An investigation of relational contracting norms in construction projects in Malaysia

This item was submitted to Loughborough University's Institutional Repository by the/an author.

Additional Information:

• A Doctoral Thesis. Submitted in partial fulfillment of the requirements for the award of Doctor of Philosophy of Loughborough University.

Metadata Record: https://dspace.lboro.ac.uk/2134/5918

Publisher: © Nasruddin Faisol

Please cite the published version.
This item was submitted to Loughborough’s Institutional Repository (https://dspace.lboro.ac.uk/) by the author and is made available under the following Creative Commons Licence conditions.

For the full text of this licence, please go to:
http://creativecommons.org/licenses/by-nc-nd/2.5/
An Investigation of Relational Contracting Norms in Construction Projects in Malaysia

by

Nasruddin Faisol

A Doctoral Thesis
Submitted in partial fulfilment of the requirements for the award of Doctor of Philosophy of the Loughborough University
2010

© by Nasruddin Faisol (2010)
Acknowledgements

In the name of ALlah s.w.t., the Most Beneficient, the Most Merciful

I would like to express my gratitude to all those who have gave me the strength to complete this thesis. The preparation of this thesis would not have been possible without the support, hard work and endless efforts directly and indirectly these individuals and organisations.

First, my appreciation goes to my sponsor Universiti Teknologi MARA (UiTM) Malaysia for giving me the opportunity to have full scholarships to further my study abroad.

I am deeply indebted to both of my supervisors Professor Andrew Dainty and Professor Andrew Price who have given me a turning point to appreciate qualitative research. Their patience on my work pace throughout my study period, helps, stimulating suggestions, comments and especially encouragement has really helped me to keep continue writing and complete until the last page of my thesis.

My great thankfulness also goes to my wife, Harlina and my children Najibah, Zaid and Aisyah for willingly helping and joining me finishing this journey with colourful tide of painful, stress and joy. Without their 'tolak ansur', 'timbang rasa', patience and support, I have not gone this far. I am grateful to have all of you as my family.

To my colleagues in Loughborough and Malaysia, Mohd Yunus, Mohd Sharis, Azli, Halimah, Adzhar, Adnan, Mohmad, Sabrizaa, Azizan, Jamri and all friends who have helped, supported and given valuable hints and tips; I would like to express my sincere thanks to all of them.

Finally, to my parents Hj Faisol and Hajah Ramlah, my brothers and sisters who constantly pray for my success, special thanks to all of you. The exposures, opportunities and supports that I have received were very valuable and priceless, only the All Mighty can repay it back.

Nasruddin Faisol
Bukit Jelutong,
October 2009.
Abstract

The importance of good relationship among parties in the construction industry has been accepted as one of the central issues of an organisation’s success. The growing acceptance to the Relational Contracting approaches that representing partnering, supply chain alliances and other types of collaborative working relationships shows how construction organisations are moving forward from the traditional adversarial culture to a more harmonious working environment. However the application of the Relational Contracting Norms in the context of national culture has received relatively little attention in the literature. This study attempts to fill this void by investigating how good relationships develop within construction projects in Malaysia. It also investigates the adaptability of the relational contracting norms in different cultural setting and explores whether similar relational contracting norms emerge in different projects before developing a relationship development model that is applicable to the academic and practitioners.

By using qualitative approach, the main data was collected from 36 semi-structured in-depth interviews across four case studies. The results were validated by 20 follow-up interviews with selected respondents, two stages of expert interviews and cross-case analysis.

This study found that good relationships within construction projects in the Malaysian construction industry developed from the interplay of twelve structural and relational dimensions that went through three stages of relationship development process in project setting. It highlights the significant importance of the value and emotion-related dimensions in developing good relationships. A relationship development model was produced based on these twelve dimensions (special contract directive, power, performance, trust, commitment, loyalty, personal relationships, emotions, values, social interaction, work inter-dependency and political connection).

The research contributes to construction management literature by supporting the Transaction Cost Economics Theory and extends the Relational Contracting Theory. It proposes seven new dimensions that are incorporated in the newly proposed relationship development model. Although the study was conducted in a specific national culture, it is argued that the model is applicable to other context on the basis that spiritual, emotional and human components of the work experience could be learned by other cultures.
# TABLE OF CONTENTS

Acknowledgement ........................................................................................................................................iv
Abstract ..................................................................................................................................................v
Table of Contents ..................................................................................................................................vi
List of Tables .........................................................................................................................................x
List of Figures .......................................................................................................................................xii
List of Appendices ............................................................................................................................xiii

## Chapter 1 – Introduction to the Research Problem

1.1 Introduction ........................................................................................................................................1
1.2 Background of the Research ...........................................................................................................1
1.3 Justification for the Research
   1.3.1 Importance of Research ...........................................................................................................2
   1.3.2 Shortcomings of Existing Research ........................................................................................5
1.4 Research Question ..........................................................................................................................7
1.5 Aims and Objectives .........................................................................................................................7
1.6 Research Setting
   1.6.1 Malaysia – East Asian Culture ................................................................................................10
   1.6.2 Methodology ...........................................................................................................................11
   1.6.3 Unit of Analysis .......................................................................................................................12
1.7 Structure of the Thesis ...................................................................................................................12
1.8 Summary ........................................................................................................................................15

## Chapter 2 – Relational Contracting Norms and Structural Perspective of Inter-organisational Relationships

2.1 Introduction .......................................................................................................................................16
2.2 Relational Contracting Norms and Its Importance in Relationship Development
   2.2.1 Long-term Orientation .............................................................................................................23
   2.2.2 Solidarity and Commitment ....................................................................................................23
   2.2.3 Mutuality and Trust ................................................................................................................24
   2.2.4 Flexibility ..................................................................................................................................25
   2.2.5 Role Integrity ............................................................................................................................26
   2.2.6 Information Exchange .............................................................................................................26
   2.2.7 Conflict Resolution ................................................................................................................27
   2.2.8 Limitation of Power ................................................................................................................27
   2.2.9 Monitoring Behaviour .............................................................................................................28
   2.2.10 Relational Planning .................................................................................................................28
2.3 Relational Contracting Norms and the Structural Perspectives of the Relationship Development Process .........................................................................................................................29
2.4 Transaction Cost Economics in the Relationship Development Process .....................................31
2.5 Summary ........................................................................................................................................32
### Chapter 3 – East Asian Business Culture and Work-Related Values of the Malays

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>Introduction</td>
<td>34</td>
</tr>
<tr>
<td>3.2</td>
<td>East Asian Business Culture</td>
<td>34</td>
</tr>
<tr>
<td>3.2.1</td>
<td>Western Capitalism versus Eastern Capitalism</td>
<td>36</td>
</tr>
<tr>
<td>3.3</td>
<td>Malaysia: Background, Work-Related Values and Emotions of the Malays</td>
<td>38</td>
</tr>
<tr>
<td>3.3.1</td>
<td>Background</td>
<td>38</td>
</tr>
<tr>
<td>3.3.2</td>
<td>Culture and Behaviours</td>
<td>39</td>
</tr>
<tr>
<td>3.3.3</td>
<td>Malay ‘Budi’ and Work-Related Values</td>
<td>42</td>
</tr>
<tr>
<td>3.3.3.1</td>
<td>Malay ‘Rasa’ – Thinking and Feeling at the Same Time</td>
<td>46</td>
</tr>
<tr>
<td>3.3.3.2</td>
<td>‘Terhutang Budi’ (Debt of ‘Budi’/Indebtedness)</td>
<td>47</td>
</tr>
<tr>
<td>3.3.3.3</td>
<td>‘Malu’ (Shame)</td>
<td>47</td>
</tr>
<tr>
<td>3.3.3.4</td>
<td>Be Sensitive to Other People Feeling</td>
<td>49</td>
</tr>
<tr>
<td>3.3.3.5</td>
<td>‘Timbang Rasa’ (Considerate)</td>
<td>50</td>
</tr>
<tr>
<td>3.3.3.6</td>
<td>‘Tolak Ansur’ (Compromise)</td>
<td>51</td>
</tr>
<tr>
<td>3.3.3.7</td>
<td>Power Distance and Respect for Authority</td>
<td>51</td>
</tr>
<tr>
<td>3.3.3.8</td>
<td>‘Ikhlas’ (Sincerity)</td>
<td>54</td>
</tr>
<tr>
<td>3.3.3.9</td>
<td>‘Jujur’ (Honest)</td>
<td>55</td>
</tr>
<tr>
<td>3.3.3.10</td>
<td>Paternalism</td>
<td>55</td>
</tr>
<tr>
<td>3.3.3.11</td>
<td>Family Oriented</td>
<td>56</td>
</tr>
<tr>
<td>3.3.3.12</td>
<td>Personal Relationships</td>
<td>56</td>
</tr>
<tr>
<td>3.4</td>
<td>Summary</td>
<td>58</td>
</tr>
</tbody>
</table>

### Chapter 4 – Research Methodology

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1</td>
<td>Introduction</td>
<td>60</td>
</tr>
<tr>
<td>4.2</td>
<td>Philosophical Position of the Research</td>
<td>60</td>
</tr>
<tr>
<td>4.2.1</td>
<td>Qualitative Research</td>
<td>61</td>
</tr>
<tr>
<td>4.2.2</td>
<td>Interpretive Approach</td>
<td>62</td>
</tr>
<tr>
<td>4.2.3</td>
<td>Case Study Method</td>
<td>65</td>
</tr>
<tr>
<td>4.3</td>
<td>Research Design Phase</td>
<td>67</td>
</tr>
<tr>
<td>4.3.1</td>
<td>Review of Literature</td>
<td>68</td>
</tr>
<tr>
<td>4.3.2</td>
<td>Pilot Case Study</td>
<td>70</td>
</tr>
<tr>
<td>4.3.2.1</td>
<td>Pilot Interviews in the UK</td>
<td>72</td>
</tr>
<tr>
<td>4.3.2.2</td>
<td>Pilot Interviews in Malaysia</td>
<td>73</td>
</tr>
<tr>
<td>4.2.3</td>
<td>Selecting the Main Case Studies</td>
<td>74</td>
</tr>
<tr>
<td>4.3.3.1</td>
<td>Unit of Analysis/Case Studies Background</td>
<td>76</td>
</tr>
<tr>
<td>4.4</td>
<td>Main Data Collection Phase</td>
<td>78</td>
</tr>
<tr>
<td>4.4.1</td>
<td>Follow up Data Confirmation and Clarification</td>
<td>80</td>
</tr>
<tr>
<td>4.4.2</td>
<td>Expert Interviews</td>
<td>80</td>
</tr>
<tr>
<td>4.5</td>
<td>Data Ordering Phase</td>
<td>81</td>
</tr>
<tr>
<td>4.6</td>
<td>Data Analysis Phase</td>
<td>82</td>
</tr>
<tr>
<td>4.6.1</td>
<td>Within-case Data Analysis</td>
<td>82</td>
</tr>
<tr>
<td>4.6.2</td>
<td>Cross Case Analysis</td>
<td>84</td>
</tr>
<tr>
<td>4.7</td>
<td>Literature Comparison Phase</td>
<td>86</td>
</tr>
<tr>
<td>4.8</td>
<td>Validation</td>
<td>87</td>
</tr>
</tbody>
</table>
4.8.1 Construct Validity ............................................................. 87
4.8.2 Internal Validity .............................................................. 88
4.8.3 External Validity ............................................................... 88
4.8.4 Reliability .......................................................................... 90
4.9 Summary .............................................................................. 91

Chapter 5 – Preliminary Study

5.1 Introduction ........................................................................ 92
5.2 Preliminary Study in the UK .................................................. 92
  5.2.1 Background of the Study .................................................. 92
  5.2.2 The Existence of Long-term Relationships ....................... 94
  5.2.3 The Importance of Developing Relationships ................... 95
  5.2.4 Current Practice in Developing Relationships .................. 97
  5.2.5 Criteria for Developing and Maintaining Successful Relationships ... 97
  5.2.6 Barriers to Successful Relationships ............................... 98
  5.2.7 Respondents’ Perceptions on Relational Contracting Norms .......... 99
5.3 Preliminary Study in Malaysia .............................................. 100
  5.3.1 Background of the Study ................................................. 100
  5.3.2 The Existence of Long-term Relationships ....................... 101
  5.3.3 The Importance of Developing Relationships ................... 102
  5.3.4 Current Practice in Developing Relationships .................. 103
  5.3.5 Criteria for Developing and Maintaining Successful Relationships ... 104
  5.3.6 Barriers to Successful Relationships ............................... 106
5.4 Summary .............................................................................. 107

Chapter 6 – Analysis of Results: Relationships Development

6.1 Introduction ........................................................................ 108
6.2 Case Study 1: Road Maintenance Project Zone ‘P’ ................. 108
  6.2.1 Background of the Case Study ........................................ 108
  6.2.2 Structural Determinants ................................................. 111
  6.2.3 Relational Determinants ................................................ 116
6.3 Case Study 2: Road Maintenance Project Zone ‘Q’ .................. 125
  6.3.1 Background of the Case Study ........................................ 125
  6.3.2 Structural Determinants ................................................. 127
  6.3.3 Relational Determinants ................................................ 132
6.4 Case Study 3: Judiciary Building Project .............................. 139
  6.4.1 Background of the Case Study ........................................ 139
  6.4.2 Structural Determinants ................................................. 140
  6.4.3 Relational Determinants ................................................ 145
6.5 Case Study 4: Project Manager and Consultants Relationships .... 152
  6.5.1 Background of the Case Study ........................................ 152
  6.5.2 Structural Determinants ................................................. 153
  6.5.3 Relational Determinants ................................................ 157
6.6 Summary .............................................................................. 161
# Chapter 7 – Key Findings and Cross Case Analysis

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.1 Introduction</td>
<td>162</td>
</tr>
<tr>
<td>7.2 The Key Findings from the Four Case Studies</td>
<td>162</td>
</tr>
<tr>
<td>7.2.1 Summary of Findings from all Case Studies</td>
<td>163</td>
</tr>
<tr>
<td>7.2.2 The Process of Good Relationship Development from Each Case Study</td>
<td>170</td>
</tr>
<tr>
<td>7.3 Cross Case Analysis</td>
<td>176</td>
</tr>
<tr>
<td>7.3.1 Structural Determinants from Case Studies 1, 2, 3, and 4</td>
<td>177</td>
</tr>
<tr>
<td>7.3.2 Relational Determinants from Case Studies 1, 2, 3 and 4</td>
<td>181</td>
</tr>
<tr>
<td>7.4 Good Relationship Model in Construction Projects</td>
<td>186</td>
</tr>
<tr>
<td>7.4.1 The Description of the Model</td>
<td>186</td>
</tr>
<tr>
<td>7.4.1.1 Stage 1: Prior Contract</td>
<td>186</td>
</tr>
<tr>
<td>7.4.1.2 Stage 2: In the Contract</td>
<td>191</td>
</tr>
<tr>
<td>7.4.1.3 Stage 3: Relationship Outcomes</td>
<td>193</td>
</tr>
<tr>
<td>7.4.2 Theoretical Foundation of the Model</td>
<td>193</td>
</tr>
<tr>
<td>7.4.3 Validation of the Model</td>
<td>197</td>
</tr>
<tr>
<td>7.5 Summary</td>
<td>200</td>
</tr>
</tbody>
</table>

# Chapter 8 – Discussion

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.1 Introduction</td>
<td>201</td>
</tr>
<tr>
<td>8.2 The Development of Good Inter-Organisational Relationships</td>
<td>201</td>
</tr>
<tr>
<td>8.3 Trust</td>
<td>203</td>
</tr>
<tr>
<td>8.4 Power</td>
<td>206</td>
</tr>
<tr>
<td>8.5 Personal Relationships</td>
<td>209</td>
</tr>
<tr>
<td>8.6 Emotions</td>
<td>212</td>
</tr>
<tr>
<td>8.7 Values</td>
<td>218</td>
</tr>
<tr>
<td>8.8 Social Interactions</td>
<td>222</td>
</tr>
<tr>
<td>8.9 Commitment and Loyalty</td>
<td>224</td>
</tr>
<tr>
<td>8.10 Comparisons between Relational Contracting Norms (from Literature)</td>
<td>226</td>
</tr>
<tr>
<td>And Themes derived from the Current Study</td>
<td></td>
</tr>
<tr>
<td>8.11 Summary</td>
<td>229</td>
</tr>
</tbody>
</table>

# Chapter 9 – Conclusions, Implication and Direction for Future Research

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.1 Introduction</td>
<td>230</td>
</tr>
<tr>
<td>9.2 Developing the Concept of Relational Constructing Norms as a Measurement Tool to Evaluate Successful Relationships in Malaysia</td>
<td>230</td>
</tr>
<tr>
<td>9.3 Objective Addressed</td>
<td>231</td>
</tr>
<tr>
<td>9.4 Implication for Theory and Practice</td>
<td>238</td>
</tr>
<tr>
<td>9.3.1 Theoretical Implications</td>
<td>238</td>
</tr>
<tr>
<td>9.3.2 Managerial Implications</td>
<td>245</td>
</tr>
<tr>
<td>9.3.3 Policy Implications</td>
<td>249</td>
</tr>
<tr>
<td>9.5 Limitations and Direction for Future Research</td>
<td>250</td>
</tr>
</tbody>
</table>
## LIST OF TABLES

<table>
<thead>
<tr>
<th>Table 2.1</th>
<th>Studies on Relational Contracting in the Construction Industry.................20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table 2.2</td>
<td>Empirical Study on Relational Norms in Other Industry............................22</td>
</tr>
<tr>
<td>Table 3.1</td>
<td>Comparison between Malaysian and Western Values......................................45</td>
</tr>
<tr>
<td>Table 3.2</td>
<td>Selected Values of the Malays, Chinese and Indian in Malaysia....................46</td>
</tr>
<tr>
<td>Table 4.1</td>
<td>Distinctions between Positivist and Interpretive Perspectives.....................65</td>
</tr>
<tr>
<td>Table 4.2</td>
<td>Spectrum of Research Approaches based on Different Underlying Philosophical Assumptions and Empirical Methods..............66</td>
</tr>
<tr>
<td>Table 5.1</td>
<td>Characteristics of the Five Construction Organisations..............................94</td>
</tr>
<tr>
<td>Table 5.2</td>
<td>Summary of the Most Important Criteria of Successful Relationships in the UK.........................................................96</td>
</tr>
<tr>
<td>Table 5.3</td>
<td>Characteristics of the Five Malaysian Construction Organisations.................101</td>
</tr>
<tr>
<td>Table 5.4</td>
<td>Summary of the Most Important Criteria in Successful Relationships in Malaysia.........................................................................104</td>
</tr>
<tr>
<td>Table 6.1</td>
<td>Background of the Organisations of Case Study 1........................................109</td>
</tr>
<tr>
<td>Table 6.2</td>
<td>Background of the Organisations of Case Study 2........................................126</td>
</tr>
<tr>
<td>Table 6.3</td>
<td>Background of the Organisations of Case Study 3........................................140</td>
</tr>
<tr>
<td>Table 6.4</td>
<td>Background of the Organisations of Case Study 4........................................153</td>
</tr>
<tr>
<td>Table 7.1</td>
<td>Summary of the Broad Themes Derived from Case Study 1............................164</td>
</tr>
<tr>
<td>Table 7.2</td>
<td>Summary of the Broad Themes Derived from Case Study 2............................165</td>
</tr>
<tr>
<td>Table 7.3</td>
<td>Summary of the Broad Themes Derived from Case Study 3............................167</td>
</tr>
<tr>
<td>Table 7.4</td>
<td>Summary of the Broad Themes Derived from Case Study 4............................169</td>
</tr>
<tr>
<td>Table 7.5</td>
<td>Comparative Analysis of Structural Determinants from Case Studies 1, 2, 3 and 4.................................................................................178</td>
</tr>
</tbody>
</table>
Table 7.6  Cross Case Analysis from Structural and Relational Determinants of all Case Studies.........................179

Table 7.7  Cross Case Analysis of Broad Themes of all Case Studies.............180

Table 7.8  Comparative Analysis of Relational Determinants from Case Studies 1, 2, 3 and 4.........................................................182

Table 7.9  Summary of Broad Themes derived from the Study.....................188

Table 7.10 Background of the Respondents..............................................197

Table 7.11 Validation of the Model: Overall Results..................................198

Table 7.12 Overall Comments of the Model.............................................199
# LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 1.1</td>
<td>Structure of the Thesis</td>
<td>13</td>
</tr>
<tr>
<td>Figure 3.1</td>
<td>Budi Complex</td>
<td>43</td>
</tr>
<tr>
<td>Figure 3.4</td>
<td>Levels of Communication and Respect in the Malay Social Hierarchy</td>
<td>53</td>
</tr>
<tr>
<td>Figure 4.1</td>
<td>Datasets Flow Diagram</td>
<td>75</td>
</tr>
<tr>
<td>Figure 5.1</td>
<td>Two Stages of preliminary study</td>
<td>93</td>
</tr>
<tr>
<td>Figure 6.1</td>
<td>Relationship Structure of Case Study 1</td>
<td>110</td>
</tr>
<tr>
<td>Figure 6.2</td>
<td>Relationship Structure of Case Study 2</td>
<td>175</td>
</tr>
<tr>
<td>Figure 7.1</td>
<td>Relationship Development Model of Case Study 1</td>
<td>155</td>
</tr>
<tr>
<td>Figure 7.2</td>
<td>Relationship Development Model of Case Study 2</td>
<td>172</td>
</tr>
<tr>
<td>Figure 7.3</td>
<td>Relationship Development Model of Case Study 3</td>
<td>174</td>
</tr>
<tr>
<td>Figure 7.4</td>
<td>Relationship Development Model of Case Study 4</td>
<td>176</td>
</tr>
<tr>
<td>Figure 7.5</td>
<td>Antecedent and Outcome of Trust from Structural Determinants</td>
<td>180</td>
</tr>
<tr>
<td>Figure 7.6</td>
<td>Antecedent of Power from Structural Determinants</td>
<td>181</td>
</tr>
<tr>
<td>Figure 7.7</td>
<td>Antecedent and Outcome of Personal Relationship</td>
<td>183</td>
</tr>
<tr>
<td>Figure 7.8</td>
<td>Good Relationships Model in Construction Projects</td>
<td>190</td>
</tr>
<tr>
<td>Figure 7.9</td>
<td>Applicability of Existing Relational Contracting Norms to The Proposed</td>
<td>196</td>
</tr>
<tr>
<td></td>
<td>Relationships Development Model</td>
<td></td>
</tr>
</tbody>
</table>
LIST OF APPENDICES

Appendix 1  Interview Questions
Appendix 2  List of Publications
CHAPTER 1

Introduction to the Research Problem

1.1 Introduction

This chapter introduces the research problem, aim and objectives as well as justifications of the study. It also reveals the motivation for conducting the study. Specifically Section 1.2 presents the background of the research and positions the study in the context of construction supply chain. Section 1.3 provides the justifications for conducting the study based on the importance and shortcomings of the existing research. Next, the research questions, aim and objectives of the study are presented. Section 1.6 describes the context of study and finally, Section 1.7 gives the brief overview of the structure of the thesis.

1.2 Background of the Research

The characteristics of the construction industry with poor performance, lack of efficiency and disintegration of the members in the supply chain were well documented (e.g. Latham, 1994; Egan, 1998; 2002, Murray and Langford, 2003). The traditional procurement method and ‘the old culture system’ have been highlighted as the reasons behind the development of adversarial relationship, blame culture, conflict and distrust between each other (Baiden et al 2006). As a result, the need for culture change and the move toward good long term relationships are widely mentioned (e.g. Latham, 1994; Egan, 1998, Bresnen and Marshall, 2000; Dainty et al, 2001). One of the approaches, which have been demonstrated to bring solutions and harmonious relationship, is the concept of Relational Contracting (RC). RC is based on recognition of mutual benefits.
and win-win scenarios through more cooperative relationships between contracting parties. It underpins various approaches, such as partnering, alliancing, joint venturing, long term contracting and other collaborative working arrangements (Alsagoff and McDermott, 1994; Rahman and Kumaraswamy, 2002; Rowlinson and Cheung, 2004). It represents a core element of mutual cooperation and team-working (Rahman and Kumaraswamy, 2004a), apart from having the potential to provide contractual flexibility, improve relationships, and build team-working (Macneil, 1974; 1980). This study explores the dimensions of RC and its manifestation in the construction projects in Malaysia.

1.3 Justification for the Research

The research problem was developed based on its practical importance as well as to address shortcomings in the existing literature.

1.3.1 Importance of the Research

Many researchers recognise the increasing importance of investigating collaborative working arrangement in the construction industry. Previous studies have addressed on the importance of partnering in the UK (e.g. Barlow et al, 1997), the US (e.g. Larson, 1997) and Hong Kong (e.g. Cheng and Li, 2002). Other studies have been focusing on alliancing in Australia (e.g. Walker and Hampson, 2003) as well as integration and collaboration in the construction supply chain (e.g. Briscoe and Dainty, 2005). However these researchers have been using different terms such as partnering, alliancing, and joint venturing to emphasise on the importance of relationship-based contract which is known
as Relational Contracting (RC) (Clifton et al., 2004; Rowlinson and Cheung, 2004; Kumaraswamy et al, 2005a).

As will be explained in Chapter Two, RC, which is also known as Macneil’s relational contract theory, emphasises on mutual benefits and win-win scenarios through more cooperative relationships between contracting parties. He defines contract as ‘no more and no less than the relations among parties to the process of projecting exchange into the future’ (Macneil, 1980, p.4), while norms serve to guide, control or regulate proper and acceptable behaviour, setting limits within which individuals may seek alternative ways to achieve their goals (Macneil, 1980).

Several researchers elaborate on how norms should be viewed and thought (Thibaut and Kelly, 1959; Schellenberg, 1970; Axelrod, 1986; Benttenhausen and Murnighan, 1985). In construction management literature, RC approach has been portrayed as useful for the maintenance of ongoing relationships among the contracting parties through the flexibility of the contract, mutual benefits, trust, win-win scenarios, and cooperative relationships. To achieve the full benefits of RC approach requires a change in the mind set of all parties in the construction industry. Several reports in the UK highlight the needs for change in the attitude and culture, i.e. from adversarial approach to more cooperative and harmonious (e.g. Latham 1994; Egan 1998).

However, the use of RC norms specifically has received less attention from researchers and practitioners. The few studies were focusing on long-term relationship approach
An Investigation of Relational Contracting Norms in Construction Projects in Malaysia

especially in those long-term projects. In other disciplines, Relational Norms has been studied extensively in the marketing discipline and successful in business-to-business relationships (see Table 2.3 in Chapter Two). The significant contributions of RC norms came from ten common contract norms essential to all contractual arrangements, that are, role integrity, reciprocity, implementation of planning, effectuation of consent, flexibility, contractual solidarity, restraint of power, propriety of means, the linking norms (restitution, reliance & expectation interest) and harmonization with the social matrix (Macneil, 1980, 1983).

These norms, however, have been viewed by some researchers as unable to provide clear dimensions for operationalising the relational norms (Ivens, 2004; Kaufmann and Dant, 1992; Noordeweir et al, 1990). From heterogeneous stream of literature in studying relationships, Ivens (2004) identifies more applicable RC norms dimensions to any relationships between two or more parties, namely (1) long-term orientation (2) role integrity (3) relational planning (4) mutuality (5) solidarity (6) flexibility (7) information exchange (8) harmonization of conflict (9) limitation of power and (10) monitoring behaviour. As explained in Chapter Two, from Section 2.4.1 to Section 2.4.10, each dimension has its own properties in producing benefits to the partners, such as enhancing the performance outcomes between the partner relationships (Noordewier, et al., 1990; Anderson and Weitz, 1992), influence customer satisfaction and trust, committed to improvements for mutual benefits, provide useful information to the partners (Heide and John, 1992), resolve conflict (Ivens, 2004), which are finally useful for maintenance of good relationships.

1.3.2 Shortcomings of Existing Research

This research is conducted based on several shortcomings of the existing research.

First, with exception to several studies (Rahman and Kumaraswamy, 2002; 2004a; 2004b; 2005; 2008; Kumaraswamy et al, 2005a; 2005b; Sakal, 2005; Matthews and Howell, 2005; Rowlinson and Cheung, 2004; Rowlinson et al., 2006; Rahman and Kumaraswamy, 2008), greater emphasis was given to the benefits and critical success factors of various forms of collaborative working arrangements, especially partnering. As indicated in the previous Section 1.3.1, the emphasis on Relational Contracting is important because it represents all types of working collaborative arrangement, based on the basic principles of focusing on the ongoing relationships among the contracting parties, the success of the contract/projects, long-term provisions, mutual future planning and flexibility of the contract (Macneil, 1974, 1980). As the numbers of construction projects that are based on working collaborative arrangements are increasing, it is particularly useful to explore those projects that are viewed from the RC perspectives. Previous studies by Kumaraswamy and colleagues (Rahman and Kumaraswamy, 2002; 2004a; Kumaraswamy et al. 2005a; 2005b) only concentrate on the theoretical principles of RC particularly identifying and overcoming of barriers to teambuilding and the potential of implementing RC in construction industry (Rahman and Kumaraswamy, 2004b, 2005). However, the focus on the development aspect of relationships within RC particularly the use of relational contracting norm approach has been neglected.

Secondly, based on the previous relational contracting norm studies, it was found that the previous researches have not addressed the role of national culture that may influence the
importance of relational norms in developing relationships (Ivens, 2006). This study will determine the extent to which relational contracting norms emerge and evolve in the context of national culture in Malaysia in particular to the Malay construction organisations, which were characterised by high power distance and collectivist society (Hofstede, 1991b).

Thirdly, the rapid development of the Malaysian economy especially in providing exceptional infrastructure facilities marked the success of the Malaysian construction industry. The successful construction of the Petronas Twin Tower as one of the world’s tallest building is one of the examples that reflect the industry’s competence. The adoption of long-term contract and privatisation has contributed to this achievement. Despite of many long-term contracts being applied in many of the construction projects in Malaysia, studies relating to long-term contracts have received less attention (with exception to Abdul-Aziz, 2001; 2002; 2006). Accordingly, this study investigates how long-term relationships develop in order to establish the model of the long-term relationship development.

Following the above, with regard to studies in RC, Rahman and Kumaraswamy (2002) concentrate on theoretical principles of Relational Contracting. They investigated further in other studies and identified that Relational Contracting (RC) is very useful in providing the necessary flexibility in maintaining contractual relationships as well as overcoming transactional barriers to teambuilding (Rahman and Kumaraswamy, 2004a; Kumaraswamy et al. 2005a, 2005b). They also verify the potential to implement RC in
An Investigation of Relational Contracting Norms in Construction Projects in Malaysia

coloration (Rahman and Kumaraswamy, 2004b, 2005). However, the development aspect of relational contracting has been neglected. Consequently, this study intends to add to this knowledge by investigating on how relationships developed in construction projects by using relational contracting norms as the analytical tool for relationship development within such projects.

1.4 Research Question

Based on the importance of the study and the shortcomings of the existing literature discussed above, three research questions emerged. They are:

1. How do relationships develop among parties in construction projects in Malaysia?
2. How relational contracting norms can be adopted in different cultural settings?
3. How relational contracting norms emerge in different project settings?

1.5 Aim and Objectives

The aim and objectives of the study will answer the research questions above. Thus, the aim of this study is:

To develop the concept of Relational Contracting Norms as measurement tool to evaluate successful relationships in Malaysia.
The objectives of the study are:

a. **To examine how good relationships develop within construction projects.**

Previous empirical research in other industries showed that RC norms have significant influence in developing long-term relationship between partners, which is useful for an adversarial and disintegration culture of the construction industry. Realising the benefits, long-term approach has been the choice of the private and public sector clients and most parties in the construction industry. The changes in the approach from project-based to service-based as reflected by the Public-Private Partnerships/Private Finance Initiative also suggest a shift towards long-term relationships. This signifies the importance of relational contracting norms in the development of good long-term relationships. In Malaysia, the government has chosen privatisation and long term contract as one mechanism in providing infrastructure of the country. For example, at the end of the year 2000, 457 projects have been privatised (Abdul-Aziz, 2002). Despite many long-term contracts that have been implemented, studies evaluating the development of long term relations are lacking. Thus, it is the objective of this study to examine how good relationships develop within construction projects.

b. **To investigate the adaptability of the relational contracting norms in different cultural setting**

Most of the existing relational contracting studies have been conducted in the Western countries (e.g. Edkins and Smyth, 2006; Koolwijk, 2006) as well as Australia (e.g. Rowlinson et al, 2006). These countries have been known to have different culture from
the East Asian countries. The few studies, which are focusing on Asia, have neglected the cultural aspects of the society. For example, Kumaraswamy and colleague (Kumaraswamy et al, 2005a) have conducted several quantitative studies in Hong Kong. Although geographically Hong Kong is located in Asia with a strong British influence (i.e. British colony), the cultural aspects have not been addressed. This limitation encourages this study to explore the adaptability of relational contracting norms in the Malaysian cultural context.

c. **To explore whether similar relational contracting norms emerge in different projects**

   The parties involved in the projects, the environments and the background of the projects differ from one project to another. Thus, it is important to investigate whether similar relational norms emerge in different projects.

d. **To develop a relationships model that could be utilised by academics and practitioners**

   This study produces a model of how good relationships develop in construction projects which could be used by the academics and practitioners. The model would not only be useful to Malaysians, but also to foreign companies, who are interested in setting up businesses in Malaysia. By understanding the important criteria needed to develop good relationships, successful businesses could be accomplished. Wherever possible, the model proposed could be learned and practiced in other context.
e. **To validate the proposed relationship model**

Related to the above, the objective of this study is to conduct internal and external validation of the proposed relationship model. The internal validation was conducted via 20 follow-up interviews with selected informants (refer to Section 4.4.1 and 4.6.3 in Chapter Four) confirming the findings obtained from the initial interviews. The external validation, on the other hand, was run through cross-case analysis across multiple case studies (refer to Section 4.6.2 in Chapter Four and Chapter Seven), in order to determine whether the main themes emerged in Case Study 2, 3 and 4 were similar to the main themes appeared in Case Study 1. Three academic and three industry expert opinions (see Section 4.4.2 and 4.6.3 in Chapter Four) were sought as external validation to verify the feasibility of the model.

**1.6 Research Setting**

This section provides the justification for the research setting of the study taking into consideration the location of the study, methods and unit of analysis.

**1.6.1 Malaysia – East Asian Culture**

This study was conducted within the construction organisations in Malaysia. The main reason behind it was the fact that most studies in the construction relationships have been largely conducted in the Western countries. With exception to studies conducted by Kumaraswamy and colleague (e.g. Kumaraswamy et al, 2005), the focus on the Eastern countries was lacking. Even so, the empirical nature of Kumaraswamy’s work has limited the depth of the issues concerned especially in terms of how good relationships
develop among the organisations within a construction supply chain. The consideration on the national culture has been given less attention. Thus, the literature exploring on how the Eastern society develop their good relationships with the partners within the context of national culture was limited. Thus, these limitations provide several gaps to be filled in by this study.

1.6.2 Methodology

As indicated in Section 1.4, the objective of the study is to examine how good relationships develop within construction projects. In order to achieve the objective, the qualitative method with case study approach was appropriate. Feagin et al. (1991) underline that; a case study is an ideal methodology when a holistic and in-depth investigation is needed. Further arguments on why case study method is chosen are presented on Section 4.2 in Chapter Four. As a result, four different case studies of construction projects in Malaysia consisting of 36 interviews have been selected and conducted.

By using this method, the diversity of the four construction projects could be focused and thus, the variations of the project characteristics that expose the complexity of the long-term relationship development could provide a better understanding of the process. The difference in the duration of the long-term implementation of the contract agreement as well as the different approaches in setting up their relationship network among the four case studies allowed sufficient examination on how good relationships developed in the
long-term contract agreement. Consequently, the emergence of good relationships could be assessed from four different perspectives that would lead to more reliable results.

1.6.3 Unit of Analysis

This research focuses on four construction projects as the unit of analysis. The organisations involved in the projects were the clients, main contractors, subcontractors, suppliers, project manager and consultant companies. This is because it is the intention of this study to understand how relationships develop among organisations along the supply chain of a construction project. These projects and relationships have been selected as the multiple case studies because they represent long-term contract projects and repetitive subcontracting relationships that could illustrate the development of good relationships.

1.7 Structure of the Thesis

As displayed in Figure 1.1, this thesis contains nine chapters. Chapter One introduces the research topic and highlights the research problems. It also reveals the motivation for conducting the study based on its importance and shortcomings of the existing research that leads to the research question, aim and objectives of the study. Chapter Two reviews the literature relating to relationship development process from structural and relational as well as relational contracting norms perspectives. The discussion on the relational contracting norms follows as to investigate the role and application of relational contracting norms in construction industry context. Chapter Three reassesses the importance of East Asian business culture in comparing them with other business cultures
An Investigation of Relational Contracting Norms in Construction Projects in Malaysia

Chapter 1 - Introduction to the Research Problem

Chapter 2 - Relational Contracting Norms and the Structural Perspectives of the Relationship Development Process

Chapter 3 - East Asian Business Culture and Work-related Values of the Malays

Chapter 4 - Research Methodology

Chapter 5 - Preliminary Study:
   i) Preliminary study in the UK
   ii) Preliminary study in Malaysia

Chapter 6 - Analysis of Results: Relationship Development
   Analysis of results from four case studies in Malaysia

Chapter 7 – Key Findings and Cross Case Analysis
   The key findings from four case studies, cross case analysis and validation

Chapter 8 – Discussion
   Discussion of main broad themes derived from the study and identifying where the study fit in the literature

Chapter 9 – Conclusions
   Objective addressed, Implication for theory and practise, Limitation and direction for future research

Figure 1.1: Structure of the thesis
It also gives a brief geographical description on Malaysia and explains the work-related values of the Malays as the major ethnic group in Malaysia, so as to highlight several main values and emotions practiced among the Malays.

This literature review is followed by the research methodology of the study described in Chapter Four. It provides the philosophical position of the study and details every stage of the research process namely the research design phase, data collection, data ordering, data analysis as well as the literature comparison.

The results are then presented in Chapters Five, Six and Seven. Chapter Five begins by presenting the results of the two stages of preliminary studies. It explains how the construction organisations developed their relationships and whether the relational contracting norms play an important role in the development of relationships. The results from the second stage of the preliminary study conducted in Malaysia become the basis for further investigation since the main data was conducted in Malaysia. Chapter Six follows by examining the results of the main data, which comprise four case studies. It describes the background of the case studies, the structure of the contractual relationships as well as provides the explanation of the relationship development process among parties in each project. Chapter Seven presents the summary of the key findings of each case study and a final model of good relationships from the syntheses of the results. The internal and external validation of the results would also be conducted in this chapter through cross case analysis across the four case studies and expert interviews while Chapter Eight discusses the results in the light of where this study fits in the literature.
Finally, Chapter Nine draws conclusion from the objectives, highlights the significance of research to theory and practice, points out its limitations and suggests some directions for future research.

1.8 Summary

This chapter introduces the research problem and objectives, presents the justifications for conducting the research as well as outlined the structure of the thesis. On these foundations, the thesis proceeds with a detailed description and analysis of the research.
CHAPTER 2

Relational Contracting Norms and Structural Perspective of Inter-organisational Relationships

2.1 Introduction

This chapter reviews the literature relating to relationship development process particularly to RC followed by examination of relational contracting norms as to investigate the role and its applicability in construction industry. The structural elements of relationship development are also discussed due to its significance to relationship development process and how it is posited in this study. Consequently gaps in the literature are identified.

2.2 Relational Contracting Norms and its Importance in Relationship Development

Relational Contracting (RC) evolved far way back in 1963 when it was initially established by Macaulay (1963), a legal scholar. Based on Macaulay’s (1963) work, Macneil (1980), also a legal scholar develops social contract theory that takes into consideration the governance of exchange in contractual relations between firms from both the economic and social perspectives. The social contract theory is well recognised as Macneil’s relational contract theory, in which Macneil defines contract as ‘no more and no less than the relations among parties to the process of projecting exchange into the future’ (Macneil, 1980, p.4). The purpose of his study has been to challenge ‘a model of
contract law’s functions, explicit and implicit in the work of contract scholars and social theorists’ (Macneil, 1985, p. 466). In this theory, Macneil develops nine norms or principles ‘of right action binding upon the members of a group and serving to guide, control, or regulate proper and acceptable behaviour’ (Macneil, 1980, p.38). He later (1983) extends this set of nine norms to include the tenth norm and changed the term used on one of the initial nine norms. He proposes that these ten norms [i.e. role integrity, reciprocity, implementation of planning, effectuation of consent, flexibility, contractual solidarity, restraint of power, propriety of means, the linking norms (restitution, reliance, and expectation interest) and harmonisation with the social matrix] comprise a summary of specific norms that may occur in a range of different exchanges within the modern society (Macneil, 1980; 1983).

In an attempt to better understand the relational contracting norms, it is perhaps useful to understand the meaning of norms as norms have been the basis for this theory.

Many researchers define norms as shared expectations regarding behaviour (e.g. Axelrod, 1986; Bendor and Mookherjee, 1990; Gibbs, 1981; Macneil, 1980; Thibaut and Kelley, 1959). As indicated earlier, Macneil (1980, p.38) explicitly emphasises that ‘norms serve to guide, control or regulate proper and acceptable behaviour, setting limits within which individuals may seek alternative ways to achieve their goals’. Thus, in achieving long-term goals that is open-ended; norms act as essential social and organisational mechanisms of control. They provide a frame of reference, order, and standards for evaluating appropriate behaviour in uncertain situations (e.g. Bettenhausen and
Murnighan, 1991). However, norms can differ in their content and orientation from one context to another (Thibaut and Kelly, 1959). Macneil’s (1980) spectrum of ‘discrete’ versus ‘relational’ norms provides a good example on the degree of exchanges that organisations would have. Discrete norms represent expectations of individualist or competitive interaction between exchange parties and are thought to evolve in exchange structure involving parties pursuing independent strategies and goals. In contrast, norms of relational exchange extend from exchange in which parties consider bilateral, long-term strategies and goals (Gundlach and Achrol, 1993).

Several researchers divide Relational Contracting (RC) theory into two different perspectives, namely Relational Theory of Contract and Relational Theory of Exchange (e.g. Campbell, 2004). The Relational Theory of Contract concerns with the development of the relational contract concepts, the contracts or laws that are usually thought of as formal, explicit, politically enacted, and sanctioned by the legitimate use of force and written (Birenbaum and Sagarin, 1976). This contractual perspective of Relational Contracting imposes a formal, explicit and ‘hard’ approach of contract features such as formal contracts, formalised decision structures and procedures. On the other hand, the Relational Theory of Exchange concerns with the governance of exchange through norms which focuses on ‘soft’ relationship features (i.e. the norms developed by Macneil). Both approaches however are complementing each other in the operationalisation of the governance structures (Ivens and Blois, 2004).
In construction, several studies highlight the importance of using the relational contracting approach as an attempt to resolve problems of disintegration that lead to poor performance and lack of efficiency within the industry. The relational contracting norms may be developed in long-term relationship approach especially in those long-term projects. Table 2.1 shows the existing studies on relational contracting in construction. The review indicates that those studies are confined within the broad term of relational contracting without specifically focusing on the ten norms suggested by Macneil (1980). However, most of the dimensions used or found in those studies; even though have been using different terms; fall within the ten norms suggested by Macneil (1980).

