

**Partnering behaviour in one-shot deals**  
**The case of real-estate projects**

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## **Abstract**

Marketing and selling projects is one of the dominating modes of international business; however, it has long been neglected by the academic community. In terms of purchasing, the dominant approach applied to project procurement is the competitive bid. In the field of construction, this transactional approach is however subject to an increasing number of criticisms since the mid 1990s. Hence, there is an increasing pressure to promote partnering in the construction industry. This shift from a dominantly transactional approach to more relational practices questions the role of the purchasing function and the purchasing manager. It requires both a structural and a cultural evolution of the purchasing function. The objective of this research is to determine under what conditions partnering is a viable marketing strategy as opposed to competitive bidding. It analyses the attitude of real estate purchasers towards partnering in France and the determinants of that attitude. The paper investigates the impact of the firm's structure, the firm's culture and of the project stakes on that attitude. The results reveal that the customers' attitude towards partnering is inversely related to the size of the structure and to its level of integration in the company. It also shows that partnering in real-estate business is still at its introductory stage in France due to the resistance of the biggest "market makers" which often feel threatened by the structural changes it implies from their purchasing habits.

**Key words:** Consumer behaviour, relationship marketing, project marketing, partnering, real-estate, construction industry, purchasing strategy.

## **1. Introduction and research problem**

Projects exchanges constitute one of the dominating modes of international business (Hadjikhani, 1996; Günter and Bonnacorsi, 1996; Skaates and Tikkanen, 2003). This mainly results from an increasing demand for complete solutions and global offers (Grönroos, 1997) which push suppliers to integrate their offer in the forms of packages, systems or turn-key projects. In spite of the growing importance of project deals, this field of exchange has long been neglected by the academic community. In terms of marketing, the researchers from the International Network for Project Marketing and Systems Selling (INPM) have recently attempted at filling this gap. In terms of project purchasing, the field still remains relatively unexplored.

This paper aims at analysing the procurement habits and attitudes of French practitioners purchasing real-estate projects. The case of real-estate projects has raised our specific interest as there is an increasing international pressure to modify the existing purchasing habits based on competitive tendering and to adopt more relational approaches based on cooperation and partnering. While partnering is more and more implemented in the anglo-saxon countries, it remains less developed in France (Guillou, Crespin-Mazet & Salle, 2003). This paper investigates the attitude of real estate purchasers towards partnering in France and the determinants of that attitude. In a first part, the paper reviews existing literature on project deals and on the trend towards partnering so as to identify explanatory factors of project purchasers' attitude. The second part of the paper describes the results of two consecutive studies carried out with real-estate project purchasers in France. Findings suggest a classification of the role played by real-estate purchasers in the partnering decision depending on the firm's structure. This classification is used to describe purchasers' attitude towards partnering.

## **2. Literature review**

### ***2.1. Development of partnering in construction project exchanges***

Traditionally projects follow chronological stages starting from the identification of a need to the handing over of the completed work (Holstius and Cova, 1990; Cova,

Ghuri & Salle, 2002). The customer is generally at the origin of the project: he carries out a feasibility study, writes specifications, defines a budget and launches a call for tender. In the construction industry, the process is fragmented into several distinct phases: the front-end (briefing), the design, the procurement and the realization on site (Campagnac and Winch, 1998; Hobbs and Andersen, 2001). The traditional organisation of the construction process is thus very sequential with a clear separation of roles between the actors involved at each phase (customer, technical consultants, building professionals, trade specialists, insurance and fund providers, control agencies, etc.). This fragmentation between multiple actors and phases, as well as other specificities such as the strong dependence on a particular customer, the one-off nature of production with a diversity of requirements, and the predominance of lowest price procurement strategies raise some difficulties in applying the traditional project management techniques (Campagnac and Winch, 1998; Benhaim, 1997). As a consequence, the construction industry has mostly been dominated by adversarial relationships between the various parties involved in the supply chain. As mentioned by Guillou, Crespin-Mazet & Salle (2003: 65): *“Each project being specific, contractors focus on winning the bid even if this means adopting win-lose relationships with other actors”*. Similarly, Cain (2004: 4) states: *“In the construction sector, where people do things on project after project in the same old inefficient ways, forcing each other to give up profits and overhead recovery in order to deliver at what seems the market price. What results is a fight over who keeps of the meagre margins that results from each project, or attempts to recoup ‘negative margins’ through claims”*. Therefore, it can be argued that the traditional procurement method based on the competitive bid is transactional.

Since the mid 90s’, these practices have been heavily criticised. The increasing high levels of customer dissatisfaction in terms of service delivery, time and quality have been pointed out both by professional and government bodies (see in particular Thompson, Cox and Anderson, 1998 for a complete review) and by academic scholars (Bresnen and Marshall, 2000; Campagnac and Winch, 1998 ; Dubois and Gadde, 2000; Guillou, Crespin-Mazet & Salle, 2003). In these debates, they question the construction industry’s failure to promote more integrated and cooperative approaches which have fostered the development of more proactive market attitudes and increased customer satisfaction in several industrial sectors (Campagnac and Winch,

1998 ; Midler, 1995). Several authors have then advocated the use of partnering in the construction industry (Sai-On et al., 2003; Bresnen and Marshall, 2000; Barlow and Jashapara, 1998; Thompson and Sanders, 1998; Crane et al., 1997). As a consequence, partnering has been promoted intensively since the late 1990s in the United-Kingdom but much less in France. Little research has been done in this field in France ; the pioneering article from Guillou, Crespin-Mazet and Salle (2003) suggests that this can be due to the firm's purchasing culture and to the project characteristics.

Partnering is broadly defined as the joining of two or more companies to exchange resources, share risks, or divide rewards from a joint enterprise. In the construction industry, the concept is referred as follows : *“Under this type of arrangement parties to a contract work towards agreed goals which will benefit all concerned. Partnering thrives in an atmosphere of trust and openness and flounders when co-operation is absent”* (site of construction partnering: [www.construction-partnering.co.uk](http://www.construction-partnering.co.uk)). The concept of partnering has been applied to characterise relationships at various levels of the supply chain. For example, several authors such as Cain (2004: 7) apply partnering to *“supply-side relationships so as to deliver a comprehensive range of building types and construction activities for a variety of demand-side customers”*.

**In this paper, we apply partnering to relationships between a customer and a contractor (construction firm) on a specific project (partnering with suppliers).**

In this case, it refers to the early involvement of the contractor in the design stage as well as in the construction stage (joint development of the project so as to integrate design and building activities). In the following literature review, we will attempt at identifying the determinants of the purchasing attitude towards partnering in the construction industry.

