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Stakeholder management through relationship management

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STAKEHOLDER MANAGEMENT THROUGH RELATIONSHIP MANAGEMENT

Steve Rowlinson, Martin Tuuli and Tas Koh

INTRODUCTION

The conditions under which construction projects are undertaken are conducive to disputes and hostilities from stakeholders. The challenge for the project team becomes one of implementing project strategies such that positive stakeholder's influence is maximized and negative influence is minimized (Walker et al., 2008). Nowhere perhaps is this phenomenon more obvious than in Hong Kong where the populace have, over the past decade, found their voices following the return of the colony to China in 1997 after 150 years of British rule and growing agitation for a more democratic society. The historical context is therefore important in understanding the current situation regarding stakeholder management and relationship management in Hong Kong.

During the colonial years, a British approach to construction was followed, focusing strongly on the traditional approach which was regulated and administered by a strong civil service. This led to a construction industry which relied heavily on hierarchy, tradition and procedures in order to function effectively, but the industry was also heavily influenced by the Chinese culture in which it was situated. Hence, values such as face, harmony and conflict avoidance were also embedded in the industry culture. In such a situation, the issue of stakeholders and their management was paid scant regard; the government was used to making decisions on development rather than consulting

widely and the other major players – the oligarchy of large property developers – adopted a simple, economic approach to their business plans. Only over the past few years have issues such as corporate social responsibility reached boardrooms. Matters are, however, changing and Hong Kong people have become much more challenging of their government and institutions and have demanded that they be consulted and involved in all developments (e.g. the West Kowloon Cultural Hub, the Tamar Site redevelopment and the demolition of the Star Ferry and Queen's Piers).

In response to this wave of change, major client and construction organizations are embracing corporate social responsibility as a business strategy which in many ways is seen as a driver of stakeholder engagement and management. 'Respect for people' is becoming a core theme in construction organizations. Against this background the issue of relationship management has become prominent in stakeholder management discourse. To place the development of stakeholder management in Hong Kong in context, we examine how relationship management can shape stakeholder management and present two cases as part of our ongoing research to exemplify such an approach.

LITERATURE REVIEW

Freeman (1984) contends that it is management's job to understand stakeholder behavior and to engage with them whether or not there is agreement on appropriateness of that behavior. Effective management of relationships with stakeholders is therefore an important managerial activity (Lim et al., 2005). Relationship management has emerged as a sustainable approach for the construction industry in terms of people, environment and economics, and has the potential for satisfying client and stakeholder interests. This arises in part from the realization that the construction project can no longer be viewed as an isolated undertaking to satisfy the objectives of a small group of financing or sponsoring organizations, but must be viewed holistically as part of the social, economic

and political structure within which it exists (Palmer and McGeorge, 1997). Managing the soft side of projects, such as the public image of major civil engineering projects, has thus proven to be as important as managing their physical creation (Lemley, 1996).

A relationship management approach demands a realization of the broadening of the boundary of the project organization where project managers are required to lead coalitions and coordinate interests which coincide, while resolving conflicts among nonaligned interests. It is essential, therefore, that senior managers do not view the large networks of stakeholders as constraints to maximization of the organization's objectives, but must adopt the dominant managerial metaphor of negotiation (Freeman, 1984). Project procurement and financing arrangements have resulted in a shift from the singular client to plural client set-ups. An outcome of the increasing size and complexity of projects is that single construction organizations no longer have the capacity, resources and technical know-how to successfully implement such projects single-handedly. Joint ventures have therefore experienced a surge in places such as Hong Kong. In an ongoing infrastructure project for example, a combination of the above factors has resulted in a project organization set-up comprising over 20 primary stakeholder organizations including a plural client (four different departments fully involved), main contractor (joint venture of two organizations), consultant (resident site staff and the engineer), adjoining project 1 team (plural client—four departments, JV main contractor—four organizations and consultant) and adjoining project 2 team (plural client—four departments, JV main contractor—four organizations and consultant). These scenarios compound the difficulties in stakeholder management, as will be demonstrated later in case studies, making the need to employ relationship management principles in stakeholder management and engagement an imperative.

