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## **A Cultural Perspective on Stakeholder Management In The Hong Kong Construction Industry**

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### **ABSTRACT**

The Hong Kong construction industry is lauded for its “can-do” attitude and the apparently high levels of integration and cooperation that enables its high level of performance. An industry that can regularly complete four day floor cycles on high rise buildings over 40 storeys should be an innovative and relationship based industry. However, this is not the case. For example, the predominant form of procurement in Hong Kong is still design-bid-build (the “traditional” approach) and “partnering” has been introduced into the industry but in a piece-meal fashion and in a manner which is hardly effective. Still, the industry is characterised by hierarchy, tradition and procedures but the industry is also heavily influenced by the Chinese culture in which it was situated. Hence, values such as face, harmony and conflict avoidance are also embedded in the industry culture. In such a situation, the issue of stakeholders and their management has been paid scant regard; the government was used to making decisions on development rather than consulting widely and the other major players, the oligarchy of large property developers, adopted a simple, economic approach to their business plans and only over the past few years have issues such as corporate social responsibility reached their boardrooms.

**Keywords:** relationship management; stakeholder management; culture; Hong Kong

### **INTRODUCTION**

In Hong Kong, large-scale infrastructure projects are often delivered by joint ventures of international and local construction firms (Walker and Johannes, 2003). Similar trends have also been observed in mainland China (Chan and Suen, 2005; Gale and Luo, 2004). For this type of international joint venture (IJV), at least one partner of the venture is headquartered outside the country where the construction project is undertaken (cf. Geringer and Hebert, 1989, cited in Ozorhon *et al.*, 2008). Notwithstanding the advantages of engaging in the IJV, due to the inherent complexity of IJVs which stems largely from a multi-cultural mix of nations, organisations, and their participants, IJVs are frequently mired with instability and poor performance (Parkhe, 1993).

In this context, the effective use of stakeholder management and relationship management can be said to be in their infancy in Hong Kong and China and in some ways run counter to the ethos and philosophy of an industry where speed and money are king. However, Hong Kong people have become much more demanding of their government and institutions and have demanded that they be consulted and involved in all major and minor developments (e.g. the Central-Wanchai reclamation, the new government offices). Indeed, during the Handover period Hong Kong people took to the streets demanding freedom and democracy and those demands continue to this day as political reform has come slowly to the colonial and post-colonial systems.

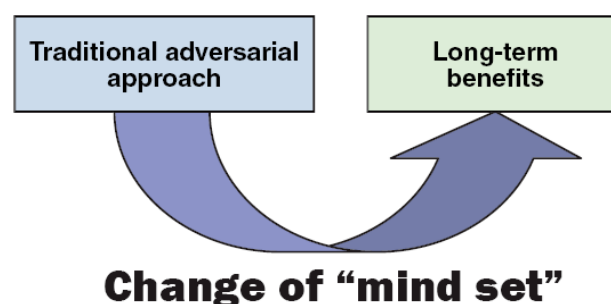
Having briefly set this scene we present below two case studies, one a civil engineering project and the other a public housing project, which draw out a number of the themes alluded to above by way of example. We then attempt to draw together some generalisations on how stakeholder and relationship management are enacted in Hong Kong, identifying drivers and inhibitors to their successful implementation, and noting the impact of history, tradition and culture on how they are implemented and used in Hong Kong. We conclude with the assertion that stakeholder management and relationship management must be implemented in a context specific manner to be effective.

### **STAKEHOLDER MANAGEMENT**

Project stakeholders are a person or group of people who have a vested interest in the success or failure of a project and the environment within which the project operates (Olander, 2007, p. 278). Vested interest, in turn, can be viewed as the actual or perceived benefits or risks/harms from the activities of construction project management (Donaldson and Preston, 1995). The project stakeholders may have a positive or a negative influence on the project. The challenge for the project team, hence, becomes one of implementing the project strategies such that positive stakeholder's influence is maximized and negative influence is minimized (Walker *et al.*, 2008). In analyzing stakeholder management activities, it is useful to categorise stakeholders into two broad groups –primary and secondary stakeholders. Primary stakeholders are people or groups that have a legal contractual relationship to the project. Secondary stakeholders, on the other hand, are those who influence or are influenced by the project but are otherwise not regularly engaged in transactions with the project (Cleland and Ireland, 2007, p. 151). It is apparent that the client; the main and subcontractors; the quantity surveyor; suppliers and the like belong to the former group while local communities and general public the latter.