## *2.2. The determinants of a firm's purchasing attitude towards partnering*

### **2.2.1. Project characteristics**

Three characteristics of projects are often outlined in the literature as key criteria for choosing a contract design which is more or less favourable to cooperation with a contractor in the design stage: project uncertainty, project complexity, and project

stakes or risks. The relevance of the concept of risk and uncertainty to analyse the customer's choice of a contract design has already been shown both by institutional economics (Williamson, 1985; North, 1996) and by business-to business marketing scholars (Håkansson, Johanson and Wootz, 1976). In the project marketing literature, uncertainty mostly refers to the project (Turner and Simister, 2001; Barlow and Jashapara, 1998; Cova, Ghauri and Salle, 2002; Smyth, 2000). According to Cova, Ghauri and Salle (2002), the risk approach can fruitfully be applied to analyse the case of project purchase. It can in particular influence the way the customer will decide to organise the project and its make or buy decisions. Depending on the situation and on its level of risks, the customer can act either by coordinating the complete implementation of the project itself, or, on the contrary, he could outsource and delegate design, implementation, maintenance and sometimes management to a unique supplier. This variation in the degree of outsourcing of the project depends on the customer's purchasing strategy.

For the customer, uncertainty relates to the development of specifications, with the transaction method and with the supplier's ability to carry the project through a successful conclusion (Smyth, 2000; Cova, Ghauri and Salle, 2002). According to Turner and Simister (2001), it can also be related to the project's process, to its product or to its purpose. In this case, the customer is faced with the incapacity to set up a complete contract *ex ante* and thus to use the traditional competitive bidding procedures (Brousseau and Fares, 2000). Then, traditional arm's length approaches are considered sub-optimal and more open-contracts based on trust are often adapted (Kadefors, 2004). Cova, Damgaard and Mazet, (1993), Scott (2001), Turner and Simister (2001), Good and Schultz (1997), as well as Guillou, Crespin-Mazet and Salle (2004) have all outlined that the project complexity influences the customer's behaviour and his choice of a contractual approach in project business. When the project is technically complex, the client cannot always precisely define his problem, his need and thus his specifications (Cova, Mazet and Salle, 1994). He then looks for experts (consultants, engineering firms, but also contractors) who best master the overall complexity of a given technological field to decrease his own risks. In such situations, winning suppliers are often involved in early collaboration with the client and joint development to help solve the customer problem.

Guillou, Crespin-Mazet and Salle (2003) outline that it is the customer's perception of the project complexity that predicts its contractual behaviour. The level of project stakes (i.e. the project impact on the customer's activity, production process and image) influences the customer's behaviour towards partnering or relational contracts.. The higher the project stakes, the higher the risks and hence, the more willing the customer is to share the risk with a contractor (see also Michel et al., 2003). This is consistent with the findings of Contractor and Lorange (1988) stating that risk reduction is one of the key reasons for forming cooperative ventures.

### **2.2.2. Customer specific characteristics**

The literature outlines that clients' characteristics can promote or inhibit the development of partnering with a contractor (Scott, 2001; Guillou, Crespin-Mazet and Salle, 2003; Bresnen and Marshall, 2002).

- **their “purchasing culture” or “business orientation”** - Some clients seem to be naturally open to early cooperation with a contractor instead of splitting the design and the execution phases (Scott, 2001; Sai-On et al., 2003). Cova, Mazet and Salle (1996) point out that partnering mostly occurs when the client is culturally open to a direct interaction with the suppliers. Sai-On et al. (2003: 341) also stress the existence of “*behavioural blockages to cooperative contracting*”. This is also confirmed by Scott (2001) and by Brennan and Turnbull (1999) for whom, the client's “business culture” or “managerial orientation” must promote an atmosphere of trust and mutual respect to engage in a relational contract. Some customers have very rigid and formalised procedures restricting the possibility to engage into early cooperation agreements with contractors (in particular public sector customers). When they lack relevant knowledge, customers are more inclined to rely on their suppliers' expertise and advice on how to approach their project (Smyth, 2000).

- **Their structure** - The firm's structure also seem to have an influence. Clients having internal design capacities appear to be more reluctant to delegate the design to an outside firm such as a contractor (Guillou et al, 2003).

### **2.2.3. The characteristics of their relationship with contractors**

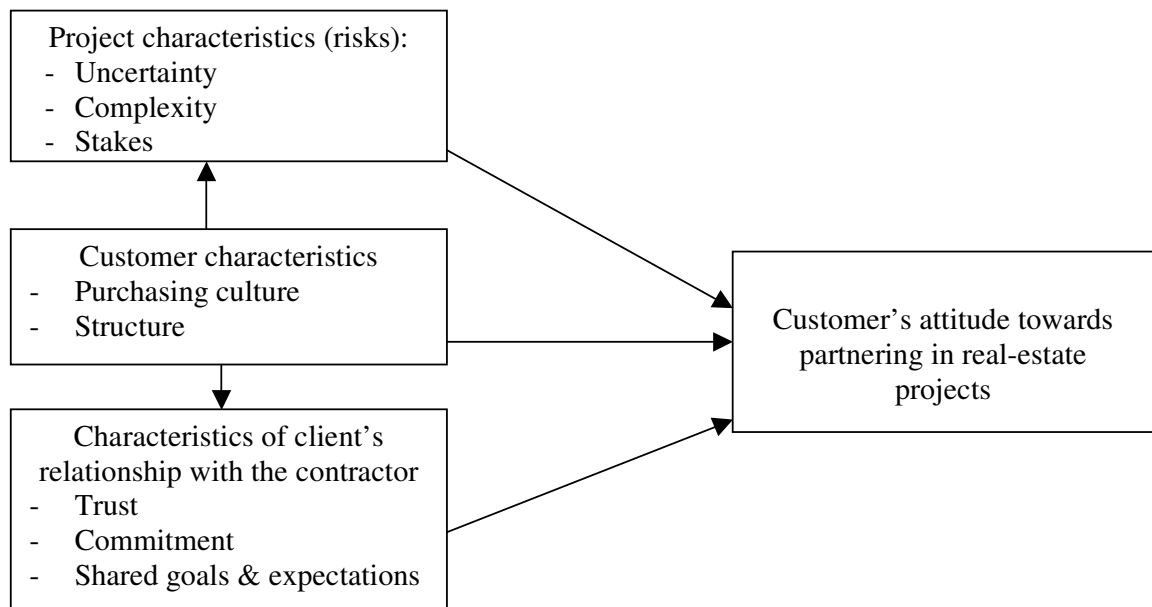
The literature highlights that the adoption of partnering requires the development of a positive atmosphere between parties characterised by:

- ❖ trust (Thompson, and Sanders, 1998; Crane et al., 1997; Kadefors, 2004 ; Bresnen and Marshall, 2002),
- ❖ commitment (Håkansson and Snehota, 1995; Garbarino and Johnson, 1999 ; Sai-On et al., 2003 ; Grönroos, 2000; Moorman et al, 1992),
- ❖ shared goals and expectations (Barlow et al., 1998 ; Ring Smith and Van de Ven, 1994 ; Kadefors, 2004 ; Thomsen et al, 2004).

