Trust Transparency and PPP

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Abstract

This paper argues how transparency can increase trust and therefore indirectly enhances the results of Public Private Partnerships in complex construction projects. Complex construction projects, e.g. large infrastructure or urban development projects, with public client organizations and private contractors, frequently run into problems. Public Private Partnership projects are characterised by an enduring relationship between the public client organization and the private contractor. Trust between these parties is seen as an important condition for successful completion of such projects, but trust is difficult to build in a sector where distrust between clients and building contractors is endemic. In this paper we assert that structures and processes that increase transparency regarding the interests of parties help to increase trust under these conditions. We theorize about how transparency can help to build trust and we analyse the relationship between transparency and trust in two construction projects. In these projects transparency regarding interests, or the lack of it, led to trust or distrust between the parties. Based on this analysis we review various structural and processual measures that, by increasing transparency regarding interests, can help parties to build and maintain trust over the lifecycle of a large public-private construction project.

Keywords trust, transparency, public private partnership, cooperation, project success

1. Introduction and problem statement

Complex construction projects, e.g. large infrastructure or urban development projects, with public or public private client organizations and private contractors, frequently run into problems (e.g. Flyvbjerg et al., 2012: 14). Public Private Partnership projects are characterised by an enduring relationship between the public client organization and the private contractor (Hodge et al., 2007: 546). Trust between these parties is regarded as a critical factor for the success of the project, both from the point of view of science (e.g. De Bruin et al, 2004, Kadefors et al, 2007) and in practice (Edelenbos et al., 2007: 30, Lousberg, 2012: 100). A great deal has been published nationally and internationally about the problem of trust in the context of inter-organisational partnerships, as PPPs can also be characterised (e.g. Edelenbos et al., 2004, Laan, 2009). The construction sector is regularly referred to in specific terms as a sector characterised by a lack of trust (e.g. Kadefors, 2004).

Trust is important. Consequently, in the event of a more hands-off approach by the government, using the knowledge of a tendering party will become increasingly important. This is only possible on the condition that the government has sufficient trust in that party.

Our point of departure is that transparency with regard to the interests of parties helps to develop trust. Research into construction projects has shown that, in practice, open and honest communication is regarded as a key factor when it comes to building up trust (Wood et al., 2002, Wong et al., 2005). Transparency about each other's interests is not a matter of course in the construction industry. The parties appear to have difficulty putting their own interest into words, let alone that of another. It also appears that the parties in the construction sector by no means have the same thing in mind when talking about transparency (Graafland et al., 2007). For that reason we will have to carefully assess what kind of transparency can be linked to trust and how trust can be deliberately increased by enhancing transparency.

The fact that trust is a condition for cooperation and is difficult to develop if there is no transparency about each other's interests is confirmed in the literature. In a number of publications trust is linked to interests. Boonstra regards trust as an important condition for success in the context of alliances. In order to create this trust, you have to invest in the partnership: 'trust benefits from transparency with regard to information, interests, profitability and risks. Trust is fostered by personal contacts, the sharing of meanings and perceptions and by jointly defining and tackling the problems' (Boonstra, 2007:29). In research into problems in the
construction sector, numerous respondents refer to 'a lack of transparency' as the cause of the lack of trust. The main problem is a lack of transparency regarding the actual behaviour and motives of the client and the contractor (Noorderhaven et al, 2006: 28). Trust therefore appears to be a condition sine qua non for cooperation, and trust appears to be stimulated by transparency in relation to interests. A lack of transparency about each other's interests makes trust difficult to achieve and a lack of trust makes it difficult to achieve cooperation. The literature therefore talks of a link between interests, trust and cooperation. The additional question is how keeping interests transparent can instil trust in the cooperation in the case of complex PPP projects.

In order to answer that question, we first need to interpret the term 'trust' in relation to transparency. We then assess this relationship in two complex PPP projects related to that link. After that, solutions are outlined as a possible response to the research question. The document ends with the conclusions.

2. Trust, transparency and complex PPP projects

Trust analysed

Trust appears to be difficult term to define. It is dependent on the discipline from which it is viewed, the level of abstraction and the emphasis placed on the various aspects of trust. A comparative literature study of the term 'trust' traces the resulting similarities and differences (Rousseau et al., 1998). It is striking that, despite these differences, it is possible to provide a definition accepted by all disciplines, namely: Trust is a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another (Rousseau et al., 1998: 395).

