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THE IMPACT OF SHIFTING VALUES ON THE ROLE AND RESPONSIBILITIES OF THE CONSTRUCTION CLIENT IN DELIVERING PUBLIC GOODS

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In today’s construction industry we witness an increase in public private collaboration in the delivery of public goods. By transferring operational responsibility to private contractors, public construction clients have fewer possibilities to directly influence and steer the outcomes of these processes while remaining socio-political responsible. In this paper we aim to explore how public construction clients try to find a balance in public value management activities by rethinking their roles and responsibilities in the client-contractor relationship. This paper results of a set of semi-structured interviews with different actors playing a part in commissioning of organisations with different degrees of publicness are presented. Results indicate that the alignment of the client role and change in responsibilities should be rather flexible in order to deal with the restrictions that procedural values such as lawfulness, reliability and transparency bring along. This requires significant changes in the interpretation of the commissioning profession and the transformation of the collaborative relationship in public private collaboration. Further research should look more closely into the alignment of the shifted roles and responsibilities and organizational- and steering mechanisms that could be applied to enhance this value shift in practice.

Keywords: public value management, PPP, value shift, responsibilities

INTRODUCTION

In today’s European society we witness an increase in public-private collaborations in the delivery of public goods (products, services, financing) with which public values are created (Benington, 2011, Eversdijk, 2013). This increase appears to have two main motives. First, the financial situation brought along a growing pressure on the public sector, leading to a growing dependency of public organisations on private market parties to deliver public goods (Cornforth, 2003). Second, public entities are expected to contribute to innovation and improvement of the building sector and therefore increasingly need the expertise of market parties to come up with innovative solutions to societal challenges, such as growth of the population and cities (Cornforth, 2003, Kuitert et al., 2017). Consequently, public organisations increasingly depend on private market parties to carry out public purposes. Especially in the construction industry we see a growing percentage of integrated contracts, where public parties subcontract (outsource) at least a part of its responsibilities in

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respect to the built environment towards private parties (Noordegraaf, 2015), changing the role of the client and its relationship with private parties (Boyd and Chinyio, 2008). By transferring operational responsibility by commissioning (part of) the tasks to the contractor in public private collaboration, there are fewer possibilities for the client to directly influence the outcomes of these processes (Eversdijk, 2013, van der Steen et al., 2013). Socio-political responsibilities for value standards in the built environment, however, remain with public parties, requiring other kinds of safeguarding mechanisms to come into play (de Bruijn and Dicke, 2006).

The increased use of public-private collaborations caused an ongoing shift of focus in public value management at public client organisations from procedural values related to lawfulness and public responsibilities, towards steering directed at product values of innovation, sustainability and quality of public goods (Kuitert et al., 2017). This triggers different kinds of reactions. Proponents of PPP, for example, emphasize the ability of private market parties to deliver services more efficiently, whereas opponents complain about the reduction of ‘governments’ ability to adapt to changing needs’ due to the long-term contracts (Ross and Yan, 2015). Hence, in this paper the following question is addressed: ‘What are the perceptions of public clients on values, roles and responsibilities in the context of the ongoing value shift in public-private collaborations in construction?’ We start the paper with a theoretical elaboration on public value management for construction clients, after which the research approach is explained. The findings include insights from a set of interviews on how public construction clients are looking for ways to facilitate the value shift; both in rethinking their role and responsibilities in relation to increasing societal value and in the context of the increasing volume of integrated contracts in construction. This is followed by a conclusion and some directions for further research.

**Public Value Management by Construction Clients**

We consider public commissioning as the way in which a public organization, in relation to its responsibilities in the built environment, both externally and internally shapes and implements its interaction with the supply market (Hermans et al., 2014). Public Value Management literature describes management paradigms prioritizing certain values above others, choosing one or multiple logics, or combing specific values belonging to community and market logics (Smets et al., 2014). In the public sphere this gets reflected by successive time periods of prevailing governance models in an ongoing governance reform. One mechanism of this reform has been partnering between the public and private sector to deliver services previously provided exclusively by the public sector often referred to as public private partnership (PPP) (Ross and Yan, 2015, Bao et al., 2013, de Graaf and Paanakker, 2014). The move towards PPPs shows significant similarities with what we know as the public value thinking paradigm of Public Value Management (van der Steen et al., 2013, Benington, 2011).