These concern both the supplier and the buyer but also other key actors involved in the project and forming the project network (Sahlin-Andersson, 1992; Cova, Daamgard and Mazet, 1993; Hellgren and Stjernberg, 1995; Dubois & Gadde, 2000).

### 2.3. Insights drawn from the literature review

As illustrated in figure 1, the literature enables to identify the determinants of a customer's attitude towards partnering: the characteristics of the project itself ; the characteristics of its relationship with the contractor ; and its own characteristics (and in particular its purchasing culture and its structure). These variables can be considered as the “mainframe” or ground architecture of a model for analysing project purchasing decision.



**Figure 1– A preliminary framework – the determinants of a customer's attitude towards partnering in real-estate projects**



However, we feel that several points remain to be detailed and clarified in this preliminary framework so as to better predict customer's behaviour in professional real-estate purchase. Firstly, the partnering literature seems to mostly emphasize the role of attitudinal, cultural and relational variables and to underemphasize the influence of the firm's structure on the attitude towards partnering. This can partly be explained by the fact that real-estate deals take the form of projects which are by nature discontinuous (Hadjikhani, 1996). Due to this discontinuity of project transactions, the project management literature often advocates the definition of ad hoc structures (project organisations) developed specifically for each project (Midler, 1995). Our intent is to challenge the relevance of this assumption.

Secondly, the relationship between these three variables (the characteristics of the project ; of the client's relationship with the contractor and of the customer's) remain to be clarified. Are these three variables independent or are there any influence between these variables ? Guillou, Crespin & Salle (2003) suggested that the characteristics of the customer's structure may have an impact on the customer's perception of the project stakes and complexity. This preliminary finding needs to be further consolidated as well as its impact on the purchasing attitude.

Thirdly, the literature does not give any precise insights relative to the various actors involved in the Decision Making Unit (DMU) in real-estate purchases while its composition is often complex and heterogeneous across companies. The focus of analysis is often on the professional purchaser's attitude which might induce a flaw as he/she is not necessarily the decision-maker. Moreover, his/her influence might depend on his/her own position in the organisation and on its structure. Clarifying the roles and responsibilities of the members of the DMU in French real-estate purchasing is all the more important that their perception conditions their behaviour towards partnering (Guillou, Crespin-Mazet & Salle, 2003; Michel, Naude, Salle & Valla, 2003). We will analyse in particular:

- ❖ The various types of structures implemented by customers to manage real-estate purchases
- ❖ The impact of these structures on the composition of the DMU and on the profile of decision-makers in real-estate decisions
- ❖ The attitude of the customer's decision-makers towards partnering.

### **3. Methodology**

The paper is based on an exploratory research programme including two consecutive studies.

#### ***3.1. An exploratory study***

It has been carried out in 2004/2005 with 18 managers in charge of real-estate purchases from various industrial sectors in France. The interviews covered the following topics: the purchasing organisation and structure and the processes implemented to manage real-estate purchases. The objective of this study was to draw a typology of purchasing organisation/structures and DMU in real-estate purchase in France and to collect their general opinion on partnering approaches.

#### ***3.2. Ten case studies***

Carried out in 2005, they aimed at testing the relevance of our previous typology and at analysing the determinants of purchasers' attitude towards partnering based on facts rather than on a general discourse. Twelve projects have been selected with a French contractor, whose marketing and sales strategy is to promote partnering. Some projects finally led to a partnering agreement while some others were procured in a more traditional manner. Therefore, we first selected the projects depending on their contractual outcome (partnering versus other type of contract) and not the customers. Data has been collected through semi-structured personal interviews with involved persons at the contractor's and at the customer's end. We also analysed secondary data (reports, proposal, e-mails, letters, quality reports) to enable data triangulation (Ghauri, 2004). Each interview was recorded and fully transcribed. We present the characteristics of each case in table 1 (at the end of the document) organised along the following dimensions: 1) Customer's activity (core business); 2) Structure and organisation of the customer's firm in terms of real-estate purchases ; 3) Profile of buyers; 4) Purchasing habits & culture; 5) Project description (type, stakes, complexity); 6) Customer's attitude towards partnering on the project.

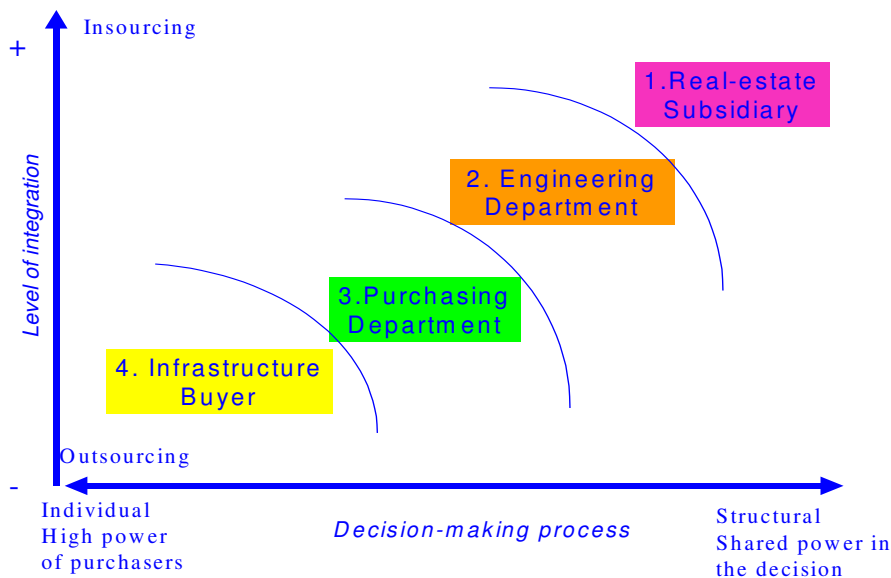
## 4. Findings

### 4.1. Analysis of the exploratory study : influence of the firm's structure on the choice of procurement practices

Concerning the purchase of real-estate projects, the organisations implemented by French corporations can be described by two variables:

1- *The level of integration of the real-estate activity within the company*: this variable reflects the level of stakes associated by the company to real-estate purchases. It is inversely related to the level of outsourcing of the firm's purchasing function.