### **RELATIONSHIP MANAGEMENT**

Partnering, alliancing and relationship management require a change of mind set – a culture change – and the client side must change along with the contracting side. A fit is required between organisational structure and culture. Relationship contracting has the potential benefits of achieving stakeholder empowerment, facilitating regional development and delivering a sustainable industry. A change based on a sound understanding of underlying culture and attitudes is required for successful implementation of relationship management approaches. The change must be directed towards developing attitudes and a culture that are supportive of relationship management.



*Figure 1: Change of "mind set"*

### **BACKGROUND**

The Hong Kong Special Administrative Region (HKSAR) government has embraced the world wide trend of sustainable development. Consequently, in the development front, the HKSAR government has emphasized sustainability and community development in procuring and implementing construction projects. Four sustainability dimensions have been adopted by the government when administering construction projects. These dimensions focus on economics, environment, society, and resource utilization. The client of the project A implemented the four dimensions in all aspects of the procurement and the administration of the project. The thrust is based on sustainable construction, the aim of which is to progressively achieve sustainable development in public housing. The efforts are that of balancing the economic, social, and environmental concerns of all the stakeholders in the project. To achieve these goals, various issues are embedded in the tendering and contracting procedures in the implementation of the project.

#### **PROJECT DESCRIPTION – Case A**

Bearing in mind the foregoing discussion we now describe the context of project A. The economic dimension focuses on attainment of cost effectiveness of the project. Cost effectiveness is critical for economic sustainability because all aspects of the housing development, construction, through to operation and maintenance impact on the budget. Public funds are at stake. The environmental dimension concerns the maintenance or betterment of the environment where the development is located. Construction activities have to be undertaken such that the impacts to the surrounding residents and community are kept to a minimum. Better construction methods and the use of more environmentally friendly construction materials are two strategies to achieve these objectives. Resource utilisation is related to the environmental dimension. The main thrust is to properly manage and reduce the consumption of resources in the construction processes. The production of waste and the use of energy are the two main areas of concerns. The social dimension is grounded in the client's belief that public housing and its development and construction have to promote social stability, economic prosperity, and foster social cohesion. In the construction of the project, the client strives to provide a model working environment for those working on the site. As will become apparent, these dimensions are variously manifested in the procurement and stakeholder management of the project.

The project presented is one government project administered under such a backdrop. The project involves the construction of a public rental housing estate. Three 41-storey blocks are to be built. Each block measures approximately 50 x 34 metres on plan. The blocks are approximately 117 metres high from the ground floor to the main roof level. The three blocks consist of over 2300 rental domestic flat units of various types and sizes. Apart from these building works, there are also some civil engineering works. These works include excavation, filling, disposal, lateral support works for the raft foundations, and pilecap works for the three domestic blocks. The housing estate will be served by a neighbourhood elderly centre.

The client has adopted innovative procurement initiatives for the project with six Guaranteed Maximum Price (GMP) packages allowing design leverage and buildability scope on the part of the main and sub-contractors. In addition, several contractual initiatives have also been pioneered in the project. It is under these innovative initiatives that various stakeholders of the project are engaged. All works for the project were contracted *via* the traditional approach but special conditions were added to the contract for the six GMP work packages. The majority of the packages were design and build but the building services packages (i.e. the plumbing, electrical, and fire services) involve only installation works with design provided by the client. These packages collectively represent some 30% of the project cost.

The procurement method is essentially a risk-reduced model developed from the private sector approach to target cost and GMP contracting. The procurement approach enables the client to potentially reduce claims, integrate the diverse interests of a complex construction project, offers the contractor an incentive to provide value added services by assimilating the contractor's expertise in the design and innovations in construction methods and materials to enhance buildability (Chan *et al.*, 2007). For the latter consideration, the contractor is rewarded for his creativity and improvement efforts on the design and construction of the works.