In other discipline particularly in business and marketing (see Table 2.2), both approaches of relational contracting, i.e. Relational Theory of Contract and Relational Norms have been widely applied. The review from literature shows that the Relational Norms approach has been studied extensively and successful in business-to-business relationships (see Table 2.2).

Thus, since studies on relational contracting norms in the construction industry have received less attention, this study intends to explore the applicability of relational contracting norms (i.e. the ten norms) in the construction discipline.
### Table 2.1: Studies on Relational contracting in the construction industry

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Study Background</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rahman and Kumaraswamy (2002)</td>
<td>To examine and integrate the Transaction Cost Economics (TCE) and Relational Contracting (RC) approaches by investigating the attitudes of the contracting parties and the co-operative relationships among the project participants. The findings indicate that RC may be the useful route towards reduced transaction costs. It may also foster co-operative relationships and teamwork that may in turn facilitate joint risk management (JRM).</td>
</tr>
<tr>
<td>Clifton et al., (2004)</td>
<td>Investigate the perception of 11 leading construction companies in Australia on Relationship Contracting with regard to the current practices and preferences for project delivery methods. It uses questionnaire survey to collect the data. The findings suggest that the Relationship Contracting technique has not been commonly used.</td>
</tr>
<tr>
<td>Rahman and Kumaraswamy (2004b)</td>
<td>To investigate the perceptions of the local and international respondents (n=79) consisting of academics and practitioners on the relative importance of different factors for developing a successful relational contract and joint-risk management. The study found that trust, relational and joint responsibility-related factors are crucial for selecting different parties and building a successful relational contract.</td>
</tr>
<tr>
<td>Kwawu and Hughes (2005)</td>
<td>Review the relational contracting concepts in the process of developing a proposed research strategy on the reality of practices and processes of relational contracting based on traditional contracting as comparison.</td>
</tr>
<tr>
<td>Kumaraswamy et al. (2005a)</td>
<td>This paper presents the results of the first part of questionnaire survey of 60 respondents in Singapore, focusing on 24 factors that facilitate RC and 28 factors that impede/deter RC. This study found that most of the factors were significant and trust should be the core of RC approaches to construction procurement.</td>
</tr>
<tr>
<td>Kumaraswamy et al. (2005b)</td>
<td>Following a study by the same authors, this paper reports the results of the second part of the questionnaire survey of 60 respondents in Singapore. However, this paper focuses on the perception of respondents on 28 factors facilitating relationally integrated teambuilding and 31 factors deterring such integration in construction project teams. The results show that most of the factors were significant.</td>
</tr>
<tr>
<td>Rahman and Kumaraswamy (2005)</td>
<td>This paper reports the results from a questionnaire survey (n=79) on the perceptions of international respondents on 22 factors for selecting consultants, contractors, clients, subcontractors and suppliers for RC based collaborative working arrangements (CWAs) and 25 factors/strategies for building RC based CWAs. The results exhibit various degree of importance to various factors for selecting different project partners. It was also confirmed that trust and business ethics related factors and strategies were important for collaborative working arrangements.</td>
</tr>
<tr>
<td>Sakal (2005)</td>
<td>This paper demonstrates the success of the implementation of Project Alliancing as an RC method that has been widely used in Australia’s public sector.</td>
</tr>
<tr>
<td>Matthews and Howell (2005)</td>
<td>This paper presents a case study that has been conducted in the US. It demonstrates the success of the Integrated Project Delivery (IPD) process, which applies the RC concept.</td>
</tr>
<tr>
<td>Colledge (2005)</td>
<td>This study demonstrates the contributions of the Relational Contracting approach to the development of the four pillars of the sustainable communities, i.e. competitiveness, citizenship, connectivity and creative citizens. The ability of Relational Contracting has also been recognised for creating the value beyond the project.</td>
</tr>
<tr>
<td>Cheung and Rowlinson (2005)</td>
<td>This study highlight the importance of culture change in project setting that involves all parties in the project. It stresses the relationship management conducted in Australia.</td>
</tr>
</tbody>
</table>
| Cheung et al (2006) | This study investigates how relational are the existing construction contract by using questionnaires distributed to 80 construction organisations in Hong Kong. The respondents include the main contractor, nominated subcontractor, domestic subcontractor and direct labour in Hong Kong. The degree of relationalism is
measured using eight relational index: cooperation, organisational culture, risk, trust, good faith, flexibility, the use of alternative dispute resolution, and contract duration. It was found that the main contract and the domestic subcontract types are more relational than the nominated subcontract and domestic labour contract types.

Rowlinson et al (2006) This study reports alliance project between public and private organisations in Australia by using study. It reports the critical factors that influence the success of alliance project. The case study suggests leadership has a strong influence on the alliance including commitment and action from the top management. Trust between all partners is very important. No dispute clause is impossible to materialise without positive approach to relationship management.

Rahman and Kumaraswamy (2008) This study examines the relative usefulness of various potential strategies and factors to provide suitable contractual and non-contractual incentives for building a RC culture and cultivating effective teamwork in construction. The results show that trust and trust-based operational and contractual arrangement can effectively provide the required incentives for implementing RC based working arrangement.

In a relationship life cycle model in long-term business relationships, Scanzoni (1979) and Dwyer et al (1987) demonstrate the development and establishment of norms in a relationship. They emphasise that the development of norms begins in the first and second phase of relationship development, i.e. exploration and expansion. These norms, which have been contributed and defined by both parties, would guide partners into actions to position themselves in the relationships. Thus, the development of relational norms has been shown workable to maintain the relationship and constrain opportunistic behaviour. Macneil (1980) emphasises that, where an exchange occurs, a contract exists and therefore a contract is present in all business to business exchanges (Blois, 2002). Indeed, this theory is well recognised as a general theory of social order (Whitford, 1985). Macneil (1983) suggests that contracts vary widely in the depth of relationship to which they applied. He identifies ten common contract norms essential to all contractual arrangements, that are; role integrity, reciprocity, implementation of planning, effectuation of consent, flexibility, contractual solidarity, restraint of power, propriety of means, the linking norms (restitution, reliance & expectation interest) and harmonization with the social matrix (Macneil, 1980, 1983).
Table 2.2: Empirical study on Relational Norms in other industry

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Study Background</th>
<th>RC Norms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaufmann and Stern (1988)</td>
<td>Empirical - 32 cases out of 81 disputes in commercial exchange relationship in the USA</td>
<td>Solidarity; Role integrity; Mutuality</td>
</tr>
<tr>
<td>Heide and John (1992)</td>
<td>Empirical - Survey of 155 Original Equipment Manufacturer (OEM) and component supplier relationships in the USA</td>
<td>Solidarity; Flexibility; Information exchange</td>
</tr>
<tr>
<td>Boyle et al. (1992)</td>
<td>Empirical – Two studies in the USA of the nature of influence within different relational structure: i) interaction in the automotive franchise system ii) automotive replacement tire system which evidences a variety of channel governance structure</td>
<td>Solidarity; Mutuality Flexibility</td>
</tr>
<tr>
<td>Gundlach et al. (1995)</td>
<td>Empirical – Behavioural simulation depicting manufacturer and distributor exchange relationships in a channel setting patterned after an early stages of development of micro computer industry</td>
<td>Solidarity; Flexibility; Role integrity; Mutuality; Conflict resolution</td>
</tr>
<tr>
<td>Young et al. (1996)</td>
<td>Empirical – Survey of 509 Original Equipment Manufacturer (OEM) and their first-tier suppliers, selected from National Association of Purchasing Management members on their business relationship</td>
<td>Solidarity; Role integrity; Flexibility; Power; Expectation of continuation</td>
</tr>
<tr>
<td>Lusch and Brown (1996)</td>
<td>Empirical - Survey of 454 wholesalers/distributors in the USA on their relationship with suppliers</td>
<td>Solidarity; Flexibility; Information exchange; Role integrity; Long-term orientation</td>
</tr>
<tr>
<td>Paulin et al. (1997)</td>
<td>Empirical – Structured interviewed of 122 commercial banking in Canada on the relationship with the customer</td>
<td>Role integrity; Communication/information; Flexibility; Solidarity</td>
</tr>
<tr>
<td>Cannon et al. (2000)</td>
<td>Empirical- Survey of 424 buying organizations in the USA on their relationship with a particular supplier in industrial good sector</td>
<td>Solidarity; Mutuality; Flexibility; Conflict resolution; Power</td>
</tr>
<tr>
<td>Ivens (2004)</td>
<td>Empirical – Survey of 206 market research institute in Germany on their relationship with business organization customer</td>
<td>Role integrity; Mutuality; Solidarity; Relational planning; Flexibility; Information exchange; Long-term orientation; Conflict resolution; Restrain in the use of power; Monitoring behaviour</td>
</tr>
</tbody>
</table>

These norms however have been viewed by some researchers as do not provide a clear dimensions for operationalising the relational norms (Ivens, 2004; Kaufmann and Dant, 1992; Noordeweir et al, 1990) and Macneil (1987, p.272) agrees on some “lack of clarity of expression” of his ideas. While some researchers do not discuss their specific choices
of the specific variables (e.g. Kim, 2000; Johnson, 1999; Gassenheimer et al, 1995); Ivens (2004) identifies a set of ten norms that emerges from heterogeneous stream of literature particularly Macneil (1980, 1983) as being central to the study of relationships. However, the study applies to business-to-business services context. These norms are found to be based on social norms and thus are applicable to any relationships between two or more parties. The ten norms are as follows:

2.2.1 Long-term orientation

Long-term orientation reflects the desire to have long-term relationship with specific partner(s). In other words, it comprises continuity of expectation element reflecting recognition that the relationship will continue in the future (e.g. Heide and John, 1990). In various inter-organisational studies, long-term orientation is viewed as having the ability to create sustainable competitive advantage (Ganesan, 1994). Other authors highlight the importance that relational elements such as long-term orientation in relation to enhancing the performance outcomes in buyer-seller relationships (Noordewier, et al., 1990; Anderson and Weitz, 1992).

2.2.2 Solidarity and Commitment

Solidarity is the extent to which unity or fellowship that arises from common responsibilities and interest dominates an exchange relationship (Kaufman and Dant, 1992; Gundlach et al, 1995). In simple terms, it is the preservation of the relationship, particularly when one partner is in a predicament (Ivens, 2004). It is expressed through behaviours, which contribute directly to relationship maintenance (Heide and John, 1992;
An Investigation of Relational Contracting Norms in Construction Projects in Malaysia

Macneil, 1980). It assures the preservation of the unique and continuing relationship in which the commercial transactions take place (Kaufman and Stern, 1988). The extent to which an actor’s behaviours express solidarity with the exchange partner functions as an indicator of the stability of the long-term business relationship (Ivens, 2004). In industrial marketing relationships, solidarity is defined operationally (Lusch and Brown, 1996; Heide and John, 1992) as a willingness to help in occurrence of any problems, sharing of problems and committed to improvements for mutual benefits. Based on similarity of definition, Medlin and Quester (2001) is associated solidarity with commitment.

2.2.3 Mutuality and Trust

Mutuality relates to the acceptance by both partners that individual success is achieved through both partners’ common success (Ivens, 2004). Kaufmann and Stern (1988) define it as the degree to which focus on the benefits of the relationship as a whole over long-term, rather than monitoring individual transactions for fairness. It is apparent that many authors associate mutuality with trust (e.g. Medlin and Quester, 2001). However, ‘over the long-term’ in the definition of mutuality reflects certain time scale element that distinguish mutuality from trust when trust has been defined as the confidence in an exchange partner’s reliability and integrity (Morgan and Hunt, 1994).

Since late 1990s, trust in the construction industry has been widely studied (Wood and McDermott, 1999; Wood et al, 2001; McDermott et al, 2004; Swan et al, 2005; Kadefors, 2005; Smyth and Thompson, 2005; Naismith et al, 2005). However, the work of
McDermott and colleagues has elaborated the concept of trust in the construction industry and then specifically produce trust inventory. They define trust as ‘willingness to rely on the action of others, to be dependent upon them, and thus be vulnerable to their actions’ (Wood and McDermott, 1999). The trust inventory is a tool that allows trust in relationships to be measured. It comprises of four factors namely, relationships, communication, commitment and reliability. McDermott et al (2004) highlight that trust in construction is strongly influenced by different market structures in which they involve, namely local markets, product markets, labour markets, material markets and plant markets. This is because different markets are subjected to different transactional conditions resulting to different in the level of trust between different companies. The primary value of trust is the reduction of control and monitoring mechanisms (Masden, 1991).

2.2.4 Flexibility

Flexibility refers to the willingness of parties to adjust practices and policies in response to unforeseen or changing conditions (Boyle et al., 1992). Due to uncertain business environment, planning and adjustment are required to continue business in the future. Several researchers suggest flexibility allows for ongoing planning and continuous adjustment of obligations between the exchange partners, whereas a more rigid approach leads to fixed terms of working (Boyle et al., 1992; Young et al., 1996).
2.2.5 Role integrity

Role integrity occurs when both partners fulfil their respective responsibilities. It is associated with the complexity of the exchange relationship that extends beyond individual transactions (Kaufman and Dant, 1992). Greater complexity to exchange relationship portrays higher levels of role integrity. Contrary to discrete transactions, relational exchanges comprise a variety of expectations and issues whereas discrete transactions are simplistic buy-sell interactions. Thus, relational exchanges can be characterised as exhibiting higher levels of role integrity (Young et al, 1996). In relational exchange theory, parties engaged in the exchange processes have to fulfil certain roles (Ivens, 2004) in which they reflect mutual promises made during the development of their relationship. The promises lead each member to develop expectations concerning each other’s behaviour (Kaufmann and Stern, 1988). In business-to-business relationship, Ivens (2004) found that the role integrity of the suppliers positively influence customer satisfaction and trust.

2.2.6 Information exchange

This refers to bilateral expectation that parties will proactively provide useful information to the partner (Heide and John, 1992). It is expected that both parties should communicate a broad range of information, which is considered important for the future of the business relationship. It also facilitates the realisation of mutual benefits, thus reducing misunderstanding and uncertainty (Frazier et al, 1988). According to Bleeke and Ernst (1993), information exchange is the most critical element to successful inter-firm
relationship and has been regarded by several researchers as a relational norm (Noordewier et al., 1990; Heide and John, 1992).

2.2.7 Conflict resolution

This refers to the application of flexible, informal and personal mechanism to resolve conflict (Ivens, 2004). The skill of managing conflict is important as it can cause breakdowns to the interaction processes and thus damage relationships. Any termination of business relationship should be avoided as this will lead to considerable additional costs to all of those concerned (Vaaland, 2004).

2.2.8 Limitation of power

This refers to the degree of restraint with regards to contractual power over one or other of the parties (Kaufmann and Dant, 1992). The more relational values are put to an exchange, the less likely the parties will exercise their legitimate or coercive power (Macneil, 1981; Young et al., 1996). Limiting the power of one party over another is perhaps the best way to maintain a business relationship. For example, in construction industry, if a supplier faces some problems and is not able to supply the materials within the time required, the customer may exercise their power to penalise the supplier. Relationships could be adversely affected with the use of such power. However, a business relationship could be improved by limiting such power and a good relationship would be maintained if both parties can provide some forms of co-operation and taking steps in resolving such problems.
2.2.9 Monitoring behaviour

Monitoring behaviour is about control or supervisory actions in business relationship (Ivens, 2004). At one end, little control is exercised over the activities of the business partner (the relational end), while on the other end, a greater degree of an active supervision is used by the partner to ensure specified performance during the execution of the exchange agreement (Noordewier et al., 1990). Thus, both control and enforcement functions, which are normally performed separately, are performed together with vertically integrated hierarchies. Considering the advantage and the practicality of this approach towards a flourishing relationship, this function is crucial to the development and maintenance of good relationships among firms along the construction supply chain.

2.2.10 Relational Planning

Heide (1994) proposes that relational planning is important to maintaining relationships. Relational planning refers to a system by which future contingencies, rights and responsibilities of both parties are determined early on in the relationship (Barney and Ouchi, 1986). It effectively develops a frame of reference for the parties rather than strict specifications of duties. Noordewier et al (1990) demonstrate that the design of bilateral decision-making processes under uncertain conditions actually enhance certain aspects of performance in industrial purchasing relationships. In a client-contractor relationship, for example, if relational planning is implemented, the contractor may adjust their activities to suit the needs of the client, thereby supporting the development of the relationship.
2.3 Relational Contracting Norms and the Structural Perspectives of the Relationship Development Process

Many studies especially in the business to business relationships demonstrate that the Relational Contracting norms (e.g. Ivens and Blois, 2004; Macneil, 1980, 1983) have powerful impact on developing good relationships among parties involved in the contract or project (refer to Table 2.2). However, this stream of studies particularly Macneil (1980, 1983) posits that the norms of behaviour that operate within an exchange are not determined by the form of governance within which an exchange is occurring.

In the sociology discipline, several authors have suggested that the way a social relationship develops should be viewed from various perspectives. Among those ways, Structuration Theory produced by Giddens (1984) has been one of the most popular theories that emphasises on the important role played by the structural dimensions in inter-organisational relationship development. Structuration theory (Giddens, 1984) consists of rules and resources that focus on the interplay between the structure and human actions within relationships. It believes that the repeated interactions among the people in organisations form the foundation of social order (Dachler and Hosking, 1995; Hatch, 1997). Although frequent interactions reflect an image that the organisations are solid and stable and that managers are responsible for these activities (Sjostrand et al, 2001; Streatfield, 2001); structures become highly dynamic and open to many small changes resulting from these daily reproductions of interaction patterns. Hatch (1997, p. 180) underlines that “if interaction patterns are disrupted or changed, then the social structure is opened to change”. Since the change in leadership is normally seen as a
source of change in organisations, but the implication of structuring may not only come from the changes in managerial role, but also from the ‘disruptions’ of daily interaction patterns that affect the change in structure, which may be intentional or unintentional (Uhl-Bien, 2006; 2004). Thus, structuration is the process of continual production and reproduction, which occurs through the interaction of active and reflective individuals (Poole et al. 1986). Macneil (1980) underlines that it is the structural elements that provides the context within which good relationships that are created through human interaction. Rules are formulated to encourage interaction within organisation and produce the social practices of interpersonal relationships between organisations. These working practices reproduce those structure and that structures are the outcome of the interactions.

In construction management literature, structural perspective has been explored in several studies. Bresnen et al (2005), for example, investigate the effects of relationship between structural conditions and managerial agency on attempts to introduce change within project-based organisation. Anumba et al (2006) explore the interplay of structural and cultural factors that determine the success of Information Communication Technology (ICT) implementation. In another context, Dainty et al (2007b) examine the interplay of structural and cultural factors, which have led to the skill shortages currently impeding the industry’s development. Recently, Li et al (2008) study the interaction of organisational culture and structure through information processing in public healthcare institution to determine the effectiveness of the organisation. Thus, it can be claimed that in the context of inter-organisational relationships in construction projects, the
relationships do not develop in vacuum. Instead, it develops within the structure of the project. Since structure consists of rules and resources; thus, the human actions (i.e. relational aspects) and interactions occur as according to the rules and resources in the particular project. The interplays between the structural and relational aspects that occur lead to the achievement of good relationships.

Having considered the importance of structural perspectives of relationships and the lack of relational contracting norms, consequently, this study investigates how the interplay of structural and relational determinants develops good relationships in construction projects with particular to the applicability of the ten dimensions of relational contracting norms suggested by Ivens and Blois (2004) [i.e ten operational dimensions built from Macneil (1980, 1983)].

### 2.4 Transaction Cost Economics in the Relationship Development Process

Transaction Cost Economics (TCE) is a theory that focuses on the minimisation of opportunism which in turn reduces the transaction costs. Opportunism is defined as non-cooperative self-interest seeking behaviour of a strategic nature (Williamson, 1985). The focus of the TCE was given to the organisational governance and can be applied directly to investigate the interorganisational relationships (Rindfleisch and Heide 1997). In the context of construction industry, transaction costs include the cost of identifying the project, setting up objectives and contract strategy to be used, selecting the organisation structure and hiring all necessary personnel as well as monitoring their performance.
(Walker and Wing, 1997). Thus, they do not only include the costs that are incurred in a single transaction but also from repeated transaction such as claims, variation orders and disputes (Rahman and Kumaraswamy, 2002). The contract strategy selected would then generate a governance structure that aims to minimise opportunism and reduces the transaction costs (Walker and Wing, 1997). In this study, TCE is able to view the economic perspective of the relationships especially in terms of the impact on transaction costs as a result of the establishment of good relationships.

From the Relational Contracting perspective, contracts are agreements that are intentionally left incomplete in order to give flexibility to adapt changes in the future (Macneil, 1980). Macneil (1980) highlights the importance of norms that are used as mechanisms in business relationships, which are reflected from a set of norms developed for the governance of exchange processes (Ivens, 2006).

Consequently, transaction cost economics (TCE) and relational contracting norms approaches could be used as a tool to improve relationships and promote collaborative culture in organisational context.

2.5 Summary

This chapter presents the relationship development process from three perspectives, namely relational contracting theory, relational and structural. It also reviews the ten relational contracting norms suggested by Ivens and Blois (2004) with particular to how
norms develop good relations among the parties in the relationships in business-to-business relationship marketing. While studies in relational contracting viewed from norms perspectives in the construction industry are practically lacking, this study aims to determine the applicability of RC norms and consequently develop the concept of relational contracting norms as measurement tool to evaluate successful relationships in construction projects.

In business-to-business marketing, Ivens (2006) emphasises that previous researchers have not addressed the role of national culture that may have strong influence in developing good relationships. Furthermore, the review on the literature reveals that vast number of relational contracting studies has been concentrating in the Western countries. Accordingly, this study seeks to address these gaps by determining the extent to which relational contracting norms emerge and evolve within the national culture in one of the East Asian countries, i.e. Malaysia. The focus is given to the Malay construction organisations that are heavily characterised by having high power distance and strong collectivist society (Hofstede, 1991b).

Consequently, it is important to review and understand the East Asian business culture and the Malay work-related values as presented in the following chapter.
CHAPTER 3

East Asian Business Culture and Malay Work-Related Values

3.1 Introduction

This chapter examines the importance of East Asian business culture as compared to the Western business cultures. It describes Malaysia as one of the countries located in the East Asia and justifies why it is chosen to be the place of the main data collection. Being the major ethnic group in Malaysia, this chapter explains the work-related values embedded among the Malays and highlights several main values and emotions practised by the Malays.

3.2 East Asian Business Culture

A great deal of attention has been given to the economic success of the East Asian countries. The strong influence by their business culture factors that are based on Asian capitalism characteristics has been the major attraction (e.g. Hsiao, H. M., 1990; Berger, P.L., 1990; Singh, 1998). The Asian capitalism has been demonstrated as different from the Western capitalism in that the business organisation in the Western countries is managed professionally, neutrally, rationally and highly dependent on performance factors. They are also supported by institutions to ensure that the system is working properly. Conversely, business organisations in the East Asian countries are more effectively coordinated by personalised obligations in a business network or guanxi in China, through large industrial business network known as keiretsu in Japan and through
the concept of chaebol in Korea (e.g. Kienzle and Shadur, 1997; Redding, 2004; Fletcher and Fang, 2006; Yeung, 2006).

Japan’s strength in becoming one of the world economic powers for a relatively short period of time (i.e. 30 years) reflects the economic success of the East Asian countries. For example, by 1980, Japan has produced more automobiles than the US although after the World War II in the 1950s, the Japanese economic situation was not much different compared to other developing countries (Singh, 1998). The development model of Japan has been followed by other East Asian countries such as Korea, Taiwan, Hong Kong and Singapore in varying degrees resulting to considerable economic growth during the 1980s and 1990s. They have known as the four little dragons or the new industrialised countries (NIC) of the East Asia. Several other ASEAN countries such as Malaysia, Thailand and Indonesia have also implemented the model. Consequently, the economic growth increases approximately double of those other low income countries for several decades (e.g. Papanek, 1990, Hsiao, 1990). The economic success has given a new interpretation to capitalism in that, an excellent economic growth in a capitalist economy does not necessarily need to be based on free market as in the individualistic society in the Western countries, but it can also takes place through ‘guided capitalist development’ in the collectivist society of the Asian countries.

The rapid economic growth of the East Asian countries is claimed to be strongly influenced by the belief in and practice of the Asian values. East Asian values holds to the principles of collectivism, which is based on the importance of helping and
developing good relationships with each other in order to succeed in business. Thus, it is interesting to see whether the construction organisations in Malaysia are growing based on the same principles; and, is similar values play important roles in the context of construction project, which is one-off and project-based in nature.

3.2.1 Western Capitalism versus Eastern Capitalism

A major distinction between the Western capitalism and the Eastern capitalism relies on the difference in their philosophical policy. The Western capitalism relies on an absolute individual freedom right grounded from the individualism philosophy (e.g. Berger, 1990). It is created from the modernity of the society, which is derived from a combination of socio-political, economic, technological and cultural process. While the Western isolates the influence of church in the development of all aspects in the society; the Eastern still hold tightly the values taught by their religions and traditions of the society to an extent that it influences all aspects of life of the society. (e.g. Berger, 1990; Redding, 2004; Fang, 2001; Fletcher and Fang, 2006).

In the Western countries, the complexity of the economy and business is managed and controlled through bureaucracy in that there are institutions to support the system, manage professionally as well evaluate performance neutrally and rationally (e.g. Redding, 2004). However, in the Asia countries, these complexities are coordinated most efficiently through personal obligation, in which the inter-organisational strength of bonding in business relationships develops from the principles of reciprocity interpersonal trust (e.g. Redding, 2004).
In Japan, it is known as ‘keiretsu’, which refers to large business networks, vertical and/or horizontal alliances of organisations in all sectors in the economy. It consists of small and medium enterprises that were made directly accountable to the big manufacturers by becoming subcontractors of the large enterprises. Like ‘keiretsu’ in Japan, ‘chaebol’ in Korea is also a long-term grouping of companies. However, the Korean ‘chaebol’ differs from the ‘keiretsu’ in terms of ownership and control, in which in most cases companies in a ‘chaebol’ are owned by the family members (Ghauri and Prasad, 1995; Kienzle and Shadur, 1997).

The Chinese in China and Taiwan as compared to the Chinese in several other Southeast Asia countries who dominate the economic activities hold strongly to the principle of personal relationship ties or ‘guanxi’ and their tradition that rooted in the philosophy of Confucianism (Bjorkman and Koch, 1995; Davies et al, 1995; Xin and Pearce, 1996). Confucianism has been identified as a belief that has dominated Chinese human values and norms for over 2500 years. The values brought by Confucianism have been well documented in recent years. These include moral cultivation, family orientation, the importance of interpersonal relationships, respect for hierarchy, avoidance of conflict and the need for harmony, as well as concept of face (Fang, 2001; Fletcher and Fang 2006). In contrast to Eastern capitalism, the Western capitalism business style separates between business relationships and personal ones. The business process is initiated directly and not created based on personal ties.
With regard to the business values, there are sufficient similarities among the Japanese, Korean and Chinese in Asia region and overseas Chinese who live in the Southeast Asia countries to be known as Eastern Capitalism. The examples illustrated above could contrast the Eastern from the Western capitalism. However, the society in each country has their distinctive features. This is because the society has its own unique cultural background. Several differences could be viewed among the Malays in Malaysia, which would be discussed as follows.

Having considered the distinctive characteristics between the Western and Eastern perspectives; particularly with the Malays, this study determines the degree to which construction organisations in Malaysia are capable in developing good relationships that has been one of the foundations of their business success. This has been indicated by Ivens (2006), in which he calls for further research to address the role of national culture in developing good relationships as research in these areas has received less attention.

3.3 Malaysia: Background, Work Related Values and Emotions of the Malays

3.3.1 Background

Malaysia is a multiracial and multicultural society, with a total population of approximately 25 million people. The Malays, Chinese and Indians who are 65.5%, 25.6% and 7.5% respectively (EPU, 2001) are the major ethnic groups while the other 1.6% comprises of other indigenous groups. The Malays and other indigenous groups are
the ‘Bumiputera’ (‘son of the soil’), which the Malays form the largest group. Since the colonial era, an ethnic division of labour had emerged due to an uneven development and socioeconomic inequalities, which had resulted to an ethnic violent to occur in 1969. As a result, the government of Malaysia had introduced the New Economic Policy (NEP) in 1971, in order to address the poverty and uneven income distribution problems (Sundram and Syn, 2005). Accordingly, this affirmative policy that has been adopted by the government has helped to raise the number of Bumiputera, mostly the Malays to participate in all sectors including the business sector that has been dominated by the Chinese ethnic. The government and semi government agencies were created with the objectives that inclined to support the ‘Bumiputera’ who were far behind in all sectors. Given the support by the NEP, the public sectors are at present comprising of the Malay majority (Teik, 2005; Rashid and Ho, 2003), apart from the Malays themselves, who prefer to work in the government sectors.

3.3.2 Culture and Behaviours

Several approaches have been introduced by previous authors when conducting cultural studies. Hofstede (1980), for example, defines culture as ‘the collective programming of the mind which distinguishes one category of people from another’. In his earlier study (Hofstede, 1980; 1991), emphasis was given to the national culture while in his later study (Hofstede, 1994), he established different dimensions for organisation culture.
According to Hofstede (1980), national culture has a strong influence in shaping organisations and social structure of a society (Hofstede, 1980). It is because the national culture reflects the core values of individuals that had been formed during their childhood and reinforced throughout their life (e.g. Lachman, 1983; Triandis, 1995).

Hofstede’s (1991) model is one of the models that has been commonly used in organisational studies. It comprises four dimensions, namely power distance, uncertainty avoidance, individualism-collectivism and masculinity-femininity. Hofstede (1980, 1991) defines power distance as the ‘extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally’, while uncertainty avoidance could be described as the extent to which a society feels threatened by uncertain situations and avoids these situations by providing some kind of stability. The third dimension, i.e. individualism-collectivism reflects the degree to which individual base their actions on self-interest versus the interests of the group; and masculinity-femininity represents the society’s goal orientations whether emphasise status derived from wages and position (masculinity) or emphasise on human relations and quality of life (femininity). Hofstede (1991) finds that among more than 50 countries, Malaysia has a very high power distance, high collectivism, average masculinity and moderately-low uncertainty avoidance, in which the results are in line with a few local studies by Abdullah and Lim (2001) and Lim (2001). The model was then expanded to include long-term orientation, i.e. the degree in which the society embraces long-term devotion to traditional and forward thinking values. High long term
orientation ranking indicates that the country subscribes the values of long-term commitments and respect for tradition.

In the organisational culture, Hofstede (1994) proposes six dimensions for analysis of organisational cultures, namely; 1) Process-Results Orientation; 2) Job-Employee Orientation; 3) Professional – Parochial; 4) Open – Closed System; 5) Tight – Loose Control; 6) Pragmatic – Normative. However, many scholars are attracted to apply the national culture model due to the combination of the predictiveness, macro scale and analytical categories, which is suitable to any context of study (Bargiela-Chiappini, 2005). Fellows and Liu (2008) emphasise further that organisational culture is embedded in the national culture of the organisation’s domestic location.

Nevertheless, the Hofstede’s (1980) model has also been criticised as bias to a single organisation, i.e. IBM, the sample from which the model was developed. It has also been claimed as insufficient to be applied to all aspects of cultural differences besides being considered by several researchers as oversimplified due to assumptions that values are homogeneous within specific countries (e.g. McSweeney, 2002; Myers and Tan, 2002).

On the other hand, Schein’s (1984) cultural model emphasises that culture consists of values, beliefs and artefacts, while Wagner and Moch’s (1986) model includes norms, values and beliefs as the measuring instrument for collectivism. Trompenaars and Hampden-Turney (1997) expand the cultural studies by confirming the importance of values and norms.
In Malaysia context, Fontaine et al. (2002), for example argue that the Malaysian culture is not homogeneous as proposed by Hofstede’s model. This is because although the Malaysian Malays, Chinese and Indians share some similar values, there are, however, several significant differences among them. Several studies have indicated the differences among the ethnic groups (e.g. Manshor et al., 2003; Rashid and Ho, 2003). However, since the Malays are the biggest ethnic group and has the major political control of the country, it is important to further explore the influence of the Malay culture in the Malaysian context.

3.3.3 Malay ‘Budi’ and Work Related Values

The concept of ‘Budi’ has a very strong influence in the Malay mind. According to Hui (2003), the word ‘budi’ in the Malay language is originated from the Sanskrit word ‘buddhi’, which means wisdom, understanding or intellect. Based on Sanskrit-English dictionary the word ‘buddhi’ means, ‘the power of forming and retaining conceptions and general notions, intelligence, reason, intellect, mind, discernment, judgement….’[Monier-Williams 1956:733 as cited in Hui, 2003]. However, the meaning has been extended to include ethics, intellect and reasons when it becomes part of the Malay language and it gives a strong impact in every aspect of life to the Malays. As such, their way of thinking, moral attitudes, and the goodness as well as how to communicate in a proper ways have been determined by the ‘budi’ concept (Abdullah, 1996). According to Tham (1971), the ethical system of the Malays is encapsulated in the ‘budi’ complex, in which he emphasised it as the essence of their social relationships.
Hui (2003) demonstrates Budi complex in a molecular form (see Figure 3.1). It consists of ‘budi pekerti’, which means moral behaviour or moral character, ‘budi daya’ or ‘budaya’ as culture and ‘budi bicara’ as discretion of good judgement when one uses ‘akal’ (mind) and ‘hati’ (feeling).

![Figure 3.1: Budi complex](image)


In addition, Dahlan (1991) underlines ‘budi’ as representing all virtues of values in the Malay society. It composes of virtuous qualities such as ‘murah hati’ (generosity), ‘hormat’ (respect), ‘ikhlas’ (sincerity), ‘mulia’ (righteousness), ‘timbang-rasa’ (considerate), ‘jaga hati’ (caring), ‘budi-bicara’ (discretion), ‘malu’ (feeling of shame at the collective level), and ‘segan’ (feeling of shame experienced at the individual level). Kling (2004), on the other hand categorises budi into three types, (1) budi bahasa
(politeness), (2) budi pekerti (moral behaviour), and (3) budi bicara (discretion). ‘Budi’ also formulate norms of individual and social behaviour. In applying ‘budi’ concept, to make a certain judgement on something or a certain situation is not done only through intellectual capability but also involves feeling (‘rasa’). Thus, the way an individual feels and thinks about him/herself and others are guided by ‘budi’ (Stroz, 1999).

Hofstede (1984) and Hunt (1981) emphasise that the cultural values of a society may influence work-related values. Several studies demonstrate that the Malay managers have exhibited several characteristics of the collectivist such as team-working, cooperation, integrity, sense of belonging, respect elders, and relationships driven with harmony seeking behaviours (Abdullah and Lim, 2001; Berrell et al, 2002; Rashid and Ho, 2003; Sarachek et al., 1984; Kennedy, 2002). As a collectivist society people place more importance on relationships, interdependent, loyalty and group orientation (Hofstede, 1984; Abdullah, 1992 and Abdullah and Lim, 2001).

In contrast to the Western, they are known to come from an individualist society, who is more individual oriented, up front and confrontative in nature (Abdullah and Lim, 2001; Berrell et al., 2002) (see Table 3.1).
Table 3.1: Comparison between Malaysian and Western values

<table>
<thead>
<tr>
<th>Malaysian values</th>
<th>Western values</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Face saving and keep the other person’s feelings in mind</td>
<td>• Assertive, up front and speak one’s mind</td>
</tr>
<tr>
<td>• Informal relationship</td>
<td>• Formal structure</td>
</tr>
<tr>
<td>• Flexible and accommodating</td>
<td>• Procedure bound and go by the book</td>
</tr>
<tr>
<td>• Relationship and group oriented</td>
<td>• Task and individual oriented</td>
</tr>
<tr>
<td>• Patient and able to roll deadlines</td>
<td>• Time bound and deadline driven</td>
</tr>
<tr>
<td>• Indirect use of intermediary to convey negative news</td>
<td>• Direct and to the point when giving feedback</td>
</tr>
<tr>
<td>• Difficult to say ‘no’ to superiors</td>
<td>• Cannot take ‘no’ for an answer as anything can be done with adequate resources</td>
</tr>
<tr>
<td>• Respect for hierarchy</td>
<td>• Equal treatment for all</td>
</tr>
<tr>
<td>• Non-confrontative</td>
<td>• Confrontative</td>
</tr>
<tr>
<td>• Generalities</td>
<td>• Specificity</td>
</tr>
</tbody>
</table>


With specific reference to the Malaysians, several studies show that different ethnic groups have come up with different culture (Rashid and Ho, 2003; Mclaren and Rashid, 2002; Lim, 2001; Sarachek et al, 1984), as each ethnic group has strongly maintained their own lifestyles and social organisation (see Table 3.2). Especially with the Malays, Abdullah (1992) and Dahlan (1991) highlight that they have self-politeness, sensitivity to feelings, value relationships, apologetic, not aggressive, respect for elder and people in higher hierarchy.
Table 3.2: Selected values of the Malys, Chinese and Indians in Malaysia

<table>
<thead>
<tr>
<th>Malay Values</th>
<th>Chinese Values</th>
<th>Indian Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respect for elders</td>
<td>Food</td>
<td>Fear of God</td>
</tr>
<tr>
<td>Spirituality/faith in God</td>
<td>Hard work/diligence</td>
<td>Sense of belonging</td>
</tr>
<tr>
<td>Humility</td>
<td>Pragmatism</td>
<td>Brotherhood</td>
</tr>
<tr>
<td>Face/self respect</td>
<td>Perseverance</td>
<td>Family</td>
</tr>
<tr>
<td>Tact/indirectness</td>
<td>Education</td>
<td>Hard work</td>
</tr>
<tr>
<td>Generosity</td>
<td>Wealth/prosperity/money</td>
<td>Filial piety</td>
</tr>
<tr>
<td>Sensitivity to feelings</td>
<td>Family oriented</td>
<td>Karma</td>
</tr>
<tr>
<td>Politeness</td>
<td>Face</td>
<td>Champion of cause</td>
</tr>
<tr>
<td>Relationships</td>
<td>Harmony</td>
<td>Loyalty</td>
</tr>
<tr>
<td>Apologetic</td>
<td>Gambling/risk taking</td>
<td>Face</td>
</tr>
</tbody>
</table>


3.3.3.1 Malay ‘Rasa’ – Thinking and Feeling at the same time

Thinking and feeling at the same time while communicating is common among the Malays. They do not usually separate these two actions as compared to the Western (e.g. Fischer and Jansz, 1995; ) For example, in a conversation, if one asks somebody among the Malays of his/her opinions, he/she would easily begin his/her response by saying ‘saya rasa’ [lit. I feel], even though in actual of fact he/she is giving his/her thinking. Similarly, if he/she was asked of his/her feelings, similar verse ‘saya rasa’ [I feel] would be used. The culture of thinking and feeling at the same time also occur in other societies such as in Bali (Wikan, 1989), as the thinking and feeling in their culture ‘are perceived to be linked as one process known ‘keneh’ (feeling-mind)’. In this culture, doing the
thinking and feeling at the same time is needed as to balance and harmonise the life of the people.

3.3.3.2 Terhutang Budi (Debt of ‘Budi’/Indebtedness)

Since ‘budi’ embodies all the virtues in the Malay value system, someone who has received an act of ‘budi’ from others, regards himself as being in debt of ‘budi’ (terhutang budi) (Ali, 1979; Dahlan, 1991). The person who gave the ‘budi’ (kindness) normally does it voluntarily and sincerely. Unlike borrowing money, he is not in the position of lending money to someone and wanting him to repay. However, normally the person who receives ‘budi’ feels as he has owed something that need to be repaid. The purpose of initiating this feeling is to maintain good relationships with people in the society (Norazit, 1995; Jaafar, 2004). Although there is no time frame for the repayment but the recipient of the ‘budi’ feels ‘malu’ (shame) to the donor and to the society until he could repay such debts. Failure to repay the debt of ‘budi’ when the opportunity arises to pay the debt of ‘budi’ could be considered as a serious offence (Ali, 1979; Dahlan, 1991).

3.3.3.3 Malu (shame)

The function of each emotion is to address a particular type of relationship with the environment. For example, fear is a way of knowing that the environment is threatening to an individual and running away from it is a way of mitigating a threat to oneself (Nesse, 1990). The sense of ‘malu’ (shame), on the other hand, is regarded by the Malays as an element of basic goodness in society, in which the Malays accept ‘malu’ as virtuous. According to Swift (1965:110) ‘malu’ is a social emotion representing the
‘hypersensitiveness to what other people are thinking about one’. The desire to avoid ‘malu’ becomes the primary force to unite the society (Goddard, 1997). Although several researchers translate the word ‘malu’ as shame (e.g. Dahlan, 1991; Abdullah, 1996), Goddard (2002) emphasises that ‘malu’ has a much broader range of use than the word ‘shame’ in English, in which the Malays regard a sense of ‘malu’ as an emotion that brings positive social goodness. In most cases, ‘malu’ can be characterised as an unpleasant and unwanted feeling due to the thought that other people are thinking and saying bad things about one. There are also several other associated concepts of ‘malu’ that reflects one’s standing in the eyes of others, or what other people think about one, namely ‘maruah’ (dignity), ‘nama’ (reputation) and ‘air muka’ (face) (literally water face). Thus, ‘malu’ is very close related with dignity. Avoiding ‘malu’ also means to avoid him/herself from being perceived badly by others. It is very important to establish and maintain one’s dignity in the society in order to be accepted and respected by others.

In contrast, shame has been claimed as less important in the Western society (e.g. Fessler, 2004). Fessler (2004) in his comparative study between Malay community in Bengkulu, Indonesia and Western society in California found that in most cases, there is a substantial different within which the term ‘malu’ and ‘shame’ are employed during communication. Out of 51 emotion terms that were perceived to be used frequently in daily discourse, the term ‘malu’ was ranked as second in Bengkulu, while ‘shame’ was ranked as forty-nineth in California. Fessler (2004) also reveals that there were various events, in which malu could occur, and he categorised the events of ‘malu’ as follows:
1) Classical shame events

For example, focus on concern with others’ actual or imagined negative evaluation,

2) Guilt-like events

For example, emphasis on regret, often involve a desire to compensate the victim, apologise, or punish the self,

3) Embarrassment-like events

For example, often comes from violations of conventions rather than moral rules, may involve public attention in the absence of any wrongdoing.