2- *The characteristics of the decision-making process in terms of real-estate*. This variable describes the composition of the DMU and the way the final decision is made between its members. Different situations can be identified varying from two extremes on a continuum: from a dominantly individual decision relying on the attitude and purchasing criteria of a single decision-maker, to a dominantly collective or structural decision relying on pre-defined purchasing criteria and routines set by the structure and applied by a group of professional buyers. This variable has a direct impact on the level of power of the purchasers.



**Figure 2 : A typology of structure involved in real-estate purchases**

As illustrated in Figure 2, four types of purchasing organisation have been identified:

- When real-estate purchases represent a **low level of stakes** for the company (small amounts, occasional real-estate project purchases), they are often managed by individual **buyers** specialised in **infrastructural investment purchases**. Their level of influence in the organisation is usually high. Their general purchasing expertise enables them to be involved at all the stages of the purchasing process, often replacing internal advisers, but without being integrated in a Corporate Purchasing Department. This situation was mostly found in industrial firms.
  
- When real-estate purchases represent **an average level of stakes** for the company (more frequent purchases or higher amount), these purchases are often managed by a **Centralised Purchasing Department**, specialised in technical purchases including real-estate projects. These purchasers often have a technical expertise in the field of construction. They play a central role in the negotiation stage and are increasingly involved in the design stage as part of a project team (a new trend). Their level of influence is generally lower than in the previous case, as they have to share the decision with other functions, in particular with influential internal customers (engineering department, financial department, the users or operating units, ...). This situation was mostly found in heavy industrial firms.
  
- When real-estate purchases represent a **high level of stakes** for the company and can impact the overall company's competitiveness (due to the projects' characteristics, the frequency of their purchase, or their financial stake), they are mostly supervised by internal **Engineering Departments** who appoint a Project Manager. They are sometimes assisted by a purchaser belonging to a purely functional Purchasing Department. The purchaser's influence is lower in so far as he/she is not supervising the project and hence, the purchasing process. His/her influence is more linked to his methodological expertise than to his/her decision power. This situation is typically found in the hotel business. In such companies, there is a risk of conflict of power between the Engineering Department on the one hand (the Project Manager) and the functional Purchaser on the other.

- When real-estate investments represent a **strategic resource** for the company, they are usually managed by **fully dedicated units** such as **real-estate subsidiaries**. These organisations include all the functions and resources required to provide an optimal service to their internal operational customers. They are often placed in direct competition with external companies. In such specialised real-estate units, the purchasing function is divided and spread among several people. The purchasers' individual influence is thus very moderate. Due to the number of projects purchased, their variety and their importance, the purchasing procedures are formalised and often rely on clear specifications and formal invitation-to-tender. Such customers carefully analyse the Value Chain in an effort to minimise their total costs of ownership (TCO). The contractors are mostly considered as bidders, strictly compelling to their predefined rules and specs. These managers may provide repeat business to the same construction companies. This situation is typically found in the bank and insurance business where companies may own several real-estate properties in France and even abroad.

The findings of the exploratory study reveal that, independently of the type of structure, the majority of French buyers and managers declare being sceptical about partnering and tend to reject such approaches rather than trying to promote them. In spite of its overall appeal, French purchasers declare lacking faith in the promises attached to partnering. It shows the lack of maturity and precise knowledge about the concept. For example, some purchasers refer to partnering to mention the fact that they give repeat business to the same suppliers and contractors but for them, this does not refer to the involvement of contractors in the design stage. This illustrates a frequent confusion among French buyers between partnership and partnering.

## *4.2. The case studies*

### **4.2.1. The structure in charge of real-estate projects**

We have classified our ten case studies according to four variables (Miles & Huberman, 1994) identified in the literature review: their strategic vision (definition of core business), their structure, the project risks and their attitudes towards partnering (see table 2). Concerning the typology of structures, the case studies have

led to the identification of a new type of structure and buyer profile namely “**the entrepreneurial profile**”, which completes our first typology. It corresponds to individual decision-makers, who are the founders and managers of their own company and who concentrate the power of the decision. They can be found in small and even very small sized firms (less than 5 employees) having limited means and resources to develop real-estate projects, even when it is part of their core business. They mostly rely on outside resources to design and develop their project.

<b>Customer</b>	<b>Real-estate : Core Business?</b>	<b>Structure</b>	<b>Client’s perceived risks linked to the project</b>	<b>Attitude towards partnering on the selected project</b>
<b>A- Insure Investor</b>	Core	Real-estate subsidiary => 1	Risky (occasional)  Low risk (dominant)	Partnership (no true partnering)  Traditional / competitive based on a single project
<b>B- TFAC</b>	Core	Engineering Dept =>2	Low risk	Traditional / competitive based on globalization
<b>C- Dent &amp; Invest</b>	Core	Entrepreneur buyer =>5	High risk  Low risk	Partnering (constrained)  Traditional / competitive
<b>D- Mountain Invest</b>	Core	Entrepreneur buyer =>5	High risk	Partnering (desired)
<b>E - Car Co</b>	Non core	Purchasing Dept. =>3	Low risk	Traditional / competitive
<b>F - Verrerie</b>	Non core	Purchasing Dept. =>3	Very high risks	Partnering (constrained)
<b>G - PSB</b>	Non core	Purchasing Dept. =>3	Average risks	Competitive bid through standardization and globalization
<b>H - Biscuit Co.</b>	Non core	Entrepreneur buyer =>5	Average risks	Traditional, competitive.
<b>I - VitroDiag</b>	Non core	Infrastructure Buyer =>4	Low to average	Partnering (desired)
<b>J – Pharma</b>	Non core	Infrastructure Buyer =>4	High risks	Partnering (desired)

**Table 2 : Description of case studies by structure, project risks & attitudes towards partnering**

The case studies confirm that the type and size of the structure in charge of real-estate purchase is not primarily linked to the size of the company but rather to the company’s strategic vision in terms of business model relative to real-estate.