Over the past decade there has been an increasing emphasis on the use of relationship management in the administration of construction projects worldwide. This emphasis is manifest in the proliferation of partnering arrangements, public private partnerships and

alliances. Such approaches have met with varying degrees of success in different jurisdictions and this is in part due to the manner in which they have been implemented (see, for example, Cheung et al., 2005; Lau and Rowlinson, 2005; Rowlinson et al., 2006). Researchers have identified what they believe to be critical success factors for successful relationship management. Even so, there has been no consistent evidence on the efficacy of these factors. In particular, the influence of culture, be it sentient, organizational or national, has emerged as a strong moderating factor in the success of relationship management approaches.

Walker et al. (2008) have pointed out that the fundamental principles behind relationship management – trust building, commitment and innovation – are the same as those necessary for the implementation of successful stakeholder management. They illustrate this using an expectancy model and explain how trust is built up in phases and how both trust and distrust result in different management styles being used in dealing with relationships (Walker et al., 2008: 79-80). The outcome of this process is the development of commitment, in this instance throughout the project team including stakeholders.

When dealing with the issue of relationship management it is, however, apparent from the literature that the choice of contract strategy has a significant impact on the effectiveness of the relationship management process (Cheung et al., 2005; Rowlinson et al., 2006; Walker and Rowlinson, 2008). Hence, when dealing with stakeholder management the same should apply. The case studies discussed below provide examples whereby the choice of an appropriate contract strategy facilitates the stakeholder management process. Indeed, one of the case studies indicates some serious shortcomings in the relationship management process, and similarly stakeholder management, because of an attempt to bolt on the partnering approach to a traditional design-bid-build contract.

In analyzing the nature of working relationships and management attitudes in an alliance project in Australia, Lingard et al. (2007) revealed the positive effects of a full blown alliance on various aspects of individual and project performance. By reducing the working week to five days the work life balance of employees was improved dramatically. As a consequence, a much more open and blame free atmosphere developed amongst the participants in the project team than is usual on a construction project. This led to a more innovative approach to all aspects of work, enabling the project team to embrace the aspirations of all stakeholders in a positive manner. The conclusions that can be drawn from such a situation are that an appropriate contract strategy melded with a positive relationship management approach enables stakeholder management to take place in an atmosphere which is receptive and can find positive outcomes from divergent interests. Again, this finding is illustrated in the case studies.

While a relationship management approach as advocated above for stakeholder management has clear benefits, emerging empirical evidence in projects shows a range of response strategies being employed to engage and manage stakeholders. These generally range from proactive strategies consistent with relationship management principles to more passive strategies consistent with minimalistic interventions. In a recent study of stakeholder response strategies in four global projects, Aaltonen and Sivonen (2009) drew on the work of Oliver (1991) on organizational responses to institutional pressures to show five response strategies employed by focal organizations to manage stakeholders. The strategies include dismissal, avoidance, compromise, adaptation and influence. Dismissal strategies ignore stakeholder demands while pursuing project goals as defined by the focal organization. Avoidance strategies attempt to guard and shield the organization from stakeholder demands while deliberately transferring responsibility for responding to such demands to other organizations. A compromising strategy relies on negotiation and dialogue to reconcile stakeholder demands with project goals and objectives. Under adaptation, the tendency is to yield to stakeholder demands leading to adjustment in project objectives and deliverables.

Influence strategies however shape proactively the demands and values of stakeholders by actively sharing information and building relationships with stakeholders. Clearly, a relationship management approach to stakeholder management as discussed above aligns with the compromise, adaptation and influence strategies. In the following discussion of two construction projects, traces of these strategies can be discerned.

RESEARCH PROJECT

Case study: Project Alpha

The case project is an integral part of a 7.6 km long major highway infrastructure undertaking. The works in Project Alpha comprise the construction of a 1.1 km elevated viaduct, dual three-lane carriageway (average 65m above ground) to connect a tunnel (under construction) on one end and a cable-stayed bridge (under construction) at the other end. The project site is reclaimed land (to be handed over in phases), surrounded by industrial facilities, container terminals and an educational institution. The contract is a re-measurement type with a price fluctuation clause and awarded for an initial contract period of 40 months and at an initial contract sum of HK\$1,012 million. The project is delivered under a traditional design-bid-build approach in which the client engages the services of an engineering consultant to design, administer the contract and supervise the works undertaken by the contractor.

