

# FACTORS AFFECTING CLIENT – CONTRACTOR RELATIONSHIP IN THE GHANAIAN CONSTRUCTION INDUSTRY

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## Abstract

Players in the construction industry should patronize relationship building because it is deemed as an important asset for many industries. Cordial relationship between clients and contractors is an antidote for the conflict and aggressive confrontational issues within the construction industry. The study sought to identify factors affecting client – contractor relationship in the Ghanaian construction industry. The study identifies fourteen factors central to relationship building between client and contractors within the Ghanaian construction industry and their prevalence explored from 145 contractors, conveniently sampled. Cronbach Alpha coefficient of 0.837 was recorded. Twelve significant factors were identified using the mean score ranking. The findings revealed that Professionalism, satisfactions, communication, commitment, value of the project, trust and conformance are highly significant factors affecting Client-Contractor Relationship. Neglect of the identified factors by either party could frustrate the individual and overall objectives of projects. Moreover, the use of innovative criteria by clients in selecting contractors for their projects is recommended and each party must execute their substantive roles toward the realization of the project objectives that enhances future collaboration. The study provides the empirical basis for relationship studies in the construction industry of developing countries, such as Ghana.

**Keywords:** Communication, innovation, relationship, satisfaction, trust.

## Introduction

Most organizations are established with the aim of minimizing cost and maximizing profit, which the Construction Industry is not an exception. The automobile industry introduced the lean principle that is adapted by the construction industry as lean construction; the manufacturing industry also introduced the off-site manufacturing techniques, which is also christened as Off-Site Construction in the construction industry. All these concepts have been tried and tested to be effective tools in achieving the aim of organizations. It is not surprising that the construction industry has started implementing these techniques and many more because of their ability to make the industry efficient and effective. Relationship, a concept under the field of marketing (Bolton and Tarasi, 2007) has been gaining recognition in the construction industry (Siva and London, 2012; Davis and Love, 2011; Frodell, 2011; Eriksson and Laan, 2007 Akintoye and Main, 2007; Soetanto et al., 2001). Many stakeholders such as clients, contractors, consultants, subcontractors, engineers just to mention few are involved in the construction industry. All these stakeholders are obliged to fulfil specific responsibilities and roles, and fit into the puzzle of a construction project. Levels of relationships exist among these stakeholders; some are cordial whilst others are aggressive in nature. However, it is expected that all stakeholders cooperate in realizing the corporate aim of the project. Irrespective of the procurement route adapted on a construction projects, two major forms of relationships are established either contractual or

working relationship. Unfortunately, both form of relationships in the construction industry have been aggressive between clients and contractors leading to conflicts, project abandonment and inability to achieve project deliverables. Relationship studies in the construction industry is very scanty and the closeness of existing studies on relationships are between contractors and suppliers (Pala et al., 2014), project alliances and partnership (Davis and Love, 2011). Meanwhile, the seriousness of severed relationship between the clients and contractors has retrogressive impact on any project (Ying et al., 2014). Yet, nothing good can be written about scholarly works addressing developing a healthy relationship between them. In response to the aforementioned problem, this research was undertaken to identify factors contributing to building healthy relationships between clients and contractors in the construction industry.

## Literature Review

### Business relationship factors

Relationship building is an added skill stakeholders on projects should possess because of its ability to result in consensus building as far as a project is concerned. Pala et al. (2014) identified four main forms of relationships between buyers (contractors) and suppliers on construction projects from literature and these include:

1. *Transactional Relationships*: the main active force in this form of relationship is the price-based transaction. In other words, this form is a contractual relationship. Emphasis is placed on the value (money) involved in the arrangement.
2. *Series of Transactions*: organizations involved themselves in series of transaction when there is an existing relationship between parties. Meanwhile this form of relationship actually emphasized on performance. Implying that, the performance of a supplier will determine the longevity of future transactions.
3. *Project Collaboration*: this form of arrangement can be simplified as working relationships. The emphasis is on how stakeholders can bring their maximum best to the realization of the project objectives without monetary contribution. Such arrangement occurs based on either transactional relationships or series of transactions over some time or a deliberate decision to build collaborations with suppliers.
4. *Long-term Strategic Partnering*: Whilst the Project Collaboration is project specific, the Long-term Strategic Partnering focuses on future organizational collaborations towards future projects.

