Mechanisms of trust and trust repair in relational contracting: a multiple perspective investigation of alliance projects

Scott Strahorn¹, Thayaparan Gajendran² and Graham Brewer³

Abstract

The softer social skills are a key element in the project manager's toolkit, and developing a sense of trust across a project team can be a critical contributor to the project's outcome. This is particularly important where the form of commercial engagement is relational in nature. Alliance projects in construction underpinned by "pain-share/gain-share" principles bring this importance to the fore, and yet little research exists in this field. This research was designed to reveal the intricacies of trust formation and maintenance in such an environment. Initially the concept of trust was deconstructed, analysed and synthesised into a series of identifiable personal attributes, attitudes and behaviours. Thereafter a model of characteristics was developed in order to code and analyse a series of 10 detailed interviews with multiple representatives from 9 firms and the client organisation, the preliminary results of which are presented here. The research confirmed the relevance of trust dimensions, along with an absence of strategies for trust building, maintenance and repair within project management practice. With adversarial dispute resolution prevalent, greater attention to trust and its dimensions would be highly beneficial for Alliance Project practitioners. Specifically, careful attention to project team member selection, strategies for relationship formation and trust building, and open and honest communication should be the focus for stakeholder education in this regard. Furthermore, the skills and traits ascribed to individual stakeholders were considered critical to project success, and included excellent communication skills, technical competence, fairness, integrity, honesty and benevolence. The risks inherent within an alliance project were also considered significant, with the establishment of trust early in a project facilitating a shared purpose and collaborative approach to problem solving which enhanced project outcomes. When trust did break down, the pre-existence of strong relationships was considered to be the main weapon against an adversarial based response, and there was little evidence of knowledge regarding methods of trust repair.

Keywords: Alliance project, trust, trust repair, relationships

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1. Introduction

The use of alliance procurement for the delivery of major public infrastructure projects has become increasingly prevalent in recent years. An alliance arrangement is a distinct form of relationship contracting (Thomson, 1998), in which the respective stakeholders are brought together for a specific project. Abrahams and Cullen (1998, p. 31) define project alliances as:

“An agreement between entities which undertake to work cooperatively, on the basis of a sharing of project risk and reward, for the purpose of achieving agreed outcomes based on principles of good faith and trust and an open-book approach towards costs”.

The pain share/gain share arrangement in an alliance ensures mutual project goals remain the driving force for all parties. The agreement to operate on a no-dispute basis, which rejects litigation, is also fundamental, and while negative events and issues may still eventuate, it provides the understanding that resolutions should be reached collaboratively i.e. rejecting the adversarial approach synonymous with traditional procurement mechanisms. Given the absence of the strict control mechanisms that define traditional procurement contracts, together with the centrality stakeholder relationships, the influence of trust is a key component of project alliances.

Trust is considered to be a fundamental requirement for human interaction (Romahn & Hartman, 1999), and there is widespread agreement on the value of trust in human behaviour (Bigley & Pearce, 1998). For the purpose of this study, the definition of trust provided by Rosseau, Sitkin, Burt and Camerer (1998, p. 395) has been adopted;

“Trust is a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another”.

It is Important within the context of this research to view trust as a psychological state rather than a behaviour. Moreover it is different to a cooperative relationship, which can exist without the presence of trust: it follows that compliance as a behaviour does not imply the existence of trust (Brewer & Strahorn, 2012).

While alliancing is not new in Australia, little research has been conducted in relation to trust in that context. This research illuminates the formation and maintenance of trust through the lived experiences of multiple practitioners within Alliance projects. A theoretical model of trust is developed to allow the analysis and coding of detailed interviews. These reveal the importance of project initiation, ongoing maintenance, and limitations to the appropriateness of the alliance approach.

2. Literature Review

Past research has resulted in varying definitions and models of trust, which have usually been developed within the specific construct of the discipline in which they are to be applied. Debate and ambiguity has ensued regarding unified definitions and models (Hartman, 1999; Mayer, Davis, & Schoorman, 1995): the subjective nature of trust has also limited the
possibilities for developing a universally applicable trust model (Becerra, Denzinger, & Kremer, 2001).