The particular features of this project, especially its size, location (vertically and horizontally) and technical complexity, brought together myriad stakeholders, whose interests needed to be aligned at various phases to deliver the project successfully. Five incidents, involving critical and contentious issues during the construction phase of the project, are used to illustrate how the stakeholders surrounding each incident were identified, managed or mismanaged individually and collectively in resolving the various

issues. The impact of the procurement arrangement on the configuration of project stakeholders and the implications for their management are also discussed.

Incident analysis

Table 1 summarizes the key features of each incident: the stakeholders, stakeholder interests, consequences of not managing the interests, characterization of response strategy and manifestation of the response strategies. The nature of the incidents and their management are briefly discussed below.

Table 1. Stakeholder management initiatives and outcomes in Project Alpha.

<take in Table 1 >

Change in interface arrangement. The contractor proposed to change the interface arrangement regarding the positioning and maneuvering of the launching girder on the deck of an adjoining bridge project (under construction) from that proposed in their Technical Proposal at the bid stage and which was subsequently built into the contract. From an overall project perspective, the new proposal had implications for progress and risks, especially the achievement of the project key dates. The contractor however considered the change necessary to make the launching operation simpler and safer. The stakeholders in this incident, whose input and buy-in was required, are summarized in the upper part of Table 1. The critical and contentious issues were:

1. structural stability of the bridge deck;
2. partial removal of temporary supports to the bridge deck;

3. achievement of key dates in jeopardy;
4. responsibility for risk and liability for any unforeseen circumstances; and
5. associated cost and time liability needing to be established.

While the first two technical issues were easier to resolve with the bridge contractor, the last three contractual issues were most problematic due to entrenched positions.

Attempts to obtain buy-in of all parties included presentations and mock demonstrations, meetings and 'ping-pong' correspondence to resolve differences. The client required the contractors to waive their rights to claim time and associated costs which they declined. After six months of negotiations, the contractor was forced to revert to the original proposal. Ironically, the segment launching operation itself actually took less than three weeks to complete after reverting to the original plan. It is interesting that the spirit of the non-contractual partnering that was in place on the project and continuously reinforced through various workshops could not help. Indeed, an attempt to use the partnering process to resolve this issue was met with silence from all parties, reinforcing the skeptics' belief that many parties who sign-up to such non-contractual partnering arrangements have little commitment to working in a true partnership.

While there appear to have been genuine efforts by the contractor (maybe because of standing to benefit most if the proposal was approved) to engage and obtain buy-in through response strategies, which can be characterized as involving influence, compromise and adaptation, it is doubtful whether any alternative mode of engaging, (especially the client) could have yielded a different outcome. Public project settings are particularly replete with risk averse and fear of blame attitudes. This, rather than the means of engagement of the parties, may be why a proposal such as this was predisposed to failure.

Temporary Traffic Arrangement (TTA). To facilitate the works and safeguard the public, it was necessary during the project to temporarily divert traffic passing through the site. These changes to the normal movement of traffic are handled under a Temporary Traffic Arrangement (TTA). The key players and issues are shown in the middle of Table 1. The key stakeholder in the TTAs was the Traffic Management Liaison Group (TMLG), whose decision supersedes the contract provisions regarding the TTAs. The key players in the TMLG were the police and Transport Department, with the other members tending to go with whatever these two decided.

The client's audit team continually issued 'non-compliances' (NCs) for various breaches and the client's project team called on the Engineer's Representative (ER) to step up inspections to forestall any future breaches. The ER together with the contractor then instituted various measures to prevent contraventions of the TTA arrangements in the form of three daily joint-inspections – in the morning, afternoon and early evening. This was augmented with management of public expectations. Several initiatives were also in place in this regard:

- advance notice to client and concerned members of the public on TTAs;
- feedback from the public on TTA implementation; and
- 'complaint walk' where the client goes on site to walk through, with the ER and contractor, mitigation measures in response to complaints from the public.

These measures were successful in reducing the NCs to zero for the following months. TTAs are an important feature in roadwork projects and are considered one of the most challenging tasks on most road projects (Chan, 2003). Indeed, the project team, especially the contractor, is keen on ensuring that inconvenience to the public is reduced as much as possible by engaging all stakeholders for successful implementation of all TTAs.