With the exception of the Transactional Relationships, the remaining three focuses on building working relationship. Although, the Transactional Relationships might have kick-start them but it is the discretion of the contractor in the context of the aforementioned relationship types to decide whether to continue such relationship or not. Explicitly, two forms of relationships are realized from the relationships under review, these are either contractual or working (social) relationships. In the context of client and contractor relationship, it will be easier and simpler to mimic the relationships between the contractor and suppliers since there seems to be similarities however, the focus (projects) is different. Moreover, studies on client and contractor relationships have considered the contractual relationships leaving-out the working (social) relationship.

Healthy relationships between parties contribute to the well-being of the project. The ability to manage relationship is an added advantage to a firm (Bolton and Tarasi, 2007). According to Wasti et al. (2006), relationships between parties to a contract has now transformed from fierce competition to a win-win situation. Harmonious living among client and architects are based on active ingredients such as fairness, trustworthiness, conformance to the terms of contract (Soetanto et al., 2001), client satisfaction, fairness, communication and preference of brand

(Bolton and Tarasi, 2007). Every (1942) opined that, there is an ever-increasing conflict between contractors and clients because of unprofessionalism, mistrust and unfairness displayed by the former. However, was quick to add that, satisfaction of the client most importantly is breeding grounds leading to better and healthy relationship between the client and contractor. Additionally, involving the contractor at the developmental stage of the project is an added factor of establishing stronger bond between the client and contractor. Trust has the ability to enforce social and economic sustainability between parties to a project (Wicks and Berman, 2004). Prior (2012) believes that trust and commitment are pre-requisite for healthy relationship development and activates the flow of information between parties. Satisfaction of buyers of a product is another factor of healthy relationship that makes the buyer loyal to the supplier. Moreover, common goals also contribute to such relationship, although it is termed as soft factors of relationship building.

Ambrose *et al.* (2008) identified from literature that, satisfaction of parties to a contract, commitment, mutual trust and effective communication are good ingredients for the development of relationships in the business environment. In another study conducted by Ambrose *et al.* (2010) in ICT companies, adaptation was identified as another significant factor for relationships. Kumra *et al.* (2012) also highlighted that, trust, commitment of parties in terms of resources, adaptation and supplier developments have positive bearing on building relationship. Moreover, Kumra *et al.* (2012) study posited that experiences establish trust in a relationship from both parties. Raciti and Dagger (2010) pointed that, even-though trust is acclaimed to be a very strong basis for building relationship, but without proper and effective communication, such basis becomes shaky and even kills the relationship at a tender age. Communication is a means of sustaining relationships. Kannan and Tan (2006) indicated that, in order to read meanings into relationships, flexibility, communication,

interdependence, trust and commitment should be present. Altinay and Brookes (2010) revealed in their study that satisfaction, commitment and trust are recognized in high esteem through appreciating the organizational culture of the parties.

Akintoye and Main (2007) studied on “collaborative relationships in construction”, where the findings suggested that risk reduction, reduction in development costs, common organizational culture among others are the reasons for forming alliance in the construction industry. Notwithstanding that, their study further indicated that there are elements that tend to nullify relationships in the construction industry such as mistrust, ineffective communication, different organizational cultures and low level of commitment. Frodell (2011) developed criteria in achieving effective contractor relationship; the criteria indicated that suppliers are of the view that, their company health practices, professionalism, commitment and the capacity for development are driving factors for effective relationships. Davis and Love (2011) asserted that, trust and commitment works hand in hand because researchers in the relationship field believe that, these two factors are the enabling drivers for better alliances. In addition, fairness from parties is described as necessity for alliance development. The value of work, the uniqueness of the project and common ideologies of the parties enforces a collaborative relationship. Besides, ineffective communication is known to be an indicator of mistrust during a collaborative deal (Doran *et al.*, 2005). Choo *et al.* (2009) also indicated trust and buyer satisfaction precedes communication and supplier’s honesty as far as relationship in the fashion industry is concerned. Sternquist *et al.* (2008) added credibility, dependence, value on product as factors for healthy relationship.