Another striking element is that there is agreement between the various disciplines regarding the conditions that have to exist in order for trust to develop, namely risk and mutual dependency. Uncertainty about the intention and actual behaviour of the other party is the source of the risk. Mutual dependency is defined as the situation in which the interests of one party cannot be achieved without the other. On the basis of these conditions and definition, it could be stated that you trust someone because you expect his/her behaviour to be in your interest, in a situation in which you are dependent on the other.

This does not clarify why you expect behaviour of the other party to be in your interest. The answer to this can result in all kinds of different types of trust, of which the most important are calculative trust, experience-based trust, or similarity-based trust. These types overlap and influence each other and that makes the problem both complex and interesting. The question dealt with in this paper as regards keeping interests transparent could be placed in the category of calculative trust, meaning that I trust the other party because he knows that he will damage his own interests if he does anything to my detriment. However, calculative trust is heavily dependent on experience-based and/or similarity-based trust. I must have experiences with someone in order to know that he defines his own interest in the way I think he should (experience-based), and is not after a quick buck. Either I trust him because I know his time, or because he is one of the old boys (similarity-based). Reputation also plays a role in all this, primarily because it is part of the calculations on which calculative trust is based.

The following is more detailed interpretation of these terms. Let us suppose that I am a private client who is on the verge of selecting a contractor. How can I find a contractor that knows that he will damage his own interests if he does something that is detrimental to me? I will first have to ask colleagues whether they know a reliable contractor (reputation). Let us suppose that this research generates three possible candidates with good reputations. I then invite all three to an interview. Then it transpires that one of the three graduated from the same university as I did (similarity-based trust). Another emphasises mutual cooperation during the interview, but is not specific about his offer. The third, however, says that he will make an entirely transparent offer and also stresses to me that he regards it as very important to build up a good relationship with me. I ask all three to submit a tender and it transpires that all three prices are very similar. Because I have no experience to go on in all three cases (experience-based), I will tend to select the third contractor because he anticipated my own interest and indicated that his interests run parallel to that (calculative trust). Consequently, the party is selected that clearly expressed the wish to be trusted. This does not alter the fact that there may be contrasting interests with regard to certain elements. However, the trust implies the expectation that the other party considers this to be subordinate to the greater, shared interest. However, that interest will then have to be transparent.
Transparency

Transparency is not transparent. No unequivocal description of the term 'transparency' is provided in the literature. The accuracy of the definition appears to depend on the context in which the term is used and the perception of the party that uses the term (cf. Scholtes, 2012: 50, Schnackenberg et al., 2014: 4). Wherever this article refers to making interest transparent, transparency is defined as the perceived quality of intentionally shared information from a sender (Schnackenberg et al., 2014: 5) with Clarity as information quality in addition to Disclosure and Accuracy (cf Schnackenberg et al., 2014: 9, 10). Certainly if we want to understand which measures are effective when managing transparency, and also trust as a continuation of that, we have to take account of the fact that transparency is dependent on perception and that it can be operationalised as Clarity, in addition to Disclosure and Accuracy.

Complex PPP projects

A large number of definitions of PPP are used in the literature. A key difference between these definitions appears to be based on the sharing or not of risks (cf. Hodge et al., 2007: 546). Because the insights taken from this article are intended to apply to PPPs in which risks are shared, for example in Alliances, and PPPs in which this is not the case and in which there is a more hierarchical client-contractor relationship, as in the case of DBFM(O), Public Private Partnership (PPP) is defined loosely here as cooperative institutional arrangements between public and private sector actors (Hodge et al., 2007: 545). Complex PPPs in the context of infrastructural projects are characterised by uncertainty (cf. Bult-Spiering, 2003:332, Weening 2006: 22), mutual dependency (network ref) and ambiguity (Teisman, 2004: 14). Uncertainty and mutual dependency as characteristics of complex PPPs correspond to the conditions set in section 2 which have to exist in order for trust to develop. Ambiguity corresponds to the situation in which it appears to be essential to focus on transparency as the Disclosure, Clarity and Accuracy of the perceived information.

Transparency, trust and complex PPP projects in literature

The literature on the relationship between transparency, trust and complex PPP projects can be outlined on the basis of four related examples. In 2009 Pinto et al. discovered a positive relationship in large construction projects between Trust, operationalised as incorporating both Integrity and Competence, and Project Success. This link was found both directly and indirectly via Satisfaction with Working Relationship, whereby it appears to differ in strength between the owner of the project and the contractors. This difference indicates that trust has different meanings for contractors and owners, as a result of which the behaviours that may facilitate trust in owners are not necessarily the same factors that will enhance trust in contractors (Pinto et al., 2009: 638, 639).