Community planting exercise. Under a directive on 'community involvement in greening works', all capital works contracts with the estimated value of the landscape works in excess of HK\$3 million should involve consultations with the respective district councils in regard to greening works prior to bid. It is a condition that the community be invited to participate in the planting works near to or after the completion of the project. Since the value of the landscape works on the project was less than HK\$3 million, the adjoining bridge project (whose value for landscape was also less than HK\$3million) was invited to join the community planting exercise. Thus, both the contractor and consultant confirmed that the community planting exercise was not part of the original contract, but a public relations exercise by the client. Nonetheless, the ER was quite supportive.

The key participants for the community planting project were pupils from two selected primary schools in the neighborhood and some district council members. The contractor had some concerns, however, about the composition of the volunteers for the planting exercise and expressed reservations:

"... there is some hidden risk in this, because for us at the moment, this is still a construction site; so under the law anybody who comes into the site will require a green card. If he is a worker, he needs to have a registration card [...] the kids who will be doing the planting, they are actually doing [the contractor's] work. Technically they are doing our permanent works because they are planting the area where [the contractor] is supposed to plant, so they don't have green cards, they don't have workers' registration cards and they are all under age."

Contractor's representative.

Taken together however, the community planting exercise appears to be well received by the volunteers and attracting public enthusiasm. This can be attributed to the fact that it presents them with the opportunity to get closer to projects than they normally

would, and in the process learn more about how taxpayers' money is being spent. Government and community representatives are also keen to show up at such exercises as it gives them the opportunity to engage closely and interact with their constituents.

Construction noise permit (CNP). Following a proposal to change from the use of two launching girders to one launching girder and a crawler crane, the contractor further proposed a 24-hour cycle for the erection of the viaduct segments in order to achieve an equivalent productivity level. The continuous supply of precast segments to the launching girder beyond 11pm in order to ensure that a 24-hour working cycle was achieved proved problematic, because the proposed storage area for the precast segments was directly beneath a student hall of residence and the carrier that supplied the segments to this area generated noise above the acceptable Environmental Protection Department's (EPD) limits. The key players and their interests are shown in the middle of Table 1.

To mitigate the situation, several measures exemplary of influence, compromise and adaptation were employed:

- modifications to the segment carrier using a noise enclosure;
- trial with measured noise levels recorded and presented to the EPD;
- closure of windows in the hall facing the site at all times; and
- replacement of old air-conditioners with much quieter new units.

The client played a key role in facilitating the approval process as testified by the contractor:

"... [the client] was involved in some of the discussions, so everyone was involved trying to satisfy EPD, even [the client] went with [the contractor] to

discuss with EPD, about what could be done, what is acceptable to [EPD] in terms of noise level from the point of view of EPD for it to issue a permit" Contractor's representative.

Miscast segments. An estimated 67 precast viaduct segments were miscast by the precast subcontractor due to wrong setting-out information and resulted in the incorporation of cross-falls in the wrong direction. In view of the significant and unrecoverable delay to the work that this error could cause, there was the urgent need to review the procedures relating to the production of the precast segments in the yard in mainland China by strengthening supervision – see bottom of Table 1 for key players and interests in this incident.

Since some of the miscast segments were already erected, the key issues were to mitigate delays and consequences of the errors in the segments already erected in terms of the alignment of the finished road surface. Given the implications of lost production time on progress of the works, the contractor further proposed incorporating as many of the miscast segments as possible into the works since the errors had no implications for the structural capacity of the viaduct. In line with this proposal, a full report on the segment errors was prepared and submitted to the ER so that the feasibility of further incorporating as many of the miscast segments (without rectification) into the works could be evaluated.

There was close collaboration among all parties to resolve this issue as soon as possible and the client's role was especially crucial. It is clear that the consequence of the miscast error for all stakeholders was an incentive to work together for a fruitful resolution of the problem. This demonstrates the power of joint interest or joint risk in motivating stakeholders to work for the common good of the project. Yet, the inability to agree on

how to dispose of the remaining precast segments showed how lack of alignment of interests forestalls consensus building.