In previous research we noticed that this value shift in construction causes a move towards steering on increasingly important product-related values and market logics. In market logic the basic strategy is based on profit maximization, dominated by performance values of effectiveness and efficiency is visible (Kuitert et al., 2017). This indicates a movement away from the focus on community logic, in which affect, loyalty, common values and personal concern are pursued. Community logic is dominated by procedural values that indicate the quality of the process using integrity and associated values such as transparency, equality, lawfulness, and honesty (de
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Graaf and Paanakker, 2014, Smets et al., 2014). In this value shift, clients are searching for a balance between procedural obligations and seemingly opposing ‘new’ values (Bao et al., 2013). A fresh ‘repertoire’ to shape these adjusted relationships is required for the renewed division of roles, tasks and responsibilities between government, society and market (van der Steen et al., 2013). This results in a need for innovative auditing, monitoring and evaluating mechanisms which focus specifically on the economy, effectiveness, efficiency and value for money (Willems and Van Dooren, 2011).

Social scientists acknowledge that pressure on public organisations leads to unintentional deviant behaviour in reaction to value conflicts instead of using set organisational processes (Van der Wal et al., 2011). In searching for a new value balance, value conflicts, that are common when combining multiple logics, influence the complexity of ensuring and safeguarding public value. In addition, new public private structures affect the traditional notion of accountability, bringing along a strong emphasis on performance and outcome (Boyd and Chinyio, 2008). As public parties remain social-political responsible, public parties need to find other, more indirect, ways to achieve the desired values. After all, it does not seem fair to impose the achievement of certain values to private parties when they are carrying most of the risk related to the operational responsibilities.

In line with the search for a new value balance, the public value approach emphasises that the public domain is not just about money, but should also be concerned with requirements of the process and, next to the outputs, the outcomes of processes of delivery of public goods. Public Value Theory especially examines the limits of management, where the individual manager can only help to set boundary conditions. One of the main contributors to this theory, Mark Moore relates the importance of shifting values to one of the ingredients of public action, the social objective, clarifying the public goals and value outcomes (Moore, 1995). In relation to achieving the social objective in construction, we see an increased focus on different values types that are considered important in the context of shaping the interaction and collaboration with the market (Kuitert et al., 2017). This implies that in order to facilitate the value shift in the commissioning profession, a balance needs to be sought with the other two activities to ensure public value; first, legitimacy which is about mobilizing commitment from all stakeholders needed to provide legitimacy for the value proposition, and second, capacity referring to aligning operational resources to the desired outcomes.

In discussing legitimacy, it is interesting to look into the accountability and reliability discussion in the context of the expansion in the use of networks of interdependent public and private parties in the delivery of public goods (Michels and Meijer, 2008). Transferring value creation tasks to a private contractor doesn’t influence the main responsibilities of public organisations; only the contractual responsibility is shared, the social-political responsibility remains with public parties (Eversdijk, 2013). The new structures resulting from the search for innovative ways of procurement and partnerships affect the traditional notion of accountability and brings along a strong emphasis on performance. Emphasis is now on what is expected, the way to achieve it is disregarded. Where the current hierarchical presumes a principal-agent relationship, in PPPs clear principal and agent roles are disappearing and the typical horizontal nature of PPPs challenges this traditional notion of accountability even more explicitly (Willems and Van Dooren, 2011). The traditional, vertical, hierarchical mechanism of accountability no longer adequately fits the current social
and administrative developments. In addition more horizontal, informal mechanisms of accountability should be deployed by public agents (Bao et al., 2013). Accountability becomes multi-faceted and both mechanisms can together form a hybrid accountability arrangement (Michels and Meijer, 2008). Moreover, both mechanisms must meet the requirements of the democratic constitutional state (Michels and Meijer 2008), so public-value trade-offs need to be imitable, and decision-making should be transparent. Quality assurance by public clients aims more and more at organizing the process, making it plausible that there is compliance with the process requirements and product requirements (de Bruijn and Dicke, 2006, Smets et al., 2014).