In 2011 Palanski et al. discovered a positive relationship between Team Trust and Team Performance and, indirectly via Team Behaviour operationalised as Integrity, between Transparency and Team Trust (Palanski et al., 2011: 201).

In addition, research into a complex PPP project conducted in 2011 found that Transparency was repeatedly mentioned in the development of Trust in the client-contractor relationship (Laan et al., 2011: 105). Lastly, Schnackenberg et al. proposed, on the basis of a literature study conducted in 2014, researching whether a positive, direct relationship exists between Transparency, operationalised as the perceptions of Disclosure, Clarity and Accuracy, and Trust. Another proposal was to investigate whether an indirect relationship exists between Transparency and Trust via the perceptions of Trustworthiness, operationalised as Benevolence, Integrity and Competence (Schnackenberg et al. 2014: 19).

Therefore, both the study by Pinto et al.(2009) and that by Palanski et al.(2011) found a positive link between Trust and Success/Performance and both Laan et al. (2011) and Palanski et al. (2011) suggested there was a positive link between Transparency and Trust respectively. From this it can be concluded that Transparency contributes to Trust which, in turn, contributes to the project Success. However, in order to find out which measures can be taken to increase Transparency, the relationship between the dimensions of the perceptions of Transparency and the dimensions of the perceptions of Trust/Trustworthiness must be investigated in more detail. Further research is also required to establish the relationship between the dimensions of the perceptions of Transparency and the three antecedents of Trust, namely calculative, experience and similarity-based Trust.

If we translate this to our issue, we expect that the creation of transparency regarding the parties' interests, and with that the possible areas in which conflicts of interest may occur, as well as agreement regarding the measures which should be taken to avoid these, may indeed generate trust between the parties involved in a complex PPP project and that this trust will contribute to the project’s success. This trust will primarily be based on the properly understood personal interest of the other party, and a positive appreciation of the way in
which that other party weighs up his interest. The latter means that trust based on experience and/or on similarity also plays a role. Is also essential, in the light of the problem statement - how keeping interests transparent can create trust in cooperation during complex PPP projects - that the other party can define his or her own interest in the way that I think he or she should. This means that, reasoning on the basis of the theory, the first step in generating trust ought to be to make those interests transparent. However, before the details can be worked out as to how this can be done, an assessment needs to be carried out to establish whether the assumed connection between interests, trust and cooperation or project success can be maintained in construction practice.

3. Practice
As a way of assessing the connection between transparency of interests, trust and cooperation or project success, two examples from the practice of complex PPP projects are detailed below. The first example relates to the Sijtwende project which involved the construction of a road between the A44 and A4 near Voorburg. The second relates to an infrastructure project in Norway.

Sijtwende
As soon as the Public Private Partnership had acquired a legal basis and Sijtwende BV had been established, a case study was carried into the development of the trust between the parties involved (Edelenbos et al., 2004). During the PPP start-up phase there was substantial mutual trust between the parties. The four parties wanted to make the project a success and any problems were resolved on the basis of informal contact. Trust was gradually built up during the project design phase. Most of the parties involved emphasised the process-based character of the relationship of trust and the positive effects of this. At the end of the design phase, however, the trust between some parties had declined again due to conflicts over risks and costs. After that, at the end of the PPP, the parties focused more and more attention on meeting the financial targets. The consequence of this was that the parties started to think more in terms of their own interest and less in terms of the joint interest.

The difference between the two phases was partly explained in the study as being related to Sijtwende BV explicitly fulfilling the role of process manager in the beginning, meaning that it not only promoted the interest of Sijtwende BV, but also took account of the interests of others. However, when it stopped fulfilling this role during the implementation phase, there was a clear decline in trust. Another factor that played a role was the transition from a multilateral partnership during the design phase to a bilateral partnership during the implementation phase. Partners started to do their own thing by pursuing solistic strategies or bilateral cooperation and paid less attention to matters that concern the other partners. According to the study this difference came about because creating added value requires the sharing of information and trust, while sharing added value elicits more opportunistic behaviour (Edelenbos et al., 2004:1). Consequently, the various phases of a partnership relationship have their own dynamic, with variations in the extent and nature of the trust between the parties.