Constructive engagement was implemented throughout the supply chain from the primary project stakeholders (the project team, the client, the subcontractors and suppliers), and secondary stakeholders (the community) in the project. These initiatives target each stakeholder's main concerns and attempt to match them. The avenues used in this aspect include shared saving among the main stakeholders of the client, main contractor, and subcontractors; ensuring community benefits through various schemes administered by the main and sub-contractors endorsed by the client; ensuring workforce benefits and welfare; and project team members human resource development. From the perspective of stakeholder management, the two salient thrusts in driving these initiatives are client proactiveness and farsightedness, and the main contractor "coming-of-age" corporate social responsibility awareness and its manifestations.

Unlike the traditional GMP scheme whereby the sharing arrangement is only limited to the gain (Chan *et al.*, 2007), both the "pain and gain" are shared for the project. The cost saving for GMP packages is shared equally between the client and the main contractor, i.e. 50%:50%. However, the contractor is only entitled to 15% of his portion of the saving. The remaining 85% is to be shared between the contractor and the GMP subcontractor(s) on a pro-rata basis based on the contribution to net savings by both parties. This arrangement potentially motivates both the main and subcontractor(s). The project dispute resolution system is implemented to resolve disputes that might arise at source. Clearly, a collaborative environment is fundamental in smoothing project works. As with most of the government projects, team spirit of the project is developed through a partnering approach. While minor disagreements were present, generally it was observed that better communication and understanding were achieved among the main contractor and client teams. Informal "workshops" convened by the project architect especially at the beginning stage of the project were particularly effective in promoting cooperation among various parties. Although originally intended to solve technical problems, the constant contacts of participants throughout the workshop sessions had produced a "side effect" of improving relationships due to close and frequent contacts.

It is apparent that all the activities cannot be smoothly rolled out without active participation of the main contractor. In what appears to be the response to the client's push for active community engagement at the beginning, the notion of corporate social responsibility (CSR) has gradually evolved throughout the organization of the main contractor over time. As a result of the increased awareness on the impact of their activities on the community, the contractor has been active in participating and responding to the client's drive for community engagement, at times, going beyond the requirements of the client. Two incidents exemplify the contractor's active involvement. The first involves contractor's volunteer house improvement activities during a festival to help the elderly residents at the nearby estate. The main contractor dispatched two teams of personnel to help repair malfunctioning services within the flats of elderly residents. The second concerns the main contractor volunteering construction related information to the nearby residents in terms of prolonging construction activities beyond normal working hours (i.e. 7.00pm). The improved communication between the project team (both the client and main contractor teams) and the community resulted in reduced complaints and a more positive impression from the residents.

## **IMPLICATIONS**

*Passive reaction among the subcontractors and junior staff members.* The passive reaction refers mainly to the initiation and participation of the parties in the implementation of stakeholder management. The situation is particularly evident in the management of secondary stakeholders. For the project, initiation of stakeholder management is mainly driven by the management of the client and the main contractor. Little effort came from the lower echelon of the project organisation. The contribution from this hierarchy of members comes mainly in the form of carrying out instructions from their supervisors/managers. It appears, therefore, that the members of the lower echelon are adopting a minimalist approach. For the members, engaging with the external stakeholder does not readily contribute to their immediate works. As both the main contractor and the client are fully

committed to the stakeholder management paradigm, the issue is one of engaging the lower echelon of the project organisation so that a uniform and positive attitude can be inculcated.

*The lack of a structured approach to project stakeholder management.* The preceding observation is symptomatic of the present issue of the lack of a structured project stakeholder management system on the part of the main contractor. The deficiency is particularly acute with external stakeholder management. Despite considerable success in dealing with and tackling issues with the community, the main contractor admitted that their approach was one of trial-and-error and experimentation. Most of the stakeholder management initiatives rolled out in the project were implemented for the first time, at times without thorough deliberation. For the main contractor, while there are elaborate procedures and guidelines dealing with the internal stakeholders, the guidelines for managing external stakeholders, especially the communal stakeholders (e.g. surrounding residents, property and estate management agency, and district councilors) had not been established. In particular, there was no structured approach to identify external stakeholders, their impacts, and the method of engaging them, yet methodologies currently exist for their identification and management (see, for example, Walker, Bourne & Rowlinson 2008). The main contractor appears to be passive in taking the cue from the client. While the efforts and achievement of the main contractor have to be commended, the situation reflects the somehow parochial mentality of the construction fraternity in terms of external stakeholder management.

