

Chapter 7

Trusting Behaviours in Construction Contracting

Sai On Cheung, Pui Ting Chow and Peter Shek Pui Wong

Abstract Construction contracting is typically subjected to monitoring and control mechanisms. This policing contracting environment reflects the inherent distrust among the contracting parties. Paradoxically, construction project teams work best in a trusting environment because the members are mutually dependent on each other. Furthermore, where flexibility in performance is needed as in case of long-term or complex projects, trust is the necessary condition to suppress opportunism and avoid dispute. Whilst engendering trust is advocated in many industry reviews, trust in construction contracting is a myth remains the majority view within the construction community. This chapter explores the existence of trust in construction projects. Observations of trusting behaviours in construction contracting are solicited and analysed to unveil the bases on which trust can develop.

7.1 Introduction

Construction contracting environment is typically characterised by defensive and uncompromising behaviour (Lyons and Mehta 1997). This environment reflects the inherent distrust among the contracting parties. However, accomplishing construction tasks requires the coordinated efforts of members of project teams.

S. O. Cheung (✉) · P. T. Chow
Construction Dispute Resolution Research Unit, Department of Civil and Architectural Engineering, City University of Hong Kong, Hong Kong, People's Republic of China
e-mail: saion.cheung@cityu.edu.hk

P. T. Chow
e-mail: ronnie.chow.pt@hotmail.com

P. S. P. Wong
School of Property, Construction and Project Management, RMIT University, Melbourne, Australia
e-mail: peterspwong@rmit.edu.au

A trusting environment is conducive for team performance. Furthermore, where flexibility in performance is needed as in cases of long-term or complex projects, trust is a necessary condition to suppress opportunism and avoid dispute (Lyons and Mehta 1997; Williams 2001; Zand 1972). In a trustor-trustee paradigm, the employer (trustor) is willing to take risks on the ability of the contractor (trustee) in completing the project (Gambetta 1988; Mayer et al. 1995; Williams 2001; Zand 1972). In addition, trust signifies the faith between the trustor and trustee that they will not act opportunistically (Gulati 1995; Johnson-George and Swap 1982; Jones and George 1998; Lewis and Weigert 1985; Mayer et al. 1995). To what extent a trustor can trust a trustee is gauged by the trustworthiness of the trustee (Butler 1991; Gabarro 1978; McAllister 1995; Williams 2001). What are the measures of trustworthiness? Many still maintain that trust is a myth in construction contracting. This chapter explores the existence of trust in construction projects. Observations of trusting behaviours in construction contracting are solicited as a means to understand trust-building (Currall and Judge 1995; Webber and Klimosk 2004).

7.2 Observations of Trusting Behaviours in Construction

Construction contracting involves transactions cutting across different professional interfaces (Williamson 1985). Members of these interfaces like architects, surveyors and engineers are connected through various procurement arrangements within a multidisciplinary project team. Asset specificity is high in teams where relocation entails considerable switching costs (Williamson 1985). The assets, the works completed for the project, are durable and have a much higher value than the opportunity cost of the best alternative. Thus, members rarely relocate their assets for alternative usage without sacrificing productive value. Moreover, fear of relocation induces distrust among project team members (Williamson 1985). The extent of surveillance and control will thereby step up. As a result, transaction cost will increase. Once distrust is rooted, members become suspicious of each others' underlying motives. Further distrusting behaviour like cautious defense against betrayal would make joint problem solving more difficult. Without trust, members will take self-interest seeking stances. As such, opportunistic acts are common in construction contracting (Cheung and Pang 2013).

Is trust a solution to guard against opportunism? Do employers and contractors value trust (Kadefors 2004)? Are they willing to build trust and cooperate for the sake of the projects? These questions collectively raise thoughts on the paradoxes of trust. Mutual trust may just be a unilateral sincere wish (Dasgupta 1988; Gambetta 1988; Luhmann 1979). Even when both parties are committed, trust takes years to develop but just needs one incidence to destroy. Once this happens, the team can rarely work together in the same trusting environment as before (Cheung et al. 2008). Project teams need stability that builds on security, reliability and certainty. With trust, project team is able to tackle challenges and uncertainties with concerted efforts. The presence of trust is important to a project team, but its development

Table 7.1 Particulars of the projects discussed for the study

P	Nature	Inter-organisation interaction history	Contract sum ^a	CFA ^b
1	An 28-storey office building	5–6 year	1,300	70
2	A multifunction hall	More than 20 years	1	
3	An 12-storey office building	None	75	13
4	An office building	None	17	4
5	A park	None	300	30
6 ^c	A residential estate	Having no previous cooperation history, but top-management members have previous interaction	380	223

Note: P: Project

Contract sum^a: Approximate in Million RMB; CFA^b: Construction Floor Area in Thousand m²; Location of the project: Shanghai except project 6^c Hangzhou

requires unwavering and enduring effort. Observations of trusting behaviour in construction contracting may unveil the underlying bases of trust-building.