Although the term shame and guilt are sometimes used interchangeably, Lewis (1971) (as cited in Tangney et al, 1996) distinguishes the two terms clearly. He underlines that “the experience of shame is directly about the self, which is the focus of evaluation. In guilt, the self is not the central object of negative evaluation, but rather the thing done or undone is the focus. In guilt, the self is negatively evaluated in connection with something but is not itself the focus of experience” (Lewis, 1971, p. 30)

3.3.3.4 Be sensitive to other people’s feeling

In the Malay culture, ‘be sensitive to other people’s feeling’ has become the main element in any relationships with people (e.g. Abdullah, 1996; Abdullah and Eng, 2001; Goddard, 1997; 2001). According to Goddard (2004), it is common to find the sayings such as ‘jaga hati orang’ [‘mind people’s feelings (heart)], ‘timbang rasa’ (‘weigh feeling’) and ‘memelihara perasaan’ (‘protecting feelings’) among the Malays. These
sayings demonstrate the importance of being sensitive to other people’s feeling. By being sensitive to other people’s wants and feelings, it enables us to speak and act in proper behaviour. This is because people who are in good feeling are likely to be helpful than people who are not feeling good. Feeling good has been demonstrated to have significant influence on thought processes, behaviour at work (e.g. Bower, 1981, Lawler, 2001) and directly influence cooperation (Williams, 2001). Good relationships among parties in the contract could only be developed with the existence of feeling good and ‘comfortable’ with others. Conversely, the feeling of ‘unhappy’ and ‘not comfortable’ or ‘annoyance’ to the other party would destroy the relationships and hinder the development of good relationships.

3.3.3.5 Timbang rasa (considerate)

The feeling of ‘timbang rasa’ (lit. weigh feeling) (considerate) is central among the Malays. Being a part of the collectivist community, group orientation and ensuring that relationships among the individuals/parties in the group are well taken care, is very significant (Abdullah, 1996, 2001). This is to ensure that a lesser degree of dispute occurs among the individuals/parties in the group. ‘Timbang rasa’ (considerate) is a feeling that exists in one party who is willing to consider an application, requests, wants of the other party that is contradict to his decision (Goddard, 1997, 2001). The existence of the feeling ‘timbang rasa’ would reduce the possibilities of dispute between the two parties, and thus encourage good relationships. Abdullah (1996) highlights that ‘timbang rasa’ dominates the mind of most Malays especially in making decisions that would affect the future welfare of those people who are important to them. ‘Timbang rasa’
(considerate) behaviour emerges from the feeling of ‘timbang rasa’. Several authors agree that considerate behaviour positively influences commitment (e.g. Rowden, 2000; Jayakody and Sanjeewani, 2006) and subordinates’ satisfaction (e.g. Teas and Horrell, 1981).

### 3.3.3.6 Tolak ansur (compromise)

While ‘timbang rasa’ is willingness of one party to consider the decision of others (Ibrahim, 1998), ‘tolak ansur’ is the willingness of both parties to give a second thought of their decisions in the process of reaching to a point of agreement between the two parties (Allwood and Omar, 2005). For example, in construction management setting, the differences in the claim made by the main contractor to the client would create dispute between them. Consequently ‘tolak ansur’ (compromise/‘give and take’) could have been taken to stop the escalation of the dispute. The agreed solution emerged from the feeling of ‘tolak ansur’ is the main contractor’s behaviour to willingly reduce the amount of the claim and the client’s behaviour that willingly to pay higher than his initial intended payment.

### 3.3.3.7 Power Distance and Respect for Authority

Power distance is the extent to which the less powerful members of the institutions or organisations within a country expect and accept that power is distributed unequally (Hofstede, 1980). It reflects the general human inequality in areas such as prestige, wealth, power, and law. As a result, it is a norm that people at a lower social hierarchy in a collectivist society would normally respect elders, superiors and people of higher
authority/hierarchy. In Malay context, respect for authority is a value that reflects the needs for ones to behave politely when they are communicating with superiors, elders and people of higher authority (Abdullah, 2001). It emerges from various social status and level of authority embedded in the social hierarchy in the Malay society resulting to the use of several appropriate forms of recognition to address elders, superior and people of higher authority. In line with Hofstede (1980), several researchers agree that Malaysia is a large power distance society (Abdullah, 1992, 1996, 2001; Abdullah and Lim, 2001; Lim, 2001). In the context of a society, power distance is characterised by being obedient to the elderly and not expressing disagreement with more powerful people (Hofstede, 1984).

Salleh and Halib (2005) find that the element of power distance is deteriorating in an organisational context of banking industry in Malaysia when the subordinates are not fearful in expressing disagreement with the superior and the superior is willing to accept disagreement of his subordinates. However, they conclude that the Western management practice has influenced their findings to be in the opposite direction to the existing findings due to the nature of banking industry in Malaysia, which is known to be highly influenced by the Western values. However, it is important to note that many studies of the Malaysia society and values generally agreed that power distance is still strong among the Malays ethnic (Fontaine et al, 2002; Abdullah and Lim, 2001; Lim, 2001). For example, studies of work related values between the ethnics in Malaysia highlight that the Malay has higher power distance than the Chinese and the Indians (Lim, 2001; Fontaine et al., 2002).
In a situation where large power distance exists in an organisation, the top management are generally considered as the wise man and that their decisions are not often challenged (Abdullah and Lim, 2001). Thus, the interpersonal or inter-organisational relationships that are developed in a hierarchical society would always be based on respect among different levels of authority. For example, the communication among peers is likely to be more informal than among individuals of unequal rank based on seniority or status (see Figure 3.2).

![Figure 3.2: Levels of communication and respect in the Malay Social Hierarchy](image)

3.3.3.8  **Ikhlas (sincerity)**

‘Ikhlas’ (sincerity) reflects doing something without hoping to get some kind of rewards in return. The word ‘ikhlas’ came from an Arabic word, which is one of the important Islamic values. It means doing something for a single motive, i.e. to attain nothing but nearness to God (Quasem, 1978). In Malaysia, the Malays are strongly influenced by the Islamic values (Abdullah, 1996; Triantafillou, 2005). This is because the Malaysia Constitution posits Islam as the official religion of the country and thus, the Malays are considered as constitutionally Muslims (Triantafillou, 2002). ‘Ikhlas’ is one of the most important values practiced in the life of the Malays. It is closely associated with ‘give’ or ‘help’. When a person is doing something ‘ikhlas’ (sincerely), he/she does not seek to get something from others in return. The ‘return’ could be in the form of materials or praises of thankfulness. Instead, the only form of ‘return’ that it is hoped for is the ‘return’ from God, which could be in the form of blessings that more goodness would be obtained in the future life. In the context of an organisation, if an actor does something ‘ikhlas’ (sincerely), he/she would do it voluntarily, in which the act done was not because of any reward or something in ‘return’. The relationships that are developed based on sincerity are normally stronger because the relationships are developed solely based on the desire of achieving good relationships to simplify matters in working. Conversely, if the relationships are developed based on hopes to get some reward in return, the relationships would deteriorate or destroy especially when the ‘return’ obtained is not as expected.
3.3.3.9 **Jujur (honest)**

Similar to ‘ikhlas’ (sincere), ‘jujur’ (honest) among the Malay society is also originated from one of the Islamic values (e.g. Khan, 2003; Gayatri et al., 2005). ‘Jujur’ (honest) means doing something in the right way without any intention or act to cheat or take advantage of the other party. According to Alhabshi (1997), honesty is required at all times and it is not sufficient to be honest only in certain aspect. A person is doing something honestly when he/she obeys all rules and regulations required in doing the work with no intention of cheating. Honesty is something that requires consistency of decisions, actions and behaviour irrespective of time, place or people (Alhabshi, 1997). In the context of an organisation, an honest subordinate would follow all rules and instructions given to him/her. Accordingly, relationships developed based on honesty, with no intention to conduct any fraud would stay longer and better.

3.3.3.10 **Paternalism**

According to Abdullah (2001), the Malays are conscious of the social hierarchy of the society. They recognise the importance of using the appropriate form of recognition to address their elders and high status individuals. In some ways it has influence the formation of paternalism among the Malay leaders when a good leader or superior is assumed to be the ‘father’ whom would protect the family members and understand their needs and concerns (Jogulu and Wood, 2007). Thus, in the case of an organisation, the leader/superior understands the needs of his/her subordinates/followers and ensures the growth and development of his subordinates. In return, the followers/subordinates are prepared to go through any difficulties in achieving the targets determined by the leader.
(Ahmad and Singh, 2001). There appears to be a moral component in the relationships between the superior-subordinate, which is similar to a ‘father and son relationships’ as the latter are dependent, loyal and commit to the former (Abdullah, 1996; Ahmad and Singh, 2001).

### 3.3.3.11 Family Oriented

The Malays posit family relationships as most important in their life. Being a part of races in Asia, the Malays consider that a family forms the ideal social unit (Mansor, 2001). The relationships among the members of the family are based on strong kinship and every member of the family trust each other. When an organisation is managed based on a Malay family value orientation, the relationships developed are closer like brothers and sisters. It is due to the spirit of togetherness, mutual helps (‘gotong-royong’) and receptive to working in teams. This could be developed from informal social gathering activities such as having a family fun day out, festive celebrations as well as having company benefits extended to family members, for instance medical and insurance coverage (Alfah, 2001).

### 3.3.3.12 Personal Relationships

Several studies on the Asian countries find that establishing personal relationships is important in building long-term relations between two parties (Wang, 2007; Geraldine, 2004; Abdullah, 1996; 2001; Sloane, 1999). Wang (2007) underlines that personal relationships among individuals of business organisation is about to care each other and treat each other like friends than just business partners. It is about willingness to share
the inner feelings and showing personal concern. In order to be at this stage, each party needs to acquire an in-depth knowledge of their counter part and knows what appeals to their needs (Wang, 2007). Among the Chinese, many studies define ‘guanxi’ as connection or personal relationship (e.g. Bjorkman and Kock, 1995; Davies et al, 1995; Xin and Pearce, 1996, Wang 2007). Wang (2007) explains that Chinese ‘guanxi’ is different from the Western relationship marketing in that the Western relational networking is mainly associated with commercial goals while the Chinese ‘guanxi’ involves both favour and affection and sometimes, the affective value is more important than its monetary value in social interactions.

Abdullah (1996; 2001), Geraldine (2004) and Sloane (1999) elaborate personal relationships in the context of the Malays. Abdullah (2001), for example states that the Malays normally place good relationships with people as very essential aspect in their life. Consequently, they tend to prioritise relationships more than the task, even in business interaction. The relationships become personalise when they do not separate the business and private lives. Abdullah (1996) underlines that the completion of a task can only be achieved when people are familiar to each other and the have established some forms of understandings, relationships and rapport-building with one another. Thus, personal relationships may create sense of attachment to the person and belongingness to the group. Conversely, direct criticism of views or opinions in business may also be felt as a rejection of a person.
Geraldine (2004), on the other hand, uses the term ‘inter-personal ties’ instead of ‘personal relationships’. She emphasises that the interpersonal ties are well known within the business community in Malaysia. These ties are based on friendships, kinship, common political memberships, similar education background or state (Geraldine, 2004). Sloane (1999) explains that the relation among the Malay people whether in social or economic ties is normally called as ‘kawan’ or ‘friends’. ‘Kawan’ or ‘friends’ is interchangeably known as ‘network’ (Sloane, 1999) or commonly known as a ‘cable’. The ties between ‘kawan’ are more than the meaning of friendship. The relations between close ‘kawan’ among the Malays represents close personal relationship that shows the degree to which, the Malay is expected to help his friends. This includes the promise given by the ‘network’, the great sense of anticipation that people will help one another to succeed in business, will participate in business activities of their friends, and will trust one another’s good will. The importance of personal relationships in business context spans to the extent that if a person develops good relationships with the decision maker, the person has a good chance of winning business deals controlled by the decision maker (Bjorkmen and Kock, 1995).

3.4 Summary

This chapter presents the general differences between the Western and Eastern capitalism. Apparently, the differences in the economic system of the two regions are resulted from the different philosophical, socio-political and cultural background of the society. Different styles of managing business emerge when there appears to be several
management styles that might be suitable in one country may not be suitable in another country.

The chapter also explicitly discusses the culture, values and characteristics of the Malays and how it influences their business activities. The review demonstrates that the Malays, being the biggest ethnic group in Malaysia has dominated the political system and has implemented the ‘guided system’, which has given them special priorities.

In view to the calls for further research on the role of national culture by Ivens (2006), this study determines the extent to which relational contracting norms are embedded in the national culture of Malaysia particularly among the Malay construction organisations that are characterised by having high power distance and collectivist society (Hofstede, 1989). It also conveys some findings on the values that have been practiced in developing good relationships as compared to the relational contracting norms (e.g. Macneil, 1980; Ivens and Blois, 2004). Thus, this study uses the ten relational contracting norms (Ivens, 2004) to evaluate their existence, importance and possibilities of expansion in the context of national culture in Malaysia.

The results from the preliminary study (refer to Chapter Five) provide the initial view to these situations while the comprehensive view is presented in the analysis of results in Chapter Six. The next chapter follows with the explanation and justifications of the research methodology used for this study.
CHAPTER 4

Research Methodology

4.1 Introduction

Following the review of relationship development process and the relational contracting norms literature in Chapter Two; discussing the East Asian business culture in Chapter Three; this chapter presents the research methodology employed in this study. This study conducted two pilot case studies and four main case studies. In this chapter, the details of every stage of the research process are explained before the validation of the results is discussed. The contents are organised in several phases namely the research design phase, the data collection phase, data ordering phase, data analysis phase and finally, the literature comparison phase.

4.2 Philosophical Position of the Research

This section discusses the main philosophical issues of this research. Like any other research, this research is grounded on philosophical perspectives, implicitly and explicitly. Ignoring the philosophical issue could seriously affect the quality of research in management science. Easterby-Smith et al (1991) explicitly underline that understanding the philosophical positioning of research is vital as it could help the researchers to clarify alternative designs and methods for a particular piece of research as well as identifying which method is more likely to work in practice. This is because different approaches serve different functions in the knowledge discovery process (Wing et al, 1998).
4.2.1 Qualitative research

Generally, research methods are divided into quantitative and qualitative methods. Several researchers suggest that research should be conducted using both methods by triangulation (Love et al. 2002; Ragin, 1987). Quantitative research methods were originally developed in the natural sciences to study natural phenomena, whereas qualitative research methods were developed in the social sciences to enable researchers to study social and cultural phenomena.

Qualitative research methods are created to help researchers understand people and the social and cultural contexts within which they live. Kaplan and Maxwell (1994) argue that the purpose of understanding a phenomenon from the informant’s point of view and his particular social and institutional context could not be achieved when textual data are quantified. The strengths of qualitative research lie on its inductive approach, its focus on specific situations or people, and its emphasis on words rather than numbers (Maxwell, 1996, p.17). Ragin (1987) emphasises that the key difference between quantitative and qualitative research is that quantitative researchers deal with less quantified variables but with many cases, while qualitative researchers work on a few cases but many qualitative variables.

Following the above explanation, this research adopts a qualitative research approach based on several reasons. First, the nature of the research questions suggests a qualitative approach. This is because the information about how relationships develop within construction projects is lacking. Yin (1994) underlines that when less information about
any phenomena, qualitative approach is suitable (Yin, 1994). Second, the aim of the study is to present a detail understanding of how relationships develop within construction projects based on the concept of relational contracting norms as a measurement tool to evaluate successful relations. Thus, it requires a focus on meanings from informants’ point of view. The general understanding or the distant panoramic shot is not sufficient to establish this understanding.

4.2.2 Interpretive Approach

Every research tradition is based on some assumptions related to ontological, epistemological, axiological, and methodological assumptions. The ontological debate focuses on the “nature of knowledge” or the “nature of reality” (Guba, 1990; Fellows and Liu, 2008). It is about whether the researcher views the world from an objective or a subjective perspective. Another perspective views whether the researcher being there to realise the reality or is reality a product of the researcher recognition. Positivist perspective views reality as an entity that exists and can be measured while interpretive perspective views reality as a subjective interpretation by the researchers themselves (Arlbjorn and Halldorsson, 2001).

Epistemology is about “how we recognise” the subject of the study or the relationships between the knower and the known (Guba, 1990). Among the questions that need to be asked in epistemology are: what is the background for producing knowledge? What kind of knowledge can be acquired? How can we judge what is true and false? Thus, the
epistemology questions should determine whether knowledge should be acquired or experienced personally (Burrell and Morgan, 1994).

**Axiology** is the branch of philosophy that explores the role of values; the study of values or quality that is closely related to ethics and aesthetics. Finally, **methodology** deals with the methods used in scientific enquiry, which have often been categorised broadly into quantitative, qualitative or more recently the mixed-methods approaches.

When discussing methodology, the most relevant philosophical assumptions are those that relate to the underlying epistemology guiding this research. Although different classifications of epistemological assumptions exist (Guba and Lincoln, 1994), for explaining the underlying paradigm of this research, two commonly used epistemological stands, i.e. positivist and interpretive are explained.

The positivist and the interpretive approach are the two distinct philosophical approaches for developing research that have been the subject of a long-standing debate in science. It explains the philosophical assumptions that researchers have about the world, the nature of knowledge and knowing, the role of values, and how to go about studying phenomena (Easterby-Smith et al, 1991; Remenyi et al, 1998).

**Positivist approach**, often designated as quantitative research, believes that the subject under analysis should be measured through objective methods rather than being inferred subjectively through sensation, reflection or intuition. In other words, it underlines that
social life should be understood and analysed in the same way that scientist study the ‘natural world’. It is based on a philosophy that phenomena exist in generalisable causal relationships between quantifiable and direct observable variables. Thus, positivist studies generally attempt to test theory, the need to formulate hypotheses for subsequent verification, in an attempt to increase the predictive understanding of phenomena (refer to Table 4.1) (Easterby-Smith et al, 1991; Remenyi, et al. 1998).

On the other hand, interpretive approach is also known as phenomenological or qualitative approach, understands reality as holistic, and socially constructed, rather than objectively determined. The interpretive approach was designed in response to the widely application of positivism to the social sciences, in the last half of the twentieth century. Using this approach, the researchers start out with the assumptions that access to reality is only through social constructions such as language, consciousness and shared meanings. Generally, they try to understand the phenomena through the meanings that people assign to them. Interpretive research does not predefine dependent and independent variables, but focuses on holistic complexity of human sense decision making as situation emerges (see Table 4.1) (Easterby-Smith et al, 1991; Remenyi, 1998).

With particular to this research, since the nature of the problem is concentrating on how good relationships develop in construction projects, an interpretive research is appropriate. Seymour et al. (1997) emphasise that interpretive approach is valuable for
identifying problems in the construction industry because it recognises the respective viewpoints of practitioners, the people in the industry.

Table 4.1: Distinctions between Positivist and Interpretive Perspectives

<table>
<thead>
<tr>
<th></th>
<th>Positivist Perspective</th>
<th>Interpretive Perspectives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Basic beliefs:</strong></td>
<td>The world is external and objective</td>
<td>The world is socially constructed and subjective</td>
</tr>
<tr>
<td></td>
<td>Observer is independent</td>
<td>Observer is part of what is observed</td>
</tr>
<tr>
<td></td>
<td>Science is value-free</td>
<td>Science is driven by human interests</td>
</tr>
<tr>
<td><strong>Researcher should:</strong></td>
<td>Focus on facts</td>
<td>Focus on meaning</td>
</tr>
<tr>
<td></td>
<td>Look for causality and fundamental laws</td>
<td>Try to understand what is happening</td>
</tr>
<tr>
<td></td>
<td>Reduce phenomena to simplest elements</td>
<td>Look at the totality of each situation</td>
</tr>
<tr>
<td></td>
<td>Formulate hypothesis and test them</td>
<td>Develop ideas through induction from data</td>
</tr>
<tr>
<td><strong>Preferred methods include:</strong></td>
<td>Operationalising concepts so that they can be measured</td>
<td>Using multiple methods to establish different views of phenomena</td>
</tr>
<tr>
<td></td>
<td>Taking large samples</td>
<td>Small samples investigated in depth</td>
</tr>
</tbody>
</table>


4.2.3 Case Study Method

Apart from having different philosophical perspectives, various empirical research methods also exist, both quantitative and qualitative in nature. As suggested by Yin (1994), there are five major research methods within social sciences, namely experiments, surveys, archival analysis, histories and case studies. Within qualitative research, Creswell (1998) highlights five distinct research traditions: the historian’s biography, the psychologist’s phenomenology, the sociologist’s grounded theory, the anthropologist’s ethnography and the social scientist’s case study. Each of these research methods has its own focus, discipline origin, and method of data collection and analysis.
The biography method explores the life of an individual, the ethnography method describes and interprets a cultural and social group, the case study method develops an in-depth analysis of one or more cases, the action research method focuses on solving actual problems by actively participation and the grounded theory method develops a theory grounded in data from the field.

Table 4.2: Spectrum of research approaches based on different underlying philosophical assumptions and empirical research methods.

<table>
<thead>
<tr>
<th>Empirical research method</th>
<th>Philosophical perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Positivist</td>
</tr>
<tr>
<td>Quantitative</td>
<td></td>
</tr>
<tr>
<td>Survey</td>
<td></td>
</tr>
<tr>
<td>Experiment</td>
<td></td>
</tr>
<tr>
<td>Formal method</td>
<td></td>
</tr>
<tr>
<td>Numerical method</td>
<td></td>
</tr>
<tr>
<td>Qualitative</td>
<td></td>
</tr>
<tr>
<td>Biography</td>
<td></td>
</tr>
<tr>
<td>Ethnography</td>
<td></td>
</tr>
<tr>
<td>Case study</td>
<td>This research</td>
</tr>
<tr>
<td>Action research</td>
<td></td>
</tr>
<tr>
<td>Grounded theory</td>
<td></td>
</tr>
</tbody>
</table>

Considering both philosophical perspectives (see Table 4.2), the scope of method falls on the qualitative method. The case study method was adopted as the most appropriate research design for this study. Yin (1994, p.13) defines the case study method as an empirical enquiry that “investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are clearly not evident, and in which multiple sources of evidence are used”. Thus, it can be used to
explore and fully describe the meaning of a certain phenomenon in its environment instead of through the evaluation of statistics and frequency (Eisenhardt, 1989). In this study, the case study is useful to explore and fully describe the meaning of relationships in the context of construction projects. This is particularly important as the nature of construction industry is project-based and thus, each project may have distinct characteristics based on the contract they adopt and the construction method that they follow. Consequently, each project is appropriate to represent one case.

In line with Miles and Huberman (1994), one of the advantages of using this method is that researchers can move far beyond ‘snapshots’ of ‘what’ or ‘how many’ to probing questions relating to ‘how’ and ‘why’ type of questions. This allows the clarification of the process on how long term relationships could be developed. These questions deal with operational links that may need to be traced over time, rather than relying on mere frequencies or incidence, thus could also be described as interpretative research (Klein and Myers, 1999).

4.3 Research Design Phase

This section describes the research design. The research design phase was carried out according to the following procedure namely review of literature, pilot case studies in both the UK and Malaysia, how the main case studies were selected including the background of the four case studies.
4.3.1 Review of Literature

An extensive literature was carried out in the process of understanding the long-term relationship development process. The review covers numerous literatures across disciplines so as to understand the process thoroughly and it was found that relational contracting could be used as an analytical tool to facilitate understanding of how relationships developed and manifested within construction projects.

Consequently, the keyword ‘relational contracting’ was used to search the related literature across disciplines from the online databases, books as well as hardcopy publications. From the initial literature search, it was found that Macneil (1974, 1980) expanded and established the concept of ‘relational contracting’ in the marketing discipline based on the work of Macaulay (1963). He discussed the concept of relational contracting from the perspective of Contract Theory and emphasised the existence of ten common contract norms, which is important in any contractual arrangement. Since then, many studies in the marketing discipline particularly in business to business relationships have been conducted to examine the extent to which the ten contract norms (Macneil, 1980) were operationally important such as studies conducted by Kaufmann and Stern (1988), Heide and John (1992), Lusch and Brown (1996) and Ivens (2004).

In construction management, Rahman and Kumaraswamy (2002), for example have explored how cooperative relationships could be developed in the construction industry by using the relational contracting approach. However, the emphasis on ten contract
norms was lacking. Accordingly, by using the ten contract norms, this study conducted a pilot study to examine the extent to which these contract norms were important in developing good long-term relationships among the construction organisations.

In the first stage of the pilot study, which was conducted in the UK (refer to the following sections Section 4.2.2 and Section 4.2.2.1), the time factor appeared to be significant in the development of good long term relationships. Consequently, this situation encouraged more literatures to be reviewed especially in exploring ‘the process of how good relationships’ would have emerged. Thus, the studies by Scanzoni (1979), Ford (1980) and Dwyer et al (1987), which demonstrated the varieties of relationship development stages, have been examined.

The second pilot study conducted on five construction organisations in Malaysia (refer to the following sections, Section 4.2.2 and Section 4.2.2.2) exhibited that culture has been the main factor that could largely distinguished the process of relationship development between an organisation to another. Therefore, it indicated that the stages theory suggested by Ford (1980) and Dwyer et al (1987) were not that applicable in the context of construction organisations in Malaysia and that the application of Structuration Theory proposed by Giddens (1984) was more suitable.

Accordingly, in the process of analysing the data, it was realised that the Malay has its own unique characteristics and values that strongly influenced the process of relationship development. These findings encouraged more exploration of the literatures across
disciplines namely, anthropology (Wilson, 1967; Peletz, 1996), language (e.g. Goddard, 1997, 2000, 2002) and cross-cultural management (e.g. Abdullah, 2001; Lim and Abdullah, 2001; Fontaine and Richardson, 2003).

4.3.2 Pilot Case Study

Several researchers emphasise the importance of conducting an exploratory study as a useful preliminary step in any research when a researcher has limited amount of experience or knowledge about a research issue. The exploratory study can be based on a single investigation or a series of informal studies to provide background information (Zikmund, 2000; Malhotra & Birks, 2000) as it may form the foundation of a good research.

Thus, following the literature review, an exploratory study consisting of ten interviews was conducted from June 2005 to November 2005. In line with Swan et al (2005), the pilot interviews were conducted in two stages. The first stage of the pilot interviews were conducted on five construction organisations in the UK from June 2005 to mid-August 2005, while the second stage took place in Malaysia from mid-August 2005 to November 2005. The purpose of the first stage of the pilot interviews was to conduct an initial investigation in finding out whether the issues debated in the literature were relevant to the current implementation practice of the industry. As underlined by several researchers, this pilot study would be useful in exploring or searching through a problem or situation to provide insights, ideas and understanding as it was particularly helpful in breaking broad, vague problem statements into smaller, more precise sub problem
statements (Zikmund, 2000; Naoum, 2001). Malhotra and Birks (2000, p.77) underlined that an exploratory study may be used in cases where researcher must define the problem more precisely, identify relevant courses of action, or gain additional insights before going on to confirm further findings. Thus, the ten relational norms, which have been found in the literature as the most important elements in structuring good inter-organisational relationships, formed the foundation of the first stage of the pilot interviews in exploring the relationship development practice in the construction industry. In line with Churchill (1996), the exploratory study in this research is important to meet the following purposes:

- Formulating problems and questions for more precise investigation in the following main data collection.
- Theory development for the study
- Establishing priorities for the main data collection.
- Gathering information about the practical problems in carrying out the research particularly in the issues investigated
- Increasing the researcher’s familiarity with the problem
- Clarifying various concepts, which were found in the literature and frequently mentioned by the informants.

As the main data collection would be conducted on the construction industry in Malaysia, the second stage of the pilot interviews was conducted on five (5) construction organisations in Malaysia. This was to ensure that the issues on the importance of inter-organisational relationships discussed in the literature; which mainly comes from the
United States, United Kingdom and Hong Kong were relevant to the context of construction organisations in Malaysia. Accordingly, the pilot interviews in Malaysia would assist the refinement of the plans in conducting the main case studies as well as its questions developed for the main data collection. This is in line with Yin (1994) that the pilot study helps researchers to refine their data collection plans with respect to both the content of the data and the procedures to be followed as assisting the researcher to develop lines of questions as well as providing some conceptual clarification.

4.3.2.1 Pilot Interviews in the UK

The process of conducting the pilot interview in the UK began by identifying a list of big and well-known construction companies around East Midland area due to geographical accessibility. Yin (1994) emphasises that convenience, access and geographic proximity can be the main criteria for selecting the pilot case or cases. As a result, 31 construction companies were contacted via telephone and only 5 companies agreed to be interviewed. They comprised three main contractors, a specialist sub-contractor and a managing agent contractor. All informants held strategic position in the company and involved directly in making decision for the company such as Contract Director, Head of Supply Chain and Business Development Manager. Seven open-ended questions were used to conduct the semi-structured interviews. The time taken for each interview ranged from 35 minutes to an hour, with an average time taken of 45 minutes. The main contents of the interview were related to the status of their longest relationships with a particular partner, how relationships have been developed, the factors that underpinned the success of this relationship and the barriers that hindered the development of the relationships.
An Investigation of Relational Contracting Norms in Construction Projects in Malaysia

Pseudonyms have been used to ensure confidentiality. All interviews were recorded and transcribed to aid subsequent analysis.

4.3.2.2 Pilot Interviews in Malaysia

Following the pilot interviews in the UK, five pilot interviews were conducted via telephone with various construction organisations in Malaysia. The companies interviewed comprised companies of various categories ranging from a small size company to a big government-related company so that the extent to which the importance of the relational contracting issue could be viewed from various range of construction organisations. These companies were selected due to close personal relationships of the researcher with the top management of the companies who were also the informants. Thus, all information was easily accessible. All of the companies were located around the capital city of Malaysia, Kuala Lumpur. The contents of the pilot interview were basically similar to the one being conducted in the UK. The time taken ranged from 30 minutes to an hour with an average of 45 minutes.

The findings from both the pilot interviews in the UK and Malaysia indicated that all the informants realised the needs of developing long-term relationships as a mechanism towards achieving success in business. They agreed that the ten relational norms, namely long-term orientation, solidarity, mutuality, flexibility, role integrity, information exchange, conflict resolution, limitation of power, monitoring behaviour and relational planning were vital in the development of good inter-organisational relationships. The results also signified that there was not much difference among the perceptions of
informants of both construction organisations in the UK as well as Malaysia in terms of the importance of long-term relationships as well as the ten relational norms. However, it was noted that their perceptions on how to develop long-term relationships could be viewed from the national culture perspective such as how people in the collectivist society in a country like Malaysia perceived the inter-organisational relationships as compared to people in a more individualist society like the Europe (Hofstede, 1985; Schermerhorn and Bond, 1997; and Noordin, et al., 2002).

Thus, it is convinced that the literature developed for this study was relevant and the issue in this study was significant to the area of research, thus allowing contributions to be made. Accordingly the main data collection was planned further and carried out. The datasets flow diagram for the study is shown in Figure 4.1.

4.3.3 Selecting the Main Case Studies

The diversity of construction projects was the main focus of this research so that the variation in the characteristics of the projects could expose the complexity of the development of long-term relationships and provide a better understanding of the process. Several features of the four case studies allowed sufficient examination on how good relationships developed among the long-term contract agreement. They are:

- the difference in the duration of long-term implementation of the contract agreement.
Preliminary study in the UK:
Semi-structured interviews with five (5) construction organizations (Chapter 5)

Preliminary study in Malaysia:
Semi-structured interviews with five (5) construction organizations (Chapter 5)

Development of research instrument

Main data collection in Malaysia:
Semi-structured interviews with 36 informants from four case studies of various construction organizations, i.e. clients, main contractors, subcontractors, suppliers, consultants and project managers (Chapter 6 and 7)

Development of initial findings

Validation of findings:
i) Follow-up interviews with 20 selected informants for further clarification and confirmation (Chapter 6 and 7)
ii) Cross case analysis – to identify similarities and differences among all case studies (Chapter 7)
iii) Expert interviews – two academics in Malay studies, three academics and three practitioner in construction (Chapter 7)

Final Model

Figure 4.1: Datasets flow diagram
• the different approaches in setting up their relationship network, with similar emphasis of moving towards long-term relationships (refer to Chapter Seven).

Thus, it would be interesting to find out how long term relationships emerge from these four patterns of relationship network. Feagin et al. (1991) emphasise that a case study as an ideal methodology when a holistic and in-depth investigation is needed. It tends to be selective, focusing on one or two issues that are fundamental to understanding the system being examined. Consequently, the emergence of good relationships could be assessed from four different perspectives, which would lead to more reliable results.

Apart from the characteristics of the project as the main criteria in selecting the projects, other reason for choosing the projects was due to data accessibility. In the context of Malaysia, most long-term projects were created from government privatisation policy. Most of these long-term projects have received numerous critics from the public due to several weaknesses in its implementation. As a result, it was very difficult to get access to the data because some of the practitioners perceived research work as an investigation to expose the weakness of the project implementation. Thus, the accessibility to the data in this research was gained based on personal relationships of the researcher with the key personnel of the organisations.

4.3.3.1 Unit of Analysis/Case Studies Background

This research focuses on four construction projects as the unit of analysis. The number of case studies selected was considered sufficient. This is because other similar study also
uses four case studies in producing their measurement tool (McDermott et al, 2005). The four projects that were selected to be the case studies were:

1) Federal Road Maintenance Project for Zone P of Peninsular Malaysia.
This project is road management and maintenance works for federal roads of Zone P of Peninsular Malaysia. This project has been under the government’s Privatisation Programme and the project was awarded to Pandai Sdn. Bhd. (PSB), a subsidiary company of Amat Sdn. Bhd. (ASB). It is a 15 years’ contract agreement, which started in the year 2001. The works involved routine and periodic maintenance and emergency works along the roads.

2) Federal Road Maintenance Project for Zone Q of Peninsular Malaysia.
Similar to the above, this project involves the road management and maintenance works of federal roads. The project was granted to Cerdik Sdn. Bhd. (CSB) and it is also a 15 years’ contract, started in 2001. The same works involved in the projects, i.e. routine and periodic maintenance and emergency works along the roads.

3) Judiciary Building Project
Amat Group of Companies (ASB) is one of the leading Malay companies, having a diverse set of businesses throughout the country comprising construction, property development, plantation, manufacturing, medical services and road maintenance. ASB’s core businesses are in the field of building, civil engineering and infrastructure works, restoration and refurbishment work, and road works. Incorporated in 1982, now ASB is
one of the prominent Malay construction companies in Malaysia. For the past 24 years, the success of ASB was supported by its long-term public sector clients, subcontractors and suppliers. The project chosen for the case study was a three-year government building development contract. The main contractor and his subcontractors have been in a twelve-year relationship in various projects before this contract started.

4) Project Manager and Consultants Relationships

HT Sdn. Bhd. was incorporated in 1981 as a subsidiary company to the government agency N (GAN) that was responsible to improve the economic status of Bumiputera (indigenous) through the education and economic development. It acts as the project management consultant of all GAN projects. It was privatised through management buyout (MBO) in 1995. Since then, HT Sdn Bhd has been tied up in a 10 years’ contract with GAN to manage projects in the education sector such as schools, colleges and training centres buildings.

4.4 Main Data Collection Phase

Yin (1994) highlights six sources of evidence for data collection in the case study protocol namely documentation, archival records, interviews, direct observation and physical artefacts. The main source of data collected for this study was from the interviews, which were carried out in Malaysia from April to July 2006. Almost every partner at every level of relationships in the contract agreement was interviewed, so that it would provide a clear picture of the type of relationships as well as the different stages of the relationship development. The interviews would also give the snapshot of the
relationship status at the point of interview. Although a longitudinal study provides the best method to portray any relationship development, however, due to the time constraint within the period allowed for this study, the longitudinal study could not be carried out. Thus, within such limitations, the interview approach was sufficient to demonstrate a good cross-section of the relationship events within the construction projects time frame.

In this research, a total of 36 semi-structured interviews have been conducted from the four case studies. The informants comprised various parties involved in the contract including the clients, main contractors, project managers, consultants, subcontractors, suppliers, government agencies as well as the ministry. These informants were also posited at various levels in the organisations ranging from the supervisory level to the Chief Executive Directors. Out of these totals, twelve (12) interviews were conducted within the Case Study One, twelve (12) interviews within Case Study Two, five (5) interviews within Case Study Three and seven (7) interviews within Case Study Four.

Interviews in two case studies began with the top management based on personal relationships of the researcher with them. Whilst interviews in the other two case studies was based on the recommendations of the researcher’s close friends. These managers were firstly contacted by telephone to discuss the suitable time and date for the interview. Then, by using snowballing technique, these informants recommended other informants whom they thought would be the best and knowledgeable persons to be interviewed. In order to instil trust with these persons, the managers who have been interviewed would contact them earlier informing them that there would an interview session going on. This
snowballing technique went on until the information obtained from the interviews was saturated, which means no new information was obtained.

All the interviews took place at the informants’ premises located throughout all over Peninsular Malaysia. The length of interviews ranged from 30 minutes to one (1) hour with an average length of 50 minutes. The main issues discussed in the interviews were mainly related to their existing contract especially on how good long-term relationships were developed with the parties involved in the contract within the length of contract in which they have been in. Issues on experiences and problems in developing and maintaining these relationships were also brought forward (Refer to Appendix 1).

4.4.1 Follow up Data Confirmation and Clarification

During the data analysis process, certain data/information needs clarification and confirmation. As a result, 20 follow up interviews were carried out along the analysis process with some of the informants as an internal validation. The method used for the follow up interviews was long distance telephone interviews from the UK to Malaysia. The length of the interviews varied depending on the amount of data needed for clarification and confirmation. However, the range was between 10 to 30 minutes.

4.4.2 Expert Interviews

Expert interviews were carried out in two stages. The first stage of interviews was conducted with two professors of Malay anthropology and sociology of two different established universities in Malaysia. Professor A is the Dean of a faculty from Universiti Malaya, who has numerous publications in the Malay study locally and internationally.
An Investigation of Relational Contracting Norms in Construction Projects in Malaysia

Professor B is a Linguistic Professor at Universiti Putra Malaysia, who is an expert in Malay language and Malay studies. The interview with Professor A was conducted via internet telephone after an email had been sent indicating the purpose and questions of the interview. The interview with Professor B was carried out at his office after an appointment was made earlier. Flick (2009) emphasises that expert interviews can be used as an expert validation of findings. Once the confirmation and clarification of the data obtained, data analysis phase began as the followings.

In the second stage, six structured interviews were carried out with three academics and three practitioners who directly involved in the construction industry. The interviews were conducted after completing the final model. The experts were asked to comment on the model. Thus, a diagram of the proposed model and a list of 15 questions were given to the respondents. They were asked on the suitability of the proposed model as measurement tool to evaluate successful relationships in construction projects in Malaysia.

A balanced combination of academics’ and practitioners’ views led to a better development of the model.

4.5 Data Ordering Phase

All the interview data obtained were transcribed. In line with Yin (1994), the data for the four empirical cases were ordered chronologically. It was because the chronologically arrangement of events allowed the causal events be determined over time (Pandit, 1996), thus helping in better understanding of the process of developing good relationships.
4.6 Data Analysis Phase

The analysis of the interview data was carried out in two stages: (1) within-case analysis, which involved the write-ups of each case and, (2) the cross-case analysis that involved searches for cross-case patterns. Eisenhardt (1989) describes the process of analysing the data as the heart of theory building from case studies. He emphasises it as the most difficult and the least codified part of the research process due to the lack of discussion of the analysis in most published studies that often leads to the separation of the data and the conclusions. Despite the difficulties, two key features of analysis could be identified, namely the within-case data analysis and cross-case data analysis.

4.6.1 Within-case Data Analysis

The within-case analysis was conducted by examining each of the four cases individually. Several researchers highlight that it is important to carry out within-case study analysis as it helps researchers to cope in the early analysis process with the often massive amount of data (Eisenhardt, 1989; Mintzberg and McHugh, 1985). Within-case analysis involves detailed case study write-ups, which are often simply pure descriptions, but central to the generation insights (Gersick, 1988). However, there is no standard format for such analysis.

The central issue of this research is to explore the development of relationships within construction projects. Due to the fact that the research design focuses on exploration and description of how good relationships develop, data in each case was analysed through
the generation of concepts from the process of coding. Strauss and Corbin (1990, p.57) stress that the process of coding “represents the operations by which data are broken down, conceptualised, and put back together in new ways, thus allowing theories to be built from the data”.

Although there are three different analytic types of coding, namely open coding, axial coding and selective coding; it is not necessary for a researcher to move from open, axial to selective coding in a strict and consecutive manner (Pandit, 1996). Open coding involves the deductive process of breaking down the data by comparing, conceptualising and labelling them as the key incidents or descriptions of the data. The primary goal of open coding is to conceptualise and categorise the data.Whilst open coding fractures the data into concepts and categories, axial coding reassembles these fracture data by relating categories to their sub-categories. It is termed “axial” because coding occurs around the axis of category, linking categories at the level of properties and dimensions (Strauss and Corbin, 1990). Selective coding builds upon the foundation of open and axial coding exercises. It is a “process of selecting the central core category, systematically relating it to other categories, validating those relationships, and filling in categories that need further refinement and development” (Strauss and Corbin, 1990, p.116).

The volume of data in this research was condensed through the process of coding while the activities of finding themes and patterns were run simultaneously based upon a coding scheme developed for the study. The coding process commenced by generating a list of codes, which were drawn from the literature prior to the fieldwork. The ten
relational norms formed the basis of the list of codes. Since the focus of the research was to demonstrate how good relationships develop, the transcripts of each case were examined carefully and they were coded using the preliminary set of codes developed from the pilot case. The themes related to how good relationships developed were identified and highlighted. These themes were then viewed and arranged based on how good relationships develop. During the process of coding, occasionally, a segment of the transcript resulted in the creation of new codes, or the refinement of the existing codes or even the amalgamation of codes with similar meanings. The development of the coding scheme was an on-going and exhaustive process, throughout all transcripts of each of the four cases.

4.6.2 Cross Case Analysis

In line with other researchers who are conducting multiple case studies, the design of this research also lent itself to cross-case analysis of data in searching and identification for patterns and emergent themes (e.g. Rowlands, 2005; Miles and Huberman, 1994; Eisenhardt, 1989). It was conducted as a means to extend the theory.

Eisenhardt (1989) suggest three different techniques of conducting the cross-case analysis. First, researchers could select categories or dimensions, and then search for within group similarities along with the inter-group discussions. Secondly, one could select pairs of cases and then to list the similarities and differences between each pair. This technique forces researchers to analytically search for subtle similarities and between cases, which could lead to a more sophisticated understandings. The final
An Investigation of Relational Contracting Norms in Construction Projects in Malaysia

technique involves the division of data by data source, in which the data were reviewed and analysed according to the different source of data. This technique engages different methods of obtaining the data. In addition to these techniques, Rowlands (2005) highlights the most basic method of cross-analysing the data is by using the unordered descriptive meta-matrix. In this method, the researcher assembles the data from several cases in an efficient and manageable format by including all relevant information and tabulates the frequency of events and draws rapid attention to the dominant issues while protecting against bias.