Impact of procurement arrangement

As noted earlier, the project was procured under a traditional design-bid-build approach. It is apparent from the discussion so far that the arms-length mindset associated with this approach contributed to how some of the incidents played out. It is commendable, however, that interface arrangements were built into the contract. This approach clearly defined the interdependence between the two projects from the onset as an issue to be managed during the project. Nonetheless, the interface arrangement appears to have been structured without consideration for the uncertainties that can arise in a project of this size and complexity. The situation was further exacerbated by the inflexibility of the various parties. Ironically, there was a non-contractual partnering arrangement in place, in which the parties promised to work in partnership. Yet, when it mattered most all the stakeholders held on to their contractual rights.

The structuring of the project organization also had implications for a number of stakeholders on any issue and thus their management. First, the client organization was pluralistic. On many issues three or more different departments of the client organization needed to be satisfied and this became even more problematic when they disagreed. The fact that the contractors on the two adjoining projects were joint ventures also had implications for engaging them. In this case, the board of directors of the JVs appeared to have played only a passive role, as most of issues were considered site matters, which were within the domain of the site teams. Some contractual provisions also had implications for the number of stakeholders who needed to be engaged; for example, the Engineer's Representative as a separate entity from the Engineer and the use of an

Independent Checking Engineer (ICE), whose role was to check all contractor designs and the TMLG.

Stakeholder management outcomes

Five incidents have been analyzed above to show how stakeholder management on an infrastructure project manifested (see Table 1 for full summary). In the management of both internal and external stakeholders, it was clear that when the stake for all stakeholders on the issue of contention was high there was a tendency to reach an agreement easily. Culture specific dynamics also manifested in the positions that different stakeholders took on issues and there was a general tendency for 'rule following' or adherence strictly to the contract. This may be attributable to the fear of blame culture pervasive in public project settings and the conflict avoiding view inherent in the Confucian value system.

Notwithstanding the good intentions of proponents, the incidents also indicate that it might sometimes be impossible to gain buy-in from stakeholders no matter how hard parties try to engage. Buy-in appears particularly difficult when the issues are contractual in nature. The need for stakeholder management is also driven in some cases by government policy or contractual arrangements (e.g. TTAs, interface arrangement and community planting). While this may give parties the opportunity to strategize and implement more structured approaches to managing stakeholders, the incidents show that *ad hoc* approaches are dominant. Unlike the projects analyzed by Aaltonen and Sivonen (2009) however, the response strategies employed by the focal organizations were proactive, reflective of a desire to invoke relationship management strategies in managing stakeholders.

Taken together, this case study demonstrates an element of progress towards public engagement on projects in Hong Kong, an element that was unheard of a decade ago. Yet, the arms-length mindset, perpetuated by decades of use of the traditional procurement approach is still prevalent. Indeed, when collaborative initiatives such as partnering are bolted on to the traditional procurement system there is little evidence of real partnership. Thus, a shift in culture, both in terms of the way stakeholders are engaged and projects procured, appears a viable option for project delivery in Hong Kong.

Case study: Project Beta

The project is being implemented at a time when there is increasing emphasis by the Hong Kong Special Administrative Region (HKSAR) government on sustainability and community development in public housing through the procurement and implementation of project processes. Four sustainability dimensions have been adopted by the government with a focus on balancing the economic, environmental and social concerns of all the stakeholders in the project. To achieve these goals, various initiatives are increasingly being embedded in the bidding and contracting procedures in the implementation of projects.

Project Beta is Phase 4 (of six phases) of public-rental housing involving the construction of three 41-storey blocks, estimated to provide a total of about 2,369 units of rental apartments. The value of the works is estimated at about HK\$434 million and is contracted out for an initial period of 36 months. The works are procured broadly under a traditional design-bid-build approach using the Government of Hong Kong General Conditions of Contract for Building Works (1993 Edition). Special conditions of contract are incorporated to cater for six work packages contracted under a Modified Guaranteed

Maximum Price (MGMP) arrangement which collectively make-up about 31% of the contract sum.

Stakeholder management

Several initiatives were implemented to engage stakeholders both internal and external to the project organization. Table 2 provides a general summary of the key issues, the stakeholders, stakeholder interests, consequences of not managing their interests, characterization of response strategy and manifestation of the response strategies. The first initiative targeted at internal stakeholders is the 'workers wage protection scheme'. The scheme is a direct response to workers' concerns on the protection of their wages in the event of default by the contractor or subcontractor. This scheme had several elements:

- on-demand bond in the contract which can be used to secure payment of wages for affected workers;
- a labor relations officer (LRO) employed on site to check, verify and monitor workers' wage records. The LRO also receives, acknowledges and records complaints and follows up complaints on site;
- subcontractors are required to pay their workers on time before applying to the main contractor for their monthly payment in conjunction with works done; and
- computerized wage monitoring system equipped with a sophisticated mechanism to track wage payment such that if late payment to the workers is encountered, the system issues a warning and the subcontractor's payment is delayed.

