relational, in that they involve “deeply embedded interconnected relations”, (Macneil, 1983, p 345), the influential elements of relational contracting that assume greater significance are co-operation and dependency. A further aspect of this is that there is a shift from trade and competition based on product to one based on process and beyond to the business relationship (Bryant & Colledge 2002). It is the sharing of knowledge for commercial advantage that is apparent in these contracting models (Barlow & Jashapara, 1998)

The general value of relational contracting is therefore in terms of the commercial relationships that are formed. These connections not only foster mutual trust, but also facilitate the sharing of knowledge and information to generate innovation and value for the parties to the relationship. This approach generally is more people orientated as it is the application of tacit knowledge creatively by those involved that will result in competitive advantage. Through these mechanisms, time, cost and quality risks are managed collectively and emphasis is placed on the achievement of wider, shared values or purposes e.g. a successful outcome for the client.

Relational Contracting in Construction - Value for the Project

The nature of construction itself, often highly specialised, complex projects, involving multiple participants, with extended durations for commencement and completion, necessitate relational approaches even on the simplest of building projects e.g. a consumer extension to a house. Therefore it is perhaps not surprising that most construction projects will evidence some forms of relational contracting approaches and that the use of relational contracting in the construction industry has grown world wide.

Criticism of the industry as a whole in the past has focused on the inability of contracting stakeholders to engage co-operatively in the delivery of the client’s objectives and an apparent inability to deliver on time, cost and quality. It would appear that adversarial contracting approaches and the pursuit of individual company gain has resulted overall in a less efficient industry and lower levels of productivity and innovation, (see for example Latham, 1993, 1994; Egan; AAA, 1994).

The shift towards more relational contracting relationships has been evident in the increase of project partnering agreements as a tool, together with the development of construction process relational tools such as project team goals, meetings and reviews. The development of team-based incentive or reward mechanisms are often a feature of relational contracts placing value on the successful outcome rather than in cost, or quality reduction by one of the parties.

The value for the project is in the achievement of time, cost or quality objectives, despite complex and challenging construction parameters, benefiting the client and the project team. The wider benefit is in the process of delivery creating a team or community of stakeholders committed to resolving any construction challenges that emerge. Whilst this may result in commercial value for the parties involved, more significant is the value of effective team working, the development and sharing of tacit knowledge and the longer term benefit derived for future projects. The process of

relational contracting in itself relies on and develops further, creative and competent people. The value in project terms is also the benefit to individual participants in the process of construction and in their enhanced contribution to the company and construction projects in the future.

ECONOMIC MODEL	GOVERNANCE STRUCTURE	FEATURES
Markets	Classical Contracting	<ul style="list-style-type: none"> • Reliance on the market; discrete transaction • Adherence to legal frameworks • Use of legal remedies • Standardised contract planning
Networks	Neo-Classical Contracting	<ul style="list-style-type: none"> • Longer-term relationship begins to assume more importance • Development of relational tendencies • Contract provisions cater for flexibility
Hierarchies	Relational Contracting	<ul style="list-style-type: none"> • The commercial relationship assumes equal or greater importance compared to the legal agreement • Significant sharing of benefits and burdens • Greater interdependence • Bilateral governance (e.g. Strategic Alliance, Partnering) • Unified governance (e.g. Joint Ventures, Mergers)

Figure 1: Economic models and governance structures

Relational Contracting Futures - Value Beyond the Project

The value of relational contracting derives from the way in which strong commercial relationships are developed and sustained for the mutual benefit of all parties. Whilst often related to specific projects or transactions, relational contracting has parallels with the concept of connectedness or the development of social capital (Putnam, 2000). It is this connectedness and the alignment of both the commercial and social corporate agendas that is important in the creation of sustainable communities. Relational contracting therefore has the potential to create value to stakeholders beyond the project to those in the wider industry or community. This is explored further in relation to the four pillars of sustainable communities, Competitiveness, Citizenship, Connectivity and Creative Citizens. But first the notion of community is explored to inform understanding of how relational contracting might add value beyond the project.

The Notion of “Community”

There is an extensive body of knowledge in social science disciplines as to what is a “community” however, there are important elements that are of relevance here.

In defining “Community” in Blackwell’s Encyclopaedia of Political Thought, (Miller D, Coleman J. Connolly W., Ryan A., Eds., 1991, The Blackwell Encyclopaedia of Political

Thought, Basil Blackwell Ltd., Oxford, pp 88-90), Raymond Plant suggests that term “Community” has a high level of use but a low level of meaning and is one of the most pervasive, yet indefinite, terms of political discourse (at p 88). So this makes it difficult for us in developing our understanding of this term.