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

## **PROJECT DESCRIPTION - Case B**

The project is an infrastructure project, comprising a 1.1km elevated viaduct dual three-lane carriageway (average 65m above ground) connecting a tunnel (under construction) on one end, to a cable-stayed bridge (under construction) at the other end. Together, they form an integral part of a 7.6 km long major highway. The project site is reclaimed land (to be handed over in phases) surrounded by industrial facilities, container terminals and an educational institution. The contract is a re-measurement type, traditional design-bid-build approach, with an initial contract period of 40 months. There is also a non-contractual partnering arrangement in place. The client is a major works department of the Government of Hong Kong and the contractor is a joint venture between a Hong Kong-based French company and a Chinese state-owned company. The consulting Engineer is a Hong Kong-based international engineering consulting firm.

The peculiar features of this project, especially its size, location (vertically and laterally) and technical complexity, brought together a myriad of stakeholders, whose interests needed to be aligned at various phases to successfully deliver the project. Incidents involving critical and contentious issues during the construction phase of the project, are used to illustrate how the stakeholders surrounding each incident were identified, managed or mismanaged individually and collectively in resolving the various issues, as in case A. The impact of the procurement arrangement on the configuration of the project stakeholders and the implications for their management are also discussed.

## **INTERFACE ARRANGEMENT**

The contractor proposed sometime after the commencement of the project to change the nature of the original arrangement regarding the use of the deck of an adjoining bridge project (under construction), as a platform to station a launching girder in order to manoeuvre and launch viaduct segments. The proposed change was to position the launching girder beyond

the point originally proposed in their Technical Proposal at tender and which was subsequently built into the contract as an interface arrangement. From the contractor's perspective however, the change was necessary to make the launching operation simpler and safer. Yet, given the significant shift from the original plan, the new proposal had various implications for progress and risks. In particular, late resolution of the issue could jeopardize the achievement of the project Key Dates. To resolve this issue however the input and buy-in of a host of stakeholders was required. The stakeholders in this incident comprised the following, both internal and external to the viaduct project organisation;

- The Client (same for both projects)
- Viaduct Contractor (viaduct JV contractor)
- Independent Checking Engineer (ICE)
- Bridge Contractor (bridge JV contractor)
- Engineer's Representative (viaduct project)
- Engineer's Representative (bridge project)
- The Engineer (viaduct project)
- The Engineer (bridge project)
- Project Board of Directors (Viaduct JV Contractor)
- Project Board of Directors (Bridge JV Contractor)

A number of critical and contentious issues regarding the new proposal were apparent;

- The structural stability of the bridge deck to withstand the imposed loads beyond the original point needed to be established
- Cast-in items were required on the pier and bridge deck to facilitate the positioning of the launching girder
- Partial removal of some of the temporary supports to the bridge deck was required to avoid collision with parts of the launching girder
- The works programme could be derailed if the issue was not resolved in a timely manner, jeopardizing the achievement of Key Dates
- Responsibility for the risk and liability for any unforeseen circumstances regarding the proposed operations needed to be established
- Associated cost and time liability needed to be established
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It was therefore the contractor's responsibility to obtain buy-in of the various stakeholders identified above to resolve all of the above issues of contention. In doing so, the stakeholders were engaged both formally and informally. For example, the issues regarding the structural stability, partial removal of temporary supports and cast-in items, which were within the domain of the Bridge Contractor, were discussed in the first instance at their regular monthly interface meeting. At this meeting the Bridge Contractor agreed in principle to check the feasibility of the issues raised and to give its response.

While the first three issues, which were technical in nature, were easier to resolve with the Bridge Contractor, the last three, which were contractual, were most problematic. In terms of risk and liability regarding damage to the bridge deck works, this was covered under an Owner Controlled Insurance Programme (OCIP) taken by the client to cover all the projects within the 7.6km highway. The contentious issue was however with potential claims from either contractor for extension of time and associated cost due to any unforeseen prolongation arising from the proposed arrangement. It became significantly more contentious when the client requested that the Engineers of both projects get undertakings from their respective contractors not to claim time or costs associated with the proposal if approval was granted. Apparently, a similar arrangement on one of the client's previous projects had resulted in huge prolongation claims from one of the contractors and thus reinforced the 'baggage' parties carry from one project to the other.