The main contractor of the project has also adopted other primary stakeholder management initiatives concerning mainly the on-site welfare provision for workers and

staff, and human resource development for the site management team. The initiatives include:

- health promotion program that includes basic health check and health counseling for workers with health conditions (e.g. hypertension); cash prizes for high performing workers; heat stress preventive program in view of the high temperature summer working periods; the provision of mobile mist generating machines; installation of thermometers throughout the site; the provision of workers' quarters and laundry areas;
- team members are encouraged and sent to attend various personal development courses that include management skills, technical skills and leadership.
- promotion of a familial atmosphere among the site team, e.g. coaching program, recognition and the active seeking and provision of opportunities for site staff to try new things within their capability.
- systematic recognition and promotion scheme (both financial and positional rewards). The results observed were the promotion of some site staff and the re-joining of some junior engineers after the completion of their industrial training with the main contractor.

The emerging outcomes of these initiatives are in line with studies conducted elsewhere that indicate the clan type culture which emphasizes that people orientation is more conducive to successful project outcomes, albeit in the area of quality management (Thomas et al., 2002). The management of secondary stakeholders, in particular, on the part of the client has seen a saliency in the client's pro-activeness in engaging stakeholders. The client has built into planning and development processes a number of community engagement initiatives:

- a series of activities designed to instill a greater sense of belonging and participation of the community in the project, e.g. a competition for mural

painting was organized in the community with the winning design being incorporated as a permanent mural feature for the estate;

- 'Action Seedling' to promote community participation in the project. Local residents and school children from nearby schools participated in planting seedlings and nursing the plants for the estate under construction; and
- extensive use of prefabricated building elements and hard paved site areas to reduce dust and noise.

In response to the client's push for active community engagement from the beginning, the notion of corporate social responsibility (CSR) gradually evolved throughout the main contractor's organization. As a result of increased awareness on the impact of its activities on the community, the contractor has been active in participating and responding to the client's drive for community engagement, at times going beyond the requirements of the client. Two incidents exemplify the contractor's active involvement in volunteer activities.

1. House improvement work during a festival to help elderly residents at the nearby estate, by dispatching two teams of personnel to help repair malfunctioning services within the apartments.
2. Construction related information provided to nearby residents in connection with prolonging construction activities beyond normal working hours.

Table 2. Stakeholder management initiatives and outcomes in Project Beta.

<take in Table 2>

Stakeholder management outcomes

Several implications can be drawn from the foregoing project stakeholder management initiatives in this project. As in Project Alpha above, the stakeholder management responses in Project Beta tended to embrace a relationship management perspective. Even so, not every level within the organization exhibited this proactive attitude as elements of dismissal and avoidance surfaced at the lower levels as exemplified by some of the outcomes discussed below.

Passive reaction. There was passive reaction among the subcontractors and junior staff members to the initiation and implementation of stakeholder management. The situation was particularly evident in the management of secondary stakeholders. It appeared that the members of the lower echelon were adopting a minimalist approach. For these members, engaging with external stakeholder was not seen as contributing directly to their immediate work.

Lack of a structured approach to project stakeholder management. The preceding observation is symptomatic of the lack of a structured project stakeholder management system on the part of the main contractor. The deficiency is particularly acute with external stakeholder management. Despite considerable success in dealing with and tackling issues within the community, the main contractor admitted that the approach was one of trial and error. There was no deliberate or structured approach to identify external stakeholders, their impacts and the method of engaging them. While the efforts and achievement of the main contractor have to be commended, the situation reflects the somewhat parochial mentality of the construction fraternity in terms of external stakeholder management.