Focussing primarily within the discipline of management, this study has therefore aimed to identify aspects of trust that have general applicability within a project environment. A thematic review of existing models has facilitated the identification and exploration of common trust themes (Brewer & Strahorn, 2012), with the subsequent review of literature resulting in the theoretical model of trust, as included in table 1. A succinct examination of the respective main theme codes found to be relevant to the particular focus of this study is provided herein.

**Table 1- Theoretical trust model, as extracted from literature (Brewer & Strahorn, 2012)**

<table>
<thead>
<tr>
<th>Human variables</th>
<th>Attribution variables</th>
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<tbody>
<tr>
<td>Relationships, trust and the project environment</td>
<td>Trustworthiness</td>
</tr>
<tr>
<td>Relationship interactions and trust</td>
<td>Reliable behaviour</td>
</tr>
<tr>
<td>The initial intent of project stakeholder</td>
<td>Communication</td>
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<td></td>
<td>Competence</td>
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<td>Benevolence</td>
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<td>Integrity</td>
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<td></td>
<td>Honesty</td>
</tr>
<tr>
<td><strong>Contextual variables</strong></td>
<td><strong>Trust failure</strong></td>
</tr>
<tr>
<td>Risk, vulnerability and uncertainty</td>
<td>Trust break down</td>
</tr>
<tr>
<td>Control mechanisms</td>
<td>Trust repair</td>
</tr>
<tr>
<td>A positive team environment</td>
<td>Trustworthiness factors and trust repair</td>
</tr>
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<td>Trust and project success</td>
<td>Social explanations for negative events</td>
</tr>
<tr>
<td>Trust and the temporary nature of a project</td>
<td>Apology or denial</td>
</tr>
<tr>
<td>Trust and the unique nature of a project</td>
<td>Competency or integrity trust violations</td>
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<tr>
<td>Trust and project management</td>
<td>Apology and internal or external attributions</td>
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<td>Reticence</td>
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**2.1 Human variables**

The human element of trust was prominent in the reviewed literature, with relationships central in this regard. A relationship is described as the condition in which one party is dependent on another party to realize its objectives (Sheppard & Sherman, 1998), and the presence of a relationship is a requisite condition required for the development of trust (Rosseau, et al., 1998). The ongoing interactions within a relationship are a key determinant of trust (Mayer, et al., 1995; Tomlinson & Mayer, 2009; B. Weiner, 1986), with time a defining feature in any relationship (Karlsen, Graee, & Massaoud, 2008). Project success is also considered to be strongly influenced by the trusting relationships between stakeholders (Pinto, Slevin, & English, 2008), however, in order to fully realise the benefits of a trusting relationship, trust must be mutual (Romahn & Hartman, 1999).
When interacting within a relationship, positive or negative experiences provide the foundation upon which individuals form casual attributions towards one another, with such ascriptions considered along dimensions of causality, controllability and stability (B. Weiner, 1986). Outcomes from this dimensional analysis subsequently initiate future expectations and emotional responses (Tomlinson & Mayer, 2009), facilitating the updating of trust between the parties, and determining the propensity for risk taking in the future (Mayer, et al., 1995).

Prior to any project specific relationship interaction, the initial intent and expectations of the parties involved are considered to be significant in terms of the ultimate success of a project. While a pre-emptive display of trustworthy behaviour in the preliminary stages of an exchange relationship is not without risk, the potential benefits of trust may be lost if a non-trusting intent is displayed from the outset (Whitener, Brodt, Korsgaard, & Werner, 1998). Ultimately, an initial non-trusting intent will be detrimental to project success (Munns, 1995).

As human interaction is founded on trust (Romahn & Hartman, 1999), an understanding of the variables pertinent in this regard is significant within the context of any project environment.

2.2 Attribution variables

The reviewed literature also had much to say regarding attribution variables as applied within the context of trust in the project environment. That is, variables which influence how individuals assign some quality or character to another person within the project team. Themes pertaining to trustworthiness and its constructs were particular prevalent in this regard. To be considered trustworthy, one party must demonstrate the willingness to act in the best interests of another party (McLain & Hackman, 1995), and to this end, the extent to which one party is more or less trusted will be determined by their characteristics and actions (Good, 1988). Important trust building mechanisms which are mutually related to a high degree (Lander, Purvis, McCray, & Leigh, 2004) include reliable behaviour, communication (Karlsen, et al., 2008), competence, benevolence, integrity, and honesty (McKnight & Chervany, 1995).