Regarding capacity, ensuring different kinds of public values by aligning operational resources to the desired outcomes becomes more important (Benington, 2011). Making value trade-offs, aligning operational resources to the desired outcomes, from both within and outside the organisation, and thereby providing capacity is essential (Moore, 1995). Traditionally, in the construction industry the government used to be in control as a client and the private contractor was commissioned the execution of a construction work. The growing percentage of integrated contracts changes the role of the government in the public value process. In ensuring, producing and safeguarding of public values this means a different division of responsibilities; production, distribution and supply of services become the responsibility of both public and private parties. So outsourcing of public tasks does not mean that the task disappears, the tasks change. Hence, more and more the public client needs to focus on control of the executive network on which they depend to achieve public values. This asks for changes in management of processes of the delivery of public goods. The role of public clients becomes more directive and facilitating from a producing body to a frame-setting body, or in other words, an enabler and regulator (van Montfort and van Twist, 2009). Partnering is about encouraging parties to transgress the conflicting interests that lie at the heart of their exchange relationship by appealing to common interests centred on specific project goals and more strategic long term relationships (Eversdijk, 2013, Ross and Yan, 2015). Because especially in short term contracting situations the presumed level of mutual interest is arguably unrealistic (Bresnen and Marshall, 1999), this long term focus becomes increasingly important.

**RESEARCH APPROACH**

The main purpose of this study is to gain a profound understanding of the perceptions on the roles and responsibilities of public clients in the context of the reform of the public commissioning profession in delivery of public goods. An (inductive) qualitative approach was chosen (Miles and Huberman, 1994), using an semi-structured interview guide with open-ended questions in order to discuss the sensitive topic of public values in relation to experiences in various parts of the commissioning role (Hennink and Hutter, 2011). Respondents are members of the Dutch Construction Client Forum, representing a group of large and middle sized public and semi-public clients, including the Dutch Real Estate Agency, the National Highway Agency, water boards, housing associations and municipalities. To increase generalizability a wide range of public client organisations was included. In the Dutch construction industry we distinguish between organizations that are required to apply public procurement law - public (P) parties and organizations that are governed by the public law (GbL) - and semi-public (SP) and private organizations which only have to obey to common law. For each participating organization the aim was to involve three to four public actors: the general manager (GM), the director of procurement...
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(CPO), the director of real estate development and or infrastructure developments (DD), and or the asset management or maintenance director (AM). Hence a set of 44 semi-structured interviews with 47 respondents (due to some joint interviews) of 17 Dutch public and semi-public construction clients provides the empirical basis for this paper.

<table>
<thead>
<tr>
<th>Value Card</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Giving meaning to specific procedural values in different parts of the commissioning role</td>
<td>Procedural values</td>
</tr>
<tr>
<td>Giving meaning to specific performance values in different parts of the commissioning role</td>
<td>Performance values</td>
</tr>
<tr>
<td>Giving meaning to specific product values in different parts of the commissioning role</td>
<td>Product values</td>
</tr>
<tr>
<td>Specification of added values in different parts of the commissioning role</td>
<td>Additional types of values</td>
</tr>
<tr>
<td>Understanding of different forms of participation</td>
<td>Value interest in different commissioning tasks</td>
</tr>
<tr>
<td>Understanding of interest in specific values in the client-contractor role, from short-term to long-term thinking</td>
<td>Safeguarding mechanisms</td>
</tr>
<tr>
<td>Knowledge of hierarchical sub-ranking of procedural values</td>
<td>Value interest in different commissioning tasks</td>
</tr>
<tr>
<td>Awareness of need for “creating spaces” to achieve product type of values, systems prove to be difficult</td>
<td>Safeguarding mechanisms</td>
</tr>
<tr>
<td>Knowing how to move from one stage to another, consolidating attitudes, behaviour and plans relative to the commissioner in relation to social political responsibility</td>
<td>Roles now and in the future</td>
</tr>
<tr>
<td>Extending participation of the market is needed in the context of the defining generation, expertise of market parties needed to enable clients to take the right decision; getting better assignments</td>
<td>Responsibilities now and in the future</td>
</tr>
<tr>
<td>Fostering interaction with contractors to understand their added value</td>
<td>Conflicting values</td>
</tr>
<tr>
<td>Functional distance with or adapting new role</td>
<td>Trade-off interaction</td>
</tr>
</tbody>
</table>