To obtain buy-in of all parties regarding the viability of their proposal, the Viaduct Contractor organized and delivered a presentation on the sequences involved in their new proposal regarding the use of the bridge deck. Yet, this did little to persuade the parties to shift their positions. The client maintained his position of no approval without waiver of rights to claim time and associated cost by the contractors. The contractors also maintained that they could not waive that right. While this was generally a contractual matter, it also highlights the

cultural disposition of uncertainty avoidance in a Chinese work context and the tendency to work strictly according to the rules (or contract in this case). Not even the double assurance provided by the use of the Independent Checking Engineer to provide an independent assessment of the safety and structural soundness of the proposal could persuade the parties to reach an agreement.

To put an end to the “*ping-pong letters*” that were becoming the main mode of communication regarding this issue, a meeting was then scheduled to specifically deal with the issue. However, as the issue could not be resolved, the contractor was requested to revert to the original sequence of segment erection in the technical proposal at tender or submit alternative proposals for consideration. Out of options and running out of time as well, the contractor agreed to revert to the original proposal and thus prepared and submitted a proposal to the ER accordingly. This proposal included a method statement, risk assessment, detailed interface arrangement and various ICE certificates as required. This was approved by the ER. As this was also the outstanding issue making it impossible to have the revised programme of works approved, the contractor also prepared and submitted the programme in line with the original arrangement.

Evidently, about six months was spent needlessly, only to revert to the original proposal. Ironically, the segment launching operation which was the subject of about 6 months back and forth discussion and “ping-pong letters” actually took less than 3 weeks to complete after reverting to the original plan. It is interesting also that the various stakeholders in this, especially the client, took positions that appeared at variance with the spirit of the non-contractual partnering that was in place on the project and that was continuously reinforced through various workshops. Indeed, an attempt to use the partnering process to resolve this issue was met with silence from all parties, reinforcing the sceptics’ belief that many parties who sign-up to such non-contractual partnering arrangements have little commitment to working in “real” partnership. One of the client’s team members was particularly unequivocal when he put it rather bluntly in an interview that;

*“Under the partnering spirit, we organize .....workshops and.....discussions with facilitator where we can express our opinion, ..... but still the roles of the engineer, the employer and the contractor are still clear under the contract.*

### **MISCAST SEGMENTS**

67 pre-cast viaduct segments were miscast by the pre-cast subcontractor due to wrong setting-out information provided. This resulted in the incorporation of cross-falls in the wrong direction. The ER subsequently issued a non-conformity notice which required that the segments be scrapped and recast. In view of the significant and unrecoverable delay to the work that this error could cause, there was the urgent need to review the procedures relating to the production of the precast segments in the precast yard in Mainland China, by strengthening supervision. There was therefore an immediate review of the setting out and checking procedures for the production of the precast segments.

The stakeholders in this case included;

- Pre-cast Sub-contractor (in Mainland China)
- Contractor (Viaduct)
- Independent Engineering Consultant
- The Client
- Client’s Maintenance Unit
- Clients Audit Team
- Government Department (in charge of waste disposal site)
- The Engineer
- The Engineer’s Representative (ER)

When the error was detected, some of the wrongly cast segments were already erected. The consequence of the errors in the already erected segments was that the alignment of the finished road surface was unlikely to meet the requirements in the specifications. This therefore required that the approval of the client’s maintenance unit and the transport department be sought for the acceptance of those works. Given the implications of the lost production time had for the progress of the works, the contractor further proposed



incorporating as many of the miscast segments as possible into the works since the errors had no implications for the structural capacity of the viaduct. In line with this a full report on the segment errors was prepared and submitted to the ER so that the feasibility of further incorporating as many of the miscast segments (without rectification) into the works could be evaluated. The miscast errors were also picked up by the client's technical audit team following their prevention of substandard works audit and called for rectification.