It can for example assume one or all of the following characteristics:

- A particular form of social interaction
- Something positive and valuable
- Community linked to a location or specific common interest
- Quality of relationships

Ferdinand Tonnies’s “Gemeinschaft und Gesellschaft” (Community and Association) in 1887 sought to determine the qualities associated with a community depending on its origin, for example that communities are born and not made, they evolve over time, they are organic, whereas Maclver’s Community 1917 drawn from Rousseau focused more on a commonality of interests and anticipated that a community can be created by will if there is will for a collective interest or a common good.

How then might such a community be developed by relational contracting methods and what qualities or features need to be fostered?

M. Taylor in “Community, Anarchy and Liberty” 1982, Cambridge University Press pp 26-27 suggested that there are common features of community that need to be considered:

These include:

- Reciprocity
- Beliefs and values in common
- Relations between members are direct and many sided

Above all, it is clear that there is something special about the quality of relationships that makes a social grouping into a community and the same is true of relational contracting.

More recently, Robert D. Putnam has drawn similar conclusions in his major study of the collapse and revival of American Community, “Bowling Alone”. (Putnam, 2000).

In this he reaffirms the notion of a community dependent on relationships, being another term for what he terms “social capital”. He describes this as follows:

“ Whereas physical capital refers to physical objects and human capital refers to properties of individuals, social capital refers to connections among individuals - social networks and the norms of reciprocity and trustworthiness that arise from them”. (Putnam 2000 at p19).

According to Putnam (Putnam, 2000 p 19), social capital, like human and physical capital, increases the productivity of individuals and groups. It facilitates co-operation for mutual benefit and affects our well being, our health, our relationships and our economy. Without it, according to Putnam, our communities would be less efficient and effective. The decline of community in America he argues is as a result of a decline in social capital.

The defining features of social capital are trust, shared norms and networks. In essence, what is identified as social capital in business and industry, such as inter-firm co-operation or collaboration, aligns well with the features of relational contracting. Latham’s UK construction industry reports (Latham, 1993, 1994) were describing the same approach to projects and relationships in the industry, calling for greater social capital, reciprocity, good faith and trust rather than adversarial contracting to foster both individual and collective prosperity, the epitome of a win-win solution. Similar

conclusions were drawn in the USA in 1994, by the “Dispute Avoidance and Resolution Task Force” of the American Arbitration Association:

“During the past 50 years much of the United States construction environment has been degraded from one of positive relationship between all members of the project team to a contest consumed in fault finding and defensiveness which results in litigation. The industry has become extremely adversarial and we are paying the price... A positive alliance of the parties (involved in the construction process) constitutes an indispensable link to a successful project.. Disputes will continue as long as people fail to trust one another.”

(AAA, 1994).

However, reciprocity of a more general nature as contemplated by Latham, is of greater value for building a community. Such a society “is more efficient than a distrustful society! (Putnam 2000 at p 21).

“Generalised reciprocity is a community asset, but generalised gullibility is not”. “ Trustworthiness not simply trust, is a key ingredient”. (Putnam 2000 at p136).

Such an approach is applicable not only to individual personal relationships but more widely in social and business endeavours. What Putnam’s study identified in America however, was that the development of this social capital, of these complex network of relationships had declined leading to a decline of community.

From this it is apparent that the following qualities are important for sustainable communities:

- Connectivity of relationships and social capital
- Beliefs and values in common
- Trustworthiness

It is proposed that relational contracting fosters these qualities and makes a significant contribution beyond the project to sustainable community development. The four pillars of sustainable communities are considered next to identify ways in which relational contracting can add value.

The Four Pillars of Sustainable Communities

The four pillars of sustainable communities, Competitiveness, Citizenship, Connectivity and Creative Citizens and their features are set out in Figure 2 (Colledge, 2004). These pillars (see Figure 3), draw together the thinking on sustainable community development (Egan 2004) and reflect other debates such as regional competitiveness, innovation and knowledge transfer (Egan, 2004), community and social capital (Egan, 2004, Putnam, 2000, Plant, 1991; Taylor 1982) and core cities and Ideopolis (Hutton, 2002, Cannon, 2003). The contribution of relational contracting to each of these pillars is explored.