Interviews were conducted to collect trust stories for this study. Interview provides flexibility for researchers to examine the various contexts and insights from the interviewees (Kaplan and Maxwell 1994; Punch 2005). The basic concepts, contributions and deterrence of trust, manifestations such as cooperation and opportunism can then be explored. A total of six dyadic pairs of employer-contractor (Contractors: C1–C6; Employers: E1–E6; Projects: P1–P6) participated in this study. Senior management of these organisations were contacted and were briefed about the research objectives. The 12 interviews were conducted in Shanghai. The information regarding the level of trust measurement mainly collected from front-line project managers who are responsible for the day-to-day operation of construction projects (Geringer and Hebert 1991; Janowicz-Panjaitan et al. 2009; Zaheer et al. 1998). Background of the interviewees and their organisations, project information and team members' portfolios were collected in each of the interviews. Furthermore, the following perceptive views of the interviewees were solicited: (1) the trust-development process and the nature of inter-organisational success, (2) the project management practices, in particular, their nature of works and interactions, and (3) the identification of risk and uncertainty faced by the project teams. Open-ended questions were used. Where possible and appropriate, examples were solicited to illustrate and confirm the views expressed. The interviewees were also asked to draw mind-maps on trust. A summary of the projects discussed in the six interviews is given in Table 7.1.

All the participating organisations are developers and contractors active in the market. Some of the interviewees expressed appreciation of their team members' effort in developing trust. Unsurprisingly, most of them talked about the risks, challenges and difficulties in rendering trust. Similar findings have been widely reported in trust literatures. While most of them are unable to describe their trust stories in full, trusting behaviours could be observed. Based on these observations, five antecedents of trust are identified. These are commitment, risk-taking, knowledge, honesty and benevolence.

7.2.1 Commitment

Commitment can be used as a trust identifier. “Can do” and “will do” are the two major manifestations of commitment. The former refers to the skills, competence and abilities that enable a party to fulfill his promises (Mayer et al. 1995). The latter refers to the willingness of the party to do so. Co-operation has also been noted by the interviewees as a form of commitment. When there is a cooperative relationship between employer and contractor, they would explain their expectations to each other clearly. If necessary, adjustments of these expectations can be made for the attainment of mutually acceptable outcomes (Bennett and Jayes 1998). The degree of interference from a trustor on a trustee is inversely related to the level of commitment. For example, a trustor who frequently reminds a trustee to perform a particular task projects an untrustworthy outlook of the trustee. Some interviewees suggested that a commanding party often distrusts his counterpart (Lau and Rowlinson 2009). The following are some relevant comments from the interviewees.

Interviewee E1: *I look for well known contractors. The contractor for this project has participated in many landmark projects, like World Expo, etc. His competence and abilities are well-proven.*

Interviewee E1: *I am serious about safety issues and prefer hands-on management. Solely relying the contractor on safety issues is risky to me.*

Interviewee E2: *The contractor is specialised in renovating small buildings. This specialty nicely fits the need of my kindergarten project. He is committed to the project. He has been working on this type of work for more than 20 years.*

Interviewee E2: *The contractor identified the safety hazards that may arise and proposed some useful and practical ways to deal with them.*

Interviewee C2: *Maintaining a cooperative relationship is of higher priority than making money.*

Interviewee C3: *Although the employer seldom pays late, his performance is still unsatisfactory because of the unrealistic expectations.*

7.2.2 Risk-Taking

It has been suggested that construction contracting relationship is inherently distrustful (Hanna 2007). Factors influencing initial level of distrust include risk allocation, personality, cognition and social categorisation processes, role-based behaviour and reputation of the party concerned (Lewicki et al. 2006). The most influential one is risk-taking according to Mayer et al. (1995). All interviewees indicate that as construction projects are becoming more and more complex, uncertainty is high. Thus, trust is very meaningful to handle inter-organisational and inter-disciplinary teams dynamic. Trust provides the springboard for “quantum leap” in performance. Lewis and Weigert (1985) describe this as “beyond the expectations that reason and experience alone would warrant”. This is particularly

true in crisis situation. Theory of bounded rationality prescribes that decision to trust depends on the potential risk (costs and benefits) and the probability of reciprocity (temptation). Moreover, there is no guarantee that cooperation will succeed, in particular when the contract is incomplete. In extreme situations, even when the circumstances appear to promise mutual gain (benefits > temptation), irrational exploitation would happen (Lorenz 1999). Trust helps members to understand such situations, make informed decisions and reinforce trusting ambience of the project team. The proffer of evidence to trust can be explicit (independent status) and/or subtle (unintentional, nonverbal or body language) (Lyons and Mehta 1997).