While some segments were redeemed and incorporated into the works, about 35 miscast segments became redundant and needed to be discarded. However, the mode of disposal became another issue. The client proposed that the contractor could consider sinking the miscast segments to the seabed to form an artificial reef. The client however left it to the contractor to decide on his preferred method of disposing of the miscast segments and with a promise to assist as required. The contractor eventually decided to have them demolished. To facilitate their gaining consent to demolish the miscast segments at a waste disposal site from the government department in charge, the contractor requested the client to provide them with a support letter. The client agreed and provided them a letter supporting their proposal. The government department in charge however rejected the contractor's proposal to demolish the miscast segments at the waste disposal site and noted that the contractor can have them demolished in China where they are still stored in the precast yard.

It is clear here that, the consequence of the miscast error for all stakeholders was an incentive to work together for a fruitful resolution of the issue. This demonstrates the power of joint-interest or joint-risk in motivating stakeholders to work for the common good of the project. Yet, the inability to agree on how to dispose of the remaining precast segments also shows how lack of alignment of interests forestalls consensus building.

#### **IMPACT OF PROCUREMENT ARRANGEMENT**

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

The structuring of the project organisation also had implications for the number of stakeholders on any issue and thus their management. First, the client organisation was a plural one. On many issues three or more different departments of the client organisation needed to be satisfied, and this became more problematic when they disagreed. The fact that the contractors on the two adjoining projects were joint ventures also had implications for engaging them.