***When real-estate is not considered as part of the company's core business*** (low to average level of stakes), the structures in charge of real-estate are usually leaner sometimes even inexistent (case of Biscuit Co), but the power of the decision-maker is all the higher. If not the CEO himself, the decision-makers are often directly attached to him and have their full delegation. In several cases, the level of stakes was less related to the number of projects carried out each year or to their complexity, than to their impact on the company's activity. For example, in the case of VitroDiag and Pharma, the customer's are two major international groups present in the pharmaceutical industry and developing several real-estate projects each year in France and abroad (plant extension, warehouses & logistical projects, R&D centre, sales offices, refurbishment/renovation of existing premises...). In both of these cases, the structures in charge of real-estate are very light. In fact, these two companies used to have larger structures in charge of real-estate, but decided to reduce them following a strategy of refocusing on their core business. In one case, this decision has been fostered by the company's introduction to the stock exchange market. In both cases, this change has been implemented drastically and led to the appointment of new purchasing managers (Infrastructure Buyers) having a totally different background than their predecessors (who retired or left the company). In that respect, these two companies evolved from a type 3 structure (Purchasing Department) to a type 4 structure (Infrastructure Buyer).

Going one step further, we can consider that the companies currently classified under the type 3 structure (Car Co & Verrerie) may evolve to a type 4 structure in the near future. These large French industrial firms (one in the heavy industry) inherited their historical structure (strategy of vertical integration) and justify its current size by the number of projects carried out. However, this is often bound to change with the imminent retirement of several their staff members and the pressure to reduce costs. As an example, one of these companies has just been bought out by an American pension fund which already started implementing a drastic cost reduction programme.

***When real-estate is part of the company's core business***, we have identified 3 types of structures. The first type has been classified as "entrepreneurial" and corresponds to individuals who recently decided to set up a business in the field of real-estate to seize the opportunities linked to a growing market in France. As entrepreneurs at the head of a new business, their founders base their development on external (low

financial and technical resources). Their vision is strongly correlated to their own profile and characteristics. Their structure might evolve with the growth of their business. The second type of structure has an Engineering Department composed of experts in both technical aspects and in negotiation. For these companies, real-estate is considered as their production tool or process. The third type has a full real-estate subsidiary acting as private investors and able to develop complex financial arrangements to acquire, manage or sale a large number of real-estate properties. For them, real-estate is a financial investment to grow the money drawn from their other activities.

#### **4.2.2. The link between structures and attitudes towards partnering**

Concerning the purchaser's attitude towards partnering, the findings reveal that it is inversely related to the size of the structure and to its level of integration in the company.

For the companies for which **real-estate is part of their core business** (Insure Investor, TFAC, Dent & Invest, Mountain Invest), the bigger the structure, the more people, purchasing procedures and habits advocating a traditional mode of contracting based on competition and thus rejecting partnering. This finding comes very close to that of Leonard-Barton's (1992) who came to the conclusion that a firm's traditional core capabilities, often deeply rooted in values, inhibit innovation and can therefore act as "core rigidities". Such structures often feel threatened by innovation and changes. As stated by Hobbs & Andersen, (2001: 469), "*Questioning standards and well-established project models is threatening and creates anxiety and complexity*". To the opposite, in lean structures (case of entrepreneurial structures), the trend towards partnering is stronger. Its actual implementation depends on the project perceived risks and on the purchasing culture of the entrepreneur (often a self-made man). We can then make a distinction between a **constrained partnering** contracted by the entrepreneur with the main objective to decrease the project's risks (case of Dent & Invest) and a **desired partnering** contracted in an effort to increase the value of the product to be constructed (case of Mountain Invest). In the case of Dent & Invest, the entrepreneur adopts a purely opportunistic approach and selects partnering



on this project as he has almost no other choice given the complexity and strategic stakes associated to his project (technical complexity, very short delays, financial risks; heterogeneous offer market and limited number of competitors). On the opposite, the founder of Mountain & Invest has fully integrated the benefits of partnering in his model and has a clear understanding of the concept. His vision is coherent with his positioning on his downstream market focusing on very high standard and quality products (3 to 4 star hotels in the best spots of the French Alps): his own customers are often ready to pay a higher price for a better quality. Worth noticing, is the fact that this entrepreneur is associated to a British investor who also has a clear understanding and knowledge of partnering approaches.

For the companies for **which real-estate is not part of their core business** (Car Co., Biscuit Co., VitroDiag, Pharma, Verrerie, PSB), the findings are similar. The leaner the structures, the more positive the customer's attitude towards partnering.

In the lightest structures such as that of Biscuit Co. (entrepreneur), the attitude here again strongly depends on the profile of the entrepreneur and on the project stakes. In the case of Biscuit Co, the entrepreneur is used to extremely tough competition with his own customers (mass merchandisers) based on the lowest price offer for a standard product. He considers that he should adopt a similar negotiating behaviour with his own suppliers. In spite of the appeal of the partnering approach, the entrepreneur is culturally incapable to adopt it. He declared himself very enthused about the concept but never accepted to pay the contractor for their design work. Based on Leonard-Barton (1992: 121), we could say that there is a misalignment between the partnering principles and the skills and knowledge-base dimension of the entrepreneur's core capability. In the case of VitroDiag and Pharma, real-estate investments are managed by high level and experienced purchasers having a clear vision of their company's strategy to focus on their core business and outsource secondary activities. They have the power to personally commit the company to partnering and change previously existing habits. They can be considered as the "pioneers" of partnering".

For the biggest structures such as Corporate Purchasing Departments, partnering is only considered when the project risks are very important (constrained partnering). This confirms the relevance of the project characteristics as an explanatory factor of

the customer's attitude (moderating variable). This is typically the case of the Verrerie project where the customer was faced with a strategic renovation project with an extremely high technical complexity as well as several uncertainties. To the opposite, the PSB project has been procured through a competitive bid. In spite of its importance in terms of image and size (180 sales offices to be renovated), the project was not complex enough to justify a partnering approach for the buyers. We have a similar situation at Car Co.: the project has an impact in terms of image and some technical complexity (renovation under operations) but this complexity is not considered important enough nor frequent enough to modify existing habits. This customer conveyed an ambiguous message so as to increase the contractor's motivation and commitment. By encouraging the contractor to add its value during the design stage, they let them believe that they accepted the basic principles of partnering. But once the contractor had finished working on the design, they refused to pay for its value, and stuck to a lowest price bid strategy. The winner of the bid provided a very standardised architectural design and the lowest price while the partnering contractor spent several weeks refining the architecture and interior design of the building and considerably reduced the length of the project construction (by 6 months out of 2 years). This category of purchasers are typically locked in their habits and « core rigidities » therefore limiting their capacity to adopt a new approach.