Norway
The development of trust is also described in the context of an infrastructure project in Norway (Nes et al., 2005). However, here the opposite occurred. Instead of trust decreasing during the course of the project, it actually increased. The project concerned the maintenance of a road which had first been constructed by the contractor. Disagreement about the road's quality and working life caused a conflict between the client and contractor. The chosen solution was a long-term maintenance contract which entailed the contractor taking responsibility for these uncertainties. The fact that the contract was not entirely specified created situations in which negotiations had to take place on the basis of conflicting interests. The public client was primarily concerned with public interests such as safety, the condition of the road surface, user satisfaction and maintenance after the contract period, while the contractor's focus was on private interests such as the costs of maintenance and compensation for the working life of the asphalt it laid after the contract period. During a period of 6 years, joint road inspections were carried out once every year and these became a key informal arena for the resolution of points of disagreement in the sense that the parties were able to get a good sense of each other's scope for negotiation.

However, there was not really any trust during the start-up phase and a conflict about a compensation scheme escalated. It was eventually agreed to resolve this definitively at the end of the contract period and the issue was shelved. In a subsequent phase, the parties had learned how to play the game and the interaction was generally more flexible. Trust started to develop. Finally, during the third phase, in which there was an increase in mutual trust and cooperation, the parties were unable to agree on how to share the revenues within the framework of
the aforementioned conflict. However, a decision by arbitration on the matter was accepted. Eventually, the interaction process became predictable, no more major conflicts occurred and there was a good level of trust.

Practical examples revealed the following four findings:

1. the emphasising of a pure self-interest, for example when sharing risks, has a negative influence on trust (Sijtwende);
2. taking account of the interest of the other, or positive appreciation of the other's interest, for example when sharing risks, has a positive influence on trust (Norway and Sijtwende);
3. emphasising the joint interest has a very positive influence on trust (Sijtwende);
4. trust has a positive influence on cooperation or project success (Norway and Sijtwende).

The theoretically presumed link between interests, trust and cooperation or project success is therefore confirmed in practical examples from the construction sector and these also demonstrated how strongly interests, trust and cooperation are related to each other.

4. Solutions

We have asserted that one aspect of generating trust should be to provide transparency with regard to interests. The question now is whether this is worthwhile and how it should take place.

The examples show that negotiating about risks plays an important role in the development of trust. Another key factor is to bring conflicting interests into line with each other. This is only possible if they have first been made transparent, meaning that they have been exposed and are clear and precise. A condition for this to happen is that the process is structured in such a way that both parties get a clear and exact image of how the other perceives its risk. This is, in fact, what we have seen for the basis for calculative trust: trust can also be reinforced (or decreased) by experience-based and/or similarity-based trust.

Making interests transparent is particularly worthwhile in situations of uncertainty. These situations occur primarily during the preparatory phases of both private and public client contractor contracts, for example in the context of a PPP construction team contract, in which costs and revenues are divided between the client and contractor on the basis of a certain ratio. As the Norwegian example shows, this can also occur after the contract has been signed. In such uncertain circumstances, trust can help coordination to function on the basis of mutual harmonisation (cf. Doney et al., 1997: 35, Rousseau et al. 1998: 15). In those circumstances it is worthwhile making and keeping interests transparent.

This can be done by discussing individual goals and the consequences thereof for other participants at an early stage in the process, for example during a workshop. In this way a schedule can be jointly drawn up, in the context of a traditional contract, at the beginning of the implementation process, for example with the client, the main contractors and the subcontractors (Ballard, 1994). The process of formulating goals/interests is then interwoven with the process of building a relationship. From the perspective of trust, this would mean that the integrity aspect is reinforced by the development of shared frames of reference (Kadefors, 2004:180). Another illustration of this is the formation of the current Dutch government, whereby the formateur is explicitly selected to work, in an unusual climate, firstly on the personal relationships between former adversaries and only then to initiate the substantive negotiations. A sociable attitude towards each other appears to be effective and even lead to higher quality negotiating results (De Dreu et al., 2003). Critchlow, 1998, describes a partnering workshop within the framework of the development of a hotel project. During this workshop the contractor and the client jointly drew up a mission statement, as well as a guideline for sound cooperation within the project team.