Interviewee C1: *The employer has sound knowledge in construction. Communication is thus easier. The risks of misunderstanding is low.*

Interviewee C1: *I won't say that I totally trust the employer. No matter how well we cooperate, incompatible interests remain.*

Interviewee E3: *Having trust is academic and too abstract. I think cooperation can only be based on contract requirements. The market is too complicated. I follow the market rules instead of the theory of trust.*

Interviewee E3: *It is the practical need to cooperate rather than because of trust.*

Interviewee C4: *I am more vulnerable in the relationship since the employer is in a better position to bargain. To a greater extent, I cannot afford to trust the employer where huge money is at stake. I can rely on the contract which is the only link between the two organisations.*

Interviewee E6: *We shared the objective of effectively and efficiently complete the project with good quality. We focused on reducing risks in the project.*

7.2.3 Knowledge

Some interviewees suggested that they have to work with some opportunistic counterparts. Moreover, knowing that the counterpart is an opportunist may reduce uncertainty (Lewis and Weigert 1985). If one party can predict his counterpart's action, he would prepare for it (Gabarro 1978). However, some of the interviewees disagreed that predictability is a trusting factor. Being predictable does not necessarily trigger the willingness to take risks that underpins trust (Mayer et al. 1995). In the context of inter-organisational relationship, predictability to a large extent depends on an organisation's control mechanisms or company policy (Friedland 1990). Reputation and previous working experience are typical examples of sources of knowledge (Burt and Knez 1996). Thus, knowledge is perhaps just the top soil on which trust may be placed.

Interviewee C1: *We share similar beliefs and we have developed very strong working relationship. Previous pleasant and productive dealings engender our trusting relationship.*

Interviewee E4: *Trust is ancillary as I focus on contractual arrangement to deal with the contractor.*

Interviewee E5: *I don't trust him because I do not know him. When conflicts arise, I am not sure what he will do.*

Interviewee C6: *We have no previous interaction, but the employer's attitude towards the project impressed me a lot. He did focus on how to carry out the works. His professionalism makes him predictable, reliable and trustworthy.*

7.2.4 Honesty

One of the interviewees highlighted that the most common form of inter-organisational communication between employer and contractor is through regular meetings. However, this setting does not necessarily lead to open communication because of the "formality" and lacking of real communication. In the context of trust, the information exchanged in these meetings is of low quality (Lau and Rowlinson 2009). Truth-telling or fault-finding leads to very opposite results. Forgiveness is a considerate and appropriate response for honesty. A trustor would only share sensitive information effectively if favorable responses are reciprocated. Through effective communication, uncertainty is minimised where the parties can honestly talk and negotiate. Solving problems in this way retains the relationship and there would be fewer disputes (Lau and Rowlinson 2009).

Interviewee E1: *He is honest. It is a very important criterion in contractor selection for public projects. Face-to-face site meetings were held every week together with the supervisor. Meeting is the most preferred form of communication. In addition, we have telephone calls very frequently. We rarely use E-mail.*

Interviewee E2: *The contractor's behaviour is consistent with his words. I rarely find an honest man like him nowadays.*

Interviewee C2: *The users of the kindergarten are mostly small kids. We need to clarify every issue to avoid any tiny mistake that may cause injuries to those lovely kids. We need honest opinions.*

Interviewee C3: *His lack of knowledge in construction makes communication ineffective. He even refuses to listen to my recommendations.*

Interviewee E5: *It is impossible for me to trust him because he will not tell me what has gone wrong.*

Interviewee C5: *He often by-pass me and refers the conflicting issues to the senior management. I had to pay extra effort to communicate with him. However, he is not willing to accept my advice on technical issues despite his lack of knowledge in construction.*

7.2.5 Benevolence

Benevolence is grounded in helping acts of a trustor (Lewicki et al. 2006). Some of the interviewees gave some examples but also mentioned that it was never easy for the parties not to take advantage of one another. The employers and contractors have their own motives and objectives that are often incompatible. Viewing parties' interests as mutually opposite inhibits trust-building (Mayer et al. 1995).