As a summary, this research highlighted a correlation between the type of purchasing structure and the choices made in terms of procurement mode and in particular in terms of partnering. The leaner the structure, the more positive the attitude towards a desired partnering. In the case of lean structures (Entrepreneurs or Infrastructure Buyers), the moderating variables is the profile of the decision-maker. To the opposite, the bigger the structure, the less positive its attitude towards partnering. The moderating variable in this second case (big structure) seems to mostly come from the project's perceived risks and not to the project frequency. This confirms Barlow & Jashapara's (1998: 88) works for whom partnering relates to *“the need to carry out projects with specific requirements which could not be fulfilled using traditional procurement methods”*. The adoption of partnering in such bigger structures is limited by the core rigidities formed by the norms and values attached to traditional competitive tenders and to the existing position of each actor in the supply chain. As

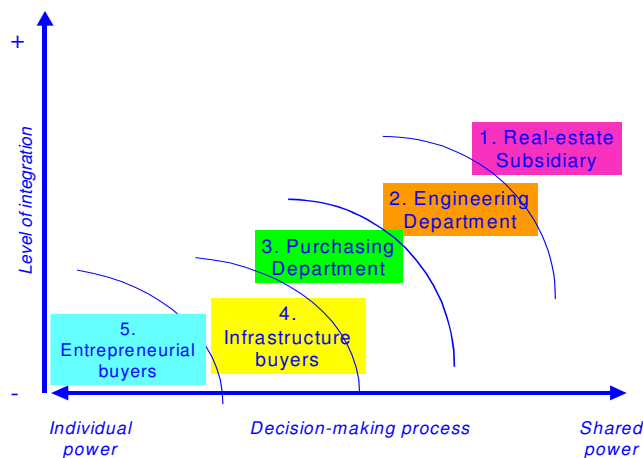
summarized by Weick (1979:151): such “*managers unwittingly collude to avoid actions that challenge accepted modes of behaviour*”.

## 5. Discussion and managerial implications

The existing literature has mostly highlighted the importance of business culture, of project stakes and of the customer’s relationship with a contractor as determinants of the purchasing behaviour. While this is confirmed by our study, we have seen that structure also plays a central role on the purchasing practices and culture. We therefore suggest to distinguish the **following variables related to the customer’s characteristics** and clarify their interaction as follows:

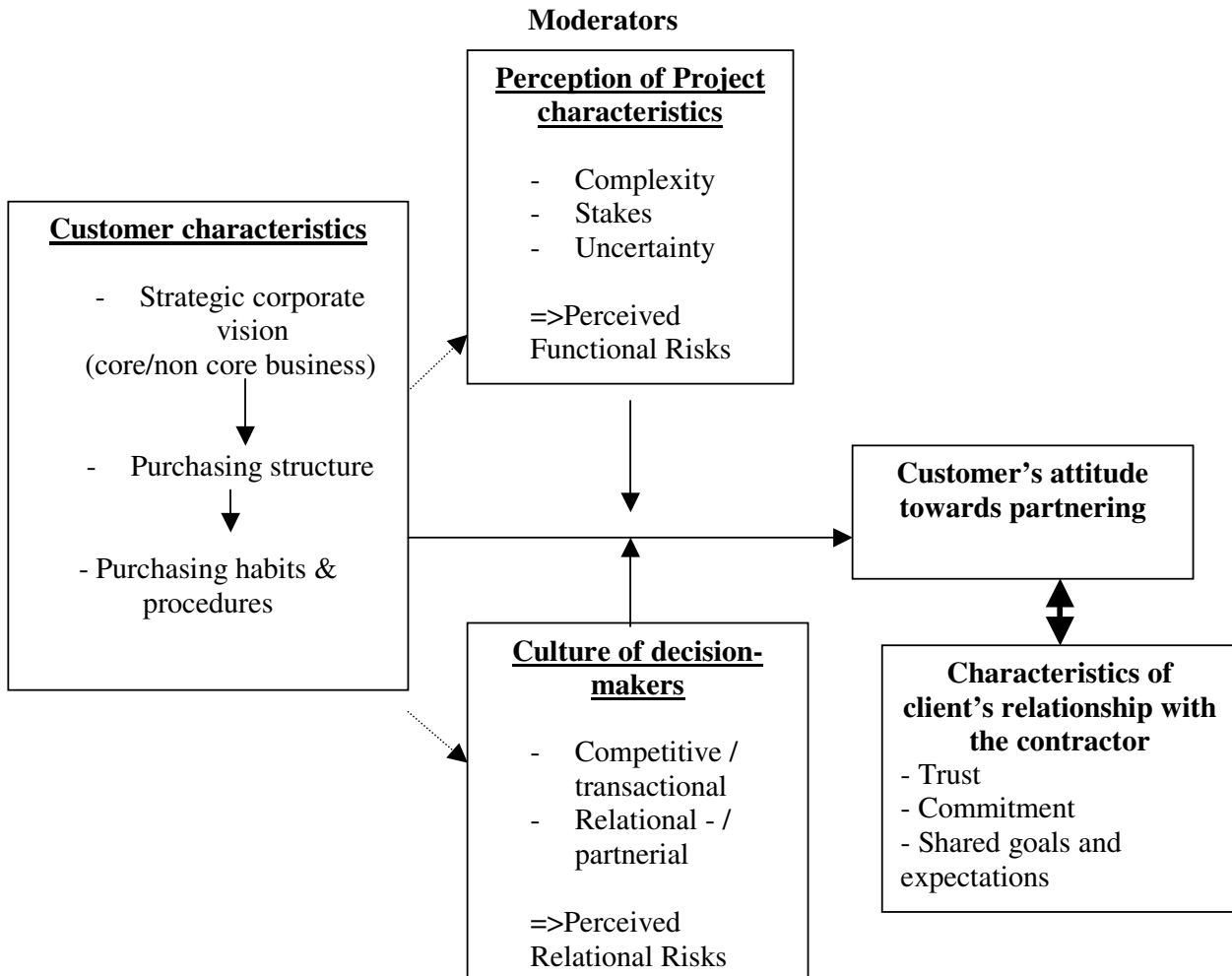
- **the corporate strategic vision:** the vision that top managers have of their activity and of the firm’s role. This vision conditions in particular what is core business and what is outside of their core activities. We suggest to substitute the concept of corporate strategic vision to that of business culture in the framework as it is more clearly indicates its link to the strategy. Also it is more easily understood that a company’s strategic vision might change rapidly if its shareholders change while the concept of business culture conveys something more permanent and stable.
- **the purchasing structure.** It corresponds to the organisation implemented by the company to develop real-estate projects. It can vary from almost no structure (embryonary) to a fully dedicated subsidiary staffed with several people and directly depends on the corporate vision. This research has enabled to establish five type of structures (Figure 3). Except from entrepreneurial businesses, the biggest and most integrated structures can be found in companies considering that real-estate is part of their core business while the leanest structures in companies that have excluded real-estate from their core business. The integration of real-estate activities in the core business depends in turn on the stakes attached to real-estate by corporate management (impact on the activity). The purchasing structure conditions the profile of the buyers (the characteristics of the DMU), their role and responsibilities and their purchasing habits. The bigger the structure, the more formalised the purchasing procedures and habits but also the more core rigidities (Leonard-Barton, 1992). The purchasing structure has a direct impact on the