In line with Eisenhardt (1989) and Rowlands (2005), a combination of cross-case data analysis technique was used in this study. At the beginning of the study, dimensions related to long-term relationship development were selected from the existing literature. In the construction management literature, the application of relational contracting tools was found to be dominant in developing long-term relationships development. However, clearer explanations on the relational contracting norms that were researched in the marketing discipline became the guidance at the earlier stage of this research. The application/implementation of these dimensions was explored in the five pilot interviews in the UK and five pilot interviews in Malaysia and any pattern of similarities and differences were identified between the two geographical locations of the pilot interviews.

The results from the pilot study showed that the application of the long-term relationship development dimensions discussed in the literature were similar between the construction
organisations in the UK and Malaysia. However, an apparent difference was shown in the cultural dimensions. This distinction guided the main in-depth interviews to explore the extent to which the Malaysian culture could have influenced the relationship development process among the four case studies. At this stage, unordered meta-matrix was used to make the cross-case comparison analysis. The data from the four case studies were assembled and arranged to a manageable form towards identifying the similarities and differences among the four cases. Focus was given to the most frequently mentioned issues in making the comparison. Accordingly, the main themes in every state of relationships were compared among the four cases.

4.7 Literature Comparison Phase

In this phase, analytical discussions were conducted by comparing the emergent concepts and theory against the existing literature. Eisenhardt (1989) refers this stage as identifying the similarities, contradiction of the emergent concepts and theories with the extant literature and rationalising these similarities and contradictions. She (Eisenhardt 1989, p.545) claims that “tying the emergent theory to existing literature enhances the internal validity, generalisability, and theoretical level of the theory building from the case study research….because the findings often rest on a very limited number of cases”.

In this study, the results from all case studies have shown that long-term relationships have developed among the parties involved in the project. At the first stage in enfolding the literature, these results were compared with the existing relational contracting studies among the construction organisations. The relational contracting approach in the
construction industry offers solutions to the adversarial culture practice in the construction industry. The results demonstrated that there was a distinction between the approach used among the Malay construction organisations and the approach offered by the relational contracting theory.

The results of how good relationships develop were also compared to the literature of relationship development process, which have been widely explored in the business to business relationships area. An interesting results revealed by this study was that the relationship development process among the construction organisation in Malaysia was based on state theory, i.e. good relationships were formed based on unpredictable patterns instead of following the stages theory.

With regard to the cultural values, the results were compared to numerous cultural-related literatures in the anthropology discipline especially studies on the Malays. This comparison analysis showed similarities of the findings in terms of the fact that the cultural values and characteristics of the Malays have strong influence in the process of developing good relationships.

4.8 Validation

In ensuring the quality of this research, the research design was subjected to construct validity, internal and external validation as well as reliability of the findings.

4.8.1 Construct Validity

According to Yin (1994), construct validity refers to the establishing of correct operational measures of the concepts being studied. Researchers may use multiple
sources of evidence to establish the construct measures and to distinguish it from other constructs. As explained in Chapter One, the concept of how good relationships develop in the inter-organisational firms in the construction industry has been the main focus of study. In line with Yin (1994), the construct validity was obtained from using multiple sources of evidence, in which the information was obtained from various parties involved in the projects discussing the issues of how to develop good long-term relationships. The sources of evidence were collected from the clients, main contractors, project management consultants, subcontractors and suppliers who came from various management levels ranging from the low management levels to the top management levels.

4.8.2 Internal validity

Internal validity assesses “the accuracy of the information, whether it matches reality” (Cresswell, 1994, p. 158). In this study, internal validation was obtained from 20 follow-up interviews with selected informants in order to confirm the accuracy of the information (refer to Section 4.4.1).

4.8.3 External Validity

External validity refers to the establishing of the domain to which the findings of the study can be generalised (Yin, 1994, p.33). In this study, the external validation was obtained via expert interviews and cross-case analysis. The expert interview was conducted with two prominent professors in the area of Malay studies (see Section 4.4.2) and six experts (three academics and three practitioners) in construction industry.
The cross-case analysis was conducted by comparing the themes emerged from each case study (refer to Section 4.6.2). The process began in which all data from the interviews were transcribed and coded for further analysis. The coding process has produced several main themes which described how good relationships have been developed in each of the four cases. Each theme from each case study was constantly compared to the other three case studies throughout the analysis to identify similarities and differences. Validity is achieved when similar themes found among these case studies.

The case study 1 and 2 were similar in terms of work scope and types of contracts (which is long-term in nature). However, each company was run differently; one is family own while the other is a public listed company. Case study 3, on the other hand, is a well established construction company which has good long-term relationship with its sub-contractors through its “repetitive work contract” regardless the length of contract of the projects. Case study 4 represents the long-term contract perspectives between clients and the project management consultant and other consultants.

The case generalisation is achieved when similar results were found in terms of how good relationships developed from the multiple-case studies. The results from case study 1 were compared with other cases which had different characteristics and continuous comparisons were carried out. Hence, when similar themes emerged from other case studies which were similar to previous cases, the themes were validated by itself hence, validating the results as a whole. For example, the theme “indebtedness” appeared in all
cases, hence this theme and its meaning is very significant in this study and this finding is validated when compared between the cases.

**4.8.4 Reliability**

Reliability refers to demonstrating that the operations of a study, for instance the data collection procedures can be repeated with the same results. The idea is that, when other researchers followed exactly the same case study all over again, he/she should attain the same findings and conclusion. The goal in establishing reliability is to minimise errors and biases in a study (Yin, 1989, p.41). Yin (1989; 1994) emphasises that in order to allow other researchers to repeat an earlier case study is to document the procedures followed.

Consequently, the five phases that elaborating the research procedures namely the research design phase, main data collection phase, data ordering phase, data analysis phase and the literature comparison phase explained throughout this chapter demonstrated the reliability in this research. In addition, the in-depth interviews, which were exploratory in nature, were regarded as suitable research instrument for developing insights of how good relationship was developed by the case studies. In fact, the interviews conducted on the multiple-case studies have provided an in-depth understanding of the many meanings of good relationship among practitioners and further understanding of the development of good relationships within the Malaysian context. Any replication of approach if were to be applied by other researchers would successfully produce insights which suited each of the study purpose.
4.9 Summary

This chapter explains the detail stages of the case study method of conducting the research. It includes the philosophical position of the research, the research design phase, pilot study, main data collection, data ordering, data analysis, validation and comparison with the literature. It has also explained the rationales of following every stage of the process. The validation on the results in this research has proven that the results obtained have represented the actual situation of each case study. By comparing the results to the broad range of the related literature strengthen the position of the results among the broad range of literature on how good relationships develop. Following this chapter, Chapter Five will discuss the results of the pilot case studies.
CHAPTER 5
Preliminary Study

5.1 Introduction
The previous chapters discussed the literature review on relational contracting norms (see Chapter 2) and East Asian Business Culture (see Chapter 3). As described in the research methodology chapter (refer to Chapter 4), the preliminary study was conducted in two stages, namely with five construction organisations in the UK in stage one and five construction organisations in Malaysia in stage two. Consequently, this chapter presents the results of both stages of preliminary of studies. Both studies investigated how the construction organisations developed their relationships and whether the relational contracting norms play an important role in the development of relationships. The results from the second stage of the preliminary study become the basis for further investigation since the main data collection was conducted in Malaysia (see Figure 5.1).

5.2 Preliminary Study in the UK

5.2.1 Background of the study
The study was conducted with five prominent construction organisations in the UK, representing various types of organisations which include client, contractor, subcontractor and supplier. Semi-structured interview method had been used with the senior managers of the organisation and the interview range from 35 minutes to an hour.
at their premises. The informants were asked to comment on the status of their longest relationships with a particular company, how this relationship developed, the factors that underpinned the success of the relationship and the barriers that hindered the development of that relationship. Pseudonyms have been used to ensure confidentiality. All the interviews were recorded and transcribed to aid subsequent analysis. The analysis of the interviews produced several findings, which have been discussed in this section. The profiles featuring the five organisations have been presented in Table 5.1 and a summary of the most important criteria of successful relationships have been presented in Table 5.2.

Figure 5.1: Two Stages of Preliminary Study
### Table 5.1: Characteristics of the five construction organisations.

<table>
<thead>
<tr>
<th>Construction Organisations</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interviewee position in the organisation</td>
<td>Divisional Director</td>
<td>Contract Director</td>
<td>Business Development Manager</td>
<td>Head of Supply Chain</td>
<td>Innovation &amp; Continuous Improvement Manager</td>
</tr>
<tr>
<td>Type of organisation</td>
<td>Main Contractor</td>
<td>Specialist Subcontractor</td>
<td>Main Contractor</td>
<td>Main Contractor</td>
<td>Managing Agent Contractor</td>
</tr>
<tr>
<td>The longest business relationship</td>
<td>More than 20 years</td>
<td>5 – 10 years</td>
<td>15 – 20 years</td>
<td>2 – 5 years</td>
<td>2 – 5 years</td>
</tr>
<tr>
<td>With whom</td>
<td>Specialist subcontractor</td>
<td>Main Contractor</td>
<td>Client</td>
<td>Supplier</td>
<td>Client</td>
</tr>
<tr>
<td>No of times working with the same company</td>
<td>More than 5 times</td>
<td>More than 5 times</td>
<td>More than 5 times</td>
<td>More than 5 times</td>
<td>5 times</td>
</tr>
</tbody>
</table>

#### 5.2.2 The existence of long-term relationships

The length of the longest relationship with one single organisation for three of the respondents were more than five to more than 20 years while the other two respondents have relationships between two to five years. Furthermore, all of the companies had worked in these relationships on at least five projects, illustrating that the long-term relationships exist among the construction supply chain participants, even though the duration of most construction projects is relatively short-term.

The qualitative responses demonstrate that the relationships between partners still continue on current projects even though the previous projects had been completed. The relationships persist beyond the contract of a project. According to one of the
respondents, who is a specialist subcontractor, they have worked concurrently and repeatedly with the same contractor on many occasions;

“...at one point we have many jobs with this main contractor on the book. We have five to six projects under works at the same time...and our relationships go beyond the contract.” (Company B)

However, there were cases where, even though they have been working for a long period of time, the relationships were not as good as they could be, perhaps due to the changes in personnel involved.

“...they appointed specific people to manage us as their supplier, designer, contractor to them, still it doesn’t work as well as it could.” (Company B)

5.2.3 The importance of developing relationships

As presented in the Table 5.2, all respondents viewed humans’ interactions as crucial dimensions to successful relationships. They also believed that it was possible to increase their financial returns by their effort in developing and maintaining good relationships with their partners. Explaining their successful relationships experiences, some of the respondents reported:

“...if you got long term relationships with a particular partner then it allows you to develop business, training, workforce, specific to that particular arrangement and give you some longevity to it.” (Company A)

“...so the actual relationships are very good. £10,000 was quite easily saved with one or two ideas. The job went ahead, everybody worked together again, the majority of the people are followed up and the experience on the second contract was so, so much better then the majority of experiences that we have in any where else.” (Company B)
Table 5.2: Summary of the most important criteria of successful relationships in the UK

<table>
<thead>
<tr>
<th>Construction Organisations</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>The importance of dialogue</td>
<td></td>
<td></td>
<td>*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Willingness to get the job done</td>
<td></td>
<td>*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fulfil whatever obligation</td>
<td></td>
<td></td>
<td>*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Can get together/agree with people</td>
<td></td>
<td></td>
<td></td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>Common understanding what is right and wrong</td>
<td></td>
<td></td>
<td></td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>Trust</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>Delivery of agreed strategy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>Openness</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forward thinking client</td>
<td></td>
<td></td>
<td></td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>Strong management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Desire for success driven by potential to win more business</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>External facilitation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>*</td>
</tr>
</tbody>
</table>

(Note: The above criteria of successful relationships were derived from transcriptions of the interviews)

“If the relationships are right the financial returns will come eventually”… “Relationships are very important. Because it’s no good working if they don’t enjoy it.” (Company C)

A senior supply chain manager emphasised the importance of developing and maintaining good relationships by stating that:

“Within that relationship, you develop with the right partner, the right subcontractor, you can develop best value and best value may not necessarily the cheapest price. By developing relationships with subcontractors, main contractors are able to get more added values...” (Company D)
5.2.4 Current practice in developing relationships

It was established during the interviews that some of the respondents had already embarked on various relationships development practices such as:

“...we are working more closely in constructive sort of way and finding way of best matching those expectations and managing those expectations to realistic rather than unrealistic.” (Company C)

In addition there appeared different types of strategies adopted to develop good relationships.

“...we worked closely with client, developed a community wide strategy, get involvement from all members, developed processes and culture through workshops and continuing initiatives, success has been promoted.” (Company E)

5.2.5 Criteria for developing and maintaining successful relationships

All parties involved in the study realised the importance of developing good relationships. They strongly agreed that all construction practitioners should emphasise relationship development and maintenance which can bring benefits to them. It is important to note that the practice might be different from one company to another depending on their understandings and expectations of what and which factors that would lead to successful relationships. Among others, they stressed that some of the key factors towards developing good relationships are: practicing open and frequent communication; take full responsibility on what needs to be done; and having common understandings in dealing with any issues.
An Investigation of Relational Contracting Norms in Construction Projects in Malaysia

“..I feel the dialogue between client and contractor in the partnering framework is important…it’s got to be the human side of things that got to be maintained.” (Company A)

“..the willingness on the part of the people who want to get the job done…one thing that we want to achieve is to fulfil what ever the obligation is. If you can get together agree with people you just can work together.” (Company B)

“..both of us (client & contractor) will understand that we are doing is right, best and best value and achievable. And I think it’s only then when you got this common understanding on what is right and what is wrong that could better relationships to develop and could business come out of it.” (Company C)

“Good relationships really need to be communicating to the lower group to make it good, to get everyone on board with it……trust, openness, delivery of agreed strategy.” (Company D)

“…forward thinking client, strong management, external facilitation, desire for success driven by potential to win more business.” (Company E)

5.2.6 Barriers to successful relationships

Finally, despite the respondents’ appreciation of the importance of developing good relationships, they stressed that there occur some factors that hinder the development, implementation and maintenance of the good relationships.

“The biggest hurdle of all problems is the lack of repetition in contact with people who’s whilst we’re working for the same contractor many times, the actual no of times we actually work for the same people working for the same contractor is quite small.” (Company B)

“The other problem with the industry is a lack of consistency then with who we are dealing with.” (Company B)
“...we need to know certain people in this organisation...it depends on people whom you are dealing with. We don’t always have the same people... it always takes time to build relationships.” (Company B)

“Lack of trust and understanding of goals and objectives of each stakeholder...Greed, desire to maximise profit...short term views.” (Company E)

“No open book, hidden agenda and no trust.” (Company D)

These statements support previous research by Dainty et al., (2001) and highlight the issue of lack of trust and negative attitudes towards integration, which have been the main barriers in developing good relationships.

5.2.7 Respondents’ Perceptions on Relational Contracting Norms

At the last session of the interviews, the respondents have been showed the list of relational contracting norms so that they can comment on the feasibility of these norms in their context. Most respondents agree on the vital role played by relational contracting norms in developing good relationships.

“If you got a long term plan, long term arrangement in place, something isn’t working, you got time to revalue, reassess, the way that something is being worked and come put a better solution”. (Company A)

“These are relationship items....these are all important”. (Company B)

“And so we encourage that degree of mutuality, solidarity, integrity and flexibility and how we do it. And I think all those factors are relevant to successful
partnership working. But you got to have mind set, not only the managers but in the people who do the job as well”. (Company C)

“I think they are as being enablers if you like for a long term relationship, either enablers, things that would make that happen or by product of long term relationship. Things that are necessary to form a successful partnering arrangement, you need to have all these things”. (Company D)

“Elements long-term orientation, relational planning and restraint in the use of power are business strategy. The rest are values, organisational and individual that needs to be aligned” (Company E)

5.3 Preliminary Study in Malaysia

5.3.1 Background of the study

The method used in the preliminary study in Malaysia was similar to the one that was conducted in the UK. It employed semi-structured interview using the same questions with five construction organisations comprising of client, main contractor, subcontractor and supplier. Table 5.3 highlights the characteristics of the five construction organisations involved in the study while Table 5.4 presents a summary of the most important criteria for successful relationships. This section reports the findings of the preliminary study.
Table 5.3: Characteristics of the five Malaysian construction organisations.

<table>
<thead>
<tr>
<th>Construction Organisations</th>
<th>F</th>
<th>G</th>
<th>H</th>
<th>J</th>
<th>K</th>
</tr>
</thead>
<tbody>
<tr>
<td>Position in the organisation</td>
<td>Contract Manager</td>
<td>Project Manager</td>
<td>Managing Director</td>
<td>Strategic Procurement Manager</td>
<td>Managing Director</td>
</tr>
<tr>
<td>Type of organisation</td>
<td>Main Contractor</td>
<td>Subcontractor</td>
<td>Main Contractor</td>
<td>Client</td>
<td>Supplier</td>
</tr>
<tr>
<td>The longest business relationship</td>
<td>10 – 15 years</td>
<td>5 – 10 years</td>
<td>10 – 15 years</td>
<td>2 – 5 years</td>
<td>5 - 10 years</td>
</tr>
<tr>
<td>Relationship with</td>
<td>Subcontractor</td>
<td>Client</td>
<td>Supplier</td>
<td>Main Contractor</td>
<td>Client</td>
</tr>
<tr>
<td>No of times working with</td>
<td>More than 5 times</td>
<td>More than 5</td>
<td>More than 5</td>
<td>More than 5</td>
<td>More than 5</td>
</tr>
<tr>
<td>the same company</td>
<td>times</td>
<td>times</td>
<td>times</td>
<td>times</td>
<td>times</td>
</tr>
</tbody>
</table>

5.3.2 The existence of long-term relationships

The results from Table 5.3 show that the longest relationship with one single organisation for four of the informants was more than five to between 10 to 15 years, while the other two of the informant’s organisations were between two to five years. The results indicate an existence of long-term business relationships between the companies and their partners. On the other hand, all informants’ organisations have been working with the same company for more than 5 times indicating that long-term business relationships emerged from repeat contract.

All informants agreed that the existence of long-term relationships was due to several reasons. According to the contract manager of Company F who has been working with their mentioned sub-contractor since the inception of their business;
“...this subcontractor has been following us from the beginning of our business. The subcontractor has very close personal relationships with the owner of our company long before the business started, in which they have been working together in other company before.” (Company F)

Having similar experiences, Company H explained,

“to date we have been in continuous business relationships with the same supplier for more than 10 years.” (Company H)

Both quotations above reflect that long-term relationships among the construction organisations could be developed from the very beginning of their business, in which they know each other in an open market competition. According to the Managing Director of company K, who is also the owner of the company:

“One of our most successful business relationships is the relationships with this client. Although we started the business in an open market, the relationships went on very well. (What makes we success was that) they can order large amount of materials, with a very high profit margin. And yet, we don’t have problems with the payment because we get the payment at least 60 days. With that we can roll our cash and we have no problem. We have been in very good relationships with them for 8 years.” (Company K)

5.3.3 The importance of developing relationships

From the results of this preliminary study, it was also found that all informants agreed with the fact that developing relationships is very important in business. They realise the benefits of having good and long-term relationships in business, although they did no get the project always. They mentioned that;
“...although we don’t get the project always, we believe the importance of developing long-term relationships with other business parties in the contract. This is because we gain lots of benefits from these long-term relationships such as the availability of services and products as well as reducing risk.” (Company H)

It was also evident that having good relationships with other business parties would ensure the continuity of project in hand. Thus, the company could benefit in terms of the company’s growth.

“... the importance of developing good relationships is to ensure that we get continuous project from the same company in future, especially when the personal relationships with the owner of the company had established. As a result, they may give any new projects that are relevant to us, with no intention to give to others.” (Company K)

5.3.4 Current practice in developing relationships

During the interview, the informants have also highlighted various relationships development practices that they have been implemented, which include:

“..after we supplied them the materials, we have to follow-up every project. This is to ensure that our customer will not face any problem with our products and services. If they complain, even a small complain, we will go and try to solve the problem although it is not stated in the contract.... As a result they will call us when they get new project...we trust each other. Although I realise that their payments are sometimes late, but I believe they will pay.” (Company K)

“... what contributes to our success in the relationships with this supplier is because of the ‘tolak ansur’ and ‘timbang rasa’ feelings. Although in the agreement, it was stipulated that the payment should be made within 60 days, but if we cannot pay within that period, they are willing to wait until we have money to pay. Clearly, it was because they are ‘timbang rasa’ with us. On our part (contractor), we are willing to ‘bertolak ansur’ to pay them as soon as we have the money although the contract allows us
to pay within 60 days. To us, the contract is only guidelines. We cannot be rigid to the contract.” (Company H)

Table 5.4: Summary of the most important criteria in successful relationships in Malaysia

<table>
<thead>
<tr>
<th>Construction Organisations</th>
<th>F</th>
<th>G</th>
<th>H</th>
<th>J</th>
<th>K</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal relationship</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>The existence of ‘tolak ansur’ and ‘timbang rasa’ feelings among the parties in the contract</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Trust</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Make others feel happy</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Good performance (product and service)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fulfil any obligations</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Dependency</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Good communication skills</td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Openness</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jujur (honest)</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Willingness to help others</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Top management participation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Pro active initiative</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>

5.3.5 Criteria for developing and maintaining successful relationships

With regard to developing and maintaining relationships, it was so apparent that all informants emphasised factors related to emotions among the Malays, in which these
factors have the capability to safeguard their relationships. Thus, to maintain the close personal relationships, every business party should try to make others feel happy and emphasised the need of having ‘bertolak ansur’ and ‘timbang rasa’ feelings so that the other party would feel comfortable in the relationships. Several informants stated that:

“..in order to develop trust with that company, I must have a close personal relationships with the owner of the company. Avoid any doings that may create unhappiness and suspicious condition. (For example) if they said they can pay but cannot pay on time, we don’t have to argue. In fact, try to accept (their problem) them with open heart. Don’t take any bad action. We have to ‘bertolak ansur’ with them.” (Company K)

Similarly, Company J and H emphasised:

“..we’ve made personal contact with the person in-charge and in this particular case, the director himself (of the main contractor) participates actively in every meeting from the beginning to the end of the project...and when we deal with such contractor, who has a very committed Director, we also committed to a different working style specially to serve this kind of customer. For example, we make sure we pay them on time so that they don’t have any financial difficulties...(furthermore when we found) this kind of contractor, we will appoint them ( for the next project) through negotiated tender rather than (wasting time) through open tender” (Company J)

“..for example, in the context of the main contractor-subcontractor relationships, the main contractor must be willing to help their subcontractor in achieving success together.....then only the main contractor can achieve his target. For example, the main contractor must be to prepared teach their subcontractor on how to upgrade themselves to be a main contractor, so that the main contractor himself could move up to a public listed company...at the same time, both parties should honestly commit to comply to the rules and regulations that had been agreed.” (Company H)
A subcontractor’s trust in the main contractor lies to an extent that the subcontractor is willing to accept any additional responsibilities given by the main contractor. Based on reciprocity, this is the type of commitment (kindness) given to the main contractor in return.

“...since we have trusted this subcontractor, we give every project that we get to them (dependency). We also give our labourers to them to manage when they are willing to pay the salary. If at times, we do not have any project in hand, they will find jobs from other companies. So, we don’t have to be responsible for the labourers’ pay. We only have to pay their working permit (foreign working permit) when it is due for renewal.” (Company F)

5.3.6 Barriers to successful relationships

Finally, despite the respondents’ appreciation to the importance of developing good relationships, there occurred some factors that hinder the development, implementation and maintenance of good relationships.

“there are some who cannot accept our approach, especially they cannot “tolak ansur” with our low price in a situation where we also get low price. The same goes to payment. When there’s a delay in the payment, they straight away resigned. With this kind of relationships, we fail. But with those subcontractors who have been succeed, they are willing to accept us as we are and willing to follow us in whatever condition.” (Company F)

“A failure in relationships occurred when they don’t fulfil their responsibility to pay for a completed project.” (Company G)

Even though personal relationships are crucial in maintaining long-term inter-organisational relationships, but there are close personal relationships, which can only
lasts in a very short period. The relationships fail once they get the project. It is because the project has been given to an inexperienced subcontractor.

“we have experienced a failure in a project. It’s just because the contractor got the project based on his personal relationships with the top management of the client. They fail to perform.” (Company J)

5.4 Summary

The results from both preliminary studies showed that long-term relationships could be developed among construction organisations. Although every organisation has their own approach in developing good relationships, however the role of relational contracting norms namely trust, commitment, mutuality have played significant roles in the developing good relationship. However, the element that distinguished the results from Malaysia to the one being conducted in the UK, was the existence of ‘personal relationship’ element (refer to Section 3.3.3.12), emotion elements such as feelings of ‘bertolak ansur’ and ‘bertimbang rasa’ (refer to Section 3.3.3.5), make others feel happy as well as values of honesty and ‘budi’ as has been discussed in Chapter Three. The importance of these cultural-related elements was investigated further in the process of collecting the main data from Malaysia, which will be discussed in the next chapter.
CHAPTER 6

Analysis of Results: Relationships Development

6.1 Introduction
This chapter presents the results of the four case studies conducted in this research. It consists of the background of the case studies, the structure of the contractual relationships as well as the relationship development process among parties in each project. Section 6.2 presents the relationships in case study 1 i.e. the road maintenance project package ‘A’ followed by Section 6.3, which explains the road maintenance project package ‘B’ (Case Study 2). Section 6.4 describes the judiciary building projects (Case Study 3) and Section 6.5 illustrates the relationships between the consultants and the project managers (Case Study 4). In order to keep the confidentiality of the informants and their organisations, pseudonyms were used throughout the presentation of every case study.

6.2 Case Study 1: Road Maintenance Project Zone ‘P’
6.2.1 Background of the Case Study
This is a study of relationships among parties involved in Road Maintenance Zone ‘P’ project. In this case study, the client i.e. the government of Malaysia has awarded this project to the main contractor, Pandai Sdn. Bhd. (PSB) for a period of 15 years. PSB is a subsidiary of Amat Sdn Bhd (ASB), a Malay family based company with a 25 years’ experience in construction, engineering, plantation, maintenance sectors owned by Datuk Abu (known as Datuk hereafter). This project began in 2001 and at the time of the
interview, the project has been implemented for 5 years. Table 6.1 exhibits the characteristics of the organisations who have been involved in this project.

Table 6.1: Background of the organisations of Case Study 1

<table>
<thead>
<tr>
<th>Type of organisation</th>
<th>Designation</th>
<th>Relationship context</th>
<th>Length of relationships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main Contractor A</td>
<td>Quantity Surveyor</td>
<td>i) Main Con –Client</td>
<td>(15 years contract) Varies between 2 – 6 years</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ii) Main Con - subcon</td>
<td></td>
</tr>
<tr>
<td>Subcontractor B</td>
<td>Owner/Director</td>
<td>Subcon – main con</td>
<td>5 - 6 years</td>
</tr>
<tr>
<td>Subcontractor C</td>
<td>Owner/Director</td>
<td>Subcon – main con</td>
<td>5 - 6 years</td>
</tr>
<tr>
<td>Subcontractor D</td>
<td>Manager</td>
<td>Subcon – main con</td>
<td>4 – 5 years</td>
</tr>
<tr>
<td>Subcontractor E</td>
<td>Director</td>
<td>Subcon – main con</td>
<td>2 - 3 years</td>
</tr>
<tr>
<td>Subcontractor F</td>
<td>Manager</td>
<td>Subcon – main con</td>
<td>2 - 3 years</td>
</tr>
<tr>
<td>Main Contractor A</td>
<td>Area Manager P</td>
<td>Main con - subcon</td>
<td>Varies between 2 – 6 years</td>
</tr>
<tr>
<td>Main Contractor A</td>
<td>Area Manager Q</td>
<td>Main con - subcon</td>
<td>Varies between 2 – 6 years</td>
</tr>
<tr>
<td>Subcontractor G</td>
<td>Managing Director</td>
<td>Subcon – main con</td>
<td>5 – 6 years</td>
</tr>
<tr>
<td>Supplier H</td>
<td>Marketing Executive</td>
<td>Supplier – main con/subcon</td>
<td>5 - 6 years</td>
</tr>
<tr>
<td>Supplier J</td>
<td>Director</td>
<td>Subsidiary - subsidiary</td>
<td>5 - 6 years</td>
</tr>
<tr>
<td>Subcontractor Z</td>
<td>Project Director</td>
<td>Subcon – main con</td>
<td>4 - 5 years</td>
</tr>
</tbody>
</table>

As referred to Table 6.1, three (3) informants come from a main contractor’s firm, seven (7) subcontractors and two (2) suppliers. All informants from the subcontractors’ firm and Supplier J have are the owner of the organisation, while informants from Supplier H and the three (3) informants from the main contractor’s firm are the Marketing Executive, Quantity Surveyor and Area Managers. The context of relationships varies. It includes the main contractor-client relationships, subcontractor-main contractor relationships, supplier-main contractor relationships, supplier-subcontractor relationships and subsidiary-subsidiary relationship in the same group of companies. The length of relationships is
between two (2) to six (6) years. It is important to note that the various lengths in relationship experience of the decision makers (informants) indicate the reliability of the data.

Figure 6.1: The Relationship Structure of Case Study 1

Note: Main Contractor A – Subsidiary of parent company; Sp. J – Subsidiary of parent company; Sc. B - Was the subcontractor to the parent company before get project in 2001; Sc. C - Was the ex-staff of parent company for 15 years before get project in 2001; Sc. D - Son of parent company’s chairman and get project in 2002; Sc. E - Do subletting work for 3 years before get own project in 2004; Sc. G - Was the ex-driver of parent company’s CEO for 15 years before get project in 2001; Sc. H – Had a 20 years’ experience as a supplier to parent company before get project in 2001.
This case study demonstrates that every party in the project has its own relationship history to each other prior to the contract, but varies in the degree of closeness of the relationships. Figure 6.2 shows the structure of relationships among parties in the contract. The way how these variations of the closeness in relationships lead to the development of good relationships will be explained in the following sections. The results from this case study reveal that those relationships that have emerged in the organisations involved in the project are based on two broad structural and relational determinants. The following section discusses several ways on how the process of relationship development has taken place in detail.

6.2.2 Structural determinants

a) Rules instructing the absorption of previous PWD’s staff to the main contractor’s company.

This project is a privatisation of road maintenance works awarded to the main contractor by the Public Works Department (PWD). Prior to 2001, these road maintenance works had been run by the Public Work Department (PWD). One of the important aspects of the contract underlined that any new company, which obtained this contract should absorb part of the PWD’s staff whom had been involved in these road maintenance works.

According to client representative 2;

‘Before this project started, the government had instructed PWD to give options to the staff in the Road Maintenance Section whether to join the new company, which will continue running the road maintenance project or to stay working with PWD. The new company, which obtained this project, should absorb all staff that has opted to join their company.’
Thus, as a result of this instruction, the main contractor’s company has a mixed of the new employees and the former PWD’s staff.

According to a senior contract manager,

‘We have a balance number of staff between the previous PWD staff and the new employees almost at all levels in the company. Most project managers and engineers are from PWD while the top positions are still occupied by the staff of the parent company.

The experience gained by the former PWD’s staffs has led to smooth and unproblematic relationships between the client and the main contractor.

b) Efficient work programme led to an increase in work commitment

Routine maintenance is one of the works stipulated in the contract. Similar to subcontractors, who have to submit the work programme to the main contractor, the main contractor also has to submit an annual work programme to the client. As the area manager P said;

“...we need to submit the work programme to them (main contractor) and they will monitor our work based on the programme....and payment that we get is based on the target we achieved according to the work programme. We have to meet the target, or else they will reduce the payment”.

Similar situation occurred to the subcontractor. According to subcontractor C;

“..every time we submit the claim, we need to submit photos (of the work done) as a proof that we have followed the programme. We have to commit, or else, our payment will be deducted.”

The statement indicated that the work programme has led to an increase in the main contractor’s and the subcontractor’s commitment to their work so that they would get full payment.
c) Type of work awarded to the trusted subcontractor

Emergency work has also been stated in the contract as one of the works that need to be done. It involved works such as landslide works, fallen trees or cleaning of roads resulting from flooding. Since all these works were considered as urgent, as a normal practice the main contractor would have to instruct any of their trusted subcontractors to carry out the work. Subcontractor E stated that;

“..if there is any emergency work in my area, they (the main contractor) will ring me up and ask me to come straight away to negotiate the price. The main contractor is selective in this matter and will appoint only their trusted subcontractors.”

The emergency work that has been stated in the contract has become a mechanism to indirectly inform the subcontractor that the main contractor has a trust in them. This was because the main contractor has to find those subcontractors who have shown their credibility in carrying out those emergency works such as landslides and flooding.

d) Performance monitored through weekly site diary report

As a requirement, every week, the subcontractor has to submit a weekly site diary report. The weekly reports proved that the subcontractor has carried out the job well. At the same time, the supervisor of the main contractor’s company would also have to inspect the work done by the subcontractor on site.

According to Subcontractor E;

“...every week I have to submit the site diary report to the main contractor stating the works that I have done. Normally, I’ll just fax the report. The main contractor’s supervisor usually has already inspected my work area on site and they will verify my site diary report. They are satisfied with all my work.”
This situation reflected the growth of good relationships between the main contractor and the subcontractor resulting from good work performance reported in the site diary report that was verified by the main contractor’s supervisor. In this case, the site diary report has become a tool in developing the main contractor’s trust in the subcontractor’s work performance.

e) Interlocking Board of Directors lead to an acceleration of the achievement of close relationship

The development of good relationships between the subcontractor and the main contractor could be accelerated by having the interlocked board of directors who made decisions for both the parent company and the main contractor. This was because the two top directors in the parent company were also the directors of the main contractor’s company. As has been mentioned by the contract manager of the main contractor,

“Most of the subcontractors have been working with the parent company for so long. Datuk (Director) and his brother, who are the Directors of both of these companies, have made decisions that they [the subcontractors] should work for this project. We don’t have any problem in accepting them (i.e. subcontractor from the parent company) because we believe that whatever decisions made by Datuk would bring benefits to this project”.

The phenomenon above indicated that good relationships between the main contractor and subcontractor could develop faster and easier when the subcontractor has the experience working with the parent company. This was due to the trust given by the main contractor in all decisions made by their directors.
f) Datuk’s decision on who should be awarded the new project

As a subsidiary of a family-based company, the power in making decision has been strongly influenced by ‘Datuk’, who is the Chief Executive Officer (CEO) of the company. Even though the company has the Board of Directors whose function was to decide on whom should be awarded the new contract or renew the contract of the subcontractors and suppliers, the final decision on whom to be awarded the contract is made by ‘Datuk’. The instruction given by ‘Datuk’ asking subcontractor D to get involved in the project represents a form of his centralisation of power. As stated by Subcontractor D;

“Datuk wants me to know how difficult it is to make a living. He asked me to set up my own subcontractor company. But, when this project concession began in 2001, I have never been given projects. Instead, Datuk asked me to learn from Contractor G on how to be a good subcontractor and how to manage my own project. I learned how to get workers and managed them, how to get materials and etc. I have only been given my own project in the following year.

The decision to award a tender was only made under Datuk’s discretion. It was not the decision of the board of tender as underlined by subcontractor C, who has been working with Datuk for five (5) years.

“...since Datuk and his brother own this company, most of the final decisions is made by Datuk .....Based on my experience (when I was working with them), they don’t give this power to other managers (other top management) especially the power to award the tender.”

This situation indicated that good relationships initiated with Datuk allow higher chances for a subcontractor to get the contract since Datuk was the person who decided on whom to be awarded contract.
g) Willingness to pay in any situation makes subcontractor happy

The main contractor’s willingness to pay all progress payments even though they have not received payments from the clients was one example of the full commitment demonstrated by the main contractor. It did not only come from the paternalistic behaviour, but also the feeling of responsibility in ensuring that the subcontractor and supplier would not face any financial problems. According to subcontractor G:

‘To me, the strength of this main contractor is that they make sure that they make the payment to all the subcontractors every month even though they do not necessarily get the payment from the client. I think it’s because of their experience growing from a small company. They had experienced how hard it is being a subcontractor if the main contractor did not make the payment. The policy has become the culture of the company, which has made the subcontractors happy.’

Consequently prompt payment from the main contractor made subcontractor G felt happy, which means subcontractor G would not face any financial problem when he gets prompt payment.

6.2.3 Relational determinants

a) Interpersonal ties

Interpersonal ties play a significant role in developing good long term relationships. Subcontractor E demonstrated the circumstance when he began to get projects from the main contractor was just because of the interpersonal ties between his uncle and Datuk;

‘I have been doing the subletting works that I get from other subcontractors since the very beginning of this maintenance project. To me, I did not manage to get the project directly from Datuk (the main contractor) because I don’t have the ‘cable’ [interpersonal ties with top management]. I manage to get my own projects only after my uncle introduced me to Datuk’.

This situation reflected that the trust given by Datuk to subcontractor E was based on Datuk’s trust in his uncle. In fact, the main contractor was more committed to
subcontractor E when the main contractor started giving him other additional emergency projects such as the clearing of land slide in which the Subcontractor E did not have to go through the tendering process. Instead, he only needed to go through the price negotiation process.

[The subcontractor received a telephone call from the main contractor during the interview. After the telephone conversation, he said:] ‘...just now, they (the main contractor) asked me to make a quotation (for an emergency project). They only asked their selected subcontractors. They do not advertise this project; instead they only contact selected subcontractors.’

This phenomenon demonstrated that interpersonal ties have a strong role in developing close relationships among organisations, not only with the staff of the organisations, but also with their family members.

b) Make others happy

The attitude of making others happy was among the factors that help in developing good and long-term relationships. Thus, good interpersonal relationships were not sufficient to form good relationships. Instead, it should be accompanied by the attitude of making other people happy. This situation has been underlined by subcontractor C;

“...(although) I have close personal relationship with Datuk, (but) I still have to make him happy working with me. If he is not happy with me, I’ll be in trouble. There’ll be lots of complaints from him...There was an incident where Datuk was angry with me just because I didn’t visit and have a chat with him. I didn’t visit him because it’s not easy to meet him. He’s always busy and I didn’t want to interrupt him...(Because of that) he had told other subcontractors that I’m the type of subcontractor whom does not know how to thank him for all renewals of contract he has made for me even though I have performed my very best and I never get any complaints. I don’t have any problem with the regional office....thus in order to rectify the situation I have met him and apologise.”
This condition exhibited that making others happy was one of the vital stages in assuring the achievement of good and long-term relationships. Feeling happy with the relationships was an emotional bonding that would prolong relationships.

c) Feeling of ‘tolak ansur’ (compromise) and feeling of ‘timbang rasa’ (considerate)

Feeling happy could be maintained by making sure that there would be no dispute that would bring any conflict. If there was any issue that would lead to dispute, one should find ways to reduce the conflict so that it would not last or could be prevented. This could normally be done with feeling ‘tolak ansur’ with one another so that harmony could be achieved. According to the main contractor;

“If any dispute occurs, it could be solved through discussions with all parties involved in the contract….and it could be solved in harmony. By practicing ‘tolak ansur’ (compromise), all problems could be solved.”

The main contractor was willing to be ‘timbang rasa’ (considerate) to the subcontractor especially when the problems faced by the subcontractor were genuine. This situation has been mentioned by Subcontractor G;

‘If any dispute occurs....normally it’s with regard to the rate that is very low which we cannot make up, because we are losing if we go with that rate. Normally we can discuss with the main contractor. We would tell them the number of workers who are working with us, the materials that we are using, the costs of the materials, we tell everything to them frankly, and usually the main contractor will consider’.

The comfortable feeling with the main contractor that emerged from the main contractor’s willingness to consider revising the rate would strengthen trust between the two parties. As a result, each party would ensure that they would be fully committed to each other. On the other hand, the principle held by the subcontractor was to perceive the main contractor as
the superior that should be obeyed, respected and considered. According to Subcontractor C, they should hold to the principle of ‘being considerate’ to the main contractor up to the extent that if any problems arise from the main contractor, the subcontractor should accept it openly. Even though the problems were related to costs, the subcontractor should accept it as long as they can afford to absorb the costs. On the part of Subcontractor G, he was willing to consider (‘timbang rasa’) by helping the main contractor to complete several works that have not been completed by other subcontractor. Subcontractor G claimed:

‘Whenever there is a new and problematic subcontractor whom cannot complete their jobs, I would always help the main contractor to finish the work at that area. In this area, there are 10 packages and the length of one package is in the range of 40-45 km. If I didn’t help the main contractor, they would have problems in getting payment from the client, so it’s my duty to help them’

d) Willingness to commit to verbal instruction reflects trust

The subcontractor’s trust in the main contractor encouraged a reciprocal response, in which the subcontractor was willing to do work based on verbal confirmation only. Without this kind of trust, other subcontractors would normally wait until they get written confirmation instruction. Subcontractor E explained,

‘...I don’t have to wait until I received the offer letter......I will do the work straight away based on only verbal confirmation of the price. Until now, I have never been cheated. They keep their promise’.

Similarly, Subcontractor C, who was working in Datuk’s company for 15 years, stated that:

“..If Datuk asked us to do any work, we will do it without asking for letter of instruction. We don’t have to worry because we know that we will get paid for any work that Datuk asked us to do.”

Both situations above demonstrated that both subcontractors were not at all worried that they did not get paid for the works done without work instruction letter. In normal practice, the subcontractors would work only with the written instructions because the confirmation
of payment would only be based on written instructions. This means that trust developed in the subcontractor eliminated their suspicious towards their main contractor. They truly believed that any instructions given by Datuk even in verbal form were considered as valid instructions of the main contractor and with that they were willing to carry out the work without any written instructions.

e) Feeling of ‘terhutang budi’ (debt of budi/indebtedness)

The feeling of ‘terhutang budi’ (debt of ‘budi’/indebtedness) was normally felt by the party who received ‘budi’. It may be in the form of various kind of help that would benefit him. In this case, the feeling of ‘terhutang budi’ was felt by several subcontractors who have received much assistance from Datuk. Among those have been stated by Subcontractor G:

“When the main contractor [Datuk] has helped me by giving me lots of projects, thus I shouldn’t make all these efforts worthless. When somebody has helped me, I should remember all his kindness (jasa). I think everybody would remember that, especially when we are nobody (as an ordinary people) and now become successful businessman after having received assistance. I’ve experienced this situation. I would not ignore the project and the business opportunity that has been given to me and I will continue to assist Datuk’s company and make him happy.”