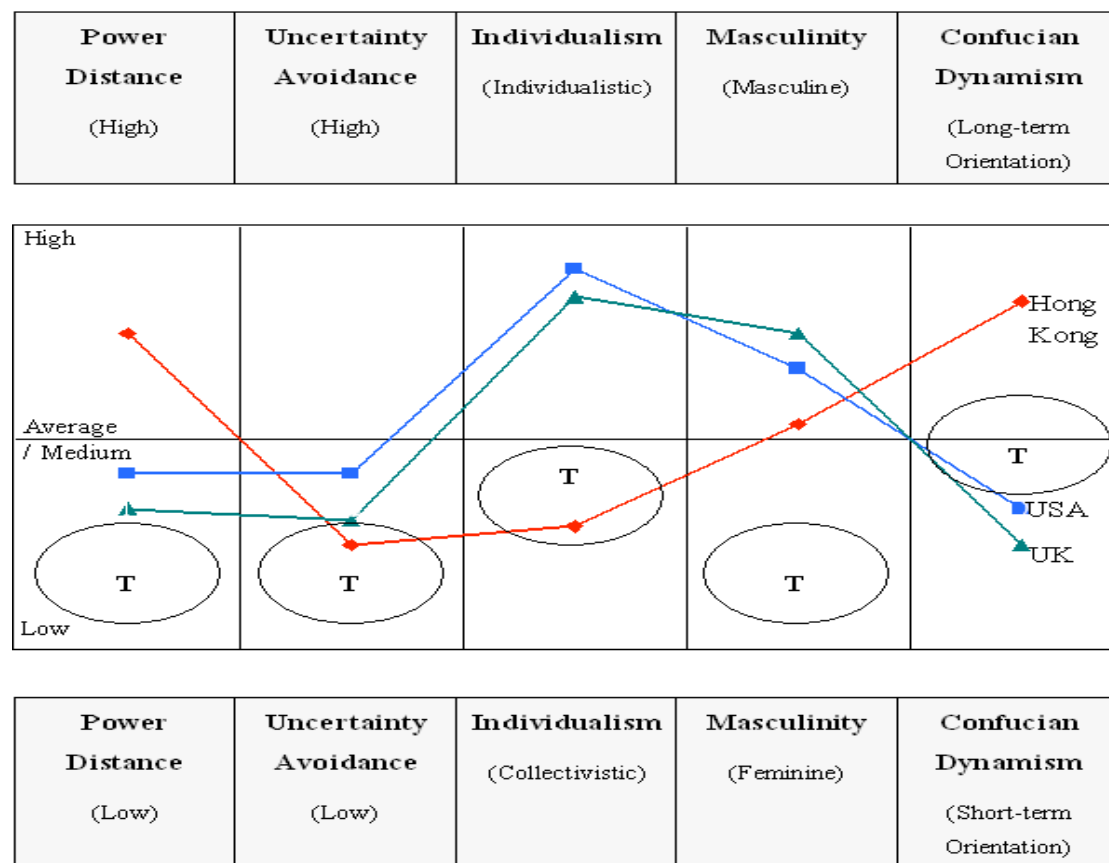
#### **IMPLICATIONS**

The incidents have been analysed above to show how stakeholder management on a Hong Kong infrastructure projects manifested itself. The different incidents showed management of relationships among stakeholders internal to the project organisation as well as relationships among stakeholders external to the project. In both cases it was clear that when the stake for all stakeholders on the issue of contention was high there was a tendency to reach an agreement easily. Culture specific dynamics also manifested themselves in the positions different stakeholders took on issues and there was a general tendency for rule following or adherence strictly to the contract. This may be attributable to the fear of blame culture pervasive in public project settings and the conflict avoiding view inherent in the Confucian value system.

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

### LESSONS LEARNED

It is apparent from the case studies above that tradition, custom and practice, politics and culture have a major influence on how stakeholder management is undertaken in the Hong Kong construction industry. Without a strong tradition of democracy it is not surprising that the move to draw the public, green groups and other parties into the development process has moved forward slowly; there is no evidence of resistance to change, rather an inertia grounded in the traditional values of society and the structure of government departments and institutions which puts a brake on change. This is not totally surprising: if one studies the position of Hong Kong on Hofstede's dimensions of culture it is obvious that nations such as UK and USA have a value infrastructure which is more open to stakeholder involvement and empowerment (see Fig 2). The Confucian values of harmony and conflict avoidance are often an opposing force to the drive for stakeholder empowerment.



*Figure 2: Comparison of Three National Cultures*

This having been said, there is evidence from the case studies that a culture change is taking place. A move away from traditional procurement forms is now underway with the Hong Kong Housing Authority leading the way and the Works Bureau departments commencing a range of "experiments" with more open procurement forms. Indeed, the incorporation of partnering type agreements into many projects has contributed to a change in culture and lead to more open attitude to cooperation and collaboration in construction projects (see, for example, Anvuur, 2008). In line with this there needs to be a recognition that performance measures

need to be refocused to take into account medium and long term objectives in line with the arguments put forward by Walker *et al.* (2008).

In recent years, employees and stakeholders have become much more aware of the need for firms and government to show a commitment to corporate social responsibility (see Rowlinson in Murray & Dainty, 2008) and this has raised awareness in all sectors. Indeed, major infrastructure and property developers have taken on board stakeholder management as part of their corporate social responsibility commitment; time will tell whether this is a marketing fad or a genuine culture change in the industry.

## **CONCLUSIONS**

For further progress to be made in stakeholder management the Hong Kong real estate and construction industry needs to address the following issues.

Relationship management is not a panacea; it is not suitable for all kinds of project. However it should be a major consideration in choosing project delivery process and cannot be bolted on to existing project delivery strategies in a piecemeal manner. Resistance to alliance contracting exists through the industry due to “it isn’t the way we do things” and a lack of trust – there is an industry wide issue on change of culture and development of real team. Relationship management is a sustainable approach to the industry in terms of people, environment and economics, help to satisfy client and stakeholder interests. Communication is a key issue; integrated communication technology (ICT) can be a facilitator for these changes.

Relationship management will not succeed unless it is implemented at all levels in the project. Relationship management must be continuously facilitated and maintained; it is NOT a one off process. There are certain projects which do not require relationship management, but it should be considered while choosing project delivery process. The question on whether relationship management should be applied to smaller projects has been a concern. The concept of relationship management should be promoted and certain relationship management components can still be applied in smaller projects such as a half day foundation workshop instead of a one to two days workshop and a shorter list of items for scoring during monthly meetings. Also, one should bear in mind that there are many examples of relationship management leading to successful projects, but it is not necessarily dispute free.

Relationship management is all about people. Individuals need to be educated and trained to provide essential skills for relationship management. Facilitation is essential to break down barriers and to enable blame-free and open communication. Facilitation should be a continuous process. Relationship management and novel PDS lead to new roles which must be recognised and defined – people must be empowered to play these roles. Informal communication is essential for relationship management but needs to be undertaken in an appropriately structure environment with appropriate procedures. Not everyone is suited to relationship management – this is a human resources issue which needs to address when employing and choosing the right team members: should relationship management be part of job specification?

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