2.3 Contextual variables

Contextual variables were also found to significantly influence trust. Uncertainty and risk are inevitable in the project environment (Schwalbe, 2004), and it is trust that ultimately helps to overcome issues in this regard. To this end, trust and the resulting benefits can not come to pass without one party accepting a degree of risk, and within the project setting, an individual’s positive motivation towards the overall objectives of a project are also reinforced by the presence of trust (Wong, Cheung, Yiu, & Pang, 2007).

The fulfilment of control mechanisms which control risk and protect stakeholder vulnerability has also been shown to activate trust in the project setting (Wong, et al., 2007), however, it should be noted that excessive control mechanisms can be counterproductive to the development of trust, and potentially lead to distrust among project partners (Pinto, et al.,
As the enactment of any control mechanism bears a cost to the project bottom line, the influence of trust is also significant in reducing the need for control, by fostering stakeholder relationships whereby individuals are able to interact without concern of exploitation (Aubert & Kelsey, 2000).

Trust has also been shown to be crucial to maintaining a positive team environment (Delisle, 2004), and similarly, a healthy team environment will have a positive influence on all themes and dimensions of trust. Ultimately, trust is vital for facilitating cooperative processes (Kramer, 1999), and through improving relationships, trust has a strong influence on project success (Pinto, et al., 2008).

2.4 Trust failure

While the themes of trust are idealistically applicable to stakeholder interactions, the practical ramifications of the real world project setting are such that the potential for trust break down is ever real, with the need to repair lost trust consequently also significant. Relationships between respective parties within a project team will be impacted by a negative event and the subsequent break down of trust can have significant consequences (Lewicki & Bunker, 1996; Robinson, 1996), leading to reduced trust and the need for trust repair (Kim, Ferrin, Cooper, & Dirks, 2004). The perceived reason for a negative outcome will influence trust differently (Lewicki & Bunker, 1996; Sitkin & Roth, 1993), with factors considered according to internal, controllable or stable ascriptions afforded to the trustee (Tomlinson & Mayer, 2009; B. Weiner, 2001), with stability considered to be the most influential (B. Weiner, 2001). In terms of trust repair, despite efforts by the mistrusted party to demonstrate trustworthiness, low levels of trust can be reinforced by the significant information pertaining to the violation which remains (Slovic, 1993), and trust repair must not only restore positive expectations in a relationship, but also overcome negative expectations. The trust repair process therefore differs from initial trust development (Kim, et al., 2004).

3. Methodology

Through adoption of the ‘constructivist’ theory to consider the diverse real world perceptions (Cresswell & Plano Clark, 2007) of multiple industry stakeholders, this research aims to analyse the divergent perspectives and lived experiences of alliance construction practitioners within the construct of trust and its influence. Semi structured, in depth interviews were used to collect the data. Nine individual stakeholders from different sectors were interviewied, including three clients, two client consultant project managers, three contractors, and one engineering consultant. Each interview was conducted at a location chosen by the participant and was approximately one hour in duration. The questions aimed to firstly clarify the roles of the respective interviewees, and then targeted attitudes pertaining to stakeholder relationships generally, and then more specifically with consideration to alternative procurement methods. Subsequently, the interview data underwent a thematic analysis process to identify and abstract the main trust themes included in the developed theoretical model of trust as extracted from literature. The preliminary findings are presented herein.
4. Results and discussion

The evaluation of emerging concepts relative to extant literature is important to the development of new theory (Eisenhardt, 1989). Analysing the interview transcripts with reference to the main theme codes enabled the identification of trust-related issues, highlighting agreement or divergence from existing literature.