Pillar	Features
Competitiveness	Sustainable economic prosperity Innovation and entrepreneurship Knowledge transfer
Citizenship	Active citizens Organisational citizens Corporate Social Responsibility
Connectivity	Social capital Connectivity of Relationships
Creative Citizens/People	Development of skills behaviour/attitude of people Creativity, entrepreneurship and tolerance

Figure 2 - The Features of the Four Pillars of Sustainable Communities

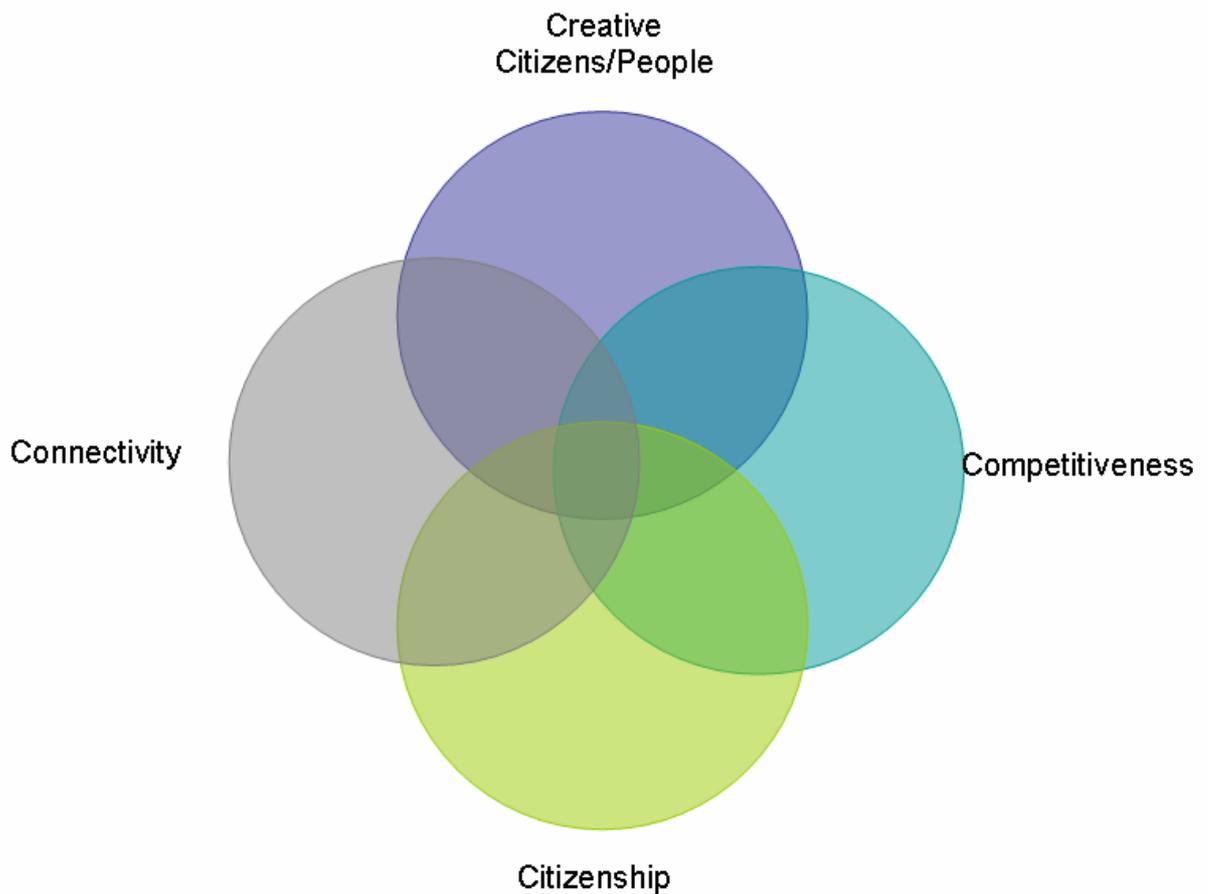


Figure 3 - The Four Pillars of a Sustainable Communities

The Competitiveness Pillar

It is widely accepted that "*Knowledge has been a key dynamic in the long evolution of modern business*", (Bud-Frierman, 1994) and more generally a key component of economic growth (Castells, 1996; Black, 2004). More recently this driver of the economy has emerged through reports such as Lambert (2003) which identified knowledge transfer as critical to innovation and economic success and OPDM (2003), which identified the strength of innovation, and the level and relevance of workforce skills as critical factors for success.