Subcontractor D experienced similar situation:

“Datuk said to me that he has given me the opportunity and assistance whenever possible, and thus I have to show him that I am capable in giving him my best performance. I would take the business opportunity as the responsibility that I have to fulfil. I have to demonstrate that I could repay all his kindness and assistance by giving him the best performance in the project.”

The feeling of ‘terhutang budi’ experienced by Subcontractor G and D have shown that they have really appreciated all Datuk’s assistance and would repay them in the form of giving full commitment to produce their best performance in carrying out the project. Long-term and close relationships between the two parties indirectly emerged in this circumstance.
f) Paternalistic relationships

Paternalistic relationships occurred when the relationships developed based on father-son associations. It was characterised by the protection given by the superior to his subordinates just like a father giving protection to his son. In this case study, Subcontractors B, D and G entered the contract because of paternalistic relationships with Datuk. This situation portrayed Datuk’s relationships with Subcontractor G, who was his previous employee. According to Subcontractor G:

“Initially I have been working with Datuk for 15 years as his employee. During that time his company was still a small construction company. Although initially, it’s only a construction business, later, the company expanded to include plantation, manufacturing and road maintenance. When he got hold of the maintenance project, Datuk asked me to resign (from his company) and set up my own subcontractor company for the project by giving me one package of the project...from the beginning the main contractor has supported me so that I’ll succeed.”

Accordingly, the way Datuk provided assistance and protection to his close friend and trusted person has led to some positive perceptions from his employees. According to main contractor’s contract manager:

“Since the very beginning (2001), Datuk has introduced both subcontractor B and G to us. We trust them because they have been Datuk’s trusted persons....they also do the road line painting works. To ensure that they can succeed, we supply them with the materials and make deduction from their payment...we even have Special Assistance Funds for Contractor to help the subcontractors. Those subcontractors who have the capital problems may apply loan from this funds. However, Alhamdulillah (praise to God) nobody has problem so far.”

Supplier J, who has been one of Datuk’s subsidiaries, clarified the situation further by saying:

“At the operational stage, when our ‘big boss’ trust their relatives, his close friend or even his ‘trusted person’, we will fully support them based on our trust in him...
they (the subcontractor) would be very happy with the support given in the form of supplying them materials.”

The protection and assistance given by Datuk to the selected subcontractors demonstrated the development of paternalistic relationships. As a return, these subcontractors were fully committed to the success of projects awarded by Datuk.

g) Proving commitment and avoidance of suspicious action

One of the most interesting situations to be highlighted here is the extent to which the subcontractors are committed to the main contractor. These commitments are not limited to the willingness of the subcontractors to do anything for the main contractor; but the subcontractors would also prevent them from doing anything that could be perceived by the main contractor as not being committed. Subcontractor C explained;

‘Our commitment to them [main cont] is not limited to do what have been instructed, but we also show certain actions that would make them believe us and avoid them from being suspicious on us. For example, if we work on their project and at the same time we work on other contractor’s project, other people would say that the money we get from this project is spent on other projects. As a result, they would perceive us as being not loyal and they would say that we are not working well enough on their project’.

The above phenomenon described a form of commitment of the subcontractor to his main contractor by doing the entire works as instructed. In the longer term, this phenomenon would drive the increase of trust of the main contractor in the loyalty of his subcontractor. Interestingly, trust of the main contractor could be affected only by a small reflection of unfaithfulness (‘kurang setia’ not loyal) actions. For instance, when the subcontractor involved in other projects while working for the main contractor’s project, could demonstrate his unfaithfulness to his main contractor.
h) Loyalty achieved when there is no intention to exit

Loyalty takes place in the relationships when both parties had no intention to exit from the relationships. This phenomenon has been demonstrated by the relationships developed between supplier H and supplier J (a subsidiary company), in which supplier J always refer to supplier H of the new product offered at a lower rate by a new supplier; whereas as a matter of fact supplier J could always choose any new suppliers whom they thought is good. As has been said by supplier H;

‘If any of our competitors come to them (supplier J) and offer them any new product at a lower rate, supplier J would always refer to me and said; ‘this new supplier has offered this product with this price, how much you can give me?’ So I’ll tell them my price. We have obtained ISO 9001, 2000 for the thermoplastic products and we are leading in the market, it should be no problem’.

Having had such loyalty actions from supplier J, in return, supplier H increased their credit facilities.

‘We have increased their (main contractor) credit facilities from RM 60,000 to RM 150,000 and from 30 days to 90 days just because they have continuously chosen us as their supplier. These are the form of commitment that we can give to these good relationships’.
j) Frequent social interaction develops ‘big family’ spirit

Close and good relational contract could also be established when the relationships in the contract is being treated as a ‘big family’. Various activities have been carried out in the efforts of developing the feeling of a ‘big family’. According to the main contractor;

‘We always organise ceremonial activities such as the Eid festivals for the Muslims. All parties involved in the contract, the clients, subcontractors, suppliers are invited to the events. We also organise family day annually and all of us will get involved......Such activities make us feel like in a big family and be responsible to one another.’

Frequent ceremonial and ‘family day’ activities that involved various parties in the contract have helped to develop ‘family ties’ among the members. The ‘family ties’ relationships influenced them to be responsible to each other. This ‘big family’ spirit would create harmony in the project organisations.
6.3 Case Study 2: Road Maintenance Project Zone Q

6.3.1 Background of the case study

Similar to Case Study 1, the Road Maintenance Project Zone Q is a privatisation project of the federal road maintenance and management for a total road length of 5,500 km in Zone Q. It is a 15-year contract granted to Cerdik Sdn. Bhd. (CSB), which began in 2001, in which the year CSB was intentionally created to undertake this privatisation project. CSB is a subsidiary of Handal (M) owned by Datuk Ali and Datuk Lim, both who once worked as engineers with the Public Works Department (PWD) until 1991. In 2001, they formed an investment public limited holding company, Kuat Bhd (KB), which was later traded in Kuala Lumpur Stock Exchange (KLSE) in 2003. KB owned 100% shares in Handal (M).

In this project, the road maintenance works were divided into three main categories, namely routine maintenance, periodic maintenance and emergency maintenance. Table 6.2 shows the background of organisations interviewed and Figure 6.3 shows the organisation structure of this case study. In this case study, the informants represented the client, main contractor and subcontractors.
### Table 6.2: Background of the organisations of Case Study 2

<table>
<thead>
<tr>
<th>Type of organisation</th>
<th>Designation</th>
<th>Relationship context</th>
<th>Length of relationships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main Contractor - CSB</td>
<td>Quantity Surveyor</td>
<td>i) Main Con – Client</td>
<td>5-6 years since 2001 (15 years contract)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ii) Main Con - subcon</td>
<td>2-5 years</td>
</tr>
<tr>
<td>Subcontractor K</td>
<td>Director</td>
<td>Subcon – main con</td>
<td>5-6 years</td>
</tr>
<tr>
<td>Client Representative 1 (CR 1)</td>
<td>Senior Assistant Director</td>
<td>Client - main con</td>
<td>5-6 years (15 years contract)</td>
</tr>
<tr>
<td>Client Representative 2 (CR 2)</td>
<td>Principal Assistant Director</td>
<td>Client – main con</td>
<td>5-6 years (15 years contract)</td>
</tr>
<tr>
<td>Client Representative 3 (CR 3)</td>
<td>District Engineer</td>
<td>PWD – main cont PWD - subcon</td>
<td>5-6 years</td>
</tr>
<tr>
<td>Main Contractor - CSB</td>
<td>Supervisor</td>
<td>Main Con – Subcon</td>
<td>2-5 years</td>
</tr>
<tr>
<td>Subcontractor L</td>
<td>Managing Director</td>
<td>Subcon – main con</td>
<td>5-6 years</td>
</tr>
<tr>
<td>Subcontractor M</td>
<td>Managing Director</td>
<td>Subcon – main con</td>
<td>5-6 years</td>
</tr>
<tr>
<td>Subcontractor N</td>
<td>Supervisor</td>
<td>Subcon – main con</td>
<td>2-3 years</td>
</tr>
<tr>
<td>Subcontractor P</td>
<td>Supervisor</td>
<td>Subcon – main con</td>
<td>2-3 years</td>
</tr>
<tr>
<td>Subcontractor Q</td>
<td>Supervisor</td>
<td>Subcon – main con</td>
<td>3-4 years</td>
</tr>
<tr>
<td>Subcontractor R</td>
<td>Supervisor</td>
<td>Subcon – main con</td>
<td>3-4 years</td>
</tr>
</tbody>
</table>
An Investigation of Relational Contracting Norms in Construction Projects in Malaysia

Figure 6.2: The Relationships Structure of Case Study 2

6.3.2 Structural determinants

a) Rules instructing the absorption of previous PWD’s staff to the main contractor’s company

As in Case Study 1, the maintenance works carried out by the main contractor was previously carried out by PWD. The main contractor who was chosen by the government
via the Economic Planning Unit carried out the road maintenance projects for Package Q for a period of 15 years. As a representative of the client, PWD had already known the main contractor before the project began. It was because the main contractor’s company was owned by the former PWD’s engineers and most of the main contractor’s employees were the former staff of the PWD. Among the terms of privatisation agreement between CSB and the government, CSB had to employ those staff from PWD who wanted to join CSB and for those who refused could remain working with PWD.

According to Client Representative 1;

“...most of the main contractor’s staff are from the PWD. The work orientation is already there, it has been years, because they are ex-PWD staff. Almost 70% are ex-PWD staff, from the top managers down to the lower managers. Even some of the owners of the companies were also former PWD staff. So the relationships have been very long...trust is already there.”

In other words, the directive to employ the previous staff acts as a mechanism that allows the development of good relationship between the main contractor and the client. This is due to the fact that they had worked together in an organisation previously. As a consequence, the relationships between the main contractor and the client representative were very close due to the previous working relationships. They had already understood the style of working when they knew each other very well. Therefore, these structural elements accelerate the development of trust in the main contractor in that the main contractor is competent enough to carry out the work.

b) Work performance developed trust

The contract between the main contractor and subcontractor for routine maintenance runs annually. The contract is renewed automatically in the second year following good subcontractor’s performance. However, at the end of the second year, all subcontractors
need to re-submit their tender and compete with the newcomers for the project. Accordingly, for those who have excellent performance would gain the main contractor’s trust and thus, win the tender again. As stated by Subcontractor M;

“Since 2001, my contract has been renewed every year. Even when I re-submit my tender in the third year, I still win the tender. I got at least two packages every year... To me, the main contractor trusts my company because he satisfies with all the work I’ve done for them.”

Subcontractor L also explained:

‘After I gained trust from the main contractor, I have to maintain my performance as from the very beginning so that the main contractor will keep trusting me and gives me more projects. If I’ve only got one project last time, now I’ve got more than one project.’

The circumstance here showed that the subcontractor able to get more projects if he could establish trust as well as maintaining and improving his good performance.

c) Trust developed from previous working experience

In this case study, three of the informants were experienced subcontractors. Two of them, i.e. subcontractor L and M have been the subcontractors of PWD since the early 1990s. They have worked on numerous PWD’s projects long before this project started. When this project began in 2001, PWD strongly recommended the main contractor to appoint subcontractor L and M to be their subcontractors. As mentioned by subcontractor L;

“At the early stage of this project, PWD had recommended to the main contractor to choose my company as subcontractor for the project. This is because I have been working with them [PWD] for many years. PWD knows who good contractors are. That is why they recommend my company to the main contractor of this project.”

Similarly, since 1997, the owner of subcontractor K had been the staff of a company that belongs to the same group of companies with the main contractor. In the year 2000, he was appointed as the Human Resource Manager of the main contractor. He left the main
contractor in 2001, to be one of the main contractor’s subcontractors and the main contractor awarded him three subcontracting work packages to start with. The previous experience of these subcontractors illustrated that both the subcontractor and the main contractor have known each other very well before the project began and thus making them entered the contractual relationships at the progression state. The PWD’s act of recommending subcontractor L and M to the main contractor demonstrated that PWD trusts subcontractor L and M as credible ones. The main contractor agreed on the PWD’s recommendation and accepted them as their subcontractors. Similar situation occurred between the main contractor and the client, in which 70% of the main contractor’s staff were working with PWD for the same project before privatisation.

d) Work inter-dependency bring close interpersonal ties

This case study showed an evidence of the occurrence of inter-dependency between the subcontractor and its main contractor. Its relationships went beyond their contractual bond. It has been developing long-term relationships with the main contractor and the contract is still being renewed. Subcontractor L said;

‘My relationships with the main contractor are more than contractual relationships. We must achieve win-win situation. ‘Win’ to me, means getting repeat project. While, ‘win’ to him (the ‘right person’) means he feels I am his closest friend whom he can rely on in terms of solving his work and personal problems as well as listening to his problems. If he faces difficulties with other subcontractors such as delay and bad performance, the only thing that comes to his mind is me who can cover this problem up. I have to consider myself as his ‘rescuer’.....not like other friends, but his problem solver. I always ensure that I’ll be in that position.’

The state of inter-dependency here demonstrated the close personal relationships that were emerged from win-win situations between the owner of the subcontractor and the ‘right
person’ of the main contractor. Their relationships have gone beyond their contractual bond and the interdependency has involved various things beyond their contract.

e) Board of directors interlocking influences final decision

The board of directors of the parent company are also director in the main contractor organisation. As a result a lot of decision made in the parent company gives direct benefit to the main contractor. As mentioned by main contractor quantity surveyor;

“..through our parent company, financially we are stable. They [the directors] have decided to list our parent company in the stock market. Since then we get more good subcontractors and suppliers joined the project. Beside long term contract, they know financially we are strong, they know we don’t have any problem with payment.”

This shows that decisions made by the directors, which involve both organisations gave benefit to the main contractor. Sound financial background indicated that the main contractor have no problem with the progress payment, which reflected some indication of security to the subcontractors and suppliers.

f) Direct political connection with the ruling party allows retention in the contract

In this case study, it was found that some of the subcontractors have strong political connection with the ruling party of the country. According to subcontractor R who was doing full subletting works for two other subcontractors owned by a committee member of the ruling party of the country;

‘The owner of the subcontractor P is a committee member of the ruling party at branch level...and the owner of Subcontractor Q is the Treasurer at district level. To me, they deserve to have their own business as everybody [politicians] needs money [for political activities] in the political situation now. It was not like last time, everybody is doing it voluntarily.

This situation was also explained by the supervisor of the main contractor;
‘... the strong political influence would determine who win the tender. As we know, 20 – 30% (of the subcontractors) have strong political influence.’

This circumstance showed the direct involvement of local politicians in the construction project. However, the political influence should be sufficiently strong so that they can stay in the contract. Subcontractor R described this situation;

‘In this project, political relationships are very important. If any of the parties does not have strong political influence, he would lose. Even though, subcontractor P is a political activist, but there are other parties who has stronger influence than him. This means that those who managed to renew their contracts would normally have stronger political influence as compared to those who were not. So, even though the performance is not very good, but strong political influence would make them be selected and stay in the contract.’

6.3.3 Relational determinants

a) Close personal relationships reduce the degree of monitoring

This case study showed that personal relationships need to be carefully built at any level so that they can work together easily. According to subcontractor R;

‘To have close personal relationships with the supervisor of the main contractor who look after our company is important. It makes our jobs easy and all matters easy to manage. He (the main contractor’s supervisor) will help me whenever I face difficulties. And now, I think that he had already trusted us because he did not monitor us like before. He trusts us because we obey all his instructions. And, our relationships have been improved and he satisfied.’

This situation illustrated that good personal relationships between the subcontractor and the main contractor should be built from the very beginning, even though the relationships were only at supervisory level. This was because both supervisors were always at the site monitoring the daily operational jobs. Trust in each other that influenced the formation of good personal relationships led to a lesser degree of monitoring on the subcontractor. On the other hand, the main contractor would be satisfied with the subcontractor who was able to obey all his work instructions.
b) Sensitive to other people’s feelings could maintain good relationships.

Good relationships among parties in a contract could be maintained when everybody were happy with their relationships. This could be done by ensuring that they did not hurt other people’s feelings in whatever they are doing. Subcontractor M stressed;

‘In doing the construction works, we have to care for other people’s feelings. Just make sure that we don’t do something that other people might dislike.’

Sensitive to other people’s feeling could be shown from the way people tell off the other party. If both parties were very close, making a negative remark directly to his friend was not a form of embarrassment or disappointment. Otherwise it was considered rude to give negative remark directly to people especially to older people or to those who were at a higher position. As the District Engineer stated;

‘We can tell them directly if we have any disappointment to the subcontractor whom we have known each other well. He can accept any negative remarks without feeling hurt (tidak berasa hati) and willingly to rectify any mistake they have done. However if he is our ex-boss and our relationship is not that close, it is rude to say any negative remarks directly. We would say indirectly and use a proper word in order not to make him feel disappointed (jaga hati). [PWD District Engineer]

Both informants emphasised that the element of emotion was important in developing any relationships as it has a strong influence on people’s actions. The incident here illustrated an example that when one party in the contract felt happy with the other party, it would influence the good relationships to develop. On the other hand, if he was not happy with the other party, the relationships would turn out to be bad relationships.
c) The role of being ‘timbang rasa’ (considerate) in developing good relationships.

Good relationships could be developed when both parties agreed to feel ‘bertimbang rasa’ (considerate) to each other in the occurrence of any problems. Feeling ‘bertimbang rasa’ (considerate) refers to the willingness of a party to accept other party’s opinions or reactions (see Section 3.3.2.5 in Chapter Three). This case demonstrated a situation of feeling ‘bertimbang rasa’ (considerate) by the main contractor when he was willing to revise the rate of tender to the subcontractor. Subcontractor M emphasised;

‘.... The rate of tender is normally low. But if our rate is too low that may results in losses, we will tell the main contractor frankly and they will normally willing to revise. To me, this main contractor is very ‘bertimbang rasa’ (considerate) and willing to help the subcontractor. They don’t pressure us even though they have a strict way of working practice.’

d) Feeling of ‘terhutang budi’ (indebtedness) developed from sincerity and commitment

The feeling of ‘terhutang budi’ also emerged in this case when the subcontractor gained countless assistance from the main contractor. According to Subcontractor K;

‘My company was among good performance companies. My contract has been renewed from the time the concession began in 2001 until now (2006)... In terms of payment; this main contractor is the best. They asked us to send in the claim on the 4th every month. They even said, “we want to pay you...you must submit your claim on time”. When it comes to festive season such as Eid (the Muslim festival), the main contractor pays us in advance, that is 75% from the monthly total payment. I think, other main contractors are not like them.....and the main contractor also organises various courses for their staff and subcontractors such as management courses, finance, and they do it all for free. So, that shows the sincerity and commitment to their subcontractors...and the recent assistance given was the monthly petrol allowance of RM500 due to the increase price in petrol. I thanked God so much for this. This is one form of assistance given. So, as his subcontractor, I have to perform as a way of saying thanks to them. I’ll do my best and that’s my only intention.’
The feeling of ‘terhutang budi’ formed when subcontractor K felt that he has been given privilege by the main contractor, which he might not get from other contractors. The privilege was accepted by subcontractor K as the sincerity and commitment from the main contractor, which motivated the subcontractor to provide the best performance as something to be given in return for their kindness.

e) **Frequent visits to maintain relationship and respect**

Frequency visits was another important element that needs to be developed and maintained in the process of developing good relationship between the parties, even though the owner of the subcontractor was the ex-staff of the main contractor. As stated by subcontractor K;

> ‘Last time I was his staff, but now I am his subcontractor...... I hold to a principle that I have to be close to them...to the supervisor, manager and all their clerks...... I go to their office every week and I also have to go to the Headquarters. I think communicating through phone is not sufficient enough; I need to go and meet them. I always contact the supervisor who is in-charged of my project. I tell him.... if you’re not happy with me, you have to let me know’.

This situation showed that the subcontractor still needs to develop good relationships although they have known each other well. Thus, regular communications and visits were the basis of developing good relationships.

Regular visits reflected a sign of respect to the main contractor, as stated by the subcontractor M;

> ‘But the most important thing is to maintain my personal relationships with the officer who makes the decision. We have to meet them always because that is how we show our respect to them. It’s not sufficiently enough if communication were only done through phone...we have to meet them.’
f) Easily fulfil any subcontractor’s request reflects trust

The cooperation given by the main contractor was demonstrated through the fulfilment of request made by the subcontractor, which represents a symbol of trust. The cooperation behaviour showed that there were no doubtful or suspicious feelings toward the subcontractor.

‘...To me, what is the most important is that he [the main contractor] will fulfil my needs for the project easily. He will not ask or query for what reason I need it. He will buy or give those things to me. From that I know that he has already trusted me. So I have to appreciate the trust made by him and not distrust him. Not like other contractors, when we request something, they will ask in detail the reasons why we need it, which shows they did not trust you.’ [Supervisor of subcontractor S]

g) Personal relationship based on a single point of contact.

Even though subcontractor L have known other parties in the contract from his previous working experience, but the relationships still need to be improved and maintained especially with the ‘key person’ in the contract. As mentioned by subcontractor L;

‘..we need to be close to the key person. This is what we do in business...making sure that we tackle the key person. To others, we are friends. Making friends with the ‘key person’ and making friends with others are different. The difference is in terms of our ethics and appearance. I have to screen the topics when talking to them....meaning that I learn and try to understand his preference. So, when talking to him, I just talk on things which he likes because he might feel bored when I talk about things that he dislikes..... So, it should be full of praises and I make sure that there’ll be no contradiction of ideas. So, by tackling his preference, I can get close to them.’

These circumstances exhibited the importance of building up relationships with the ‘key person’, who were among the top managers or decision makers. The process of building up the relationships could be in the form of learning and trying to understand the preference of
the decision makers and any communication should be tailored to their preference and avoid any contradiction.

**h) Trust built from honesty allows credit facilities obtained**

Good relationships also existed between the subcontractor and the supplier. It was exhibited from the supplier’s trust in its subcontractor, which yielded from the subcontractor’s honesty in practicing prompt payment. As a result, the supplier was willing to give credit facilities to the subcontractor. Subcontractor M highlighted,

‘Road work projects are very costly. So, it is quite difficult if we don’t get credit facilities from the quarry company. If I don’t get credit facilities and have to pay cash, I think I’ll finish my cash just for the premix. To get credit facilities, it really depends on how good our relationships are. In my case, I got credit facilities since the very beginning of the project. It’s because our business relationships were already there before this project started. So, they give me credit facilities because they trust me. I never fail paying them whenever I get payment from the main contractor. That’s the term of payment that we’ve agreed. If I don’t get enough payment, then I’ll only pay half of it. The most important is that we have to pay on time...in whatever amount... and be honest to them.’

The quotation above illustrated that honesty became the foundation of the emergence of trust in the relationships between the subcontractor and the supplier. Prompt payment to the suppliers represents the subcontractor’s honesty. Trust has emerged since the very beginning of the business. Accordingly, the credit facilities obtained by the subcontractor were the outcome of trust given by the supplier before the project began.

**i) The role of ‘family value’ in maintaining good relationships**

This case study provided an evidence of the important role of ‘big family’ in maintaining continuous good relationships. Subcontractor K perceived his regular visits to the entire level of the main contractor’ staff as meeting his ‘big family’. He explained;

‘If any new staffs such as managers or supervisors come in my area, I’ll go and welcome them straight away. I’ll consider them as my big family. If there is
"anything that they are not happy with me, they have to let me know and then only we can improve."

By considering the main contractor’s staff as his ‘big family’, subcontractor K felt closer to the main contractor. Thus, any weaknesses could be easily pointed out without having to feel guilty as the gaps of main contractor-subcontractor relationships were diminished. Accordingly, the relationships and performance could be improved easily.
6.4 Case study 3: Judiciary Building Project

6.4.1 Background of the case study

This project is a public building project for judiciary system in Malaysia. It is located in Kuala Lumpur, the capital city of Malaysia. The client of the project is Government of Malaysia and the project is managed by Jabatan Kerja Raya (Public Works Department-PWD) Malaysia. The main contractor of the project is ‘Amat Sdn Bhd’; a family based private limited company. Amat Sdn Bhd is one of the leading Malay contractors in the country which has excellent track records. Amat is also the parent company for the main contractor of the project in Case study 1. The selection of the main contractor for this project was made by PWD through an open tender. The appointment of the subcontractors and suppliers was totally based on the discretion of the main contractor. The contract period of the project is three years and the contract sum is Ringgit Malaysia (RM) 270 millions. The interviews were conducted with the assistant director of the main contractor’s firm and four directors/owners of the subcontractors’ firm. The length of relationships between the main contractor and their subcontractors varies from 4 to 20 years at the date of the interviews. The frequency of contracts or contract renewals with the same subcontractors before this project was from 4 to 20 times. Table 6.3 shows the details of the interviewees and their relationships with the main contractor.
Table 6.3: Background of the organisations of Case Study 3

<table>
<thead>
<tr>
<th>Type of organisation</th>
<th>Designation</th>
<th>Relationship context</th>
<th>Length of relationships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main Contractor</td>
<td>Assistant Director</td>
<td>Main Con – Subcon</td>
<td>Varies from 4 – 20 years</td>
</tr>
<tr>
<td>Subcontractor W</td>
<td>Operational Director</td>
<td>Subcon – main con</td>
<td>4 – 5 years</td>
</tr>
<tr>
<td>Subcontractor X</td>
<td>Managing Director</td>
<td>Subcon – main con</td>
<td>8 – 9 years</td>
</tr>
<tr>
<td>Subcontractor Y</td>
<td>Director</td>
<td>Subcon – Main con</td>
<td>5 – 6 years</td>
</tr>
<tr>
<td>Subcontractor Z</td>
<td>Project Director</td>
<td>Subcon-main con</td>
<td>19 – 20 years</td>
</tr>
</tbody>
</table>

6.4.2 Structural Determinants

a) Get new contract through competitive rates given by the subcontractors.

The relationships between the main contractor and the subcontractors involved in this case study were between 4 to 20 years. The long term relationship between the main contractor and the subcontractor was due to the continuance of choosing the same subcontractor throughout several subsequent. This has caused higher inter-dependency between both parties when the main contractor kept employing the same subcontractor to complete his projects. For example, as mentioned by the subcontractor Y, almost 90% of the subcontractor Y’s projects come from the same main contractor. On the other hand, for the main contractor, the subcontractor’s support by providing good rates for the success in tender would be a vital factor for long term relationships.
“In order to succeed in the tendering process, we need to have competitive prices. The subcontractor who trusts us will provide very good price. Since they know us very well and our payment was very good they will support us. That’s the strong point they have and we really depend on them. These are the things that prolong our relationships, in which they are willing to help us in the future projects.” [Assistant Director Main contractor]

b) Prompt payment developed loyalty

Prompt payment from the main contractor is another determinant that develop subcontractor’s willingness to do anything as instructed by the main contractor. This is because the subcontractor knows they will get paid on what have been done. As mentioned by the subcontractor Y;

‘..most successful construction companies have a group of organisations who are willing to be their follower and grow together with them. If you keep changing your subcontractors or suppliers, you will not get the same support. People are not willing to come at 12.00 midnight to solve your problem. But if we have with them for a long time, we might have different feelings. We [subcontractors] are obliged to help them [main contractor] even though at 12.00 midnight. All these are because this main contractor is a good paymaster. That’s why he [the main contractor] can instruct any subcontractors to do any work, because they [the subcontractors] know at the end of the day they will get paid.’ [Director, Subcontractor Y]

This situation showed that the subcontractor became loyal as a result of prompt payment practiced by the main contractor. The importance of having a good paymaster was also mentioned by the subcontractor Z;

‘...when their payment is good, we charged lowest rates to them. Although our rates are low but we know we will get good payment. So we can programme our work accordingly and we will not face any financial problem. What make the main contractor stay with us is because of our good rates and we provide the same quality service. [Project Director, Subcontractor Z]
c) **Work performance developed confident and satisfaction**

Carrying out all projects successfully, one after another indicated the good performance of the subcontractor’s company. Thus the feeling of confidence in the main contractor developed from the subcontractor’s performance.

‘When they ask us to do small projects, we do. Big ones, we can perform and even bigger ones, we can also perform. Alhamdulillah (thanks God) that the main contractor is confident in us. Having been their previous staffs is one thing, whether we can perform is another thing. [Director, Subcontractor Y]

The main contractor agreed that a good and trusted subcontractor was the one whose performance exceeded the main contractor’s expectations. According to Assistant Director of the main contractor;

‘...their performance exceeds our expectations. There are many [subcontractors] like this and they can stay longer with us. As the main contractor, we are satisfied [with the subcontractors].’ [Assistant Director, Main Contractor]

Thus, the main contractor’s decision whether to renew or award a contract to any subcontractors or suppliers would normally depend on their previous performance.

‘When it comes to a decision to whom the project should be awarded, we look at the subcontractors and suppliers experience. If any of the subcontractors has been working with us, we will consider them more as compared to others. This is because we trust them as a good subcontractor and we do not need to investigate whether they are good or not.’ [Assistant Director, Main Contractor]

**d) Less monitoring due to increase in trust**

The tight monitoring procedure carried out by the main contractor started to loosen once the main contractor began to trust the subcontractor. It indicated that when the monitoring procedure started to loosen, the main contractor would normally concern on the final output of the project.

‘...after some time, the main contractor only monitor certain important project. For the normal routine maintenance work they [the main contractor] let us do the work and only look at the final result.’ [Director, Subcontractor Y]
The belief that the subcontractor could do the work without close monitoring reflected the main contractor’s trust in the subcontractor. On the part of the main contractor, more time and resources could be saved with less monitoring, in which the savings could be channelled to other activities or projects. Thus, the cause of the project could be saved and the project could be carried out smoothly without any problems.

e) Final decision only made by Datuk

The results exhibited that the final decision for the main contractor’s and the subsidiary companies (main contractor for other project) could only made by Datuk, the owner of companies. According to an Assistant Director of the main contractor’s company;

‘This company [the main contractor] and its subsidiary are two different organisations, however their work culture is the same. This is because most of the subsidiary’s staffs are from the parent company [the main contractor]. The most important thing is that both companies are owned by the same owner and any final decision could only made by Datuk [the owner]. [Assistant Director, Main Contractor]

f) Willingness to solve problem together

The subcontractor felt happy working with the main contractor when the latter was willing to help whenever the subcontractor faced problems. Thus, the main contractor’s commitment to the subcontractor was shown through the countless of assistance in solving the subcontractor’s problems that makes the subcontractor feel comfortable and confident with the main contractor.

‘Whenever there is a problem, the main contractor is willing to solve the problem together. They don’t simply let you solve the problem alone. They will help you give all the information needed and their staffs are there to help at the site and they are willing to pay the cost of solving the problem. That is why I am very confident and comfortable working with them.’ [Director, Subcontractor Y]
g) Willingness to do unprofitable job with the hope of getting more projects in future.

The results from this case study showed that the subcontractors were willing to work even though there was no formal written instruction given. In certain conditions, the subcontractor starts the work even though the rate has not been confirmed yet. In the worst scenario, the subcontractor did not mind to do certain work although it was not profitable to do so. This phenomenon demonstrated that the subcontractor’s loyalty to the main contractor influence them to willingly sacrificed just for the development of good long-term relationships without any intention to quit from the relationships.

‘..even though the rate of a certain project has not been finalised, we are willing to do it first. Not all jobs are profitable; in fact we lose on some of it. But, we don’t say much, such as; ‘Oh, I don’t want to do this because I have not received any written instructions.’ If they [the main contractors] have not produced the letter [work instruction], we just do after the verbal instructions is given.’ [Project Director, Subcontractor Z]

The action of not asking for work instructions and willing to work just based on the verbal instructions demonstrated a symbol of trust. Trust that has already been developed influenced the subcontractors to be loyal to the main contractor and willing to do anything as instructed by the main contractor without any queries.

‘the degree of trust in this main contractor is up to the extend that if he asks me to do any work, I’ll do it, even though there is no black and white (official) document. For example if the main contractor tells me, ‘please help me to do this work’, I’ll do it the next day without having to wait for the instruction letter. The instruction letter is just to formalise the work for the purpose of payment. Even sometimes the rates haven’t been discussed yet. I’ll do the work first, and then only we discuss the rate.’ [Director, Subcontractor Y]

The subcontractor’s loyalty to the main contractor was due Datuk’s ‘tolak ansur’ (consideration) to subcontractor when he considered giving many different projects to the subcontractor so that the subcontractor could cover their losses that they incurred before.
‘we don’t have problems discussing with Datuk about the losses we incurred in some items (in the bill of quantities) and the profit we gained in other items. Normally Datuk would consider giving projects that can cover our losses.’ [Project Director, Subcontractor Z]

6.4.3 Relational Determinants

a) Get projects by developing personal relationship with key personnel

The development of personal relationships with the key personnel from the main contractor organisation played an important role in getting more projects in the future. Developing personal relationships were so important in that if this personnel leaves the organisation, the relationships with the main contractor’s organisation would also be deteriorated. This also means that there would be little chance to get contract renewal in future. Subcontractor Y stated that;

‘If the company has many staffs, you have to know two or three key persons in that company, then you can get projects from that company...It would also be the other way round that if the two or three key persons that you knew leave the company, your future with that company would also be gone.’

When personal relationship had been established, the subcontractor must ensure that they keep in touch with the main contractor in order to maintain their personal relationship. This can be done by having frequent correspondence such as pay a visit or give them a call. As mentioned by the subcontractor W;

‘When you get to know them, you have to do follow-ups. If you don’t have a chance to see them, you have to ring them at least once a month. This is important in order to maintain your personal relationships. You have to meet or ring them so that you know whether they have new projects. You must do that.’ [Director Subcontractor W]

b) Easy to mix around with other people

Subcontractor Y, for example use the term ‘public relation’ when commenting on the comparative importance of human relations and technical knowledge. He emphasised that
although many subcontractors have technical knowledge capabilities, they may not necessarily have human interaction skills. He added that it was not easy to acquire good human interaction skills. That was among the reasons why the subcontractor who has good interaction skills and friendly would be most preferred by the main contractor. According to Subcontractor Y,

‘It depends on how you interact with people...your public relation (PR). If you are the type of person who is easy to mix around with other people, they will choose you as their subcontractor. We have to put aside the technical knowledge, because if we ask other people in the market who know to carry out the work, there may be hundreds of subcontractors who know how to do it. It’s just a matter of how you address your client, your main contractor....and that was the main reason why they choose you instead of others. How you do your PR is very important. So in order to get project, it is really depend on your PR.’ [Director, Subcontractor Y]

c) Informal interaction outside office hour developed trust

Informal interaction with the main contractor should be developed beyond formal working hour. For example, Subcontractor X believed that social interaction after working hours, such as going for a drink and have a talk with them, were very important. He thought that this was the most appropriate time to get good advice and sincere comments as he would not get the chance to discuss with the main contractor during working hours. As mentioned by subcontractor X;

‘...we must stay back and find time to socialise with the project manager [of the main contractor] such as go for a drink and have a chat together. During office hour, they are very busy. At this time [after the office hour] we can ask them on what are their perceptions on us [as their subcontractor] and they can give their views on our performance and efficiency, and whether we are a good subcontractor or not. This approach is very important in developing good relationships. If we do this sincerely, the relationship would last long, but if it is not, it would easily collapse.’ [Managing Director, Subcontractor X]

Subcontractor Y also agreed that developing relationship with the main contractor should be done beyond normal working hours. It is important that by extending the business
relationship to social relationship could improve any misconception in the formal contractual relationship. Thus, if the subcontractor could switch his formal contractual relationship into friendship relation would very meaningful as trust that developed in friendship relation would be in better quality and last longer.

‘In order to make other people trust you, you need to talk with them outside the normal working hours and outside contractual issues. When you go beyond the contract boundary, they will regard you as their friend. They would not treat you as mainly their subcontractor, but as a friend. In Malay culture, friend would always try to help other friends. If I have a friend and he has problems, I would help him. If you limit your self to only contractual relationships, so your relationships only be main contractor-subcontractor relationship.’ [Director, Subcontractor Y]

d) Sincerity develops trust

The main contractor’s trust in the subcontractor would emerge when the former can see that the latter was sincere and working according to contract with no intention of cheating the main contractor. Thus, sincerity became the main foundation for trust to develop.

‘We must sincere to the main contractor. Sincerity would develop trust of the main contractor. They would have confidence in us as sincere subcontractor, working as according to the contract and not lying.’ [Managing Director, Subcontractor X]
e) Continuous help given to ex-staff who set up their own subcontractor’s company

Subcontractor Y had been working in the main contractor’s organisation for eight years before he started his own construction company. The main contractor has given countless helps to the subcontractor Y since the beginning of the contract. As subcontractor Y said;

‘When I started this business, the main contractor awarded us a very big project. They have helped us a lot especially in all aspects of the project. Secondly, we received very good payment from them. It was very clear that they wanted to help us. So, Alhamdulillah [thanks God].’ [Director, Subcontractor Y]

All sort of helps that were given to subcontractor Y were not only coming from the top management but also from all of the main contractor’s staff. Subcontractor Y stressed that;

‘We were getting lots of helps from them, not only from the big boss but also from their officers. Maybe it’s because I was his previous staff. They really don’t want to see us fail in our business.’ [Director, Subcontractor Y]

f) Feeling of ‘terhutang budi’ (indebted) when getting privilege and feeling ‘malu’ (shame) if kindness cannot be repaid

The subcontractor felt his future was secured when he could obtain projects repeatedly from the main contractor. He felt lucky when he obtained the privilege of securing continuous projects from the main contractor. He was also satisfied when he would be able to fulfil his main contractor’s expectations by completing each project efficiently and promptly. Consequently, the subcontractor felt ‘terhutang budi’ (indebted) and became more responsible to provide the best performance for his main contractor as a form of repayment of debt.

‘With regard to my future, I feel secure with this main contractor. I think I am fortunate as compared to others because I have delivered numerous numbers of projects. I think I’ve got the privilege as their subcontractor for more projects. I think there’s nothing that can ruin my relationships with the main contractor. I will give the best service that I can to the main contractor to repay the kindness that I have received.’ [Director, Subcontractor Y]
The subcontractor would feel ‘terhutang budi’ and ‘malu’ (ashame) if he cannot repay the kindness given by the main contractor.

‘The main contractor has been helping me a lot. I would feel ashamed if I cannot help the main contractor, helping them by providing the best performance or service.’ [Managing Director, Subcontractor X]

**g) Avoid negative perceptions (feeling ‘malu’) and make others happy**

Avoiding negative perceptions of the main contractor was a significant factor in developing long term relationships between the subcontractor and the main contractor. In any cases where the main contractor perceived that his subcontractor was not a good subcontractor might lead to the feeling of unpleasantness working with the subcontractor and started looking for other subcontractors for replacement. Therefore, a subcontractor should ensure that throughout the project, the main contractor was pleased working with him throughout the project. He also needs to avoid any action that might create the negative perceptions of the main contractor. Thus, the subcontractor should try to understand the style of working, expectations, norms and other aspects as expected by the main contractor so that they would not be perceived as bad subcontractor. Then, only harmonious relationships would be developed and maintained. In this case study, the main contractor was pleased working with subcontractor Y as Y has not done anything that made the main contractor perceived them as bad subcontractors. Therefore, throughout the relationships, he has to ensure that his main contractor was pleased working with him.

‘We cannot always ask the main contractor on how to do the work. If we do that, it simply shows that we are useless and don’t know how to do the work. So, we don’t have to disturb the main contractor. We just wait for the instructions’. [Managing Director, Subcontractor X]
He suggested that other subcontractor should also implement the same principle in that they should not ask any financial assistance from the main contractor. The actions of asking any financial assistance from the main contractor would expose the financial weakness of the subcontractor. Accordingly, the main contractor would have the impressions that the subcontractor’s company was not a good company because they were not financially stable.

As a subcontractor who has over 30 years experience in the industry, Subcontractor Y believed that he should not create any problem to the main contractor because the main contractor would turn to other subcontractors who were always available in the market to do the job. Consequently, his contract would not be renewed in future. These principles were enhanced by the realisation of his responsibility to provide an excellent performance to his main contractor:

‘If there is any problem that needs to be solved, I will solve it by whatever means. I’ll make sure that the main contractor agrees with my suggestions. Then only, I feel happy and they also feel happy. Or else, they’ll get disappointed because the job is not completed. And they’ll perceive me as a subcontractor who does know how to solve a problem. I am really worried if they perceive my performance is declining.’ [Managing Director, Subcontractor X]

Subcontractor ‘X’ emphasised that a subcontractor should avoid the negative perceptions not only from his main contractor, but also from other parties in the contract. Very close relationships with the top management would give bad impressions to other subcontractors in which he could be accused as getting involved in unethical conduct such as bribery and misconduct.
‘I must make sure that my relationships with the main contractor are well taken care of. But at the same time, I don’t want other people (other parties in the contract) to have bad impressions on me because I am very close with certain people only. I respect every officer from the main contractor’s office. I always remind Director A that I don’t want other people to have bad impressions on me because I am very close with you and that our relationships are limited to the main contractor and subcontractor relationships, not more than that.’ [Managing Director, Subcontractor X]
6.5 Case Study 4: Project Manager and Consultants Relationships

6.5.1 Background of the case study

HT Sdn Bhd (HT) is a project management firm (PM) and a subsidiary of client N. Client N is a government agency that has been set up with a special mission to enhance ‘Bumiputera’ (indigenous) participation in education and economic sector. HT has been established for the past 25 years for the purpose of providing project management services to all new development projects and maintaining existing building throughout the country. Having operated for 15 years, the client had given the permission to the top management of HT to take over HT from client N through ‘management buy-out’ to become private limited company. Although PM had become an independent PM firm, the client had agreed to continue giving all their new projects to be managed by PM. As a result, client N and PM had entered the contract for a total period of 10 years starting from 1995. The type of project includes new schools, colleges, training centres, shops and business centre buildings. As the client representative, PM has been given the right to appoint all the project teams. The interviews were conducted with seven parties that include one client representative, one architect firm, two quantity surveyor consultants, two civil and structural engineer consultants and PM. Table 6.4 shows the characteristics of the organisations involved in this study.
Table 6.4: Background of the organisations of Case Study 4

<table>
<thead>
<tr>
<th>Type of organisation</th>
<th>Designation</th>
<th>Relationship context</th>
<th>Length of relationships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Manager A (PM)</td>
<td>Executive Director</td>
<td>i) Project Manager – Consultants</td>
<td>10 years</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ii) Project Manager – Client</td>
<td>25 years</td>
</tr>
<tr>
<td>Consultant A</td>
<td>Executive Director</td>
<td>Consultant – Project Manager</td>
<td>10 years</td>
</tr>
<tr>
<td>Consultant B</td>
<td>Principal</td>
<td>Consultant – Project Manager</td>
<td>3 years</td>
</tr>
<tr>
<td>Consultant C</td>
<td>Principal</td>
<td>Consultant – Project Manager</td>
<td>10 years</td>
</tr>
<tr>
<td>Consultant D</td>
<td>Managing Director</td>
<td>Consultant – Project Manager</td>
<td>3 years</td>
</tr>
<tr>
<td>Consultant E</td>
<td>Senior Quantity Surveyor</td>
<td>Consultant – Project Manager</td>
<td>3 years</td>
</tr>
<tr>
<td>Client F</td>
<td>Deputy Director</td>
<td>Client – Project Manager</td>
<td>25 years</td>
</tr>
</tbody>
</table>

6.5.2 Structural determinants

a) Prompt payment developed trust

Consultant B trusted the PM as he did not face any problem working with the latter and had received all payments accordingly.