purchasing culture. The structure can therefore influence **the perception of the risks and uncertainties** associated to a given project by the actors of the DMU. Therefore, a project that is considered as complex by a lean structure with little resources and internal competences may come across as of low to average complexity for an Engineering Department. In case of **entrepreneurial businesses** with limited to no purchasing structures in terms of real-estate, the structure can almost be reduced and simplified to the decision-maker. His/her purchasing culture comes across as the best explanatory factor in such situations.



**Figure 3 – A revised typology of structure involved in real-estate purchases**

We therefore suggest a **revised model** (figure 4) to explain the customer’s attitude towards partnering. In this model, the main factor explaining the customer’s attitude towards partnering is the customer’s characteristics (strategic vision -> purchasing structure -> purchasing habits & structure). We have identified two moderating variables: the project characteristics (complexity, stakes, uncertainty) which influences the functional risks perceived by the DMU and the culture of the decision maker which conditions the level of risk associated to the relationships. This last variable is more relevant to explain the attitude of entrepreneurs. These two moderating variables can be influenced by the customer’s characteristics. Lastly, the characteristics of the customer – contractor relationship are the outcome of the customer’s attitude towards partnering. But they are also influenced by the attitude of the contractor and the project network (architects, competitors...).



**Culture of decision-makers**

- Competitive / transactional
- Relational - / partnerial

=>Perceived Relational Risks

**Characteristics of client's relationship with the contractor**

- Trust
- Commitment
- Shared goals and expectations

**Figure 4- The determinants of a customer's attitude towards partnering in real-estate projects**

- A revised framework –

## 6. Conclusion

This research highlighted a correlation between the type of purchasing structure and the adoption of partnering. It has shown that partnering in real-estate business is still at its introductory stage in France due to the resistance of the biggest “market makers” which often feel threatened by the structural changes it implies from their purchasing habits. The power of architects (Ben Mahmoud Jouini, 2000) may also hinder the development of new contractual modes in France: the promotion of partnering by

French contractors is perceived as threatening the architects' position in the network (Johanson & Mattsson, 1986). In such conditions, how can partnering develop in the French real-estate business and which actors can influence the diffusion of this innovation ?

**The more innovative partnering companies** are industrial companies for which real-estate is now clearly considered as a non-core activity. For them, partnering comes across as the result of a new corporate vision in a context of increased competitive pressure due the globalisation of markets. These French firms often have close links with anglo-saxon companies or are more exposed to globalisation due to their downstream market or stakeholders. In terms of purchasing, this new business model relies on a more global vision and less emphasis put on the project boundary (Dubois & Gadde, 2001). This means that purchasers have understood that the main objective is not to favour the productivity on a single project (through more pressure on contractors and fiercer competition) but to optimise their total cost of ownership (Wouters, Anderson, Wynstra, 2005). For Van Weele (2001), such companies have reached the sixth phase with respect to purchasing orientation called "value chain integration". At this stage, there is a cross functional approach to purchasing, and total cost/value considerations have replaced an exclusive focus on price. As shown by Dubois & Gadde (2001), this broader view (not focused on a single project) promotes learning and innovation and may even reduce uncertainty. The tighter couplings linked to partnering favour the development of adaptations and the adoption of more tailor-made solutions for the customer instead of the traditional reliance on standardised inputs. If we apply the Brennan & Turnbull's (1999) typology, they can be classified as '*relational*' purchasers: "*partnership as seen as firmly embedded in organisational practice and the problem of implementation has been successfully addressed*".

**The currently conservative companies** are large industrial firms having a similar profile than the type above, but have not yet reduced their purchasing structure (internal integration stage according to Van Weele, 2001). They justify this situation by the large number of projects managed. These companies seem to be close to a "*transitional stage*" (Brennan & Turnbull, 1989), and could potentially rapidly

change structure and adopt partnering under an increasing environmental pressure. Often, they start coping with this pressure by centralising purchases at corporate headquarters ; they are then pushed to reduce their structural costs including them in their total cost of ownership. The contractors willing to promote partnering should look for the “window of opportunity” that could reveal a strategic change at the customer’s (new stakeholder, introduction to stock exchange, change of managers that were used to traditional procurement practices...).

**The most rigid companies** with a transactional orientation (Brennan & Turnbull, 1989; Van Weele, 2001) consider real-estate as part of their core business and behave as investors. For them, real-estate is a **continuous activity** justifying the development of formalised processes and procurement rules. The adoption of partnering would require a drastic change from their existing practices and habits: they are locked in their core rigidities. An explanation for the negative attitude of the largest structures towards co-development may be its narrow scope (focused on a single project). Other forms of cooperation and partnership agreements having a larger scope (several projects or even corporate agreements) may come across as more attractive as aligned with the continuous character of this activity for them. Due to their size and to the very large number of real-estate projects that they develop each year, these companies are very visible and powerful in shaping the industry’s practices. For these customers, co-development may even question their strategic identity (Mattsson, 1985). They are therefore a real obstacle to the development of partnering in France. As stated by Dubois & Gadde (2001:13), *“a change in this direction must be difficult to undertake because it is not in accordance with the cultural norms of the community of practice”*.

**For the very small firms** specialise in real-estate, partnering comes across as the best procurement alternative. The only reason for its refusal, is the culture of the CEO. Due to their atomisation and very small impact on the market, these companies however do not have the capacity to instil a change of practices in their industry.

These findings are however limited to these case studies. More empirical research is required to confirm these preliminary insights and in particular by broadening the scope of the research to other French contractors and to more recent cases.