Contracting firms have traditionally adopted the attitude that construction operations are confined within the boundary of the site. Site operations are therefore a closed system. This view overlooks both the direct (e.g. dust and noise) and indirect impact (e.g. bad impression resultant from direct impact) on the community. In terms of engaging external stakeholders and mitigating the impacts construction activities cause, it is not in the interest of firms to do more than necessary as costs are incurred in extra efforts. Hence, shareholder management and interest still overrides the stakeholder paradigm. That is, the stakeholders' perspectives are not integrated into the project formulation processes despite the best intentions of both parties (c.f. Cleland and Ireland, 2007).

No allowance for additional resources for stakeholder management. Despite the various external stakeholder management activities that had been carried out by the main contractor, there was no provision of additional resources for the main contractor under the contract. The reward from the client comes in the form of recognition. In addition, given its status as a pilot project the ensuing image issues and the high stakes involved especially for the two primary stakeholders of the client and main contractor, the main contractor resorted to adsorbing the extra costs (Mahesh et al., 2007). Yet, while the costs involved in carrying out those activities are not considered large, the lack of compensation from the client may lead to token efforts from the main contractor.

Engagement of specialist subcontractors from the client's nominated list. The subcontractors for two GMP packages were 'novated' from the client's nominated list, but because of the nature and element of design and build inherent in the packages, these subcontractors were engaged as domestic subcontractors. The arrangement is seen as a move to improve buildability, thereby achieving a cost saving design. Although the arrangement helps ensure quality control to some extent for the client, it can reduce the

main contractor's capacity to stay within the GMP (Haley and Shaw, 2002). In addition, the level of cooperation between these novated subcontractors and the main contractor needs extra attention and promotion. For this project, it was observed that the client's intervention was invoked in the initial stage of the project to bring the parties together. In the long run, however, a more appropriate arrangement needs to be implemented.

DISCUSSION

It is apparent from the case studies above that tradition, custom and practice, politics and culture have a major influence on how stakeholder management is undertaken in the Hong Kong construction industry. Without a strong tradition of democracy it is not surprising that the move to draw the public, green groups and other parties into the development process has moved forward slowly; there is no evidence of resistance to change, rather an inertia grounded in the traditional values of society and the structure of government departments and institutions which puts a brake on change. This is not totally surprising: if one studies the position of Hong Kong on Hofstede's dimensions of culture it is obvious that nations such as the UK and USA have a value infrastructure which is more open to stakeholder involvement and empowerment (see Figure 1). The Confucian values of harmony and conflict avoidance are often an opposing force to the drive for stakeholder empowerment.

<take in Fig. 1>

Figure 1. Comparison of scores for Hong Kong, USA and UK on Hofstede's cultural dimensions.

There is evidence from the case studies that change is taking place and that the post-colonial administration is becoming more attuned to the legitimate demands of its stakeholders and a re-education process is taking place. It is apparent from the cases discussed above that focal organizations are shedding their dismissal and avoidance response strategies of the past and embracing proactive responses of adaptation, compromise and influence to manage stakeholders. This cannot be described as a cultural revolution, but a culture change is taking place. A move away from traditional procurement forms is now underway within the Hong Kong Housing Authority leading the way and the other Works Bureau departments commencing a range of experiments with more open procurement forms. Indeed, the incorporation of partnering type agreements into many projects has contributed to a change in culture and led to more open attitude to cooperation and collaboration in construction projects (Anvuur, 2008). In line with this development there needs to be a recognition that performance measures have to be refocused to take into account medium and long term objectives in line with the arguments put forward by Walker et al. (2008). As Table 3 shows the stakeholder management strategies in both cases were driven by five main issues: procurement systems reform, improved collaboration, lifecycle value consideration, community involvement and community benefits.

In recent years, employees and stakeholders have also become much more aware of the need for firms and government to show a commitment to corporate social responsibility (Rowlinson, 2008) and this has raised awareness in all sectors. Indeed, major infrastructure and property developers have taken on board stakeholder management as part of their corporate social responsibility commitment; time will tell whether this is a marketing fad or a genuine culture change in the industry. With the establishment of the Construction Industry Council in 2008 there is now an industry wide body dedicated to improving performance in the real estate and construction industries. One of its first tasks has been to improve construction site safety and this has involved an attempt to engage workers, managers and directors in a framework that provides a basis for joint

problem solving and initiative development. Such approaches augur well for the future development of stakeholder management and empowerment.

<take in Table 3>

Table 3. Comparative analysis of stakeholder management issues and strategies across cases.