‘PM could be trusted as a good company. In terms of payment, I trust them. I received all my payments and they never deduct the fees that I suppose to get’. [Principal, Consultant B]

This phenomenon indicated that Consultant B was satisfied with the progress payment received from the PM, which in turn makes him trust the PM as a good organisation.
b) Rights given by client for PM to appoint consultants

The project manager obtained the rights from the client to appoint any consultant in carrying out the project. The appointment of the consultant was also influenced by the fees discount given by the consultant.

‘...we have the right to choose the consultant because the client gives us the right to appoint any consultants. I tell the client....please give us the right to appoint any consultants so that I can ask the consultants to give 20% discount of their fees and I’ll give the discount back to the client. The contract is between our company and the consultant. However, the fees for the consultant will be paid directly to consultant by the client.... ’ [Executive Director, Project Manager].

This situation demonstrated that the project manager has been given power by the client to appoint the consultants. Thus, the client gained financial benefit resulting from the delegation of power to the consultant. This could be obtained through the ability of the PM to get discount fee from the consultant.

c) Work performance, reasonable rates and obedient drive trust

The results showed that trust in the consultants was influenced by the ability of the consultants to perform; reasonable rates given and obedience towards the project manager.

‘We trust the consultants because of their performance and their reasonable rates. They are also our close friend whom we have known for long. They have a lot of experience and have given us a lot of advice. They are also obedient and we don’t have any problem. Like FS consultant, they don’t mind even though they have been told off. If we ask for advice, they’ll give the advice for free (easy going).’ [Executive Director, Project Manager].

This indicated that the work related elements such as work performance and rates [fees] and relational elements such as friendship and obedient were important in developing trust. In any project organisation structure, the PM is the leader (superior) of the project team and the consultant were members. In a society that puts hierarchy as a priority, the project
leader has the power towards other members. Thus, this case study highlighted the need for the consultants to obey the superior [PM] even though in some cases they have been told off by the PM.

d) Awarding projects to consultant based on rotation

The results from this case study exhibited that the projects awarded were also based on rotation.

‘...the project manager gives projects to consultants on rotation basis. [if] you have a project in hand now, they will give to others, until your current project has already 70% completed, then only they’ll give a new project. To me, they don’t give project based on your performance or merit. Instead, they give based on turn in a cycle. If you miss the cycle, then it would be late for you to get the project, and it means that you have to wait for the next cycle. However we are lucky because we get projects not only from this project manager firm, but also from other agencies and ministries.’ [Executive Director, Consultant A]

The situation showed that the PM has a list of consultants and each of the consultants would be given the projects when their turn comes, even though it is not easy to get listed.

‘...It is not easy to get into their camp, unless you are from the same university, or the same village or you play golf together.’ [Principal, Consultant B]

e) Absence in important meetings reflects lack of commitment from top management

Full involvement of the top management into any projects showed serious commitment from the organisation. Commitment could be demonstrated in the form of attending every meeting with the PM. When the top management assigned their subordinate to represent them in meetings with the PM, the latter would perceive that the consultant was not seriously committed to the project.

‘As a managing director, I have to attend every meeting, whether it is for small or big projects. This is important so that I know the progress. If I cannot attend
[because of some important reason] I will ensure I know the matters. [By doing this] it will give confident to the client that I can show them that I am seriously committed to the PM, and take care and I don’t simply delegate the work to subordinate. There was one incident where my firm was asked to complete a job in two weeks time. I told them that my firm can do it. As a managing director I fully took part in that project from the beginning to the end. Together with my staff, I have attended all the meetings. As a result, my firm was in the top list [of good consultants] at that agency….So, a managing director must show full commitment such as attending all meetings although it is not really important. Do not simply let your staff [subordinate] attend the meeting alone.’ [Managing Director, Consultant D]

This circumstance showed that the direct involvement of top management could bring positive perceptions from other partners.

f) Unfair profit sharing deteriorates loyalty

Dissolution of partnership takes place when loyalty of the two parties deteriorates. Loyalty begins to deteriorate when either party realises that the relationship does not benefit them in bringing in more profits and that they have better options in dealing with this problem. For example, Consultant C was not satisfied with the proportion of profits/fees shared and started to consider leaving the partnership after five years. He believed that he could have had higher profits/fees if he worked independently and did not rely on the PM. As a result of dissatisfaction with the PM, his loyalty started to deteriorate.

...however after sharing profit for sometime, I start to feel that they are like parasite, every profit I got, I have to give them. They didn’t bear the risks, all risks on my shoulders. That’s why I have to put a full stop…and I refuse to sign the renewal contract for another two years. [Principal, Consultant C]

His statements implied the feelings of dissatisfaction with the PM due to the burden of sharing the profits/fees with the PM. Accordingly, Consultant C decided to exit from the partnership. However, the end of the partnership did not totally end the business relationships. PM still award projects to Consultant C, but not as frequently as when they were in the partnership stage. This reflected an element of normative commitment on the
part of the PM. Normative commitment here means that it is a norm among the Malays that although their business has ended but the friendship still continues. However, due to the close friendship, occasionally the consultant gets project from the PM.

6.5.3 Relational determinants

a) Feeling of ‘terhutang budi’ (debt of ‘budi’/indebtedness)

The owner of Consultant C had worked for PM previously and so had already established long-term personal ties. When Consultant C decided to set up his own architect firm, the PM offered their help in providing consultancy opportunities. The PM also agreed to incur operational expenses such as the office rental, employees’ salary payments and other expenses payments. All these expenses were spent for the business relationships. In return Consultant C was also willing to share profit with the PM. When Consultant C was prepared for the partnership he said that,

‘I appreciated PM because they gave me the opportunity to learn many things. I consider PM as my university. It’s because I’ve learn many things about professional practice. If I didn’t work with them...and without their help...I won’t be at this stage..... ’ [Principle, Consultant C]

Thus, Consultant C’s willingness to partner with the PM by sharing his profits resulted from the feeling of ‘terhutang budi’ (indebtedness) felt by Consultant C. The feeling of indebtedness is the situation where he (the receiver) feels ‘malu’ [lit. shame] to the donor, an obligation to the donor to repay such debts in order to be free from feel ‘malu’. Further example of ‘terhutang budi’ was elaborated by the Consultant A on their relationships with client and contractor;

‘…our relationships with them [client and contractor] started long time ago. We make friends with the client and contractor although at the time that they face
difficulties in their business. We train and assist them until their project success.... when they get big project, the first person they will remember is us who have assisted and helped them. This has created our good reputation with them and easily to get job.’ [Executive Director, Consultant A]

b) Trust developed through close personal relationship with top management

In this study, it was found that trust has developed from close personal relationships between the consultant and the project manager. Trust of the PM in Consultant A has been developed before Consultant A entered the inter-organisational relationships, in which two of Consultant A’s directors were former staff of the PM’s firm. As a result, the PM has awarded many projects to them repeatedly. Consultant A stated that:

“after I left PM in 1995, we immediately got projects from PM, from small to big projects......trust has already existed because the relationships with PM have already been established, especially when I knew the Executive Director, Managing Director and Chief Executive Officer personally and they also know me personally. So, trust was there for quite sometimes because we were the PM’s former staff”. [Executive Director, Consultant A]

The same thing was highlighted by Consultant B:

“...you must know them personally and they know you personally” [Principal, Consultant B]
c) **Continuously give projects to the PM based on paternalistics behaviour of the client.**

In this case study, the paternalistics behaviour showed by the client was in the form of providing new development and maintenance projects continuously to the project manager [PM]. This happened because the client had turned their relationship from ‘client-project manager’ to ‘father’ and ‘son’ relationship. As a ‘father’, the client wanted to ensure that the project manager firm survived in the business.

‘...In 1995 we bought this firm from the client through management buy out (MBO) approach. We started the business with zero profit. Client sold this firm with no asset and no money. My negotiation with the client was that since we are your baby, so you must help us, feed us [with projects]. So, client had given us all their projects [to manage]. We had obtained the exclusive right [get all client projects] for 10 years.’ [Executive Director, Project Manager]

In explaining this case, the client representative said:

‘...10 years contract between the client and the project manager can be seen as our commitment to help them as our ex-subsidiary company. At the same time we are fulfilling our policy in helping indigenous company succeed in business.’

[Deputy Director, Client N]

d) **Personal relationship influenced the appointment of consultant**

It was found in this case that the decision of the project manager to award project was influenced by the recommendation from a member of their staff who had good friendship with Consultant B.

‘...when I got the first project, it was a continuation project of other consultant whom had gone insolvent. It was the PM’s engineer who is my close friend that recommended [to the board of directors of PM’s firm] my firm to continue the project.’ [Principal, Consultant B]

According to the Consultant B, in practice, the consultant only needed to submit their curriculum vitae (CV) to the client or the project manager appointed by the client and they would be assessed just based on their CV. The results showed that in term of competency to
carry out the work, most of the consultants were quite similar. However, the appointment of the consultant was strongly influenced by the personal relationships with the top management.

‘... the most important thing that has given very much influence to the appointment of the consultant is to ‘kenal orang dalam’ [lit. know internal people]. In order to make friends with them, you have to see them, come to their office and see them regularly...... if you want to be closed to them, you have to be closed to the decision maker of the company who is normally the owner of the firm.’ [Principle Consultant B]

e) Informal social interaction after office hours

The importance of the getting involved in any social activities after office hour has been highlighted by the consultant.

‘It has been a practice that we will have tea/coffee or lunch together either at the meeting venue or any restaurant after each meeting. We normally join them until the function is over....in Malay culture, we must come and see the project manager and involve in any social activities, it is compulsory. Interacting during office hours is not sufficient enough to get close to them. The relationship must be developed outside the contractual or project issues. This is not only for this project manager, but also with others. Go and see them, just making telephone call was not enough.... sometime we have to play golf with them. Golf is the most popular sport within business community in Malaysia. ‘Main golf’ [lit. play golf] is a term used to represent developing business networking among businessmen here.’ [Principal, Consultant B]

The development of good relationships with other parties in the contract was very much influenced by the informal social interaction. This also showed that work performance was not the only element to be considered by the consultants but the need to be involved in other social activities.
f) Caring behaviour shows respect

This case reflected that the caring behaviour was vital in developing good relationships. It seemed that it has been obligatory to get friendly with other members in the project and the need for greetings whenever they meet one another.

“When there is a meeting, you must come. Talk in the meeting like you talk to your friend. If you meet them anywhere, make good greetings like they are your relatives. You must respect them. If you deal with any department, when you meet them, greet with nice words, such as ‘Apa khabar En. Mat, dah makan?’ [lit. How are you Mr Mat, have you eaten?]. You need to say words like that.” [Managing Director, Consultant D]

These results showed the relational elements play important roles in developing good relationships in the project setting.

6.6 Summary

The results from all case studies showed that the main themes have been repeated from Case Study 1 right to Case Study 4. The structural determinants that were emphasised in all four case studies were the role of contract, the importance of Director’s decisions, interdependency among parties involved in the contract and the causes that drove trust, commitment and loyalty. On the other hand, the relational determinants underlined the importance of personal relationships, role of feelings that influenced good/bad behaviour, values and factors that led to trust, commitment and loyalty.

In the next chapter, the summary of both the structural and relational determinants are analysed and organised to derive the main themes of each case study. Consequently, cross-case analysis is conducted to compare the similarities and differences of the four case studies.
CHAPTER 7

Key Findings and Cross Case Analysis

7.1 Introduction

Following the analysis of results from the four case studies that were presented in the previous chapter, this chapter presents the summary of the key findings of each case study, cross case analysis of the four case studies and validation of the model. The summary of the key findings are vital in order to produce the broad themes emerging from the data, while, the cross case analysis highlights the similarities and differences that have arisen from the case studies. The similarities discovered in the case studies validate the importance of the elements in developing inter-organisational relationships among construction supply chain partners.

7.2 The key findings from the four case studies

As indicated in Chapter One, the purpose of this study is to explore the process of how relationships develop in construction projects. It uses multiple case study approach; in which 36 in-depth interviews had been carried out on informants from four different projects (refer to Section 4.3 in Chapter Four). Prior to the main data collection, two stages of preliminary studies had been conducted. The first stage of the preliminary study was carried out on five constructions organisations in the UK while the second was conducted on five construction organisations in Malaysia. Two different perspectives of relationship development, namely Malaysia and the UK are important because vast majority of the literature was dominated by the Western. Thus, from the preliminary results, a clearer
picture is needed to portray the possibilities of similarities of the criteria between both regions.

The following sections summarise all the results from Cases 1, 2, 3 and 4 in order to identify the broad themes that emerged from the data.

7.2.1 Summary of findings from all case studies

Tables 7.1, 7.2, 7.3 and 7.4, present the summary of results from Case Studies 1, 2, 3 and 4 which comprise the main determinants that have driven the achievement of good inter-organisational relationships. As presented in the first column of the table, the findings were grouped into structural and relational determinant categories. Then, categories of findings were analysed and re-organised into several themes as shown in the middle column. The last column of the table then presented the broad themes derived from each case study.

From the analysis of Case Study 1, seven structural determinants and nine relational determinants were identified (refer to Column 1, Table 7.1). Then, five broad themes were derived from structural determinants, namely ‘special contract directive’, ‘commitment’, ‘trust’, ‘performance’, and ‘power’ and seven broad themes from relational determinants: ‘interpersonal tie’, ‘emotion’, ‘trust’, ‘commitment’, ‘loyalty’, ‘social interaction’ and ‘values’ (refer to Column 3, Table 7.1).
Table 7.1: Summary of the broad themes derived from Case Study 1

<table>
<thead>
<tr>
<th>Categories of Findings</th>
<th>Re-organised Categories</th>
<th>Broad Themes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Structural determinants</strong></td>
<td><strong>A. Structural determinants</strong></td>
<td><strong>A. Structural determinants</strong></td>
</tr>
<tr>
<td>a) Rules instructing the absorption of previous PWD’s staff to the main contractor’s company.</td>
<td>Special contract directive</td>
<td>Special contract directive</td>
</tr>
<tr>
<td>b) Efficient work programme led to an increase in work commitment</td>
<td></td>
<td>Commitment</td>
</tr>
<tr>
<td>c) Type of work awarded to the trusted subcontractor.</td>
<td></td>
<td>Trust</td>
</tr>
<tr>
<td>d) Performance monitored through weekly site diary report.</td>
<td></td>
<td>Performance</td>
</tr>
<tr>
<td>e) Interlocking Board of Directors led to an acceleration of the achievement of close relationship.</td>
<td></td>
<td>Power</td>
</tr>
<tr>
<td>f) Datuk’s decision on who should be awarded the new project.</td>
<td></td>
<td><strong>B. Relational determinants</strong></td>
</tr>
<tr>
<td>g) Willingness to pay in any situation makes subcontractor happy.</td>
<td></td>
<td>Interpersonal ties</td>
</tr>
<tr>
<td><strong>B. Relational determinants</strong></td>
<td></td>
<td>Emotion</td>
</tr>
<tr>
<td>a) Interpersonal ties.</td>
<td></td>
<td>Trust</td>
</tr>
<tr>
<td>b) Make others happy.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Feeling ‘tolak ansur’ (compromise) and feeling ‘timbang rasa’ (considerate).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>d) Willingness to commit to verbal instruction reflects trust.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>e) Feeling of ‘terhutang budi’ (debt of budi)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>f) Paternalistic relationships.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>g) Willingness to do anything and avoid any suspicious actions.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>h) No intention to exit reflects loyalty.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
j) Frequent social interaction develops ‘big family’ spirit

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Loyalty</th>
<th>Values</th>
<th>Social interaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Willingness to do any thing and avoid suspicious actions.</td>
<td>- No intention to exit.</td>
<td>- Paternalistic relationships.</td>
<td>- Frequent social interaction develops ‘big family’ spirit.</td>
</tr>
</tbody>
</table>

Similar to Case Study 1, six structural and nine relational determinants that influenced good relationships were also identified in case study 2 (refer to column 1 in Table 7.2). From these categories of findings, six broad themes produced from the structural determinants and six from the relational determinants (see column 3 in Table 7.2). The themes in the structural determinants were ‘special contract directive’, ‘trust’, ‘performance’, ‘work interdependency’, ‘power’ and ‘political connection’, while ‘personal relationships’, ‘emotion’, ‘commitment’, ‘values’, ‘social interaction’ and ‘trust’ were formed as the relational determinants.

Table 7.2: Summary of the broad themes derived from Case Study 2

<table>
<thead>
<tr>
<th>Categories of Findings</th>
<th>Re-organised categories</th>
<th>Broad themes</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Structural determinants</td>
<td>A. Structural determinants</td>
<td>A. Structural determinants</td>
</tr>
<tr>
<td>a) Rules instructing the absorption of previous PWD’s staff to the main contractor’s company.</td>
<td>Special contract directive</td>
<td>Special contract directive</td>
</tr>
<tr>
<td>b) Work performance develops trust</td>
<td>Trust</td>
<td>Trust</td>
</tr>
<tr>
<td></td>
<td>- To absorb previous PWD’s staff</td>
<td></td>
</tr>
</tbody>
</table>
c) Trust developed from previous working experience  
d) Work inter-dependency brings close inter-personal ties  
e) Board directors interlocking influence final decision  
f) Direct political connection with the ruling party allows retention in the contract  

**B. Relational determinants**

<table>
<thead>
<tr>
<th>Performance</th>
<th>Work inter-dependency</th>
<th>Power</th>
<th>Political connection</th>
</tr>
</thead>
<tbody>
<tr>
<td>- work performance develops trust</td>
<td>- bring close inter-personal tie</td>
<td>- Board interlock influences final decision</td>
<td>- Direct political connection with the ruling party allows retention in the contract</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Control</th>
<th>Emotional</th>
<th>Commitment</th>
<th>Values</th>
<th>Social interaction</th>
<th>Trust</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Close personal relationships reduce the degree of monitoring</td>
<td>- Sensitive to other people’s feeling could maintain good relationship</td>
<td>- Sincerity and commitment developed feeling of ‘terhutang budi’ (debt of ‘budi’)</td>
<td>- Family value in maintaining good relationships</td>
<td>- Frequent visit to maintain relationships and respect</td>
<td>- Easily to fulfil any request made by the subcontractor</td>
</tr>
<tr>
<td>- The role of being ‘timbang rasa’ (considerate) in developing good relationship</td>
<td>- Frequent visit to maintain relationship and respect</td>
<td>- Sincerity and commitment developed feeling of ‘terhutang budi’ (debt of ‘budi’)</td>
<td>- Honesty built trust</td>
<td>- Easily to fulfil any request made by the subcontractor</td>
<td>- Easiness to fulfill any request made by the subcontractor</td>
</tr>
</tbody>
</table>
As referred to column 1 in Table 7.3, Case Study 3 highlights seven categories of structural determinants and seven categories of relational determinants. These categories of findings produced seven broad themes in structural (work inter-dependency, loyalty, trust and satisfaction, performance, power and commitment) and five broad themes from relational determinants (personal relationship, social interaction, trust, emotion, and values) (see Column 3 in Table 7.3).

### Table 7.3: Summary of the broad themes derived from Case Study 3

<table>
<thead>
<tr>
<th>Categories of Findings</th>
<th>Re-organised categories</th>
<th>Broad themes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Structural determinants</strong></td>
<td></td>
<td><strong>A. Structural determinants</strong></td>
</tr>
<tr>
<td>a) Get new contract through competitive rates supplied by the subcontractor</td>
<td>Work inter-dependency</td>
<td>Work inter-dependency</td>
</tr>
<tr>
<td>b) Prompt payment develops loyalty</td>
<td>Loyalty</td>
<td>Loyalty</td>
</tr>
<tr>
<td>c) Work performance develops confident and satisfaction</td>
<td>Trust and satisfaction</td>
<td>Trust and satisfaction</td>
</tr>
<tr>
<td>d) Less monitoring due to increased trust</td>
<td>Performance</td>
<td>Performance</td>
</tr>
<tr>
<td>e) Final decision only made by Datuk</td>
<td>Power</td>
<td>Power</td>
</tr>
<tr>
<td>f) Willingness to solve problem together</td>
<td>Commitment</td>
<td>Commitment</td>
</tr>
<tr>
<td>g) Willingness to do unprofitable work with the hope of getting more projects in future and willing to work without formal written instruction</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### B. Relational determinants

<table>
<thead>
<tr>
<th>Personal relationship</th>
<th>Social interaction</th>
<th>Trust</th>
<th>Emotion</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Get projects from key personnel</td>
<td>Easy to mix around with other people</td>
<td>develop from informal interaction outside office hour</td>
<td>Feeling of ‘terhutang budi’ after being awarded the privilege and feeling of ‘malu’ (shame) if unable to repay the kindness</td>
<td>Sincerity develops trust</td>
</tr>
<tr>
<td>Continuous help given to ex-staff who set up their own subcontractor’s company</td>
<td>Feeling of ‘malu’ (shame) if unable to repay the kindness</td>
<td>Avoiding negative perception (feeling ‘malu’) and making others feel happy</td>
<td>Continuous help given to ex-staff who set up their own subcontractor’s company [paternaslistics relationship]</td>
<td></td>
</tr>
</tbody>
</table>

Finally, as shown in Column 1 in Table 7.4, six determinants were found from each structural and relational category. After the analysis and re-organisation of the categories of findings, five broad themes of the structural and five from relational determinants were developed. As referred to Column 3 in Table 7.4, the structural determinants were power, trust, performance, commitment and loyalty and the relational determinants were personal relationships, social interaction, trust, emotion and values.
Table 7.4: Summary of the broad themes derived from Case Study 4

<table>
<thead>
<tr>
<th>Categories of Findings</th>
<th>Re-organised categories</th>
<th>Broad themes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Structural determinants</strong></td>
<td>A. Structural determinants</td>
<td>A. Structural determinants</td>
</tr>
<tr>
<td>a) Prompt payment develops trust</td>
<td><strong>Power</strong></td>
<td><strong>Power</strong></td>
</tr>
<tr>
<td>b) Client gives right to the PM to appoint consultants</td>
<td>• Client gives right to the PM to appoint consultants</td>
<td></td>
</tr>
<tr>
<td>c) Work performance, reasonable rates and act of obedient drive trust</td>
<td>• Award projects based on rotation</td>
<td></td>
</tr>
<tr>
<td>d) Awarding projects to consultant based on rotation</td>
<td><strong>Trust</strong></td>
<td><strong>Trust</strong></td>
</tr>
<tr>
<td>e) Absence in important meetings reflects lack of commitment from top management</td>
<td>• Prompt payment developed trust</td>
<td></td>
</tr>
<tr>
<td>f) Unfair profit sharing deteriorates loyalty</td>
<td><strong>Performance</strong></td>
<td><strong>Performance</strong></td>
</tr>
<tr>
<td><strong>B. Relational determinants</strong></td>
<td><strong>Commitment</strong></td>
<td><strong>Commitment</strong></td>
</tr>
<tr>
<td>a) Feeling of ‘terhutang budi’ (debt of budi)</td>
<td>• Absence in important meetings reflects lack of commitment from top management</td>
<td></td>
</tr>
<tr>
<td>b) Trust developed through close personal relationships</td>
<td><strong>Loyalty</strong></td>
<td><strong>Loyalty</strong></td>
</tr>
<tr>
<td>c) Continuous giving projects to the PM based on paternalistic behaviour of the client</td>
<td>• Unfair profit sharing deteriorates loyalty</td>
<td></td>
</tr>
<tr>
<td>d) Personal relationship influences the appointment of consultant</td>
<td><strong>B. Relational determinants</strong></td>
<td><strong>B. Relational determinants</strong></td>
</tr>
<tr>
<td>e) Informal social interaction after office hours</td>
<td><strong>Personal relationship</strong></td>
<td><strong>Personal relationship</strong></td>
</tr>
<tr>
<td>f) Caring behaviour towards others shows respect</td>
<td>• Influence the appointment of consultant</td>
<td></td>
</tr>
<tr>
<td><strong>Social interaction</strong></td>
<td><strong>Trust</strong></td>
<td><strong>Trust</strong></td>
</tr>
<tr>
<td>• Informal interaction after office hour</td>
<td>• developed through close personal relationship</td>
<td></td>
</tr>
<tr>
<td><strong>Emotion</strong></td>
<td><strong>Emotion</strong></td>
<td><strong>Emotion</strong></td>
</tr>
<tr>
<td>• Feeling of ‘terhutang budi’</td>
<td><strong>Value</strong></td>
<td><strong>Value</strong></td>
</tr>
<tr>
<td><strong>Value</strong></td>
<td>• Continuously award projects to the PM based on paternalistic behaviour of the client</td>
<td></td>
</tr>
<tr>
<td>• Caring behaviour with others shows respect</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
To assist understanding on how to achieve good relationships in every case study, the findings from each case study (as shown in Tables 7.1, 7.2, 7.3 and 7.4) are visualised in four different relationship development models (refer to Figures 7.1, 7.2, 7.3 and 7.4).

7.2.2 The Process of Good Relationship Development from each case study

Figures 7.1, 7.2, 7.3 and 7.4 demonstrate the development of good relationships from Case

![Diagram](image-url)
Studies 1, 2, 3, and 4. The good relationship development process from Case Study 1 can be described as below.

Refer to the left side of Figure 7.1; ‘willingness to pay’ represented the willingness of the main contractor to make progress payment even though they have not received payment from the client. This situation showed a high level of inter-organisational commitment of the main contractor to the subcontractor. It was this structural factor that drove the inter-organisational commitment.

Consequently, the subcontractor felt happy (i.e. ‘feeling happy’) when they received payment from the main contractor, in which feeling happy represented positive emotion of the subcontractor. The payment reflected the structural determinant and feeling happy (positive emotion) represented the relational determinant. This situation explained the process of how good relationships occurred from structural and relational determinants.

In another scenario, the feeling of ‘timbang rasa’ (considerate) of the main contractor has developed subcontractor’s trust in the main contractor. The main contractor was said to be ‘timbang rasa’ because they were willing to revise the price of any items in the event of increase current market price. The situation reflected that trust emerged from the relational element. As a result, from time to time, the subcontractor has increasingly committed to the main contractor. Thus, Case Study 1 highlights that ‘feeling happy’, ‘trust’ and ‘commitment’ appeared from structural and relational elements. Figure 7.2 presents the relationship development process from Case Study 2.
Figure 7.2: Relationship Development Model of Case Study 2

The structural element of ‘work inter-dependency’ in the above diagram represents the inter-dependency between the subcontractor and the main contractor. As mentioned by Subcontractor L (refer to item ‘d’ of Section 6.3.2 in Chapter 6), close personal relationships with his main contractor was achieved by making himself available to help the main contractor in any situation especially when the main contractor was in difficulties. For example, in any event that other subcontractor did not complete the project,
Subcontractor L was willing to take over the remaining work left. He has made himself as a ‘rescuer’ to any problems faced by the main contractor whether it was project or personal-related problems. The inter-dependency occurred when the subcontractor depended on the main contractor for the job and the main contractor depended on the subcontractor to complete projects including abandoned projects. Trust would then emerge resulting to the achievement of good personal relationships between the subcontractor and the main contractor. The willingness to help each other in terms of solving the main contractor’s problem (i.e. ‘completing the left over project’) and giving that project to the subcontractor (i.e. subcontractor get additional work) reflected commitment between both parties. It demonstrated how good inter-organisational relationships developed.

Figure 7.3 shows the relationship development process of Case Study 3. Similar to Case Studies 1 and 2, this figure shows that good inter-organisational relationship was achieved through the interaction of structural and relational determinants of the case study. The example of how the development of the relationship started from relational determinant can be presented as below.
Figure 7.3: Relationship Development Model of Case Study 3

Feeling of ‘terhutang budi’ (indebtedness) in this case emerged when the subcontractor received the privilege of obtaining continuous projects from the main contractor. According to subcontractor Y, ‘...As their subcontractor, I’ve got the privilege for more projects.....I think I am fortunate as compared to others... ’ (refer to Section 6.4.3 in Chapter 6). In fact, he also received continuous help from the main contractor in every aspect of the project (such as good payment) ever since the very beginning of the contract; not only from the top
management, but also from almost every staff of the main contractor’s company. The feeling of ‘terhutang budi’ developed when subcontractor Y put himself in a situation that he needed to repay the debt of ‘budi’ in return due to the ‘budi’ (kindness) that he has received. He felt thankful to the main contractor and at the same time felt ‘malu’ (shame) due to the debt (‘budi’) that he has received. In order to free himself from ‘feeling malu’ (shame), he must repay the debt of ‘budi’. The reciprocal action was demonstrated by the fact that he has to repay the debt of ‘budi’ by being fully committed to the success of the project and thus, success of the main contractor.

Finally, Figure 7.4 shows the relationship development process in Case Study 4. As in Case Studies 1, 2 and 3, similar pattern of relationship development process can be seen in this diagram. It demonstrated that good inter-organisational relationship in a project was achieved through the interaction and interplay of structural and relational determinants. For example, the project manager trusted the consultant because of the ‘performance’ of the consultant, while the consultant trusted the project manager due to the ‘prompt payment’ from the project manager (i.e. structural determinants). Trust also developed in the project manager because of the ‘obedient’ of the consultant. As mentioned by the executive director of the project manager, ‘…..we trust the consultants because of their performance….they are also obedient and we don’t have any problem [with them]. Like FS consultant, they don’t mind even though they have been told off. If we ask for advice, they will give advice for free…’ (refer to Section 6.5.2 of Chapter 6). Thus, good relationships were developed because all parties in the project trusted each other. The situations presented from the four models (i.e. Figures 7.1, 7.2, 7.3 and 7.4) revealed that the interplay
of the structural and relational elements was vital in developing good relationships in the project.

![Relationship Development Model of Case Study 4](image)

**Figure 7.4: Relationship Development Model of Case Study 4**

### 7.3 Cross case analysis

Following the summary of the key findings of the study, a cross case analysis is conducted to identify the similarities and differences of each case study and thus validate the results of the study. Cross case analysis is important as studying multiple cases makes it possible to
build logical chain of evidence (Yin, 1994; Miles and Huberman, 1994). Thus, cross case analysis is also carried out to obtain a chain of evidence for the relationships studied to form the basis of the model.

7.3.1 Structural Determinants from Case Studies 1, 2, 3, and 4

Table 7.5 and Table 7.6 compare the structural determinants derived from Case Studies 1, 2, 3, and 4. Eight (8) broad themes emerged from all case studies which are: ‘special contract directive’, ‘commitment’, ‘trust’, ‘performance’, ‘power’, ‘loyalty’, ‘work interdependency’, and ‘political connection’. This comparison analysis shows that the structural determinants from all case studies produced three important themes, namely ‘trust’, ‘power’ and ‘performance’. From Figure 7.5 it is apparent that trust developed from ‘previous experience and performance’ (i.e. Case Studies 2 and 3), ‘prompt payment’ (i.e. Case Study 4) and ‘reasonable price/fee and obedient’ (i.e. Case Study 4). The outcomes of trust were ‘less monitoring due to increase of trust’ (i.e. Case Study 3), ‘emergency work awarded to the trusted subcontractor’ (i.e. Case Study 1) and ‘willingness to work without formal written instruction’ (i.e. Case Study 3).

‘Power’, on the other hand, was shown in five situations, namely ‘decision on who should be awarded new project’ (in Case Studies 1, 3 and 4), ‘final decisions made by Datuk’ (Case Study 3), ‘right given by client for Project Manager to appoint consultants’ (in Case Study 4), ‘interlocking board of directors’ decisions in selecting his preferred subcontractors’ (in Case Study 1), and ‘Board of Directors’ decisions to list the parent company on the stock market board’ (in Case Study 2) (refer to result in Chapter 6 and Figure 7.6).
### Table 7.5: Comparative Analysis of Structural Determinants from Case Studies 1, 2, 3 and 4

<table>
<thead>
<tr>
<th>Broad Themes</th>
<th>Case Study 1</th>
<th>Case Study 2</th>
<th>Case Study 3</th>
<th>Case Study 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special contract directive</td>
<td>- Rules instruction the absorption of previous PWD’s staff to the main contractor’s company</td>
<td>Rules instruction the absorption of previous PWD’s staff to the main contractor company</td>
<td>- Willingness to solve problem together</td>
<td>- Absence in importance meetings reflects lack of commitment from top management</td>
</tr>
<tr>
<td>Commitment</td>
<td>- Efficient work programme led to an increase in work commitment. - Willingness to pay in any situation made subcontractor happy</td>
<td></td>
<td>- Less monitoring due to increased trust - Willingness to work without formal written instruction</td>
<td>- Prompt payment developed trust.</td>
</tr>
<tr>
<td>Trust</td>
<td>- Type of work awarded to the trusted subcontractor</td>
<td>- Trust developed from previous working experience</td>
<td>- Work performance develops confident and satisfaction.</td>
<td></td>
</tr>
<tr>
<td>Power</td>
<td>- Interlocking board of directors led to an acceleration of the achievement of close relationship - Datuk’s decision on who should be awarded the new project</td>
<td>- Board directors interlocking influence final decision.</td>
<td>- Final decision only made by Datuk.</td>
<td>- Client gives right to the PM to appoint consultant - Award projects to consultant based on rotation</td>
</tr>
<tr>
<td>Loyalty</td>
<td></td>
<td></td>
<td>- Prompt payment develops loyalty - Willingness to do unprofitable work with the hope of getting more projects in future</td>
<td>- Unfair profit sharing deteriorates loyalty</td>
</tr>
<tr>
<td>Work inter-dependency</td>
<td>- Work inter-dependency brings close inter-personal ties</td>
<td></td>
<td>- Get new contract through competitive rates supplied by the subcontractor</td>
<td></td>
</tr>
<tr>
<td>Political connection</td>
<td>Direct political connection with the ruling party allows retention in the contract</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 7.6: Cross Case Analysis from Structural and Relational Determinants of all Case Studies

<table>
<thead>
<tr>
<th>Broad themes derived from Structural Determinants</th>
<th>Case 1</th>
<th>Case 2</th>
<th>Case 3</th>
<th>Case 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special contract directive</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commitment</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Trust</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Performance</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Power</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Work inter-dependency</td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Political connection</td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Loyalty</td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Broad themes derived from Relational Determinants</th>
<th>Case 1</th>
<th>Case 2</th>
<th>Case 3</th>
<th>Case 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal relationships</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Emotion</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Trust</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Commitment</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Values</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Loyalty</td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Social interaction</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

Following the above, only ‘commitment’ appeared in three case studies, namely Case Studies 1, 3 and 4. From the studies, ‘commitment’ was demonstrated in four situations, namely ‘efficient work programme led to increased work commitment’ and ‘willingness to pay in any situation makes subcontractor happy’ (in Case Study 1), ‘willingness to solve problem together’ (in Case Study 3), and ‘top management presence in all important meetings’ (in Case Study 4).
Table 7.7: Cross Case Analysis of Broad Themes of all Case Studies

<table>
<thead>
<tr>
<th>Broad themes</th>
<th>Case 1</th>
<th>Case 2</th>
<th>Case 3</th>
<th>Case 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special contract directive</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Power</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Performance</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Trust</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Commitment</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Loyalty</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Personal relationships</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Emotion</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Values</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Social interaction</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Work inter-dependency</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Political connection</td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

Three other structural broad themes only appeared in two case studies, namely ‘special contract directive’ (in Case Studies 1 and 2), ‘work inter-dependency’ (in Case Study 2 and 3) and ‘loyalty’ (in Case Studies 3 and 4). While, ‘political connections’ and ‘competency’ only emerged in only one case study, namely Case Studies 2 and 3 respectively.
The relational determinants that emerged from Case Studies 1, 2, 3 and 4 are presented in Table 7.6 and Table 7.8. It shows seven broad themes, namely; ‘personal relationships’, ‘emotion’, ‘trust’, ‘commitment’, ‘values’, ‘social interaction’, and ‘loyalty’. Five broad themes appeared in all case studies, i.e. ‘personal relationships’, ‘trust’, ‘emotion’, ‘values’ and ‘social interaction’. As shown in Figure 7.7, ‘close personal relationship’ with top management strongly influenced top management to give new project and more projects in future (Case Studies 1, 3 and 4). With the close personal relationships, the degree of monitoring was reduced, even at supervisory level (Case Study 2). This is because the main contractor trusted that the subcontractor would perform the job well without creating any problems and thus, it need not be closely monitored. Personal relationships were also reflected by a single point of contact, which indicated that the close relationships developed between two organisations really depended on the contact persons of both organisations.
Table 7.8: Comparative Analysis of Relational Determinants from Case Studies 1, 2, 3 and 4

<table>
<thead>
<tr>
<th>Broad Themes</th>
<th>Case Study 1</th>
<th>Case Study 2</th>
<th>Case Study 3</th>
<th>Case Study 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal relationships</td>
<td>- Interpersonal ties with top management</td>
<td>- Close personal relationship reduces the degree of monitoring</td>
<td>- Get projects through personal relationship with key personnel</td>
<td>- Personal relationship influences the appointment of consultant</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Personal relationship based on single point of contact</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emotion</td>
<td>- Make others happy</td>
<td>- Sensitive to other people’s feeling could maintain good relationship</td>
<td>- Feeling of ‘terhutang budi’ (indebtedness) when being awarded the privilege</td>
<td>- Feeling of ‘terhutang budi’</td>
</tr>
<tr>
<td></td>
<td>- Feeling of ‘tolak ansur’ (compromise) and being ‘timbang rasa’ (considerate)</td>
<td>- The role of being ‘timbang rasa’ (considerate) in developing good</td>
<td>(indebtedness) when being awarded the privilege and feeling of ‘malu’ (shame)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Feeling of ‘terhutang budi’ (indebtedness) drive commitment</td>
<td>relationship</td>
<td>if unable to repay the kindness</td>
<td></td>
</tr>
<tr>
<td>Trust</td>
<td>- Willingness to commit through verbal confirmation reflects trust</td>
<td>- Easily to fulfil any request made by the subcontractor</td>
<td>- Informal interaction outside office hour develop trust</td>
<td>-Trust developed through close personal relationship</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-Trust developed through obedience</td>
</tr>
<tr>
<td>Commitment</td>
<td>- Prove commitment and avoid any suspicious actions which could be perceived</td>
<td>- Sincerity and commitment developed feeling of ‘terhutang budi’ (debt of budi)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>as not being committed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loyalty</td>
<td>- Loyalty achieved when there is no intention to exit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Values</td>
<td>- Paternalistics relationship</td>
<td>- The role of family value in maintaining good relationship</td>
<td>- Sincerity would develop trust.</td>
<td>- Continuously award projects to the PM based on paternalistics behaviour of</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Honesty built trust allowing credit facilities obtained</td>
<td>- Continuous help given to ex-staff who set up their own subcontractor’s</td>
<td>the client</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>company [paternalistics relationship]</td>
<td>- Caring behaviour with others shows respect</td>
</tr>
<tr>
<td>Social interaction</td>
<td>- Frequent social interaction develops ‘big family’ spirit</td>
<td>- Frequent visit to maintain relationship and respect</td>
<td>- Easy to mix around with other people [friendly]</td>
<td>- Informal social interaction after office hours</td>
</tr>
</tbody>
</table>
If the contact person was no longer in the organisation, the good relationships might be subdued if the new contact person could not maintain similar service or provide better service to the partner organisation (Case Study 2).

![Diagram showing antecedent and outcome variables of personal relationship]

**Figure 7.7: Antecedent and outcome of personal relationship**

Second, ‘emotion’, which also appeared in all case studies, was demonstrated by the feeling of ‘terhutang budi’ (indebtedness) (Case Studies 1, 2, 3 and 4). ‘Make others feel happy’ appeared in Case Studies 1, 2 and 3 while the feeling of ‘tolak ansur’ (compromise) and the feeling of ‘timbang rasa’ (considerate) emerged from Case Studies 1 and 2. Finally the feeling of ‘malu’ (shame) came out from Case Study 3. As exhibited by all case studies, emotion (represented by the feeling of ‘terhutang budi’) was the most important factor that influenced the development of good relationships.
Third, trust that was driven by relational determinants also occurred in all case studies. Two vital factors that led to trust were personal relationships (Case Study 4) and informal interactions outside office hours (Case Study 4). From here, trust brought in willingness to commit although the confirmation was only conveyed verbally (Case Study 1). The outcome of trust also made the trusted party able to fulfil any request easily (Case Study 2). These situations demonstrated that relational determinants have been the causes and effects of trust.

Fourth, the data from all case studies indicated that values have also been the main factor of the development of good relationships. The values have been exhibited from the paternalistic relationships (father-son relationships) that occurred in Case Studies 1, 3 and 4. This is because the organisations involved in Case Studies 1 and 3 were family-based business. However, the relationships between the project manager and the consultant in Case Study 4, which was not based on a family business, also demonstrated the characteristic of paternalistic relation. Even the organisation in Case Study 2, which was the subsidiary of a public-listed company, also highlighted the significance of family values. The results underlined that family related values were important determinants in developing good relationships that have been indicated in all case studies followed by honesty (Case Study 2), sincerity (Case Study 3) and caring behaviour (Case Study 4).

Fifth, the significance of social interaction in developing good relationships has also been shown in all case studies. Especially in Case Study 4, the importance of informal social interaction after office hour was highlighted. Having more frequent of such informal social
interaction could later develop the big family spirit (Case Study 1). In fact, frequent social interaction could develop other essential dimension, that is, value of respect that could provide strong maintenance to the relationships (Case Study 2). ‘Easy to mix around with other people’ that reflected friendly behaviour was also emphasised as vital in bringing good relationships with other party.

Commitment that appeared in Case Studies 1 and 2 was not only shown by ‘the willingness of the subcontractor to do anything asked by the main contractor’, but commitment was also exhibited by the effort to ‘avoid doing any suspicious action’ that can reflect them as not being committed. This has been indicated by the sincere commitment of the main contractor which has driven the feeling of ‘terhutang budi’ in the subcontractor (Case Study 2), while loyalty that has been indicated as ‘no intention to exit’ from the existing relationships, represents the actual phenomenon that good relationships have already been achieved.