What is apparent is that for the economy as a whole and by association therefore a sustainable community, "*innovation is the key to higher productivity and greater prosperity for all*". (dti 2003 at p5) and "*innovation ultimately depends on the knowledge, skills, and creativity of people at work*" (dti 2003 at p 6)

"Productivity in the UK: The Regional Dimension emphasised that the invention and application of new technologies, products and production processes is a key driver of productivity growth - accounting for around two thirds of UK economic growth in the past fifty years" (OPDM 2003 at p10).

Relational Contracting contributes to this competitiveness agenda through the emphasis on long term relationships, the fostering of innovation through knowledge sharing and the enhancement of project value through lean construction methodologies, thus supporting the economic sustainability of communities (Figure 4). Evidence of the success of these approaches derives from practice in industry and is international in its scope (see for example "Constructing Excellence" in the UK). Case Study 1, drawn from a recent study of quantity surveying firms in the UK provides reassurance that relational contracting approaches are adopted by the more innovative and successful firms.

The Citizenship Pillar

Citizenship involves both rights and obligations as citizens, although the balance and nature of these competing components have generated significant debate.

Aristotle (384-322) developed the idea of the state being a "*community of citizens*" with the state's existence being for the sake of the good life, the aim being the well-being of its citizens. In this state, the citizens' private interests are subordinate to the public good. (Barnes,1991).

In a similar vein, the French moral and political philosopher, Jean-Jacques Rousseau's concept (1712-1778), in his work *The Social Contract* (1762), of "*general will*" informs our ideas of citizenship and community today. That is "*in addition to each individual's self-interest (the private will), the citizen has a collective interest in the well-being of the community.*" (Masters, 1991)

The concept of "Active Citizenship" emphasises that citizens and business have a social or community responsibility. This notion of active participation by citizens in the development and maintenance of a community has been promoted by the UK government more recently with the introduction of Citizenship curriculum in Schools or the promotion of Volunteering in the community through a range of initiatives such as the City Cares projects, or the Millennium Volunteers programme.

Tony Blair's vision of Britain as a community sums up these various elements:

"... A society is a community of people, who share common values and purpose, where everyone thinks of "we" as well as "me", about what they can put in as well as what they can take out....in making a more active community...there will other benefits - less anti-social behaviour; less crime; less of the corrosion of

values ...- and a better understanding that every community rests on how much people give as well as what they take" (Blair, 2000)

This leads to both individual and corporate contributions that support this Citizenship Pillar. Relational Contracting draws on similar values and develops a sense of community and commitment in relation to the project or transaction. However, through corporate citizenship and attention to this wider social purpose, it is possible for relational contracts to add further value to communities (Figure 5). This is illustrated by Case Study 2, demonstrating the way in which business and social corporate agendas can be aligned.

Sustainable Community Action	Relational Contracting Response
<ul style="list-style-type: none"> • Responsibility of individuals and organisations to contribute to the innovation agenda to support the economic sustainability of communities. • Investment in skills development • Knowledge transfer and capacity to absorb and use new knowledge • Networks and collaboration • Education and training • Action long term and beyond own immediate geographical and interest boundaries. 	<ul style="list-style-type: none"> • Investment in skills development • Knowledge transfer and capacity to absorb and use new knowledge • The development of networks and collaboration • Rich interaction with stakeholders • Development of a longer term relationship • Working in partnering frameworks and other forms of project alliances • Development of a learning organisation project culture • Service providers who think and act long term and beyond their own immediate geographical and interest boundaries

Figure 4 - Relational Contracting and Competitiveness

<p>Case Study 1: Page M., Pearson S, Prye S, "Innovation and current practice in large UK quantity surveying firms" RICS, London, 2004</p>
<p>Innovative firms displayed the following relational characteristics:</p> <ul style="list-style-type: none"> • Rich interaction with clients and development of a longer term relationship • Working in partnering frameworks and other forms of project alliances (including competitors and firms not associated with construction) • Investment in infrastructure and development of ICT to enhance services and facilitate knowledge transfer • Development of learning organisation culture with the capability to support the systematic diffusion of explicit and tacit knowledge

The Connectivity Pillar

To achieve sustainable communities, changes in attitude and behaviour are needed (Egan, 2004). What is sought is, in essence, a culture change on a grand scale. As Latham identified in his report in 1993, "Trust and Money", a cultural change in the UK

was needed, with components of greater trust, less adversarial and more relational contracting, greater reciprocity and focus on the common purpose of the client’s needs are important new ways of thinking that can lead to a better industry or increased project success. A relational contracting approach was advocated to include provisions such as good faith and partnering.