CONCLUSIONS

For further progress to be made in stakeholder management the Hong Kong real estate and construction industry needs to build on the current modest achievements as exemplified in the two cases above. This will require that the industry addresses several knotty issues that continue to inhibit progress in effective stakeholder engagement and relationship management. A good starting point is procurement reform. There is the need to allow for more innovative and collaborative approaches to the project development process. The recent uproar on harbor reclamation issues is a reminder that such an approach is long overdue. This should then be extended across all the phases of the project process so that a culture change can begin to take place throughout the industry where participants focus on cooperation and collaboration rather than defensive reactions.

As the two cases show, a focus on the real meaning of value in the project context rather than a decision making process based on lowest initial costs is a much more promising path for the industry. Such an approach will reinforce the cooperative and collaborative agenda, allowing a focus on what is best for the project. At the front-end of

project implementation then, a commitment to community involvement and a full implementation of the principles of corporate social responsibility in both public and private sectors will be required. This will also mean that organizations empower the teams and individuals they deploy at the project level and who interact at the organization interfaces so they can effectively engage each other and the external stakeholders of the projects.

Table 1 Stakeholder Management Initiatives and Outcomes in Project Alpha

Stakeholder	Stakeholder Interests	Consequences of not managing interests	Response Strategy	Manifestations
	<u>Interface Arrangement</u>			
Viaduct Contractor	Safer work environment; simpler site operations	Escalation of risks, non-achievement of key dates	Influence, Compromise, Adaptation	Buy-in of key stakeholders; formal and informal engagement; interface meetings; ping-pong letters; presentations; mock demonstrations
Bridge Contractor	Structural stability of bridge	Risk and liability		
Client	Limit liability and claims; Structural stability of bridge	Blame/reprimand from superiors; Escalation of risk		
Engineer's Representatives (viaduct & bridge)	<i>Projecting client's interests;</i> enforcement of contract	Loss of client's trust		
The Engineers (viaduct & bridge)	<i>Projecting client's interests;</i> enforcement of contract	Loss of client's trust		
ICE	Neutral	Neutral		

	assessment			
Project Board of Directors (viaduct & bridge)	Safer and simpler site operations	Passive observer		
	<u>Temporary Traffic Arrangement (TTA)</u>			
Viaduct Contractor	Non-compliance, least inconvenience to road users	Inconvenience to road users; Loss of reputation of key project participants; public complaints	Influence, Compromise, Adaptation	Management of public expectations; 3-cycle daily joint inspections; feedback from road users; complaint walk; Government's central complaints unit (1823 Citizens Easy Link (CEL))
Road users (general public)	least inconvenience			
Client	Reduction in non-compliance, least inconvenience to road users			
Client's Audit Team	Enforcement of TTA			
Engineer's Representatives	Reduction in non-compliance, least inconvenience to road users			
TMLG	Faster resolution of TTA issues,			
	<u>Community Planting Exercise</u>			
Client	Community involvement; PR, promotion sense of ownership, public enthusiasm	Public agitation; Negative publicity	Influence, Compromise, Adaptation	Invitation to participate; community outreach; onsite community

Contractors	Liability and safety issues; insurance; composition of volunteers	Lack of commitment		planting
Engineer's Representative	<i>Projecting client's interests;</i> enforcement of contract	Loss of client's trust		
Public (school Children)	Participation			
	<u>Construction Noise Permit (CNP)</u>			
Contractor	24-hour cycle; constant supply of segments; storage area	Delays to works	Influence, Compromise, Adaptation	Mitigation measures; meetings; Government's central complaints unit (1823 Citizens Easy Link (CEL))
Client	Noise level; public complaints	Delays to works; public complaints		
School (Hall of residence)	Noise level	Inconvenience; public complaints		
EPD	Enforcement of noise regulation			
	<u>Miscast segments</u>			
Contractor (pre-cast subcontractor)	Significant and unrecoverable delay and loss of resources;	Delays to works; Waste of resources	Influence, Compromise, Adaptation	Review of pre-cast procedures; strengthening supervision; mitigation measures

Client Dept/Units (Maintenance & Audit)	Build as designed, easy maintenance	Maintenance difficulties		
Engineer's Representation/The Engineer	enforcement of contract	Damaged reputation		Ping-pong letters
ICE	Neutral assessment	Neutral		