In conclusion, the results of cross case analysis demonstrated that eight broad themes, namely power, performance, trust, commitment, personal relationships, emotion, values and social interaction appeared in all case studies. As mentioned in Section 4.8.3 in Chapter Four, multiple case studies is one of the methods used to validate the results. Thus, the results from Case Study 2, 3 and 4 validated the results of Case Study 1 (refer to Table 7.7).
7.4 Good Relationship Model in Construction Projects

Based on the results from all case studies, a final model of good relationships in construction projects was developed. The theoretical foundation of the model and the process of how good relationships developed are explained in the following section.

7.4.1 The Description of the Model

As shown on Table 7.7 and Table 7.9, the broad themes derived from this study have been arranged as according to the process elaborated in the structural and relational determinants column. Finally, based on the findings obtained in this study, a model that shows the process of how good relationships developed in construction projects in Malaysia was produced (see Figure 7.8). The model demonstrated relationship development through three main stages: ‘Prior Contract, ‘In the Contract’ and ‘Relationship Outcomes’ including the ‘repeat contract’ process loop. Description of the model is explained below:

7.4.1.1 Stage 1: Prior Contract

At this stage, six dimensions namely, special contract directive, political connection, power, values, performance and personal relationship influenced the development of relationships before the contract began. This could be shown from the existence of a directive requesting the main contractor to take in all PWD (Public Works Department) employees, who have already opted out from PWD. The close relationships between the main contractor and PWD have been easily developed when the employees between the two organisations have known each other earlier (before the contract began). As stated by
the client representative, ‘…most of the main contractor’s staffs are from the PWD. The work orientation is already there, it has been years, because they are the former PWD staff…almost 70%, from the top managers down to the lower managers. Even some of the owners of the companies were also the former PWD staff. So the relationships have been very long…trust has already been there’ (refer to Section 6.3.2 in Chapter Six).

On the other hand, the relationships between the main contractor and the subcontractors/suppliers started off from the paternalistic value shown by the main contractor. For example, in Case Study 1, ‘Datuk’; the director of main contractor’s parent company has been using his power to instruct his trusted employee to start his own construction business. ‘Datuk’ has been then awarded him continuous subcontract work. As declared by subcontractor G, ‘…when he (‘Datuk’) get the maintenance project, he asked me to resign (from his company) and set-up my own subcontractor company and then he gave me a package of the project…’ (see Section 6.2.3 in Chapter Six). The power owned by ‘Datuk’ to choose whoever he wants to appoint and award projects has made subcontractor G felt that he has been the ‘Datuk’s privilege. Thus, good relationships started at the beginning of the project.
<table>
<thead>
<tr>
<th>Structural Determinants</th>
<th>Broad Themes</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Rules instruction the absorption of previous PWD’s staff to the main contractor’s company</td>
<td>Special contract directive</td>
</tr>
<tr>
<td>- Efficient work programme led to an increase in work commitment</td>
<td>Commitment</td>
</tr>
<tr>
<td>- Willingness to pay in any situation makes subcontractor happy</td>
<td></td>
</tr>
<tr>
<td>- Absence in important meetings reflects lack of commitment from top management</td>
<td></td>
</tr>
<tr>
<td>- Willingness to solve problem together</td>
<td></td>
</tr>
<tr>
<td>- Prompt payment developed trust</td>
<td>Trust</td>
</tr>
<tr>
<td>- Type of work awarded to the trusted subcontractor</td>
<td></td>
</tr>
<tr>
<td>- Trust developed from previous working experience</td>
<td></td>
</tr>
<tr>
<td>- Less monitoring due to increased trust</td>
<td></td>
</tr>
<tr>
<td>- Willingness to work without formal written instruction</td>
<td></td>
</tr>
<tr>
<td>- Performance monitored through weekly site diary report</td>
<td>Performance</td>
</tr>
<tr>
<td>- Work performance, reasonable rates drive trust</td>
<td></td>
</tr>
<tr>
<td>- Trust developed from good work performance</td>
<td></td>
</tr>
<tr>
<td>- Less monitoring due to increased trust</td>
<td></td>
</tr>
<tr>
<td>- Willingness to work without formal written instruction</td>
<td></td>
</tr>
<tr>
<td>- Client gives right to the PM to appoint consultant</td>
<td>Power</td>
</tr>
<tr>
<td>- Award projects to consultant based on rotation</td>
<td></td>
</tr>
<tr>
<td>- Interlocking board of directors led to an acceleration of the achievement of close relationship</td>
<td></td>
</tr>
<tr>
<td>- Datuk’s decision on who should be awarded the new project</td>
<td></td>
</tr>
<tr>
<td>- Board directors interlocking influence final decision</td>
<td></td>
</tr>
<tr>
<td>- Final decision only made by Datuk</td>
<td></td>
</tr>
<tr>
<td>- Unfair profit sharing deteriorates loyalty</td>
<td>Loyalty</td>
</tr>
<tr>
<td>- Prompt payment develops loyalty</td>
<td></td>
</tr>
<tr>
<td>- Willingness to do unprofitable work with the hope of getting more projects in future</td>
<td></td>
</tr>
<tr>
<td>- Work inter-dependency brings close inter-personal ties</td>
<td>Work inter-dependency</td>
</tr>
<tr>
<td>- Get new contract through competitive rates supplied by the subcontractor</td>
<td></td>
</tr>
<tr>
<td>- Direct political connection with the ruling party allows retention in the contract</td>
<td>Political connection</td>
</tr>
</tbody>
</table>
Table 7.9: Summary of Broad Themes Derived from the Study (cont’d)

<table>
<thead>
<tr>
<th>Relational Determinants</th>
<th>Broad Themes</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Interpersonal ties with top management</td>
<td>Personal relationships</td>
</tr>
<tr>
<td>- Close personal relationship reduces the degree of monitoring</td>
<td></td>
</tr>
<tr>
<td>- Personal relationship based on single point of contact</td>
<td></td>
</tr>
<tr>
<td>- Get projects through personal relationship with key personnel</td>
<td></td>
</tr>
<tr>
<td>- Personal relationship influences the appointment of consultant</td>
<td></td>
</tr>
<tr>
<td>- Make others happy</td>
<td>Emotion</td>
</tr>
<tr>
<td>- Feeling of ‘tolak ansur’ (compromise) and being ‘timbang rasa’ (considerate)</td>
<td></td>
</tr>
<tr>
<td>- Feeling of ‘terhutang budi’ (indebtedness) drive commitment</td>
<td></td>
</tr>
<tr>
<td>- Sensitive to other people’s feeling could maintain good relationship</td>
<td></td>
</tr>
<tr>
<td>- The role of being ‘timbang rasa’ (considerate) in developing good relationship</td>
<td></td>
</tr>
<tr>
<td>- Feeling of ‘terhutang budi’ (indebtedness) when being awarded the privilege and feeling of ‘malu’ (shame) if unable to repay the kindness</td>
<td></td>
</tr>
<tr>
<td>- Avoiding negative perceptions (feeling of ‘malu’) and making others happy</td>
<td></td>
</tr>
<tr>
<td>- Feeling of ‘terhutang budi’</td>
<td></td>
</tr>
<tr>
<td>- Willingness to commit through verbal confirmation reflects trust</td>
<td>Trust</td>
</tr>
<tr>
<td>- Easily to fulfil any request made by the subcontractor</td>
<td></td>
</tr>
<tr>
<td>- Informal interaction outside office hours develop trust</td>
<td></td>
</tr>
<tr>
<td>- Trust developed through close personal relationship</td>
<td></td>
</tr>
<tr>
<td>- Trust developed through obedience</td>
<td></td>
</tr>
<tr>
<td>- Prove commitment and avoid any suspicious actions which could be perceived as not being committed.</td>
<td>Commitment</td>
</tr>
<tr>
<td>- Sincerity and commitment developed feeling of ‘terhutang budi’ (indebtedness)</td>
<td></td>
</tr>
<tr>
<td>- Loyalty achieved when there is no intention to exit.</td>
<td>Loyalty</td>
</tr>
<tr>
<td>- Paternalistic relationship.</td>
<td>Values</td>
</tr>
<tr>
<td>- The role of family values in maintaining good relationship.</td>
<td></td>
</tr>
<tr>
<td>- Honesty built trust allowing credit facilities obtained</td>
<td></td>
</tr>
<tr>
<td>- Sincerity would develop trust</td>
<td></td>
</tr>
<tr>
<td>- Continuous help given to ex-staff who set up their own subcontractor’s company [paternalistic relationship].</td>
<td></td>
</tr>
<tr>
<td>- Continuous projects given to the PM based on paternalistic behaviour of the client.</td>
<td></td>
</tr>
<tr>
<td>- Caring behaviour towards others shows respect.</td>
<td></td>
</tr>
<tr>
<td>- Frequent social interaction develops ‘big family’ spirit.</td>
<td>Social interaction</td>
</tr>
<tr>
<td>- Frequent visit to maintain relationship and respect.</td>
<td></td>
</tr>
<tr>
<td>- Easy to mix around with other people [friendly].</td>
<td></td>
</tr>
<tr>
<td>- Informal social interaction after office hour.</td>
<td></td>
</tr>
</tbody>
</table>
Figure 7.8: Good Relationships Model in Construction Projects in Malaysia
Similar circumstance occurred when close relationships have already been established among parties in the contract. This could be exhibited from close personal relationships between the Principal of Consultant A and the Executive Director of Project Manager that has been established prior to the contract (see Section 6.5.3 in Chapter Six).

The model shows that the dimensions that were responsible for the development of good relationships before the contract began were special contract directive, political connection, power, values, previous performance and previous personal relationship. These dimensions have led to the emergence of trust and expanded further ‘in the contract’ stage as will be discussed in the next section.

7.4.1.2 Stage 2: In the Contract

At this stage, the relationships between parties in the contract developed because of the interactions of various structural and relational elements. The model exhibited that performance; work inter-dependency, personal relationships, emotion, social interaction, values, power, trust, commitment and loyalty were the good relationship maintenance dimensions.

Good performance among parties in the contract resulted trust to occur. For example, the consultant trusts the project manager because of the prompt payment made by the project manager. Similarly, the project manager trusts the consultant because the consultant has demonstrated good performance (see Section 6.5.2 in Chapter Six). From cultural perspectives, it is important to develop personal relationships with the key contact person
from other parties in the contract due to the emphasis given by the society to interpersonal relationships. As mentioned by one of the subcontractors, ‘…we need to be close to the key person... When I talk to him I’ll make sure that I’ll talk about things that he likes. It should be full of praises and I’ll make sure that there’ll be no contradiction of ideas. By focusing on his preference, I can get close to him’ (see Section 6.3.3 in Chapter Six). However, personal relationships should include making other people happy with the relationships because personal relationships only were not sufficient to develop good relationships. Subcontractor C claimed that although he has close personal relationships with ‘Datuk’ (the Director of the main contractor’s company), he still need to make ‘Datuk’ felt happy working with him. It is because feeling happy was the emotional bonding that could prolong the relationships.

On the other hand, if the main contractor has given numerous helps to the subcontractor/supplier such as making prompt progress payment, giving additional work to the trusted subcontractor/supplier or whatever form of assistance that have made the subcontractor/supplier’s workings easier, these assistance would be valued by the subcontractor/supplier as ‘budi’ (kindness). The situation would make the subcontractor/supplier felt ‘terhutang budi’ (indebtedness) to the main contractor, and the feeling of ‘malu’ (shame) would always exist as long as the subcontractor/supplier did not repay the kindness that he received from the main contractor. Feeling ‘malu’ became the push factor to repay the kindness (see Section 6.2.3 in Chapter Six). Emotional bonding formed full commitment between the two parties and brought in subcontractor/supplier’s loyalty to the main contractor. Loyalty reflects the
subcontractor’s intention to stay in the relationships that will be explained in third stage as the followings.

**7.4.1.3 Stage 3: Relationship outcomes**

At this stage, the outcome of good relationships has already established. Less monitoring by the main contractor, the subcontractor’s willingness to do unprofitable work to maintain good relationships, the subcontractor’s willingness to help the main contractor to complete any urgent works without written instructions were several examples representing these outcomes (see Section 6.4.2 in Chapter Six). These outcomes may lead to repeat contract with the loyal subcontractor/supplier. The repeat contract loop shown in the model reflected the maintenance of good relationships unless some incidents occur that may deteriorate the established relationships.

Consequently, as shown in the model, it is argued that good relationships developed in long-term contract were resulted from the interactions of both structural and relational factors.

**7.4.2 Theoretical Foundations of the Model**

Through the theoretical lens of Williamson’s (1985), the proposed model in this study demonstrates that good relationships or collaborative working relationships that were developed through relational contracting norms approach may reduce the transaction
cost. This could be achieved through the minimisation of disputes that resulted to the minimisation of costs, in which decisions and actions could be made quicker. This is because the governance structures of relational contracting norms approach bind the parties in the construction project, which in return may reduce disputes to occur. Williamson (1985) through his Transaction Cost Economics (TCE) emphasises that transaction costs could be reduced when opportunism is minimised. Emotions dimensions that were incorporated in the model of this study {i.e. ‘terhutang budi’ (indebtedness), ‘malu’ (shame), and sensitive to others} showed that good relationships are enhanced further and thus encouraged harmonisation in relationships and workings in the construction projects.

From the structural perspective, the structural elements (rules and resources) have influenced the interactions of parties in the contract. At the same time; the relational elements that were developing during the interactions have influenced the structure of the contract. Accordingly, good relationships became the outcome of the interplay between the structural and relational elements (see Chapter Two). The structural and relational determinants from all case studies are displayed in Table 7.7. On the other hand, the Relational Contracting Theory (Macneil, 1980) highlights the importance of RC norms (i.e. expectation of behaviour) in the development of good relationship between parties in the contract.

As a result, the Good Relationships Development model developed in this study comprises twelve dimensions. Out of ten RC norms, only eight norms were applicable in
certain respects (refer to Figure 7.9 for detail comparisons). Relational planning and monitoring behaviour were not applicable in the context of this study. This study successfully developed seven new dimensions (special contract directive, performance, political connection, personal relationships, emotion, values and social interaction). Consequently, the model in this study supports the Transaction Cost Economics Theory and extends the Relational Contracting Theory.
## Figure 7.9: Applicability of Existing Relational Contracting Norms to the proposed Relationship Development Model

<table>
<thead>
<tr>
<th>Relational Contracting Norms</th>
<th>Proposed Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust</td>
<td>Trust</td>
</tr>
<tr>
<td>Commitment</td>
<td>Commitment</td>
</tr>
<tr>
<td>Limitation of Power</td>
<td>Power</td>
</tr>
<tr>
<td>Flexibility</td>
<td>Emotion ['timbang rasa (considerate), 'tolak ansur' (compromise)]</td>
</tr>
<tr>
<td>Conflict Resolution</td>
<td>Values (Sincerity and Honesty)</td>
</tr>
<tr>
<td>Role Integrity</td>
<td>Loyalty (long-term relationship as outcome of loyalty)</td>
</tr>
<tr>
<td>Long-term orientation</td>
<td>Work inter-dependency (inter-dependency of information)</td>
</tr>
<tr>
<td>Information Exchange</td>
<td>[not applicable]</td>
</tr>
<tr>
<td>Monitoring Behaviour</td>
<td>[not applicable]</td>
</tr>
<tr>
<td>Relational Planning</td>
<td>Special contract directive</td>
</tr>
<tr>
<td></td>
<td>Performance</td>
</tr>
<tr>
<td></td>
<td>Political Connection</td>
</tr>
<tr>
<td>Newly proposed dimensions (Not in RC Norms)</td>
<td>Personal Relationship</td>
</tr>
<tr>
<td></td>
<td>Emotion (make others happy, ‘malu’ (shame), ‘terhutang budi’ (indebtedness))</td>
</tr>
<tr>
<td></td>
<td>Values (family values, paternalistic values, caring)</td>
</tr>
<tr>
<td></td>
<td>Social Interaction</td>
</tr>
</tbody>
</table>
7.4.3 Validation of the Model

The proposed model was validated using structured interviews carried out with academic experts and practitioners (see Section 4.2 in Chapter Four). Table 7.6 presents the details of six experts (three academics and three practitioners) who participated in the structured interviews. A balanced combination of academics and practitioners has led to a better model that is practicable to both the academics and practitioners. Table 7.10 shows the background of the respondents involved in the interviews.

**Table 7.10 Background of the respondents**

<table>
<thead>
<tr>
<th>Type of Organisation</th>
<th>Designation</th>
<th>No of Participant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client A</td>
<td>Senior Project Manager</td>
<td>1</td>
</tr>
<tr>
<td>Subcontractor A</td>
<td>Director</td>
<td>1</td>
</tr>
<tr>
<td>Subcontractor B</td>
<td>Director</td>
<td>1</td>
</tr>
<tr>
<td>Academic</td>
<td>Head of Department 1</td>
<td>1</td>
</tr>
<tr>
<td>Academic</td>
<td>Senior Lecturer 2</td>
<td>1</td>
</tr>
<tr>
<td>Academic</td>
<td>Senior Lecturer 3</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>6</td>
</tr>
</tbody>
</table>

The overall results of the validation interviews are shown in Table 7.11. Fourteen questions explaining each dimension of the model were listed. The expert participants were asked to validate the applicability of each dimension by giving rating. The validation results showed each dimension has a score of more than 3.00 with the highest score of 4.67 for three questions, i.e. ‘loyalty drives good relationship, ‘previous and current good performance develops trust’ and ‘commitment through prompt payment bring feeling happy of the other party’.
Table 7.11: Validation of the model: Overall results

<table>
<thead>
<tr>
<th></th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neither agree nor disagree</th>
<th>Agree</th>
<th>Strongly agree</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Loyalty is the main criteria for development of good relationship</td>
<td>2</td>
<td>4</td>
<td>4.67</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Previous and current work performance are important elements that could develop trust in other party (performance - trust)</td>
<td>2</td>
<td>4</td>
<td>4.67</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Willingness to make prompt progress payment in difficult situation makes others happy (commitment – emotion)</td>
<td>2</td>
<td>4</td>
<td>4.67</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Personal relationship with the key person in the contract is very important for achieving successful relationships (personal relationship)</td>
<td>3</td>
<td>3</td>
<td>4.50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Sincerity and honesty will develop trust (Trust from values)</td>
<td>3</td>
<td>3</td>
<td>4.50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Leader or superior will give assistance and protection to any trusted individuals or parties for the success of the business. (paternalistic leader)</td>
<td>3</td>
<td>3</td>
<td>4.50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Frequent visits made by the lower rank employees to the upper rank managers shows respect and would maintain the relationships (social interaction)</td>
<td>4</td>
<td>2</td>
<td>4.33</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Feeling of ‘timbang rasa’ (considerate) and ‘tolak ansur’ (compromise) will hinder dispute between the parties (emotion)</td>
<td>4</td>
<td>2</td>
<td>4.33</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Get new contract through competitive rates given by the subcontractor (work inter-dependency)</td>
<td>1</td>
<td>1</td>
<td>4.33</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Feeling of ‘terhutang budi’ (indebtedness) will drive commitment (emotion – commitment)</td>
<td>5</td>
<td>1</td>
<td>4.17</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Caring other people’s feeling could maintain good relationship (emotion)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4.17</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>If there is instruction and rule that direct parties in the contract to develop relationships, good relationships would develop because people would easily follow instruction. (contract directive)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4.17</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Direct political connection with the ruling party provides strong influence in getting project</td>
<td>1</td>
<td>4</td>
<td>1</td>
<td>3.83</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Decisions made by the leader in the context of good relationships would be easily accepted and obeyed since the leader is considered as a wise man (power)</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>3.33</td>
</tr>
</tbody>
</table>
The last question requested the expert participant to give overall comments on the applicability of the model as a measurement tool to evaluate successful relationships in Malaysia. Table 7.12 shows the overall comments from the expert participants. All participants indicated positive remarks on the applicability of the model in the context of developing good relationships in construction industry in Malaysia.

Table 7.12 Overall comments of the model

<table>
<thead>
<tr>
<th>Overall comments of the respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>“All elements are critical in developing and maintaining good relationships. However communication is much more important…such as meeting personally or personal verbal communication in updating the current situation. Good relationships and trust that have been established would be destroyed without effective communication.” (Director Subcontractor A)</td>
</tr>
<tr>
<td>“Main contractor selects trusted subcontractor and give them projects. The selected subcontractor felt responsible to provide good performance, competitive rates, and quality work to maintain good relationships. Thus, continuous enhancement of good quality performance forms the basis of good relationship maintenance.” (Director Subcontractor B)</td>
</tr>
<tr>
<td>“All factors can be used as a tool to develop good relationships. But several factors such as political connection and personal relationship could not normally sustain at all times. This is because the relationship will deteriorate or ‘gone’ if the person is no longer in politics, or good personal relationship affected with quarrelling” (Senior Project Manager – Client organisation)</td>
</tr>
<tr>
<td>“No doubt that all elements in the model are important to develop good relationship, but favouritism to certain party hinders other people entering the project” (Senior Lecturer 2)</td>
</tr>
<tr>
<td>“This model is suitable to evaluate relationships in the Malaysian construction industry…but however loyal to superior is the most important factor in developing good relationships” (Head of Department)</td>
</tr>
</tbody>
</table>
7.5 Summary

This chapter presents the summary of all the key findings of the study after the detail results were analysed. Consequently, nine broad themes from structural determinants and seven broad themes from relational determinants were generated. Then, a cross case analysis was conducted, in which similarities and differences were highlighted and a logical chain of evidence was built (Yin, 1994; Miles and Huberman, 1994). The next chapter that follow discusses the results in the light of the previous studies. Thus, it highlights the position of the study in the literature.
CHAPTER 8

Discussion

8.1 Introduction
While the preliminary results in Chapter Five have highlighted several elements reflecting the importance of the study; the details of the findings in Chapter Six and Seven have produced several broad themes elaborating and supporting the results. This chapter presents further discussions on these broad themes by highlighting the position of this study in the context of the existing literature. It also highlights how this study contributes to the existing knowledge by supporting the Transaction Cost Economics theory and extending the existing relational contracting norms.

8.2 The development of good inter-organisational relationships
A great deal of literature highlights the importance of relational contracting or relationship contracting as an alternative to the traditional contract. As a result, various definitions have been produced by researchers in trying to understand the concept. Rowlinson and Cheung (2004), for example define relationship contracting as ‘the recognised of and strive for mutual benefits and win-win scenarios through more cooperative relationships between the parties’. The existing literature considers relational contracting as a broad concept that comprising of various approaches, namely partnering, joint-venture, alliancing and other collaborative working arrangements. Specifically, Kumaraswamy et al (2005a; 2005b), Rahman and Kumaraswamy (2002; 2005a; 2005b; 2008), Rowlinson et al (2006), Cheung et al (2005) and Walker and Hampson (2003)
have already identified the importance of trust, commitment, cooperation, open communication, joint problem-solving in achieving successful relationships. However, these studies have given less attention on how these elements had emerged and thus good relationships evolve. The existing relational contracting literature also lacks to address the influence of national culture that may have strong effects on relationship development in their context of study as well as how the individual affects the levels of inter-organisational cooperation (Phua and Rowlinson, 2003). This is important as individual in an organisation would act differently depending on which culture he is in. Thus, the identification of how the culture influences the style of working would help in understanding the process of developing good relationships and thus helps to achieve good relationships quicker.

As referred to Chapter One, the aim of the study is to develop the concept of relational contracting norms as a measurement tool that could be utilised by construction organisations in evaluating successful relationships in Malaysia. As indicated in Chapter Six, the results elaborated a process of good relationship development model viewed from the structural and relational perspectives. The model consisted of eight broad themes (dimensions) emerged from structural determinants (trust, power, special contract directives, commitment, performance, loyalty, work interdependency, and political connection) and seven broad themes (dimensions) derived from relational determinants (personal relationships, emotion, trust, commitment, values, social interaction and loyalty) (see Figure 7.5 in Chapter Seven). From the structural perspectives, out of eight determinants, trust, performance and power were the most significant because they
appeared across all case studies. Similarly, personal relationships, emotion, trust, values and social interactions, which appeared across all case studies, were the significant relational determinants.

As referred to Figure 7.8 and Table 7.9 in Chapter Seven, trust, commitment and loyalty emerged from the interplay of structural and relational determinants of good relationships. The results have successfully demonstrated the significant of personal relationships, emotion and values in developing good inter-organisational relationships which have previously received less attention in the literature. Concurrently, this study supported the existing studies that showed trust (e.g. McDermott, et al., 2004; Lau and Rowlinson, 2005; Naismith et al. 2005), power (Cox, 1999) and social interaction (McAllister, 1995) were the vital elements in constructing good relationships.

The following section discusses the main themes found across all four case studies, namely trust, power, personal relationships, values, social interaction and emotion. Some of the themes were the outcomes of several causes that interplay between the structural and relational elements. Further discussion will be as follows.

8.3 **Trust**

Scholars researching in the field of business relationships highlight the importance of interpersonal trust in the initiation, development and sustenance of relationships (e.g., Andersen, 2001; Cova and Salle, 2000). Trust is associated with a high level of psychological commitment to the relationship among the partners (Kumar and Nti, 1998)
as trust promotes flexibility and adaptability as well as strengthens the relationships between cooperating firms (Arino, dela Torre and Ring, 2001).

Similarly in the construction management literature, trust has been studied extensively (e.g. McDermott et al, 2004, Swan et al., 2005), which reflects that trust is an important element in binding the project teams together. In this study, the subcontractor’s willingness to act, i.e. work without formal written instruction from the main contractor indicated that the subcontractor trust the main contractor in that the main contractor would pay them even though there was no written instruction given. The subcontractor also believed that the main contractor would not engage in an opportunistic behaviour (Doney et al, 1998) (i.e. would not pay the subcontractor even though the work has been completed). The willingness of the main contractor to fulfil any request from the subcontractor/supplier reflected the main contractor’s willingness to act based on their trust that the subcontractor would complete the job on time. Thus, as referred to Chapter Seven, the results of the study highlighted that the antecedents of trust came from both structural and relational determinants. The structural determinants were, received prompt payment, previous experience and performance as well as reasonable rates. The relational determinants, on the other hand were informal interactions outside office hours, close personal relationships and obedient. As a result, trust led to several outcomes namely less monitoring, willingness to work without formal written instruction, easily get projects and easily to fulfil any request by the trusted party (refer to Figure 7.5 in Chapter Seven).
The *structural determinant* of trust was in line with Doney et al. (1998) in that the main contractor could predict the future performance of the subcontractors when they had the experience working with subcontractors previously and knew how they had performed. Doney et al. (1998) highlight that the previous experience and performance builds trust via a prediction process that requires information about a party’s past actions because past actions such as previous experience and performance would mirror the future performance. Andersen and Kumar (2006) indicate that organisations often stay with the partners (subcontractor) with whom they have interacted previously because they knew how to deal with the partner when they had already known the strength and weaknesses of their partner (subcontractor).

This study also found that trust has also been affected by *relational determinants* as it has close association with emotional trust or affective trust. Although trust has been studied widely, not many studies have related trust and emotion (Jone and George, 1998).Forgas (1992), for example, underlines that emotions shape perceptions of the others’ trustworthiness. The results were consistent with the wide body of research that suggest people frequently use their feelings as an information source for evaluating others’ trustworthiness. McAllister (1995) and Williams (2001) stress that emotional trust promotes deeper and more stable levels of trust rather than those purely associated with rational arguments. According to McAllister (1995), trust based on emotional states such as care and concern is deeper than trust based primarily on predictability, which comes from structural determinants.
The results support several literatures in that trust produced several outcomes. Masden (1991) and Morgan and Hunt (1994), for example indicate trust may reduce control and thus involve less monitoring. Other outcomes are such as reduced monitoring of contractor (e.g. Thompson, 2003), predictable repeat contract (e.g. Eccles, 1981), and provide ‘continuous helps’ to the other party (e.g. Wood et al., 2001). However, the results revealed that the subcontractor’s willingness to start work without waiting for written instructions from the main contractor exhibited that trust has omitted the subcontractor’s scepticism of the possibilities that the main contractor would not keep their promise.

8.4 Power

As referred to Section 2.4.8, studies on relational norms highlight the limitation in the use of power of one party over another as the best way to maintain a business relationship. Thus, the more relational values are put to an exchange, the less likely the parties will exercise their legitimate or coercive power (Macneil, 1981; Young et al, 1996). In the literature of construction partnering, various studies find that it is easy to develop trust in the existence of balance of power as it may hinder opportunism to occur (e.g. Barlow et al. 1997; Derek et al. 2003). It is because one party may become opportunist over another in a circumstance that one party is more powerful than another. Berrel et al (2002), for example specify that imbalance of power would definitely destroy trust, which is a key component of successful partnering or collaborative working relationships. Thus, based on the principle of equality, it is the spirit of equality of the individual that becomes the norms of the Western society as well as its organisation.
On the other hand, the researchers in the cross cultural management discipline have been using the element of power, which they refer to as ‘power distance’, as one of the classifications of the society (e.g. Hofstede, 1991). As mentioned in Section 3.3.2.7 in Chapter Three, power distance is defined as the extent to which the less powerful members of institution and organisation within a country expect and accept that power is distributed unequally (Hofstede, 1980; 1991). Several researchers find that Malaysia has large power distance within the society, in which the unequal power is viewed as natural (Abdullah and Lim, 2001; Lim, 2001; Abdullah, 1992; 1996; 2001). The act of being obedient to the elderly and do not argue on any issue with more powerful people are also common (Berrel, et al, 2002; Abdullah and Lim, 2001; Hofstede, 1991).

An interesting point found in the results was that, good relationships could still be developed in the existence of power imbalance among the organisations. Thus, the findings from this study were opposed to the previous studies in that this study showed the imbalance of power allowed easier development of good relationships due to the characteristics of the Malay society that accepts power imbalance as common.

The findings also highlighted that the characteristics of power in every case study, i.e. the *imbalance of power* among the parties involved in the project and the *centralisation of power* owned by the CEO (Datuk) has driven the development of good inter-organisational relationships. The circumstance could be viewed from the position of the ‘interlocking Datuk’ (Scott, 1991; Hall, 1999), who is sitting on two Corporate Boards. The position allowed him to appoint subcontractors and suppliers whom have been
working for him in an existing company, to work on the new project in another company. Normally, he would appoint those whom he knows very well as good subcontractors and suppliers. The new contract obtained by these subcontractors in new projects represents Datuk’s power in appointing subcontractor for other projects. Good relationships formed when the main contractor satisfied with Datuk’s decisions even though they did not know and experience working with the subcontractor previously. Accordingly, as underlined by Abdullah and Lim (2001), the top management (in this case is ‘Datuk’) was generally considered as a wise man and his decisions were not always challenged by others due to their respect on ‘Datuk’, who is sitting at a higher level of authority. Thus, it is a norm that people would commit to such respective people like ‘Datuk’ and consequently good relationships were achieved.

These findings contradicted to the existing literature in relational norm (e.g. Bucklin and Sengupta, 1993), partnering (e.g. Barlow et al, 1997) and supply chain management (e.g. Walker and Johannes, 2003), in which collaborative and good relationships would only prosper in a circumstance where the balance of power exists.

This study demonstrated that the use of power may influence the acceleration of good relationships. This was because at the top managerial level, the executive directors used absolute power to appoint subcontractors and suppliers whom have been working with them previously. Thus, the power influences strong inter-dependency between the main contractors and subcontractors/suppliers. On one hand, the main contractor depend on the trusted subcontractors and suppliers to carry out good quality work for the project;
and on the other hand, the subcontractors and suppliers depend on the main contractor for the continuity of their business. Thus, good relationships which have been developed in the previous project were extended to a new project. The findings support several studies in that power offers the opportunity to develop even more trusting (Young and Wilkinson, 1989; Sydow, 1998) and committed relations (Brown, Lush and Nicholson, 1995). Accordingly, the top management’s trust in the subcontractors and suppliers was transferred to the operational level due to belief that the top management is trustworthy (Doney et al., 1998) and has made wise decisions (e.g. Keneddy, 2002; Jogulu and Wood, 2007, also see section 3.3.2.7 of Chapter 3).

8.5 Personal relationships

The importance of personal relationships in developing good relations has been mentioned in several studies particularly studies in the Asian countries (e.g. Wang, 2007; Sloane, 1999). This is because the affective value that is built in personal relationships could hinder conflict. Since then, several terms have been used by different society to reflect personal relationships (refer to Section 3.3.312 in Chapter Three).

The findings from the preliminary study (refer to Table 5.4 in Chapter Five) and the main study supported the work by Wang (2001), Geraldine (2004), Abdullah (2001; 1996) and Sloane (1999) in which, personal relationships are among the most important criteria in successful inter-organisational relationships. As referred to Section 3.3.2.12 in Chapter Three, the findings of this study were also in line with Abdullah (1996; 2001) in that the Malays normally place good relationships with people in every aspect of their life
including in business transaction. The results of this study demonstrated the process of how personal relationships between parties in construction supply chain emerged from the existence of strong inter-dependency among them. For example, the inter-dependency on the profits gained by the main contractor and the subcontractor led to close personal relationships. The main contractor gained benefits when their subcontractor has been willing to provide any helps in any circumstances ranging from giving helps in projects to even in personal matters, i.e. willing to listen to their main contractor’s personal problems. The subcontractor, even considered themselves as the rescuer when the subcontractor able to help the main contractor especially when they were in difficulties, i.e. the subcontractor was willing to complete the abundant project so that the main contractor would not be punished by their client (refer to Section 6.3.2 (d) in Chapter Six). These helps reflected a form of subcontractor’s sacrifice and loyal to the main contractor resulting to a very close personal relationships between them. In return, the subcontractor obtained repeat contract resulting from these close personal relationships (see Section 6.2, 6.4 and 6.5 in Chapter Six).

This study found that good inter-organisational relationships were in fact developed from good personal relationships between individuals. It the context of Eastern society especially the Chinese society, it has been stated by Fellows et al (2003) that the relationships are with the person and the business considerations follow… [and] once established, the personally based relationships are enduring…..’ (Fellows et al., 2003).
The single point of contact was demonstrated as one of the most important characteristics of personal relationships, in which relationships occur between two individuals who came from different organisations. The impact of these personal relationships was that when one of these individuals leaves the organisation, thus opportunity to renew the contract was affected (see Section 6.6 in Chapter Six). These findings supported Sloane (1999) who underlines that the relations among the Malays, which normally called ‘kawan’ or friend represented more than the meaning of friendships. This type of friendship has an element of promise that they will help one another to succeed. Bjorkmen and Lock (1995) have also highlighted that a person has a good chance of winning the business deals if he has good personal relationships with the decision maker. Thus, the chances of obtaining or renewing the contract would be affected once their friend leaves the organisation.

As demonstrated from all four case studies, the good personal relationships have been resulted from a strong influence of the Malaysian cultural values namely the collectivist nature of the society who emphasised on relationships more than the tasks delegated. Personal relationships developed with the top management or decision makers. As a result, relationships were developed between two individuals instead of two organisations. Sloane (1999) recognises that most Malaysians have practiced personalisation of the corporation, in which there is no segregation between an organisation and individual as has been implemented by the Western society. In Malay organisations, the individual (self) does not put himself into blocks. Instead, he viewed
various perspectives as oneself. Thus, one could not separate business and his private lives.

8.6 Emotions
Several researchers have increasingly recognised the role of emotion in mediating the dynamics of interpersonal interaction (e.g. Kumar, 1997; Lawler, 2001; Andersen and Kumar, 2006). Both positive and negative emotions had been found to play a crucial role in the initiation, development and sustenance of relationships over time (Andersen and Kumar, 2006) by influencing the development of trust of the counterpart with trust influencing subsequent interaction, which may have a direct impact on the behavioural intention (e.g. Kumar, 1997; Ben Za’Ev, 2001; Andersen and Kumar 2006). Witkowski and Thibodeau (1999) emphasise that emotions is important in establishing and maintaining the business relationships. Frijda (1986), for example, underlines that people experience positive emotions when they are able to attain their desired goals and they experience negative emotions when they are unable to achieve their desired goals. Several authors specify that emotions could bring some impacts such as forming the behaviour of oneself (Ben Za’Ev, 2001), influence decision-making (e.g., Carnevale and Isen, 1986), and condition the negotiating strategies (e.g. Greenhalgh and Chapman, 1998).

This study revealed that emotion was significant in the process of developing good relationships. It emerged from five various feelings namely feeling of ‘terhutang budi’ (debt of budi/indebtedness), ‘malu’ (shame), ‘bertimbang rasa’ (considerate), ‘bertolak’...
ansur (compromise) as well as concerned or sensitive to others. In most circumstances, the Malays normally feel and think at the same time and they do not separate the two when making any judgement. It is reflected from the word ‘rasa’ (lit. feel) that they would normally used when making judgement, no matter whether the judgement is based on mind or feeling (refer to Section 3.3 in Chapter Three). For example, they would respond as ‘saya rasa’ (I feel) rather than saying I think. Thus, it is understood that they are actually feeling and thinking at the same time.

Among all, the feeling of ‘terhutang budi’ is the most important emotion element that drives good relationships among the parties in the construction supply chain. Feeling of ‘terhutang budi’ is a situation that arises when someone who receives ‘budi’ feels that he owes something that need to be repaid (see Chapter Three Section 3.3.2.2). This is because the Malay culture has developed from a history of communal living which has produced a strong community spirit (Sendut et al., 1990), which in turn becomes the basis to develop sense of responsibility to help friends, relatives and neighbour (Lim, 2001).

The results demonstrated that the feeling of ‘terhutang budi’ occurred in all case studies. Generally, the feeling of ‘terhutang budi’ was generated from the provision of receiving assistance from the main contractors and project managers (see Chapter Six). The assistances were in the form of business opportunities given by the main contractor and the project manager that allowed them to start their business as a subcontractor/supplier or consultancy firm. The assistance was also in the form of getting continuous projects from the main contractor/project manager. In the context of Malay culture, the
An Investigation of Relational Contracting Norms in Construction Projects in Malaysia

subcontractor/supplier who received prompt progress payment as stated in the contract viewed these circumstances as not only the contractual obligation but also as a form of assistance or reward from their superior (main contractor/project manager) (e.g. Jaafar et al., 2004; Goddard, 2001) (refer to Chapter Three). Other assistance were; getting advanced progress payment due to festive season; having the chance to go for free management and finance courses; getting fuel allowance (case study 2); getting the privilege of securing continuous projects (case study 3) as well as obtaining consultancy opportunities and capital support from the project managers (case study 4).

Consequently, these situations led the subcontractors to feel indebted to the main contractors or the project manager. The reciprocity nature of the feeling of ‘terhutang budi’ (indebted) has influenced the emergence of emotional commitment that led to the achievement of good relationships. Norazit (1995) and Jaafar et al. (2004) emphasise that the purpose of initiating this feeling is to maintain good relationships with people in the society. Although there is no time frame indicated for the repayment but the recipient of ‘budi’ would normally feels ‘malu’ (shame) if they could not fulfil any request from the main contractor or the project manager. Feeling ‘malu’ emerges following the feeling of ‘terhutang budi’. It indicates that all kindness received, which is also known as ‘budi’ should be repaid. In this study, the kindness was represented by the assistance given by the main contractor and the project manager to the subcontractor. In Malay society, all kindness given whether in the form of obligated help or voluntary help, should be repaid. The ‘budi’ recipient would feel ‘malu’ if they fail to repay the kindness. Feeling ‘malu’ emerges from dignity of oneself that is considered very important among the Malays. Although initially, ‘malu’ represents negative emotion to
oneself, but in the context of the Malay society, it is considered as inappropriate if someone does not repay the kindness that they have received. Thus, he/she would feel ‘malu’ as long as it is not repaid. Consequently, ‘malu’ becomes a strong internal force to reciprocate to repay so that one self dignity could be maintained from the perspectives of people surrounding the situation.

In the context of this study, when the subcontractor and supplier obtained assistance from the main contractor, it was considered as ‘budi’, i.e. good deed given by the main contractor to the subcontractor and suppliers. As a result, the subcontractor and suppliers felt obliged to repay all the kindness in order to avoid themselves from feeling ‘malu’ that could affect their dignity in the perspective of the main contractor. Thus, the ‘budi’ was repaid by providing good performance, be committed and loyal to the main contractor. Consequently, positive emotion was formed and good relationships were achieved.

Being considerate or feeling considerate lead to consideration behaviour. The findings indicated that the main contractor has been considerate with the subcontractor through their willingness to revise the rate agreed in the contract when the market rate suddenly went lower than expected due to economic recession. The main contractor also considered to award other projects if the latter solution was not workable. This was to ensure that the subcontractor would not operate at a loss. The willingness to consider helping the subcontractor has made the subcontractor felt fortunate to have working with the main contractor and thus greatly thankful to the main contractor whom was willing to
help at times that they were in difficulties. Consequently, *feeling considerate* and consideration behaviour have made the subcontractor felt comfortable and secure, which in turn led to good relationships.

*Compromise* is exercised in the occurrence of dispute among the parties in the contract. Thus, in order to avoid dispute spreading out becoming a conflict, anyone party should *compromise* not to exercise his power. The results showed that the main contractor used to exercise *compromise* approach in the occurrence of any dispute in the contract. The problems were solved harmoniously through several discussions. Accordingly, good relationships attained when the main contractor, who was the powerful party did not penalise the subcontractor, who were less dominant in the contract. This situation has made the subcontractor felt more secure with the project that they have engaged.

This study also found that by being *sensitive to other peoples’ feelings* encouraged good relationships to grow. Other than issues in the contract, relational issues in specific, the subcontractor has ensured that he did not do anything that the main contractor might dislike. For example, the subcontractor would not make any negative remark to the main contractor. The District Engineer of PWD who involved directly in the project would not talk anything bad that may hurt the main contractor’s feelings. It was because the Executive Director of the main contractor’s company was once his superior when he was working in PWD. Thus, sensitive to other people’s feelings normally applies to relational issues rather than contractual issues. When feelings were taken care of and any information were informed carefully with the intention of not hurting the main
contractor’s feelings, any mistakes would be accepted with open heart by the main contractor and thus led to good relationships. Kennedy (2002) highlights that Malays concern about the effects of their actions on the feelings of others and takes great care not to upset others. Sendut et al (1990) also indicate that the Malays emphasise social harmony and place high priority on getting along with others.

In line with Lawler (2001), the feeling of ‘

terhutang budi’

’ in this study represented the positive emotion element that played a significant role in the formation of good relationships. The interactions made throughout the long term contract or repeated short term contract generated this positive emotion element that in turn; promoted perceived cohesion and commitment behaviour, such as staying in the relationship. This means that good relationships developed after the existence of willingness to stay in the relationships. On the other hand, good relationships could not be achieved when there is no intention to stay in the relationships especially when they experienced negative emotion. This circumstance demonstrated the importance of positive emotion that could strongly influenced the development of good relationships.