Figure 1: Data Structure

All interviews were conducted by the first author and each had a duration of 45 to 60 minutes. During the interviews 25 value cards separated in the categories of procedural, performance and product values were used following from a literature study into public values that could be considered of importance in public commissioning tasks (Kuitert et al., 2017). This list provides the theoretical basis for the interview series and is used in the analysis of the interviews. To ensure reliability of the data all interviews were audiotaped and fully transcribed. We adopted a systematic inductive approach to concept development as described by Gioia et al., (2013) allowing for slow social construction processes focussing on sensemaking of our respondents. We built a data structure in ATLAS.ti. (see figure 1) using a set of five transcripts and an additional set of another five transcripts for a second round to become familiar with the data (Altheide, 2000, Gioia et al., 2013). To explain the impact of dynamic value interests on the perception of the public client’s role in the client-contractor relationship, we included data about both in the current situation and in the desired situation, with special attention to changing perceptions about specific collaboration and contract models. The same current and future view counts for the impact on the perceptions on the responsibilities in the client-contractor relationship, in which data is included about accountability, being a reliable partner and a sense of responsibility in relation to the publicness of client organisations. To validate the outcome of the analysis, code reports of most of the coded transcripts were read by the second author and interpretations, also of the data structure, were compared and discussed with all authors for further validation. This resulted in a final distinction of
the findings in the rethinking the client roles and a section on rethinking the client responsibilities.

FINDINGS

The findings indicate that the interplay between the different ingredients of public action (Moore, 1995) shapes the ‘new’ commissioning profession. Currently client organizations are searching for the balance in the increasingly collaborative and interdependent environment of delivering public goods in construction. We found that with the value shift thinking about values changed. We also saw that thinking about long-term goals and long-term contracts becomes more important. However, it also becomes clear that ‘the system’ (e.g. procurement regulations) is inflexible, while ‘space’ (e.g. strategic partnerships) is needed to pursue increasingly important product related values such as sustainability in this new collaborative environment. Hence, to facilitate the value shift in construction, to enable clients to steer on other values than traditional procedural types of values, there is a need to rethink roles and responsibilities.

Rethinking the Clients Role

We found that with the changing relationship between public client and private contractor, the public client aims to adopt a more facilitating and framework-setting role. Where the role used to be quite directive “In the past it was very reasonable to be very directive: we find something, you will do that. Now it becomes much more facilitating and participatory, and sometimes initiating and sometimes an intermediary, that sort of thing.” (DD, P) respondents emphasize that nowadays, there is more attention to the collaborative nature of the relationship and the resulting implications, both for the approach towards the market and the interaction with contractors. For public construction clients changes in playing a certain part in this collaboration are ahead: “We are getting a new environmental law, and that also means another role for the government. We also need to anticipate on that” (CPO, P).

However, many respondents also mention that often the rule is not adequate for the desired behaviour. Contextual changes may cause a ‘rule’ to not be sufficient anymore. For example, desired innovation may not be reached or limited because of technology that is ‘not proven’ yet and therefore not applicable. Another example given during the interviews is a situation in which you need certain capacity but the procedure to contract these services takes longer than the actual project itself. “Today I have to hire someone and for example, I come in with a procedure that states that it will take a month. This fits lawfully, but I have the problem and a larger risk in a project today. So the situation will be under pressure” (GM, P).