4.1 Human variables

Within the alliance environment, the importance of stakeholder relationships to project success was universally recognised by the interviewees. An understanding of factors pertinent to developing relationships was apparent, with communication, regular meetings, interaction outside the work environment, time, past exchanges, multiple interactions, team building, mutual trust, integrity, honesty, and the sharing of common goals, considered to be significant. Trust itself was also acknowledged, and in order to build stakeholder relationships, “you have to be able to develop trust” (Client #1: Director). However, providing the project objectives were being satisfied, the development of relationships and trust appeared to be an expected consequence of regular project processes, not requiring any defined trust-building strategy. Furthermore, while the importance of stakeholder relationships was readily apparent, the influence of trust was in some instances implicit only. As trust facilitates cooperative relationships (Miształ, 1996), and trusting relationships foster project success (Pinto, et al., 2008), an understanding of the need to actively pursue the development of both relationships and trust within the alliance environment would prove beneficial.

The Alliance environment was considered to be conducive to strong relationships; however, poor relationships did still eventuate, particularly following negative events which result in relationships becoming adversarial. In instances of conflict, strong relationships among the alliance team were considered fundamental to resolving disputes and arriving at mutually acceptable outcomes. Nonetheless, the presence of strong relationships within an Alliance was not considered to provide an absolute guarantee of project success.

The people themselves were considered to be significant to how relationships developed within an Alliance arrangement, with the personalities and individual attitudes involved considered critical in terms of project success or failure. “It's all about people, individual people, and the relationships they build” (Client Consultant #2: Senior Project Manager). “Things succeed or fail on the personalities involved” (Contractor #1: Estimating Manager). Attention must therefore be given to the appropriate selection of individual project stakeholders during the formation stage of any Alliance.

In terms of relationship interactions and trust, the interviewees highlighted how future actions and behaviours were driven by past experiences: “we're all products of our experience” (Client Consultant #2: Senior Project Manager). Negative outcomes were considered to be a key catalyst for future decision making, and hence, the exchanges between stakeholders were considered to be of particular relevance when things went wrong. Relationship interactions were shown to influence trust positively and negatively, with future risk taking
decisions affected accordingly. Interviewees particularly valued displays of engagement, ongoing interaction, informal communications, collaboration and actions that confirmed integrity, honesty, and competence. Stakeholder interactions were also shown to facilitate a shared understanding of project objectives, improve previously poor relationships, and reverse instances of distrust.

The initial intent of project stakeholders was considered to be significant in terms of project success. Past experiences mould preconceived intentions, and drive the future actions which underpin project relationships. Even in an alliance environment conducive to the development of good relationships, “you can’t teach an old dog new tricks” (Client Consultant #1: Senior Project Manager), and an adversarial environment can eventuate. Consequently, an initial non trusting intent, and/or a failure to invest in the initial development of relationships is likely to result in adversarial exchanges, increased costs, and diminished project outcomes.

4.2 Attribution variables

Attribution variables essentially determine the level to which the respective parties deem each other to be trustworthy. Positive interactions and outcomes, common goals, time, and acting in the best interest of others, were all considered to be pertinent factors in the development and display of trustworthiness. By displaying trustworthy behaviour, exchange partners are able to interact with confidence, and “build a level of commercial trust” (Client Consultant #1: Senior Project Manager).

Reliable behaviour in which an individual substantiates through action, what (s)he has articulated with words (Karlsen, et al., 2008), was identified as being important in building relationships and trust amongst project stakeholders. Similarly, non-reliable behaviour was also found to result in a break down of trust and deterioration in relationships (Ho & Weigelt, 2002).

Communication aimed at developing and maintaining relationships was universally acknowledged, with the link between communication and trust also implicit. Central was the need for well-timed, correct and appropriate information transfer between stakeholders (Braendshoi, 2001), along with the recognition that the quality of the communication within the project environment is a critical determinant of project success (Packendorff, 1995). Openness, transparency, straightforwardness, frequency, and stakeholder dialogue and collaboration, were considered valuable. While formal communication methods were considered necessary, the benefits of informal communication in which stakeholders interacted on a face to face basis were emphasised. Better outcomes were reportedly achieved through person to person communication that facilitated a mutual understanding (Lander, et al., 2004).