These components hold true whether applying them to a project or a sustainable community. As Putnam has identified, social capital or relational connectivity between individuals and organisations fosters long term relationships and reciprocity norms that benefit communities as well as the individuals or organisations concerned. It is then important for us to consider how relational contracting might contribute further to this connectivity agenda. As we have seen, a relational contracting approach fosters longer term relationships and supports the potential for added value in the construction process.

Sustainable Community Action	Relational Contracting Response
<ul style="list-style-type: none"> • Citizenship involves both rights and obligations as citizens • Community of citizens with collective interest in community well-being • Citizens and business have a social or community responsibility • Active Citizenship • Need for an effective business case for the behaviours and actions to achieve a better alignment between the Social and Corporate Agendas. 	<ul style="list-style-type: none"> • Community participation - in social, cultural, governance and education areas • Volunteering - through promotion of paid volunteering work-based or industry based schemes • Corporate Social Responsibility - developing the notion of active corporate citizenship. • Inclusive, active and effective participation in governance by organisations • Protecting and improving natural resources and biodiversity (eg air quality, noise, water quality)

Figure 5 - Relational Contracting and Citizenship

This greater connectivity between the various professions and stakeholders, greater partnership working, greater sharing of knowledge and ideas or knowledge capital and greater capacity for creativity, to identify creative, effective solutions is a feature of relational approaches. This longer term perspective in turn facilitates future transactions and projects through both organisational and individual skills developed.

As Putnam has discovered, social capital or connectedness serves to promote wider benefits in terms of the social agenda for communities.

"The most tolerant communities in America are precisely the places with the greatest civic involvement. Conversely communities whose residents bowl alone are the least tolerant places in America."

"The positive link between connectedness and tolerance is especially strong with regard to gender and race" (Putnam, 2000 at pp 355-356)

As this shows, networks or the quality of relationships between people and organisations are important not only for economic prosperity but also for social prosperity or social sustainability. Relational contracting mechanisms can support and foster this connectedness (see Figure 6).

Case Study 2 - British Airports Authority - Heathrow Terminal 5 Project

- Recognised importance of skilled workforce, the opportunity for local people and the contribution to regeneration
- Airport depends on relationships with local community and sustaining these relationships is important for business
- Innovative partnership with local agencies
- Aims to increase local workforce skills and support some growth
- Leadership at Board level including time commitment to local partnerships
- Paid leave entitlement to invest in local community activities
- Local organisations consulted and contribute to target setting
- Joint implementation of projects and Community Liaison Strategy
- Measurable impact achieved - recognised by Business in the Community Award for Excellence 2004

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As this shows, networks or the quality of relationships between people and organisations are important not only for economic prosperity but also for social prosperity or social sustainability. Relational contracting mechanisms can support and foster this connectedness (see Figure 6).

In practice, this illustrated by the empirical studies undertaken by Macaulay (Macaulay, 1963) and Beale and Dugdale (Beale and Dugdale, 1975). *"Businessmen often prefer to rely on 'a man's word' in a brief letter, a handshake, or 'common honesty and decency' even when the transaction involved serious risks"* (Macaulay, 1963). The need for maintaining trust, fairness and the spirit of co-operation, is important for maintaining the ongoing relationship. This connectivity is illustrated further by Case Study 3, where partnership working resulted in greater project efficiency.

This echoes the conclusion of a recent report on business innovation, that identified that *"An innovation system is a set of interrelated organisations joined together by opportunities and incentives that exist to bring something new to market"..." innovation systems..become less centred on the individual firm and more based on markets and knowledge networks* (OECD, 2003). The relational contracting approach provides a practical mechanism to achieve this.

The Creative Citizens Pillar

As the Deputy Prime Minister in the UK, John Prescott, has indicated, new skills, behaviours and attitudes are required for the sustainable communities vision to be realised. The development of new skills, behaviour and knowledge (Egan, 2004) includes for example:

Behaviours: Creativity, strategic thinking, open to change, awareness of limitations, challenging assumptions, flexible, clear, decisive, respect for and awareness of the contribution of other professionals

Actions: Entrepreneurial, can-do mentality, co-operation, able to seek help, humility, committed to making it happen, respect for diversity and equal opportunity, able to take action, having a shared sense of purpose.