The general perception among the interviewees is that the client’s role is about re-shifting the attitude, behaviour and character so one can still act according their social-political responsibility in the changing environment: “You see that your roles change, so your pattern of behaviour must also change” (DD, P).

Often it was mentioned that the aim was to focus on trust instead of legalization of commissioning role. This requires another market approach, focusing on an equal level playing field instead of directive competition. Hence, it is important to recognize the interest of the potential contractors but also accepting their interests. By equality I mean that you have to recognize each other’s qualities and recognize each other’s worlds and also that you have to accept that one has a different focus than the other” (DD, P).
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So the respondents indicated that in order to accept the perspective of the private party, it is important to understand their added value; to recognize the quality in the supply market. Especially performance based collaboration asks for a greater understanding of the needs and ambitions of private contractors. This also means that the level of information and expertise within the client organization needs to be sufficient, otherwise one is not able to assess this value sufficiently. By being aware of their interests, risks and accountability structures, assignments can be drawn up that are aligned with private needs and thereby enabling the public clients to use the market party in striving for public values put in the assignments. To deal with values involved in long-term goals, such as sustainability and innovation, it is even more important to let the supply market think along in an earlier stage of the process. In particular in relation to formulation and defining in delivery of public goods, there are many unknowns. We found that the question arises how to define these ‘new’ types of values. Clients do not seem to have many experience with this and they often need the market parties to understand these types of values. However, respondents also emphasize the need for a certain ‘functional distance’ in being a public client, making it more difficult to consult market parties. “I am more cautious when I am in a commissioner’s role. So I make a distinction in general exploration, we do not yet have a concrete object, but I want to talk to someone about developments in the construction industry, or developments of the university campus, how does he or she see my campus.” (CPO, GbL).

The respondents really considered that it is the clients' task to facilitate what is expected of the market. Therefore, they often reached out to the market earlier to discuss the latest developments in the market. They, for example, organise market consultations, are involved with different collaborative initiatives and organise meetings with SME's to inform their future suppliers about possible collaborations: “Simply by agreeing and sharing common developments, both public and private, in a client contractor relationship or in relationships to discuss general market development, we increase the contact with the market” (AM, governed by law).

Better facilitation and coordination provides the market parties with an opportunity to prepare and develop to become eligible for the future assignments. To a large extend this also relates to managing the expectations of the different roles and responsibilities in the contract. Respondents mentioned transitions in the organisation, both at the level of the structure and processes as well as with the attitude and behaviour of employees. Building these types of relationships asks for other, more soft skills in the commissioning role. “If you observe it, than it depends especially on the collaboration, wisdom and honesty. It consists more of soft skills instead of the hard skills. It is all a part of it, completely” (DD, P). Despite the desire to change, today's commissioning is still quite directive. The political context also makes it difficult to carry things through and ‘stick to’ the new interpretation of the commissioning role.

Within the pressure of projects in the public and political domain, one often reverts to old habits, again picking up the directive role. “If it gets tense, we directly turn back to our old habits, we become the directive client again, which puts pressure on the collaboration. A governmental context is present, which makes it sometimes difficult to implement correctly because you always have a mayor or alderman who shouts something which is in conflict with the broader view” (AM, P).

Rethinking the Clients Responsibilities

In the process of changing the relationship between client and contractor by adapting the role, the public client gets confronted with their public character and
corresponding accountholders. Public clients are expected to answer to the expectation of society and to answer to the market regarding their role and responsibilities in collaborating with the market. This turns out to be all related to reliability. Whereas the public body is social-politically responsible, the market must be financially accountable. However, together they should aim for ‘best for project’.

“But what I would try to see is the collective responsibility. […] I do not mean fraternally, but you do want to create an atmosphere of shared responsibility. The best for project. We do this” (GM, government).