Interviewee E1: *We have a culture of emphasising relationship. We are flexible to offer the contractor some help if necessary. For example, we made advanced payment to the contractor before Chinese New Year. We also offered financial support to the contractor when he was in financial difficulty.*

Interviewee E1: *The development project faced opposition from some neighbours. The contractor took over the site and dealt with the residents, even he did not have to do so. We would be in trouble if the complaints were not resolved.*

Interviewee E2: *The contractor cares about the kindergarten project. He is always available to offer some valuable advices whenever it is needed. He is very patient to evaluate and explain each advice. He even helped me to renovate the old building of the kindergarten, including replacement of those old pipes, which was outside the scope of the original contract works.*

Interviewee E2: *I called the contractor 1 day at midnight, requesting for help to fix the emergency water leakage of the old building. He did me a favor without asking for return. We care the well-being of each other.*

Interviewee C2: *The employer is so nice that he provided us with lunch, dessert and spaces for rest during the project. We care the well-being of each other.*

Interviewee E2: *The contractor always wants to earn more and I expect a building with higher quality and lower cost. That's our relationship. Conflict is inevitable.*

Interviewee E2: *The contractor was willing to finish the works which were not detailed in the contract or the drawings. He also helped a lot in the site handover.*

Interviewee C4: *The employer was too self-centered and unwilling to listen to our views. He thinks that he is always right.*

7.3 Discussion

Trust reduces uncertainty over future outcomes and its presence facilitates swift decision-making (McAllister 1995). Trusting behaviours collected from the interviewees are informative. The five trust antecedents can be explained in the light of the three trust bases suggested by McAllister (1995). These are system-based, cognition-based and affect-based.

7.3.1 System-Based

The development of system-based trust focuses on formalising the procedural arrangements to reduce the reliance of emotional and personal influences (Lewis and Weigert 1985). System-based trust emphasises trust on the integrity of system rather than trust in a particular person. Its influence on contracting relationship is found on the creation of a trusting platform. As an illustration, this form of trust assimilates the faith one puts in the legal system. For example, the use of formal contract can trigger trust on the belief that the contracting parties will honor their contractual commitments in view of the safeguards and remedies allowed therein. In an organisational context, accounting and approval systems are warranty of performance. The parties' behaviours are expected to conform to these systems. In this regard, commitment is a manifestation of system-based trust. This form of trust is of particular importance at the commencement stage of a project, as the contracting parties agree to assure their performance by installing systems to monitor one another behaviours.

7.3.2 Cognition-Based

Cognition-based trust is grounded in reliability, dependability as well as competence (Lewis and Weigert 1985). A trustor believes that a trustee is able to provide quality product/service in a timely fashion. In a construction project, an employer always wishes to award contract to a trustworthy contractor (McAllister 1995, Morrow et al. 2004). When determining whether a person, a group or an organisation is trustworthy, a trustor will evaluate the prospective trustee (Morrow et al. 2004). At the early stage of a relationship, members typically assess how the other members are likely to behave in a given situation. Over time, cognition-based trust is then built on the members' reputation, behaviour stability and consistency. In other words, the member cognitively evaluates the competence of other project team members with the information available (Morrow et al. 2004; Rousseau et al. 1998). Any mechanism that enriches such information supports the development of cognition-based trust. Cognition based trust therefore grows overtime as the project progress as both contracting parties gain better knowledge of each other.

7.3.3 Affect-Based

Affect-based trust manifests as reciprocal interpersonal care, concern and emotional bonds (Lewis and Weigert 1985; McAllister 1995). A trustor is making emotional investments in trust relationships when genuine care and concern for the welfare of the trustee is expressed. The trustor is instilling intrinsic virtue of such relationships

and believes that these sentiments will be reciprocated (Bachmann 2001; McAllister 1995). Emotional bond will then develop if the trusting cycle does materialise. This bond will link members together and provide the platform for trust development (McAllister 1995). Jones and George (1998) highlighted that trust fosters when a party believes that the counterpart is trustworthy. On the other hand, distrust germinates due to lack of information to initiate cognition-based trust. In such situation, the parties may rely on “affective response” such as instincts, intuitions and feelings to gauge the other party’s trustworthiness (Morrow et al. 2004).

7.4 Chapter Summary

Trust is a controversial topic in construction contracting. Whilst trust has been identified as the most important ingredient for efficient business exchanges, skeptics have maintained that trust is not possible in construction. This study posits to provide empirical evidence on the existence of trust by soliciting trust stories. Through case studies conducted in Shanghai, observations of trusting behaviours are collected and analyses. Antecedents of trust are identified and these are commitment, risk-taking, knowledge, honesty and benevolence. These are further discussed under the examined under the three trust bases advanced by McAllister (1995). The three trust bases are system, cognition and affect. It is advocated that system based trust is most relevant at the commencement stage of a project. As the contracting parties get to know each other better, their trusting relationship will shift to cognition-based. More enduring trust status is attained when affect-based trust develops with fruitful trusting exchanges. Trust building mechanisms in construction contracting are further deliberated in Chap. 8.

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