Sustainable Community Action	Relational Contracting Response
<ul style="list-style-type: none"> • Changes in culture, attitude and behaviour are needed • A strong business community with links into the wider economy. • Social capital or relational connectivity between individuals and organisations fosters long term relationships and reciprocity norms that benefit communities as well as the individuals or organisations concerned. • Networks or the quality of relationships between people and organisations are important for economic prosperity. • The positive link between connectedness and tolerance is especially strong with regard to gender and race • Build capacity and skills to identify opportunities for creative and effective partnerships or relationships. 	<ul style="list-style-type: none"> • Greater trust, less adversarial and more relational contracting • Connectivity between the various professions and stakeholders • Partnership working • Sharing of knowledge and ideas or knowledge capital • Foster social capital and connectedness • Participation of organisations in the development of strategies and plans for their region or city. • Aligning business activities with wider community needs, for example education programmes in schools, development of company policies that meet the needs of the regional workforce (such as nursery policies, flexible working, work-life balance, the example of B&Q and the positive recruitment of an elder workforce). • Contribution by companies to community based activities such as volunteering or cultural events

Figure 6 - Relational Contracting and Connectivity

This requires *“people with the ability to think and work outside their traditional compartments, who can bring together disparate organisations and interests to help deliver the common goal. This will require new skills and new ways of thinking and acting from all those involved in delivery.”* (Egan, 2004 at p 23)

To create sustainable communities, this will require

“...leaders to create the right culture and delivery processes within their own organisations. ..for many this will entail cross-cutting delivery...and require new skills and ways of working that emphasise team, effort, shared values and delivery of common goals.” (Egan, 2004 at p 25)

These same skills for achieving sustainable communities are essential also to the success of relational contracting transactions. Through this relational contracting experience, the capacity of individuals and organisations to engage more effectively in this sustainable community agenda is enhanced (see Figure 7). The need for a culture change in successfully implementing relational approaches is also well established. Projects that fail to achieve this shift in understanding and behaviour develop lower levels of trust and long term benefit. Case Study 4 illustrates practical ways in which this is being addressed.

<p>Case Study 3: BG Transco plc and Laing Limited Utilities Division, Movement for Innovation Case Study Project No 38 (Constructing Excellence)</p>
<p>The design and construction of gas pipeline over a 12 month contract period, £19M project value:</p> <ul style="list-style-type: none"> • A joint project team was formed - the aligned team. • Single objective was to work together to improve efficiency. • Use of the Engineering Construction Contract with non-adversarial relationships. • The aligned team made outstanding progress towards five of Egan’s seven targets for industry improvement. • Overall costs reduced compared to similar recent projects due to innovation and problem solving by the aligned team. • Reduction in disputes released time for engineering.

Sustainable Community Action	Relational Contracting Response
<ul style="list-style-type: none"> • Investment in the development of people is essential for the creation and sustainability of communities • New skills, behaviours and attitudes needed. • Cross-cutting delivery and culture 	<ul style="list-style-type: none"> • Develop creativity, innovation and entrepreneurship • Foster modern working practices such as team working, shared values, common goals • Investment in workforce development • Education and training • Invest in cultural development

Figure 7 - Relational Contracting and Creative Citizens

<p>Case Study 4: British Airports Authority - Heathrow Terminal 5 Project</p>
<p>£3.7 Billion project to be completed 2008:</p> <ul style="list-style-type: none"> • Innovative partnership and integrated seamless team approach • A culture of personal responsibility and improvement • Investment in team development • A can do attitude • No blame culture and open door management • Supplier development unit to help build relationship with project team and manage change • Working with supply chain to improve the design and construction process. • Set target for team to reduce project costs by 10%. • The adoption of best practice for productivity and quality gains

Conclusions

Relational contracting in the construction industry provides added value for those involved, and benefits to project success. However, relational contracting approaches provide a strong foundation for development of essential values, behaviours and actions more generally. In this way, not only is project-value created for the stakeholders concerned but this has wider benefit and impact beyond to industry and the community. As we have seen creating sustainable communities is a complex task requiring a multi disciplinary approach and new ways of thinking and acting. The tangible and intangible value generated through relational contracting approaches, contributes directly to each of the four pillars of sustainable communities, thereby enhancing individual and organisational participation. Further empirical research into and greater recognition of the value created beyond the project by relational contracting is warranted.

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