Taking the initiative to organise such a workshop can be a process manager's task. Although this may be one of the cooperating partners, it is even better if an independent third party acts as a 'friend of the project'. This process manager must primarily have a feeling for the layered structure of the negotiations, contracts and conduct. Negotiations also include an invisible layer of sensemaking, which means trying to understand how the situation fits together (Weick, 1995: 4). Legal contracts hide invisible psychological contracts and behaviour by the parties hides qua persona behaviour (Ring et al., 1994). If the formal processes and the informal interpretations start to differ excessively, problems will soon arise. One example would be if a contract team member is jovial and friendly (qua persona behaviour), but is called into line by his organisation and then suddenly becomes very inflexible (role behaviour). Another example is that of a formal contract that was never seen as important because there was a good understanding between the parties (psychological contract) but...
which is suddenly produced when problems occur. Transparency is a key word when it comes to preventing these problems and the process manager can play an important role in this.

However, 'transparency management' does not stop during a start-up workshop. Experiences with regular feedback in project teams has shown that this can help maintain transparency during the course of a project as well (Van Rooy et al, 2007). The idea was to regularly give members of the project group a chance to reflect by confronting them with their own assessment and that of the other party in the process of cooperation. This soon leads to confrontations which can be beneficial if they help to break the negative spirals of increasing distrust and mutual accusations which, unfortunately occur so generally in the construction sector (Kadefors, 2004). Expressing a legitimate self-interest does not have to be detrimental to the relationship. On the contrary. In a project that was supervised in the manner indicated above, an involved contractor indicated that it appeared to be a good idea, at a certain point in time, to broaden the scope of the project. However, the contractor was hesitant about discussing this because he was afraid that the client would see this as fishing for more work, and therefore as an example of the 'old way of thinking'. Later, however, it transpired that the contractor regarded extending the scope much more positively because it would also be to his benefit. On the other hand it transpired, during quite an intense discussion during a workshop, that the client was annoyed by the fact that the contractors in the project in question did communicate openly and transparently but, at the same time, still tried to offload responsibilities in other projects for the same client. This discussion created more clarity about the mutual expectations, and therefore cleared the air. There is a good reason why the motto of the method described here is 'create a short circuit before the tension gets too high'. The greater openness that the described approach generates also creates space to emphasise legitimate interests, and also to weigh these up against the interests of the other party.

Interests can therefore become transparent by discussing them. That has proven to still be quite difficult (Schruijer et al., 2007: 207). Consequently it may be a better idea not to mention the interests as such directly, but to do so by, for example, performing and discussing a scan of actors/fields of influence analysis, followed by the joint drawing up of an agenda with content-based and/or process-based dilemmas which have to be resolved during the course of the cooperation process (De Bruijn et al., 2004: 80). A drastic, but tried and tested, method is to build a ‘policy game’ jointly that provides a shared frame of reference for the discussion and evaluation of priorities (Duke et al., 2004: 127). Making interests transparent does not, therefore, necessarily mean that they are literally stated. The focus may also be on the layer under the interests, for example that of the assumptions on the basis of which people try to understand the world or, as in the above example, clarifies the expression of expectations about each other. It is also a good idea, at the moment that a formal contract is signed, to pay attention as well to the communication of the entirety of expectations that the parties have in relation to this (the 'psychological contract'). Lastly, business clarity is needed on the difference between personal and business relationships. It is, of course, fantastic, and to a certain degree even essential, if the representatives of client and contractor can get along well. But even then (or even precisely then) they have to take account of the fact that their role may be assumed by others in the future. This means that trust has to be founded not only, or primarily, on the person of the other, but also on the organisation on whose behalf that other acts (for a discussion of this, see Janowicz et al., 2006). Eventually the discussion of interests in these terms has to ensure that people become aware of the backgrounds of each other's interests and with that for each other's scope for negotiation.

5. Conclusions
Trust between parties is a basic condition for a properly functioning construction sector. Trust, defined here as a psychological state which includes the intention to accept vulnerability, based on positive expectations of each other's intentions or behaviour, can come from a variety of sources. Within the framework of business relationships between parties, as in the construction sector, we consider calculative trust to be extremely important. To create this trust it is important to make and keep interests transparent. That will ensure that trust is created and maintained, particularly in uncertain situations. The joint formulation by the client and contractor of goals and the joint creation of a schedule for the project helps to make legitimate interests visible and open for discussion. This helps to create a shared frame of reference, on the basis of which the parties realise that they ultimately damage their own interests if they betray that trust. Although this trust, on the basis of enlightened self-interest, is by no means a panacea, as Confucius already pointed out 500 years BC, it still forms the basis for valuable relationships (Möllering, 2005).
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