In the context of this reliability and accountability, it is important to think about risk allocation and distribution. The public client needs trust in their contractors since they will remain ultimately responsible for achieving public values. Public clients are increasingly concerned with ensuring that the private party shows ownership. They do need to take on more responsibility and take the risk of longer term contracts. “Integrity is something that you can ask for in the assignment you provide. […] If we have a large building assignment, we start working in the construction team. This means that parties are forced to look beyond the limits of their own field of expertise. And also take responsibility together” (GM, GbL). Since public clients are well aware of their dependency on market parties, the decision about outsourcing or in house delivery is part of their accountability. This is also underlined by current developments in the Dutch construction sector, such as the collaborative ‘Building Agenda’ which emphasises risk sharing between client and contractor. In order to continue to be accountable there is a need to meet the procedural obligations and with that a certain distance between public and private is required. Findings indicate that public clients are more and more concerned with their approachability; they are in search for connections instead of contradictions in order to build an equal, sustainable relationship on the basis of common values. This is meant to enable public clients to go from ‘lawfulness’ to ‘content’. In discussing the value of collaboration, being a reliable partner appears to be discussed most often. “It is very important that we, as a public client, are reliable and predictable, so you know what could be expected of us” (CPO, GbL).

Due to the growing need for expertise of private market parties, being an interesting clients is becoming increasingly important. Especially because after the financial crisis the position of market parties is improving again. “We should be able to say; well, it is totally inconvenient to put that and that on the market right now. Or talk about it with the market, or announce it, so they can prepare themselves” (CPO, P). Sometimes it appear to be more about ‘the sense of responsibility’ of public organisations themselves than the actual expectations. As a public organisation one serves the public good. The interviews show a strong sense of this responsibility and there appears to be a strong awareness of the public task with officials of all types of public organisations. “Intrinsically, people working at governmental bodies feel that they are there to serve the general interest, not the interest of the organisation.” (CP, GbL) and "I just have to retain integrity. That is part of the public value I represent. A government official should always keep this in mind” (CPO, P).

The results also indicate that this feeling of responsibility relates to the complexity of the inner city and regional tasks that public construction clients are dealing with. A need exists to more and more incorporate values such as sustainability in order to cope with the current issues. As a public client you are in the position to be a forerunner, be progressive. “Look, we are in a period in which incredible changes take place and I think that we as an organization should have the moral duty to act as a pioneer.
Also, we, as an organization towards the city, because we can safeguard or even accelerate and improve the social-cultural-, the economic- and the ecological sustainability” (GM, P). Public clients aim to take on a ‘leader’s role’ as they feel this is their responsibility from a social-political perspective. They believe it is their task to initiate renewal and walk ahead: “We have to be innovative as well. We also have to initiate innovation. We also have to give a good example, but also try something, making testing ground possible, asking challenging questions to the market and testing new processes and procedures” (CPO, GbL).

CONCLUSIONS

This study contributes to theory development on managing different interests in public private collaborations by using public value theory to explicate the importance of rethinking roles and responsibilities in construction. We found that public agents need to adopt a more facilitating and frame-setting role to build sustainable relationships that are based on trust. However, limitations exist both regarding adopting the new interpretation of the commissioning role and the transformation of the client-contractor relationship. For public clients it becomes increasingly important to recognize and accept contractor’s interests and recognize their added value so one can ask the right questions. Facilitating, formulating and defining what to expect of the market is becoming vital when aiming for long-term relationships to realise social-political aims. Our results also show that public construction clients are concerned with their reliability and predictability towards the supply market. As they are well aware of their dependency of market parties, the decision about outsourcing or in house delivery is becoming part of their accountability. The sense of responsibility and the expectations contribute to the willingness to construction clients to take on a leading role in changing the industry. It is shown that in order to facilitate the value shift in construction from a focus on procedural values towards steering on performance and product related values and to ensure in public values the context of increased value and volume of integrated contracts in construction further alignment of values, roles and responsibilities is needed. We are definitely not there yet and further research will have to look more closely into the concrete alignment of the shifted roles and responsibilities and the accompanying organizational and steering mechanisms. In the search for governance mechanisms and frameworks for this multi-level public value management challenge, further research will have to look into mechanisms at the organizational, program and project level that are both flexible and able to deal with the restrictions that lawfulness brings along.

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