The alliance environment was considered to encourage open communication between stakeholders. However, the absence of rules that explicitly dictated communication protocols meant that relationships and trust between stakeholders became increasingly critical. The role of effective communication in responding to negative events and resolving conflict was
clearly acknowledged. A lack of communication with secretive and non transparent behaviour was shown to negatively influence project relationships and trust, and subsequently contribute to poor project outcomes, or even failure of the alliance arrangement. (Aubert & Kelsey, 2000).

While the benefits of communication in developing relationships and trust were highlighted, the converse link between trust and communication was not. As trust can facilitate the exchange of information which is vital for effective and efficient communication (Aubert & Kelsey, 2000), increased efforts in the development of trust would be beneficial, as would an understanding that communication is the essence of trust building (Lander, et al., 2004).

Competence is a significant determinant of trust (Karlsen, et al., 2008; Lander, et al., 2004), and the ability of respective team members is an essential element of trustworthiness (Butler, 1991; Gabarro, 1978; Sitkin & Roth, 1993). Many of the interviewees acknowledged the importance of competence to the creation of trust within the alliance environment. The importance of competence when selecting alliance partners was strongly apparent. Any display of incompetence or poor performance was therefore considered to provide a strong negative influence on relationships and future interactions between stakeholders.

Benevolence is expressed as one party's belief that another party will act empathetically, and is considered a common attribute of trust (Lamsa & Pucetaite, 2006). The mutual goals inherent within an alliance arrangement were commonly identified by the interviewers as been significant in terms of encouraging benevolent behaviour, and developing and maintaining relationships between project partners. The common alliance goals were shown to allow interactions to proceed with confidence, with the link between trust and benevolent behaviour subsequently implied. Conversely a lack of benevolence reportedly resulted in adversarial interactions, poor relationships and lost trust, and ultimately a deterioration and failure of the alliance arrangement.

Integrity concerns the trustor's perception that the trustee will remain true to a set of principals which are acceptable to the trustor, with a degree of dependability towards the trustee subsequently implied (Mayer, et al., 1995). The importance of integrity to stakeholder relationships and project success was recognised by the interviewees. When collaborating within the alliance environment, a lack of integrity ultimately led to a break down in relationships, and a deterioration of the alliance arrangement.

The influence of honesty, a personal characteristic related to credibility that implies there will be no attempt to deceive (Munns, 1995), was similarly acknowledged. The interviewees highlighted the significance of “acting honestly and fairly” (Contractor #1: Estimating Manager), in building trust, developing and maintaining relationships, overcoming negative events, and achieving successful project outcomes within the alliance framework. A display of honesty from the outset of the project was considered to be of particular importance, with the damaging affects of dishonest behaviour also recognised.
4.3 Contextual variables

The issues of risk, and risk management, were commonly raised by the interviewees as being significant factors. It was accepted that a high risk profile is the key determinant for forming an alliance. The respective risk apportionment provided the framework for stakeholder relationships and interactions, and also drove future behaviour. When compared with traditional procurement alternatives, the interviewees believed that project risk was generally better managed in the alliance environment due to the common goals of stakeholders, which encourage good relationships: consequently trust was developed and maintained. Scenarios were also provided where the risk apportionment was shown to be a negative influence, leading to a “level of resentment” (Client Consultant #1: Senior Project Manager), and in some cases a failure of stakeholder relationships. Overall, the benefits of trusting relationships in managing risks were recognised, with the relationships and trust fostered within an alliance increasing the sense of common purpose and shared goals, and assisting the achievement of project objectives.

When considering control mechanisms and trust the alliance environment was found to be conducive to developing trusting relationships, removing the fear of litigation and motivating the resolution of disputes in a collaborative way. Nevertheless strong stakeholder relationships and trust were not guaranteed. The potential for conflict remained ever present, with issues of transparency, performance, a lack of urgency, excessive controls, value for money, and the pursuit of individual interests identified as issues that could strike at the core of trust between alliance partners. Ultimately, it was acknowledged that irrespective of the chosen control mechanism, “if there is not a human connection... It won’t work anyway” (Client #3: Project Manager).

Maintaining a positive team culture was commonly believed to be important in terms of relationships and project success. A fully committed positive attitude held by all, combined with team building and collaborative problem-solving led by key stakeholders, was considered to be significant in this regard. “When people cooperate, it generates a whole series of unrecorded costs and unrecorded benefits” (Client Consultant #2: Senior Project Manager).