Commitment based on emotion is a situation where a party is emotionally attach to the other party not because of hoping for something in return. Emotional attachment arises voluntarily in oneself after receiving kindness from others. It occurs when the receiver accepts something given by the other party as kindness. It can occur in two circumstances. First, a party offers the kindness voluntarily and is accepted by the receiver as kindness that needs to be returned. Second, a party gives something because
he feels that it is his responsibility to give but is accepted by the receiver as kindness and not as responsibility of the donor and thus also need to be returned. Both situations were demonstrated in all case studies. The subcontractors and the suppliers whom have already accepted business opportunities, contract renewal, good and prompt progress payment as helps or aids that they considered as ‘budi’ and emotionally debt. The helps (kindness) that need to be repaid led to the existence of emotional ties and thus good long term relationships.

8.7 Values

In this study the significance of values in developing good relationships was shown. The values comprised ‘family values’, which led to paternalistic relationships, honesty, sincerity, caring behaviour which reflects the sense of respect.

Generally, paternalistic relationships are based on father and son relationships where the ‘father figure’ is normally reflected the superior who gives protection to ‘the son’, who is the subordinate or less powerful party (Ahmad and Singh, 2001; Jogulu and Wood, 2007) (see Chapter Three). The purpose of the protection is to ensure the successful of ‘the son’. Hofstede (1991) points out that the concept of power distance suggests that “the stability of the society rests on unequal relationships between people”. Managers are expected to give “protection and consideration”, in an exchange for ‘respect and obedience’.
In this study, the existence of paternalistic relations in the context of client and the project manager; the main contractors and their subcontractors and suppliers was obvious. For example, the client has continuously awarded the project manager with new development and maintenance projects since the beginning of their business as a project management consultancy firm. This phenomenon is common among the Malays as helping other Malay organisation has become one of its cultural values (Sloane, 1999). Thus, the purpose of awarding continuous projects to the project manager was to ensure the project manager’s success in their business.

Similarly, the paternalistic behaviour was also apparent in the main contractor and subcontractors and suppliers relationships. The subcontractors and the suppliers in this study have been given repeat contract by the main contractor with the purpose of ensuring the expansion and success of the subcontractors’ and suppliers’ business. Thus, the paternalistic behaviour found in this study is in line with Jogulu and Wood (2007), Ahmad and Singh (2001), Sloan (1999).

This study also demonstrated the value of sincerity, honesty and caring behaviour in the paternalistic relations (refer to Section 3.3.3.10) in which sincerity has led to the indebtedness (see Section 3.3.3.2). Frequent helps given by the main contractor have made the subcontractor or supplier felt indebted to the main contractor because they believed that the main contractor was sincere to help them to survive in their business. The sincerity was reflected from the main contractor’s attitude that did not take advantage of the power that they have towards the subcontractor or supplier. It was
because the main contractor may have the choice not to help the subcontractors because it was not stipulated in the contract that in certain cases the main contractor should help the subcontractors or suppliers. For example, it was not stated in the contract that the main contractor should give advanced payment to the subcontractors or suppliers. However, every year, before the festive season, the main contractor is willing to give advanced payment to the subcontractor so that the subcontractors can pay their subordinates to celebrate the festive seasons. Thus, subcontractor or supplier could obviously feel 

* sincerity* of the main contractor.

Feeling indebted, the subcontractor or supplier would feel guilty if they could not repay the kindness that they received. Thus, they would also work *sincerely* and made an effort to complete the job on time. When the main contractor did not see any intention of cheating or lying in the subcontractor or supplier, trust in the subcontractor will develop.

This phenomenon exhibited the value of *honesty* in the subcontractor that has resulted to continuous supply of materials from the suppliers without having to pay in cash (i.e. credit facility). On the other hand, the subcontractor did not take advantage of the credit facility obtained. The subcontractor would pay on time even though they might not be able to pay in full. Consequently, the subcontractor’s honesty has led to the supplier’s trust in them. This phenomenon reflected good relationships that have already existed between the subcontractor and the supplier.
Paternalistic relations also brought together caring behaviour. Being the ‘father’, the consultant would definitely concern those organisations who were working for him. This has been demonstrated when the consultants showed their concern in any situations or problems during the project meeting by asking each one of them of their progress in business. The friendly attitude showed by the consultant even to the new staff has led to some kind of respect to the consultant. Thus, respect is one of the significant values that influenced the emergence of good relationships.

Conversely, with the exception of Lau and Rowlinson (2005), Liu and Fellows (2001) and Liu et al. (2006) the existing studies have emphasised more on the organisational related elements without taking into consideration the emotional-related and value-related issues that have strong influence on developing good long-term relationships (e.g. Jones and George, 1998; Dunn and Schweitzer, 2005; Barsade and Gibson, 2007).

Most researchers in organisational studies recognise the importance of changes in people behaviour towards achieving good long-term relationships. However, studies looking at the approach of how people should change are lacking.

With the exception of Liu and Fellows (2001), Liu et al. (2006), Dainty et al., (2007) researchers that do not take into consideration the context of culture that the study is conducted might find similar results with other studies particularly studies on partnering in the UK (e.g. Barlow et al, 1997), the US (e.g. Cowan et al., 1992, etc), Australia (e.g. Walker and Hampson, 2003) and other European countries (e.g. Kadefors, 2005;
Vaaland, 2004). Studies in relational contracting by Kumaraswamy and colleagues in the East Asian countries; for example have put less attention on the national culture of the organisations studied; have thus, support the findings from other Western countries.

8.8 Social interactions

This study exhibited the significance of social interaction among the Malays. It reflected the importance of the affective value, which was more important than the monetary value. From this study, the way social interactions influenced good relationships could be viewed from four perspectives.

First, the results demonstrated that informal social interaction outside office hours among the members in the project accelerated the formation of good relationships among them. This was due to the communications that went beyond the contractual relationships. These relationships thus allowed personal matters, or even project issues to be solved. In hierarchical society, the formal project structure created gaps among the members due the line of instructions that produced the level of superiority. Thus, those from the lower level of the hierarchy normally would not feel free to talk to their superior. However, these gaps could be narrowed by having informal interactions outside office hours.

Second, frequent ceremonial and ‘family day’ activities among the various parties involved in the project also encouraged social interaction among them. Consequently, these events created family ties among the members when they regarded other members
as their family members when there was no structure involved in those events. Thus, every member felt that they were equal and a member of the big family (e.g. Sloane, 1999; Abdullah and Pedersen, 2006). This study supported many studies of Malay social relations in that the traditional Malay communities rely on a kinship model, in which they treat ‘everyone’ like brothers and sisters. The terms used such as ‘auntie’, ‘uncle’ and sibling (‘sister’, ‘brother’) for non-kin; the Malays are claimed to establish affective and behavioural norms for relationships throughout their entire community and beyond it. Bailey (1976) and Wilder (1982), for example, these terms were used for negotiating and mediating in intra and extra-village circles of political and economic influence. Up to this extent, some researchers believe that the Malay society as a whole is organised by an overriding moral principle of classificatory sibling ship (McKinley, 1981 cited in Sloane, 1999)

In business context, this study is in line with Sloane (1999) in that; although sometimes the sibling ship terms were not used for non-kin, but the Malays normally use their feelings of ethnic ‘connectedness’ to establish valuable social and economic ties and to confirm a sense of mutual obligation, which is the very cornerstone of business activity. The connectedness or sibling ship was enhanced further when the main contractor, who was the powerful party, sincerity to the subcontractor or supplier and thus reduce the power distance among them. Similarly, the fact that the subcontractor, who has been tolerant could enhance the main contractor’s confidence when they could get along with the main contractor well and thus led to more projects obtained. The main contractor was also confident with the subcontractor because the main contractor believed that the
subcontractor knew how to solve problems independently and did not have problems with other people. Although this phenomenon is quite common among the Westerners, in the hierarchical society, the situation is contradictory. The different ranking has led to a very formal communication among the people from different rank rather than communication with peers. When the main contractor and the subcontractor or supplier could overcome the communication barriers, problems could be solved easily and the warmth friendships would follow.

Finally, the subcontractor whom always visits the main contractor could have developed quicker and better relationships. It was because face-to-face meeting and communicating seemed to be the basis of close relationships in the context of the Malays. The Malays recognise that visiting others or courtesy visit as one of the good behaviours that need to be practiced. When the subcontractor made ‘courtesy visits’ to the main contractor for the purpose of discussing work issues or others, it reflected a symbol of subcontractor’s respect to the main contractor. This, however, brought to the close and maintenance of the good relationships.

**8.9 Commitment and Loyalty**

From the study, commitment and loyalty appeared as the outcomes of trust resulting from the inter-related interactions among the structural and relational determinants. This has been shown from the willingness of the main contractor to pay all progress payment on time even though they have not received any payment from the client yet. The fact that the main contractor was willing to solve problems together with the subcontractor also
reflected the commitment of the subcontractor. Although paying on time to the subcontractor is an obligation (as stipulated in the contract), but in practice, the main contractor will normally make the payment only after they receive the payment from the client. However the main contractor’s willingness to pay the subcontractor during their difficult times demonstrated the main contractor’s sincerity and full commitment.

The voluntarily assistance from the main contractor indicated the main contractor’s emotional or affective commitment, which in turn generated the feeling of ‘terhutang budi’ in the subcontractor. In the long-term, the subcontractor’s emotional commitment led to behavioural commitment when the subcontractor gave full support to the main contractor for the success of the project. Consequently, the subcontractor’s long-term commitment drove loyalty. However, loyalty could be deteriorated when either party being unfair to each other, even though at the stage where good relationships have been established.

The main contractor and subcontractor not only need to show their commitment through behaviour, but commitment could also be displayed through the avoidance of any suspicious action that can reflect not being committed. It supported Abdullah and Lim (2001), who found that the Malays are more concerned with their behaviour being judged and assessed by members in their circle or network. This phenomenon effectively serves as a deterrent from committing acts that are considered socially unbecoming by the group.
8.10 Comparisons between Relational Contracting Norms (from literature) and Themes derived from the Current Study

Since the aim of the study is to develop the concept of relational contracting norms as a measurement tool to evaluate successful relationships in Malaysia, it is important to compare the broad themes derived from the current study with the relational contracting norms from the literature (refer to Figure 7.9). This is because the similarities and differences obtained would clearly posit the proposed framework in the literature. As highlighted in Figure 7.9 relational contracting norms comprise ten norms (refer to Section 2.2 in Chapter Two) namely:

- Long-term orientation
- solidarity (commitment)
- mutuality (trust)
- flexibility
- role integrity
- information exchange
- conflict resolution
- limitation of power
- monitoring behaviour and
- relational planning.

On the other hand, this study proposes twelve dimensions that were identified as important in developing good relationships in construction projects in Malaysia. They are (refer to Figure 7.7 in Chapter Seven):

- Trust
- Commitment
- Loyalty
- Emotion [‘timbang rasa’ (considerate), ‘tolak ansur’ (compromise), make others happy, sensitive to other people’s feeling, ‘malu’ (shame) and ‘terhutang budi’ (indebtedness)].
- Values (family values, honesty, sincerity, paternalistic behaviour and caring behaviour).
- Work interdependency
- Power
- Social interaction
- Personal relationships
- Special contract directives
- Political connections
- Performance

As referred to Figure 7.9, there appeared to have similarities and differences between the relational contracting norms and the dimensions derived from this study. First, the twelve dimensions proposed in this study were produced from the structural and relational determinants while the relational contracting norms from the existing literature were addressed from the norms perspective (norms are defined as expectations about other behaviours; see Chapter Two) and do not address the structural aspect of relationships as they specifically focus on behavioural aspects in relationships.

Second, as indicated in Figure 7.9, the current study found three similar dimensions with the relational contracting norms, namely trust, commitment and power. In fact, both trust and commitment have similar definitions with trust and commitment in relational contracting norms. However, in terms of operational definition, power was found to be contradicted with power in relational contracting norms. In relational contracting norms, the concept of equality is emphasised, in which limiting the use of power would bring better outcomes in developing good relationships. However, in the context of this study, the imbalance of power is vital in developing good relationships. This is due to the fact that imbalance of power, which is centralised to the authority, is common and well accepted by the society (refer to Section 3.3.3.7 in Chapter Three). Thus, it is different in terms of the degree of power that is sufficient to develop good relationships.
Third, several applications of norms are similar to some dimensions in this study. The application of flexibility and conflict resolution in relational contracting norms are similar with the feeling of ‘bertimbang rasa’ (considerate), ‘bertolak ansur’ (compromise) and sensitive to other people’s feelings in the broad dimensions of emotion. Similarly, the application of role integrity is comparable to sincerity and honesty in the broad dimension of values while information exchange in relational contracting norms is almost the same as work interdependency. As indicated earlier, ‘bertimbang rasa’ (considerate), ‘bertolak ansur’ (compromise), sensitive to other people’s feelings, sincerity and honesty are the cultural values of the Malay society.

Fourth, in relational contracting norms, the emphasis is given to long-term orientation while the current study places more importance on loyalty rather than long-term orientation because it is loyalty that drives long-term relations outcome.

Fifth, relational planning & monitoring behaviour in relational contracting norms seems not applicable in this study since they are not mentioned by any of the informants.

Finally, having considered the cultural dimensions of a society as suggested by Ivens (2006), this study suggests seven new dimensions. They are personal relationships, social interaction, performance, special contract directives and political connection, emotions [make others happy, ‘malu’ (shame), ‘terhutang budi’ (indebtedness)] and values (family values, paternalistic behaviour, caring behaviour). Four additional emotion and value
related items [‘timbang rasa’ (considerate), ‘tolak ansur’ (compromise), sincerity and honesty] to complement the existing relational contracting norms.

8.11 Summary
In conclusion, this chapter discusses the main themes produced from the study and how they are posited in the literature. It demonstrated that good relationships were attained as a result of a continuously repeated interplay of the structural and relational determinants as well as the complex interrelationships of the determinants. Emotion and value, which emerged from the national culture of the society, were the most apparent determinants that strongly influenced the development of good relationships showed by the study. Good relationships were also reflected from a party’s full commitment and loyalty to the other party. Accordingly, the aim and objectives are addressed in the following final chapter followed by the discussion of contributions and implications of this study.
CHAPTER 9

Conclusion, Implication and Direction for Future Research

9.1 Introduction

This final chapter concludes this research. It begins with addressing the aims and objectives of this study followed by elaborating the theoretical, managerial and policy implications of the inter-organisational relationships. Finally, the last part of this chapter discusses the limitations of this study and directions for future research.

9.2 Developing the Concept of Relational Contracting Norms as a Measurement Tool to Evaluate Successful Relationships in Malaysia

As an extension of literature in relational contracting norms, the aim of this study is to develop its own concept of relational contracting norms as a measurement tool to evaluate successful relationships. Accepting the call suggesting for more research in a national culture context (Ivens, 2006), Malaysia was chosen to represent the Eastern countries considering its major difference in cultural context.

With specific reference to Table 7.7 and Figure 7.9 in Chapter Seven, and Section 8.10 in Chapter Eight, twelve dimensions were found to be important in developing the concept of relational contracting norms as a measurement tool to evaluate successful relationships in Malaysia. Based on the findings, a relationship development model was produced based on these twelve dimensions. The model demonstrated the interplays of structural and relational dimensions that led to the emergence of good relationships in project
settings. The model also supports the Transaction Cost Economics theory (Williamson, 1985) and addresses the weaknesses as well as extends the existing relational contracting norms theory (Macneil, 1980) found in the literature. Further explanations of this concept and the research questions will be addressed by the objectives of the study below.

9.3 Objectives Addressed

a. To examine how good relationships develop in construction projects in Malaysia

This study found that good relationships within construction projects in the Malaysia developed from the interplay of twelve structural and relational dimensions (refer to Section 7.3.1 in Chapter Seven) that went through three stages of relationship development process. From the model, six dimensions, namely special contract directive, political connection, power, values, performance and personal relationship are functioning at the prior contract stage. Ten dimensions, namely performance, social interaction, values, power, emotion, work inter-dependency, personal relationship, trust, commitment and loyalty are interacting in the contract stage. Apparently four of these dimensions, i.e. power, values, performance and personal relationship appeared in both prior and in the contract stage. The interactions made before the contract started as well as in the contract led to the establishment of trust, commitment and loyalty that formed good relationships. Cultural values such as concern with other people’s feelings played significant role towards good relationship development among parties in the contract.
The principle held by the society that ‘other people is more or similar important than one self’ has been the cause of good relationship development and maintenance. Staying in the contract and repeat contract have been the outcomes resulting from good relationships while loyalty has not been portrayed as merely aiming for short-term profits, but more towards getting further projects in future.

b. To investigate the adaptability of the relational contracting norms in different cultural setting

With reference to Figure 7.9 in Chapter Seven and Section 8.10 in Chapter Eight, out of ten relational contracting norms reviewed in the literature [long-term orientation, solidarity (commitment), mutuality (trust), flexibility, role integrity, information exchange, conflict resolution, limitation of power, monitoring behaviour and relational planning], eight norms were applicable in the context of this study. This study did not recognize relational planning and monitoring behaviour as important in developing long-term relationships. Trust and commitment in this study appeared to be very similar as in the literature. Power was also similar but sufficient power was working at a contradict degree of power used. The application of flexibility and conflict resolution were similar to the broad theme of emotion [‘bertimbang rasa’ (considerate), ‘bertolak ansur’ (compromise), sensitive to other people’s feeling] while role integrity in the broad theme of values (i.e. sincerity and honesty). Information exchange was also working in the same way as work interdependency. However, in this study, the term work interdependency was more appropriate to represent information exchange. Similarly, this study suggested that loyalty should be given more emphasis as compared to long-term
orientation in relational contracting norms because long-term orientation was the outcome of loyalty.

Having considered the national culture as suggested by Ivens (2006), this study was conducted in one of the Eastern countries, which comprised collectivist society. With exceptional to a few studies conducted in Hong Kong, most studies were conducted in the Western society previously (refer to Chapter Three). The findings suggest five new dimensions and three additional emotion and value related dimensions to complement the relational contracting norms. They are personal relationships, social interaction, performance, special contract directives and political connection, emotions [make others happy, ‘malu’ (shame), ‘terhutang budi’ (indebtedness)] and values (family values, paternalistic behaviour, caring behaviour).

In view of the whole good relationship development model, four new dimensions as suggested by this study particularly personal relationship, emotions, values and power have been found to be significant in developing good relationships in construction projects. Close personal relationships appeared from the sense of belongingness to one another, which create the feeling of responsible to help each other. Emotions came from five new emotion-related elements, namely feeling of ‘terhutang budi’ (debt of budi/kindness), ‘malu’ (shame), ‘bertimbang rasa’ (considerate), ‘bertolak ansur’ (compromise) and concerned or sensitive to others; while values emerged from four related elements, i.e. paternalistic relationships, ‘jujur’ (honesty), ‘ikhlas’ (sincerity)
and *caring behaviour*. The significant of power emerged from the imbalance of power in the society.

c. **To explore whether similar relational contracting norms emerge in different projects**

As referred to Table 7.6 in Chapter Seven, eight broad themes derived from structural determinants (special contract directive, commitment, trust, performance, power, work interdependency, political connection, and loyalty) and seven from relational determinants (personal relationships, emotion, trust, commitment, values, loyalty and social interaction). Across all four case studies, trust, performance and power were the three (out of eight) main themes emerged from structural determinants while personal relationships, emotion, trust, values and social interaction were the five (out of seven) main themes derived from relational determinants.

From structural determinants, political connection appeared in only one case study while special contract directive, work interdependency and loyalty appeared twice. Commitment, on the other hand emerged from three case studies. In view of relational determinants, loyalty emerged once while commitment appeared in two case studies. The reason for the mixed results was because all case studies have different characteristics both in terms of structure of the project as well as construction organisations involved in the project. The background of the main contractor for both Case Study 1 and 2 was different even though they were both working on almost similar road maintenance projects. The difference was that the main contractor was the subcontractor’s former
superior and it was a family based organisation and while the latter was owned by a public listed company. The similarity was that both were 15-year road maintenance project contract. Case Study 3 is a three-year’s contract of public sector building project conducted by a leading Malay construction company in the country with 24 years experience in public sector client (e.g. PWD) and have long term relationships with the subcontractors and suppliers. Case Study 4 is a ten-year’s contract between project management consultancy firm and government agency client (see Chapter 6).

From Table 7.6 generally it showed that trust, commitment and power have both structural and relational elements. This has resulted from the interplay between both structural and relational determinants, in which commitment and loyalty appeared as the outcomes of trust. Thus, if the categorisation of both structural and relational were ignored, this study produced twelve important dimensions/norms, which were important in developing good relationships in construction projects in Malaysia (refer to Table 7.7 in Chapter Seven). Out of these twelve dimensions, eight (trust, performance, power, commitment, personal relationships, emotion, values and social interaction) appeared in all case studies reflecting its strong influence in developing good relationships among parties involved in a construction projects. Although the other four dimensions did not emerge in all case studies, but it is argued that they were also important in developing good relationships based on the fact that if these four dimensions are implemented, the development and maintenance of good relationships could have been better. Above all, this study found that the development and the maintenance of good relationships were strongly influenced by emotional and value related elements of the society.
d. **To develop a relationship model that could be utilised by the academics and practitioners**

As indicated earlier, in studying how good relationships develop in construction projects, it is not only important to address the context of the project, but also the society where the project is posited. One significant indication from the results was that relationship development process among the parties in the contract did not occur in ‘vacuum’; instead it occurred in the context where the organisation and the individuals were influenced by the culture of the society where the organisation were posited, i.e. the project, the organisation and the culture that the individual belongs to. The results showed that the development of good relationships was resulted from the interplay of complex interrelated structural and relational dimensions.

This study found the significant role of emotions and values as important dimensions that influence the development of good relationships in construction projects in Malaysia. It was argued that it was these emotions and values that form people’s attitude and behaviour. These elements have emerged from the cultural-related norms, i.e. the emotions and values that have been strongly embedded in the Malay society in Malaysia.

Even though the model was developed in the context of construction organisations in Malaysia, but it is argued that the model could also be applied in other context of other construction projects. This is because several studies highlight that emotional related behaviours could be learned and practiced. This is important because a great deal of
studies have demonstrated its significance in developing good relationships (e.g. Kennedy, 2002). However, the structural elements, e.g. rules and regulations should also be considered as they are equally important. In most free economy countries, the markets are expanding freely with less interference from the governments. However, in this study, it was found that a certain degree of interference is needed to regulate the market and industry so that good behaviours could be practiced. It is hoped that the researchers and construction practitioners could utilise this model in order to understand how good relationships could be developed and achieved.

e. To validate the proposed relationship model

The validation of the proposed relationship model was conducted via internal and external validation (see Section 4.6.3 in Chapter Four). The internal validation was obtained from follow-up interviews with 20 selected informants (refer to Section 4.4.1 and 4.6.3 in Chapter Four) while the external validation was achieved through cross-case analysis (refer to Section 4.6.2 in Chapter Four and Chapter Seven) and expert interviews (see Section 4.4.2 and 4.6.3 in Chapter Four). The validation results confirmed the importance of all dimensions suggested from this study with strong emphasis on the significance of cultural related values. Thus, the proposed relationship model produced was obtained from the refinement of these validation processes.
9.4 Implications for Theory and Practice

9.4.1 Theoretical implications

In relational contracting theory, good relationships among parties in the contract proceed from the relational norms (i.e. trust, commitment, flexibility, role integrity). The need for relational contracting stems from the failure of the traditional contract to develop good relationships among parties in a contract. Consequently, this research provides several contributions to theory and practice in the area of construction management, which are as follows:

First, based on the results of the study and the existing relational contracting norms literature, this study proposes a new relationship development model consisting of thirteen dimensions that is more suited to evaluate successful relations in construction projects in Malaysia. Although this model was developed from the data obtained in Malaysia, but it is argued that the spiritual, emotional and human components of the work experience could be learned from other culture (e.g. Kennedy, 2002) and thus could be applied in other context of study.

Second, the findings from this research show that the existing relational contracting frameworks proposed by Kumaraswamy et al. (2005a, 2005b), Rahman and Kumaraswamy (2004a, 2004b), Rowlinson et al (2006) lacks to address the cultural and value aspect of the national culture of the organisations. In fact, this study contributes a
contrary finding to most literatures in relational contracting with regard to the significant role of personal relationships, emotions and values particularly the positive mood or feeling in developing good relationships among organisations along the construction supply chain. This is because the previous studies in relationships have neglected the significant importance of emotion elements as the causes that influence behaviour due their concentration on attitudinal and behavioural aspects (e.g. Lawler and Thye, 1999; Schoorman et al. 2007). Although the role of positive or negative feelings that influence interpersonal relationships has been widely mentioned in psychological research (e.g. Bower, 1981), but less attention has been given in organisational research (with the exception of George and Brief, 1992; Williams, 2007), and specifically in the construction management literature. It is argued that sensitivity to people’s feelings is the main element that need to be prioritised in the relationships among parties involved in a construction supply chain on the basis that people who have good feelings are likely to be more helpful than people who does not feel good (George and Brief, 1992). Feeling good has been demonstrated to have significant influence on thought processes, behaviour at work (e.g. Bower, 1981) and directly influence cooperation (Williams, 2001). Thus, good relationships among parties in the contract could only be developed with the existence of feeling good and comfortable with others. Conversely, the feeling of unhappy or not comfortable or annoyance with the other party would destroy the relationships and hinder the development of good relationships. Accordingly, from the root of sensitivity to people’s feelings, this study adds to the body of knowledge by suggesting four emotion-related and value-related elements that are significantly important in the development of good relationship.
Thirdly, following from the above, this research contributes to theory in the area of construction management by suggesting that the feeling of ‘*terhutang budi*’ [lit. debt of ‘*budi*’ (kindness)], which develops in an individual of a party in the relationships, would tie the relationships and thus leading to the development of good long-term relationships. The feeling of ‘*terhutang budi*’ would have been developed when one party who has been continuously receiving benefits and kindness from the other party feels that he is *indebted* to the other party in that he has to repay all the kindness by being committed in providing full support for the success of the project. Previous studies in relational contracting (e.g. Kumaraswamy et al. 2005a, 2005b; Rahman and Kumaraswamy 2004a, 2005; 2008; Rowlinson et al 2005) and trust in construction (e.g. Kadefors, 2005) do not include the feeling of indebtedness as one of the elements in developing good long term relationships as the emotion-related elements have been neglected. Although Khalfan et al (2007) found the concept of reciprocity as one of the ways to build trust, however they do not have sufficient elaboration on the situational conditions of how reciprocity would occur. In this study, the case studies have successfully highlighted the situational conditions on how reciprocity would have occurred, namely feeling indebted due to (a) provision of continuous help and trust, (b) provision of business opportunity, (c) privilege given by the main contractor, and (d) opportunity to acquire more knowledge. It is argued that the feeling of ‘*terhutang budi*’ would create reciprocity behaviour after the acceptance of benefits or kindness, in which the benefits or kindness could be in the form of anything that ones greatly appreciate. From a contractual perspective, the main contractor is obliged to make prompt progress payment to the subcontractor/supplier. However, from
An emotional perspective, the subcontractor/supplier would consider the act of prompt progress payment as a form of the main contractor’s kindness in that the main contractor is helping the subcontractor/supplier to reduce their financial difficulties. On the other hand, delay progress payment made by the main contractor could be viewed by the subcontractor/supplier as a form of bad behaviour as the delay in payment would have caused financial difficulties on the part of the subcontractor/supplier. Thus, a subcontractor/supplier would view the continuously prompt progress payment as a continuous acceptance of kindness, which cumulatively develops the feeling of indebtedness. Consequently, this study adds to the body of knowledge by expanding the significant importance of the concept of reciprocity behaviour as an outcome of the feeling of 'terhutang budi' (indebtedness).

Fourth, in the relational contracting norm literature generally and partnering literature specifically, it was found that in the existence of imbalance of power, the more powerful party could not exercise his power on to the counterpart in the contract. This is because when the powerful party exercise his power to his counterpart, the existed trust could be destroyed and thus affects the successful of partnering. However, in this study, it was shown that in a large power distance society, the imbalance of power in the society and organisations is common. Thus, this study demonstrated that good relationships could also be developed in the existence of imbalance of power. This is because opportunism would not occur only in the existence of imbalance of power. In fact, good relationships could develop when the powerful party use his power towards benefiting both parties. This study has provided new insights into the literature of good relationships, trust, power
and opportunism in that trust could emerge in the existence of imbalance of power, thus lead to good relationships. Also, opportunism could have been avoided if the powerful party does not take advantage of the other party even though the powerful party could have the chance to be opportunist. In other words, the imbalance of power has not been the cause of the formation of opportunism and also the hindrance of the development of trust. The formation of good relationships above could be elaborated in two circumstances.

First, subcontractors, suppliers or the project managers who were the less powerful organisations in the project were willingly to follow any instructions from the main contractor or the client (superiors who were more powerful) although the subcontractors, suppliers or the project manager knew that the instructions are directives that might not benefit them. However, being obedient to the instructions has been the important assurance of harmonious relationships, in which it could bring long-term benefits to the subcontractors when they managed to get higher margin projects in future as compared to those subcontractors who have been always complaining that the projects that they obtained from the main contractor were not profitable.

Secondly, the relationships between the more powerful and less powerful parties could get closer when the more powerful party are willing to ignore his high position ranking and mix with the lower rank people. It is because in a large power distance society, this has been the only way to reduce the gap or distance between people from the higher and the lower rank.
Fifth, this research contributes to the relational contracting theory and inter-organisational theory through the role of feeling ‘malu’ (lit. shame) in encouraging the development of good relationships among parties in a contract. Feeling ‘malu’, which is referred to shame to others would not only hinder an individual from exposing negative attitudes, but it also hinder from getting negative perceptions from others. Good relationships develop when both parties always avoid themselves from behaving negatively so as to avoid any bad perceptions from the other party. While good relationships represent good behaviour, affecting or destroying relationships are bad attitudes. Thus, ‘malu’ is the hindrance of bad behaviours to occur and destroy the good relationships.

Sixth, this research also complements the construction management literature by highlighting the significant importance of the feeling of ‘timbang rasa’ (considerate) and ‘tolak ansur’ (compromise). The feeling of ‘timbang rasa’ occurs when ones considerate and protect other people feeling (Goddard, 1997, 2001). The feeling of ‘timbang rasa’ drives considerate behaviour through the willingness to consider the decision of others, even though he has a different view of the decision. By doing so, ones would not feel hurt because their counterpart has accepted their decision. On the other hand, the feeling of ‘tolak ansur’ is the willingness of both parties to re-think of the decisions that they have made in the process of reaching to a point of consensus between the two parties. Both the feelings of ‘timbang rasa’ (considerate) and ‘tolak ansur’ (compromise) are important emotion elements that influence their considerate and compromise behaviour. This
would hinder disputes among parties in the relationships. In the existing relational contracting studies, the authors emphasise the needs to have flexibility element in a contract due to uncertainties of the future (e.g. Kumaraswamy et al 2005a; Rahman and Kumaraswamy, 2004a; Ling et al, 2006). Thus, the emphasis is given towards the flexibility in the contract by providing a range of leeway in some terms in the contract. However, the emotional flexibility suggested by this study, should be acquired by the people rather than written in the contract. In other words, flexibility in the contract is not sufficient without the feelings of ‘timbang rasa’ and ‘tolak ansur’ (emotional flexibility). Consequently, in any type of contracts even in a traditional contract, a high degree of compromise and considerate among parties in the contract could be achieved allowing the development and maintenance of good relationships.

Seventh, this study also adds to the construction management literature on the importance of applying family value to inter-organisational relationships. Although the concept of family-value is specific to the Asian culture, several studies of relationships in constructions in the Asian context have overlooked this element (e.g. Ling et al, 2006). It is argued that the strength of family value has been the major contribution of success among the construction organisations.

Eighth, this study contributes to the body of knowledge by providing support to the previous studies in relational contracting (e.g. Rowlinson et al. 2006) and trust in construction (e.g. McDermott et al, 2004; Swan et al, 2005) on the importance of trust as the core element in achieving collaborative relationships. The conceptualisation of trust
in this study is based on the emotional experience as a result of the interaction with the trusted partners. This is because the judgement or decision made is based on the positive emotional judgement due to the fact that the Malays always think and feel at the same time as they do not really separate both their thoughts and feelings. The concept of feel and think at the same time does not only happen among the Malays, but it also happens in several other cultures (Planalp, 1999). Thus, trust occurs after one has emotionally experience the kindness of others. Positive feelings that yielded during the interactions among the team members in the relationships could influence liking (Lawler, 2001), thus lead to trust in the other party (Jones and George, 1998).

9.4.2 Managerial implications

The findings derived from this study could not only benefit the Malaysian construction industries, but also the practitioners from other countries. The model and approaches to good relationships development suggested by this study could be learned and implemented. This is because a great deal of management literature has called for a more holistic view of work by increasingly focusing on the recognition of the spiritual, emotional and human components of the work experience, which could be learned from other cultural perspectives (e.g. Kennedy, 2002). Accordingly, several managerial implications are highlighted as follows:

First, it is suggested that construction managers should aware of the critical importance of the existence of emotions in the daily life whether they are in their social or working activities. Accordingly, being sensitive to other members’ feelings is very important in
ensuring that one’s actions would not hurt other members’ feelings. This is because feeling happy and good mood generates good outcomes while feeling unhappy or bad mood creates problems. Similar outcomes obtained during interactions when working in organisations, because organisations comprise of individuals who are interacting with each other. Consequently, good relationships among the team members of a construction project would be achieved when each team member is emotionally good during the interactions. As a result, good relationships could be developed and prolonged.

Second, good inter-organisational relationships would develop when helps and sacrifices given by managers from one party are returned by the other party. This could occur when the other party shows his/her an appreciation through his/her willingness to offer his/her helps in return as a sign of cooperation and trust in each other. The feeling of indebtedness could be instilled by realising that every action from other parties is beneficial to a party and it should be viewed as a ‘gift’. The acceptance of gift should be returned in the form of helps, kindness, business support or etc as a symbol of appreciation. This situation would lead to an increasingly good relationships among the team members and thus to a better-quality projects as well as its success.

Third, the feelings of ‘bertimbang rasa’ (considerate) and ‘bertolak ansur’ (tolerate) are very important in developing good relationships among parties in a construction project. Managers should understand that the feelings of ‘bertimbang rasa’ and ‘bertolak ansur’ could hinder dispute and conflict as the successful of a project is highly dependent on a non-existent disputes and conflicts. While the feeling of ‘bertimbang
rasa’ to other parties is based on the needs to consider other people’s opinions and decisions, ‘bertolak ansur’ on the other hand is changing one’s own opinions and decisions to fulfil other people’s desires. The notion stems on the basis that not all of our opinions and decisions are necessarily right or would be accepted or agreed by others and not all opinions and decisions provided by others are wrong. Consequently, ‘bertimbang rasa’ and ‘bertolak ansur’ to accept other people’s opinions and decisions and willingness to change own opinions and decisions would avoid disputes and thus develop good relationships.

Fourth, sincerity is a value that is vital in developing good relationships. The existence of this value would deter opportunism due to the fact that if one does something sincerely, he/she does not hope to get something in return neither to take advantage of someone else. One could instil the value of sincerity. People feel please when working with managers who are sincerely working for the sake of the successful of a project as no other people/party could be affected from his doings/work. Similarly, if a manager is helping others sincerely, it means that the act is done voluntarily solely to help towards the success of the project with no intention of taking advantage of the other party. This sincerely helps accepted should be repaid by others as a symbol of gratefulness.

Fifth, an honest manager would normally be preferred among the team members. This is because there is no possibility of cheating would occur. Thus, being honest to others in the relationships would definitely lead to stronger and lasting relationships as every team member trusts each other.
Sixth, the value of respect given by a manager to the other party involved in the project would make others feel that they are being appreciated. Similarly, the respect given by the subordinates to a manager would create a pleasant working environment as there is no problem of disobey of instructions, leading to a smooth construction project operations. On the other hand, client would be satisfied if the main contractor respect them thus leading to higher chances of getting more projects in future. Whenever a party does not respect others, they are not willing to obey the regulation, fail to agree to the decisions or respect other people’s opinions. If the communication among parties in the contract is not based on respect on each other, it would create disputes and conflicts. Accordingly, the value of respect is vital to the upbringing of harmonisation of a construction project.

Finally, in construction organisations, family value could be developed. Even though the family value found in this research originated from East Asian country, however, it is still appropriate to be practiced in construction organisations across borders. This is because the basis of family value comes from an everyday life in which, almost every culture emphasises on the benefits of having a good family. Although there are some people who choose not to have a family, but they still acknowledge the important function of a good family institution in generating good society. A child who is growing up in a well-built family institution would be more responsible to the society. In fact he/she is believed to be able to hold back any negative values developing in him/her. Thus, the benefit of having family institutions in a certain society could not be ignored and should be extended. Therefore, if the concept of a good family institution is applied to the
context of an organisation, better values could be expanded in organisations. If similar concept is applied to construction projects, every team member would play their role as a team member towards bringing out the benefits together. For example, if a client acts as a ‘father’, certainly he would be responsible for the protection and success of every family member. Similarly, if a main contractor is responsible as a ‘mother’ and the subcontractor/supplier considers themselves as ‘children’, it is without doubt that every member in the institution would fulfil their roles towards achieving the harmonisation of the institution. The basis of a success family institution is built upon the responsibility carried out by every family member. Accordingly, the application of the concept of a family institution would make every team member in a project responsible to him as well as to others. Harmonisation would then be accomplished when everybody fulfil their responsibilities.

9.4.3 Policy implications

This study also provides policy recommendations to the relevant government agencies.

First, the results demonstrate that collaborative working relationships within construction organisations in the project setting could be achieved through relational contracting approach. Thus, problems associated with the traditional procurement method could be hindered by adopting this new approach. With particular to the collectivist and large power distance society, this study recommends that any changes need to be in a top down approach. This is because the industry is more receptive to the instructions that come
from the top. Thus, through the Construction Industry Development Board (CIDB), the government could promote, facilitate and support the adoption of relational contracting norms approach, which in turn benefits the organisations and the industry.

Second, the model produced from this study demonstrated that emotion, values and personal relationship, which have been given less attention previously, were the dimensions that play significant role in the development of harmonious relationships within construction projects. Any action taken by the authorities in resolving the current and future problem associated to relationship should consider these dimensions.

9.5 Limitations and Directions for Future Research

This study has been conducted within the Malay construction supply chain organisations, which includes the client, main contractor, subcontractors, suppliers, project manager and consultants. The fact that Malaysia is rich with a number of large ethnic societies, i.e. the Chinese and Indians (refer to Section 3.3.1 in Chapter Three); the results could be claimed as biased to the Malay ethnic. This was because all the three major ethnic societies in Malaysia, namely the Malays, Chinese and Indians still hold a strong belief to their strict cultural and religious heritage. However, since the Malaysians are living in the same social and political environments, which takes into consideration the modern living; several studies on work related values of the Malays, Chinese and Indians emphasise that the values that have been practised among them do not differ significantly in many respects (Lim, 2001; Abdullah and Lim, 2001). Abdullah and Lim (2001), for
example found that, with exception to religion, all eight constructs are similar among the three ethnic groups. However, it is useful to conduct an in-depth investigation on businesses run or owned by the Chinese and Indian in future research. The business may include wholly-owned Chinese business, mixed organisation (combination of all ethnic society) and also 'Ali Baba' organisation (a business organisation that is owned by the Malay and run by a Chinese partner).

This study owe a certain limitation in that it did not take into consideration the effect of using foreign labours on the development of relationships. This is because the labourers are normally among the Indonesians and Bangladeshis, whom have dominated the construction labour market in Malaysia. In this study, interviews were conducted with the subcontractors, whom were all Malays and permanent Malaysian residents. Thus, future studies should take into consideration this limitation so that an advancement of knowledge could be gained from an investigation on the impact of foreign workers on the inter-organisational relationships in the construction industry.

This study listed thirteen dimensions that influenced the achievement of good relationships among the construction organisations. However, the results of this study were limited to the information and findings obtained from 36 informants, whom were interviewed from different organisations in Malaysia. Although it has gone through comprehensive stages of validation processes, it is perhaps useful that future research should take other category of samples in order to validate the findings.
The results were consistent across all four case studies in that the formation of good relationships was strongly influenced by relational determinants such as values and cultural related determinants that were inter-related to each other. For example, the frequent visits made by the subcontractors to their main contractor developed subcontractor’s respect on the main contractor. Similarly, the continuous assistance received from the main contractor has led to the feeling of ‘terhutang budi’ (indebtedness) among the subcontractors and suppliers, which finally influenced them to be emotionally bonded to the main contractor. Future research could validate these findings by using quantitative methods on larger number of respondents so that the significance of the dimensions could be tested to the industry as a whole.
References


An Investigation of Relational Contracting Norms in Construction Projects in Malaysia


Bettenhausen, K. and Murnighan, J.K. (1985) The emergence of Norms in competitive decision-making groups. Administrative Science Quarterly, 30 (September), 350-342


An Investigation of Relational Contracting Norms in Construction Projects in Malaysia


G


**H**


**I**


J


K


L


M


An Investigation of Relational Contracting Norms in Construction Projects in Malaysia


265


An Investigation of Relational Contracting Norms in Construction Projects in Malaysia


T


269


**U**


**V**


**W**


X


Y


Z

Appendix 1

Interview Questions

Thank you very much for your willingness to participate in this interview. I would like our interview today to be very open and informal. There is no right or wrong answer. You are the expert and I am here to learn from your experience. In order for me to get all the information you give; I would like to get permission to audiotape the conversation.

A. Background

1. Please briefly describe your company background, your position and responsibilities.

2. How about the current project? Could you describe about the contract details (no of parties, type of contract, contract period, and contract amount (if possible)?

B. Relationship Development

1. Can you describe the parties involve in the contract?

2. If you do not mind, could you please show the structure of the contract (the parties involved) and your position in the contract in the form of sketches?

3. Based on this position, could you please describe your current relationships with others in the contract or outside the contract?

4. How long have you known them? (client, consultants, subcontractors, suppliers). Do you know them before the project started?
5. Up to this stage do you really know them well? If yes, what makes you really know them? If not, what makes you do not really know them well?

6. What have you done to develop these relationships?

7. When do you initially (begin to) trust your partners? What have they done that may influence you to trust them? What are you going to do next?

8. Do you think you should develop your relationship beyond the contractual relationship? What have they done that makes you decide that you want to develop the relationship beyond the contractual relationships? What are you going to do next?

9. What makes you believe that the relationships are going to be profitable in the long run?

10. What are the relationship problems that you are facing now? How are you going to solve it?

11. Do you satisfy with the current relationship? Why?

Thank you very much for your help and valuable time spent for this interview. I hope you do not mind me contacting you with regard to any problem arise after this interview.

Your help is greatly appreciated.
Appendix 2

LIST OF PUBLICATIONS

Conference papers published


Conference paper accepted for publication