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Name	Car Co.	TFAC	Verrerie	VitroDiag	Pharma	Biscuit Co.	Dent & Invest	Mountain Invest	PSB	Insure Investor
<b>Core business</b>	Automobile company	Operate leisure hotels & villages	Glass manufacture bought out by a US pension fund	In Vitrodiags	Drugs, medicine	Biscuit production. Work for French mass distribution & retail chains	Entrepreneur multiple activities (dentist, real-estate devlpt, restaurants)	Real-estate devlpt in the Alps	Bank	Subsidiary of a large Insurance company
<b>Structure of company for real-estate purchase</b>	Several projects/year - financial stakes, image stakes - <b>Corporate Purchasing Department</b> (act as project manager -PM) working with complex DMU (users, finance)...	Several small renovation projects/year. - <b>Engineering Department</b> (PM) + complex DMU depending on projects (marketing, hotel managers) - real-estate maintenance is core business	Few real-estate projects/year Regular projects linked to the process (furnace) involving light construction work. <b>Internal Engineering Department</b> assisted by <b>Corporate Purchasers</b>	Real-estate not part of core business ; few projects/ year. Limited amount/ turnover <b>Investment Buyer</b> (Director of Property) depending on the CEO.	No internal resources, nor any expertise in real-estate as not part of core business. Few projects. <b>Investment Buyer =&gt; outsourcing</b>	Small firm No internal resources, nor any expertise in real-estate. Very few real-estate projects: often seen as strategic for their financial amount =>managed by <b>the CEO</b>	A 3 people company. 1 decision-maker (the founder). <b>No internal resources</b> , a growing expertise in real-estate. Real-estate is a 2 <sup>nd</sup> “core” business. Several projects	A 2 people company. 1 decision-maker (the founder). Real-estate is core business. <b>No internal resources</b> but fairly good expertise. Several projects	Evolved from de-centralised purchasers to a <b>corporate purchasing dept.</b> A lot of small, projects each year (low stakes/ project).	<b>Real estate subsidiary</b> to manage a strategic activity. Several real-estate properties and projects each year. Multiple actors in the DMU
<b>Profile of buyers Purchasing habits &amp;</b>	Purchasers are specializedd in construction. Transactional: specs + lowest price	Technical experts & experience in construction + outside architect (strong power)	Technical experts in the furnace process, good basic knowledge of construction.	Evolved from a traditional to a relational approach with new strategic focus on core business =>	Since 1990, outsourcing of activities that are not part of core business. Partnership contracts in	One single decision-maker : the CEO Used to transactional methods and tough	<b>Entrepreneur.</b> Varying according to projects. Looks for the best	<b>Entrepreneur.</b> Varying according to projects. Works with few	Formalised procedures . Project managemt. Search for systematic standardiza tion	Manager-buyer: expertise in real-estate marketing & managemen Total

<b>culture</b>	Competitive pressure	power). Transactional: specs + lowest price Competitive pressure, some repeat business with small local firms.	Outsource what is not core business. Not yet used to partnering in France. Some repeat business with local firms based on detailed specs.	Appointment of a new corporate investment buyer acting as the key decision-maker after approval by CEO.	contracts in all service activities.	and tough negotiation with his customers. Adopts the same logic with his suppliers.	the best price/ security ratio. Value chain analysis. Opportunistic.	with few local partner firms whom he trusts in a long term perspective	tion : detailed specs. Qualification of contractors based on a global bid including several small projects.	ntTotal cost of ownership logic depending on market segments. . Used to precise specs & bids. Some repeat business with same actors.
<b>Project profile:</b> <b>- type</b> <b>- stakes,</b> <b>-complexity</b>	Restoration of a large dealership  Complex, (image & financial stakes). Delay is not a major constraint	Large renovation program including several villages and hotels  Strategic, high financial stakes, low technical complexity. Delay is not a major constraint	Demolishment, reconstruction of part of a plant under operations. Extremely unusual, complex technically, socially, financially (evolving project). Strategic project.	Construction of a new building at HQ to host R&D labs and training centre; demolition of an existing building.  Low technical complexity. Low to average stakes. Low financial amount/ turnover	Separation of 2 production sites so as to sell one considered as out of the core business. Strategic project. Average complexity (legal & social Issues)	Construction of a new plant to replace the existing, obsolete production site (from 1900).  Strategic but little technical complexity	Construction of a large hotel divided in 3 chalets in the French Alps.  Strategic project. Some technical complexity due to the slope and to the evolving demand (specs are not firm).	Reconstruction of an old hotel into a 3 star luxury hotel in very short time constraints.  Complex, strategic project. High financial & marketing stakes	Renovation of 180 local sales outlets in their bank network over 4 years.  Strategic: financial, & marketing stakes. Low technical complexity	2 typical projects studied :  -renovation of an 18th century building in central Paris  - a new office building for rental purposes
<b>Attitude</b>	Open to discussion &		Very open since they had	The customer looked for a	The customer	Looks for turn key	Adopts partnering	Adopted partnering	Think that they adopt	Partnership on very

<b>towards partnering on the project</b>	discussion & best design ideas but not ready to pay for them	Seem open to partnering at first but in fact no real understanding of the concept.  After analysis, reject the approach : feel cheated by the approach.	since they had no other choice, due to the project complexity and stakes. Cohesiveness between Technical dept and Purchasers which enabled to justify & internally promote partnering on this project.	looked for a partnerial approach from the beginning. Rapid commitment to partnering contract (2 weeks). No competitive bidding in order to decrease transaction costs.	customer looked for a partner from the beginning. Rapid commitment. No competitive bidding. Qualification of a supplier: reduction of transaction costs & time.	turn-key contracts. Open to contractor's input on design optimization but not ready to pay for it. <b>Price logic.</b> Competitive pressure.	partnering when he has no other alternative & then tries to "escape" from its binding principles during the construction stage : renegotiates the contract.	partnering approach on a first project where he had few other alternatives was convinced, & now adopts regularly !	they adopt partnering as they import automotive purchasing methods in the construction sector (globalization & standardization). Not applying partnering: competitive bidding applied	on very high stake and complex projects but not true partnering. Traditional procurement on lower stakes and low complexity projects
<b>typology</b>	3 Purchasing Dept.	2 Engineering Dept.	2 Engineering Dept.+ Corporate Purchaser	4 Infrastructure Buyers	4 Infrastructure Buyers	5 manager-entrepreneur (CEO)	5 entrepreneur	5 entrepreneur	3 Purchasing Dept.	1 Real-estate subsidiary

**Tableau 1 – Description of the case studies**