4.4 Trust failure

The influence of negative events on relationships and trust was universally recognised by the interviewees, with the break down of trust between project stakeholders shown to result in poor project outcomes and even a complete failure of the alliance arrangement. In this regard, a lack of transparency, poor performance, behaviour that lacked integrity and honesty, adversarial conflict resolution, unreliable behaviour, lopsided risk apportionment, and issues pertaining to time, cost and quality, were all considered to be significant factors in terms of damaging relationships, and resulting in a reduced level of trust.

The interviewees clearly identified the link between negative events and lost trust, however remained silent on the divergent influences on trustworthiness of the perceived reason for the negative outcome: i.e. The extent to which the cause is deemed internal, controllable
and stable to the trustee (Tomlinson & Mayer, 2009; B. Weiner, 2001). The stability dimension is considered to be the most important (B. Weiner, 2001). To this end, the interviewees failed to consider the damaging affects on relationships and project success of negative outcomes that are ascribed to typical and context specific behaviour, where it is perceived that given similar circumstances, the same results are likely in the future (Sitkin & Roth, 1993).

In terms of repairing lost trust between project stakeholders, the interviewees commonly expressed the belief that strong relationships provided the foundation for resolving conflict and overcoming negative events. Responding promptly and openly was considered to be important, as was communication, particularly personal communication delivered face to face. However, the interviewees failed to acknowledge the need to not only restore positive expectations in a relationship, but also overcome negative expectations (Kim, et al., 2004). Nor was any consideration given to addressing the negative perceptions lingering after a negative event, and the need to reverse the low levels of trust which would thus be reinforced (Slovic, 1993). In this regard, an understanding by construction practitioners of how the trust repair process differs from initial trust development (Kim, et al., 2004) is likely to facilitate a better response to negative events, in turn strengthening stakeholder relationships and improving project outcomes.

5. Conclusion

It was evident that whilst stakeholders in Alliance projects routinely encountered situations where issues of trust formed part of their lived experience, strategies for trust building, maintenance and repair did not form part of their project management practice. Repeatedly they alluded to situations that illustrated the centrality of trust-related issues, and implicitly the desirability for more effective approaches to combat negative outcomes in these situations. However, more often than not, the default position remained founded on adversarial dispute resolution, despite the explicit acknowledgement that alternatives were likely to result in better project outcomes.

Accordingly it was concluded that greater familiarity and comfort with trust concepts in general, and sensitisation to the importance of trust formation, maintenance and repair strategies could be highly beneficial for Alliance Project practitioners. Specific issues in this regard include: the potential for personality profiling during project team member selection; relationship formation and trust building strategies for team leaders during the project team's establishment phase; transparency and honesty in project team communications.

Any project team that was to be constructed with care would need to be complimented by the skills and traits ascribed to individual stakeholders. To this end, excellent communication skills, technical competence, fairness, integrity and benevolence, as well as transparent honesty were all identified as critical elements of project success.

Within the specific context of alliance projects, it was acknowledged that issues pertaining to risk identification, quantification and apportionment were inherently challenging, and had the potential to penalise parties unfairly where underhand or simply murky decision making and
risk apportionment was evident, particularly in the early stages of the project. Conversely, where trust was established initially, shared purpose and collaborative approaches to problem solving tended to follow, facilitating enhanced project outcomes.

Where trust did breakdown, familiar behaviours based upon adversarial dispute resolution was often the habitual response. The most effective weapon against this type of behaviour was found to be the pre-existence of strong relationships between key stakeholder players. Besides this, there was little evidence of knowledge of trust repair techniques.

The outcomes from this study have therefore provided enlightenment regarding the formation and maintenance of trust in the lived experiences of construction practitioners within alliance projects. With consideration to the mostly implicit recognition of trust and its dimensions, education of project managers in this regard is warranted, and could realise improvements to current practice. Given that the data source for this study investigates trust as a general factor of alliance stakeholder relationships, a more focused study is also recommended, and would provide further illumination of the influence of trust, and provide greater direction in terms of future project manager edification.

References