Contract development, value of project, trust, commitment, satisfaction, flexibility, interdependence, common goal, professionalism, adaptation to change, health and safety practices, conformance, communication and fairness are contributing factors towards building all forms

healthy relationships. Because, there exist no study on client – contractor relationships, this study sought to explore relevance of the identified factors to client –contractor relationship.

## Research Methodology

Fourteen (14) factors underpinning healthy relationship between buyers and suppliers were contextualised for the study. The study made use of quantitative research strategy through a close ended questionnaire survey. One hundred and forty-five (145) contracting companies in the Accra Metropolis were conveniently sampled for the study. The Accra Metropolis which houses the seat of government is concentrated with many developmental projects and construction firms. The questionnaire comprised of two sections, the first sought background information about the respondents as shown in Table 1. Whilst the last section used a five (5) point Likert scale to seek the significance of 14 benchmarked factors identified to affect healthy relationship building. The questions asked were simple to read and easy to understand as indicated earlier by Fellows and Liu (2008). The Likert scale was calibrated from 1 to 5, with the label varying from “Highly insignificant” to “Highly significant”. The Cronbach Alpha reliability test was run and data was analysed using mean score ranking with test value of 3.5 ( $p < 0.05$ ) to identify the significant factors for relationship building in the Ghanaian Construction Industry.

## Findings and Discussion

### Respondents' Profile

The background of the respondents (Table 1) alludes to the fact that, the capital city of Ghana has a lot of D1K1 and D2K2 contractors as compared to the D3K3 and D4K4. The D and K represent building and civil engineering works classification tools adopted by the Ministry of Water Resource, Works and Housing. The numbers (1 to 4) indicates the

financial and technical status of the construction companies ranging from high financial and technical competence to the least. It is not surprising that the top two classifications were dominant because the level of works executed requires the service of contractors with high technical and financial status. The respondents were top and semi- management staff who occupied positions like Project Manager, Construction Manager, Quantity Surveyor, Project Supervisor, Quality Officer, Structural Engineer and Architect.

**Table 6 Background information of respondent**

Demographic information	Options	Frequencies	Percentage (%)
Ownership of firm	Indigenous	93	64
	Foreign	24	17
	Both	28	19
Total		145	100
Firm classification	D1K1	61	42
	D2K2	47	32
	D3K3	26	18
	D4K4	11	8
Total		145	100
Experience in industry	less than or equal to 5years	22	15
	6 - 10years	43	30
	11 - 15years	29	20
	16years and more	51	35
Total		145	100
Clients	Private	27	19
	Public	13	9
	Both	105	72
Total		145	100

Averagely, 55% have at-least 10years of experience in the Ghanaian Construction Industry (GCI), in-addition many of the contractors have worked with both the government and the private sectors which position the study in another pedestal. Exposure to different client informs contractors how to relate to their paymasters.

### Factors Influencing Healthy Client – Contractor Relationships

Gliem and Gliem (2003) opined that, reliability test should be conducted on Likert scale questions since it helps in the credibility of the results. The Cronbach Alpha ( ) test was run and the study recorded a coefficient of 0.837 whilst the factors recorded coefficients ranging from .813 to .845. The

coefficients recorded are acceptable since it achieved a minimum value of 0.813 which is higher than the minimum 0.800 suggested by Gliem and Gliem (2003). Twelve (12) out of the fourteen (14) factors (Table 2) for relationship building were ranked to be significant using the mean score ranking with a test value of 3.5 ( $p < 0.05$ ). From Table 2, professionalism (4.280), client and contractor satisfaction (4.200), effective communication (4.103), commitment (4.090), importance of the project (4.028), trustworthiness (4.014) and conformance (4.007) were the highly ranked factors since they recorded mean score higher than the mean value of 3.5. However, interdependence and common goals were identified to be insignificant factors for building healthy relationship.

### Significant Factors Influencing Client – Contractor Relationship

This section discusses the key significant factors for building a healthy client – contractor relationship. The factors include the following:

**Table 7 Factors for healthy Client - Contractor Relationship**

Relationship Factors	Mean	Std. Deviation	Ranking
Professionalism from both parties	4.2797	1.0441	1st
Client and contractor satisfaction	4.2000	0.8866	2nd
Effective communication between parties	4.1034	1.0255	3rd
Commitment from both parties	4.0900	1.0535	4th
Importance of the project	4.0276	0.9926	5th
Trustworthiness	4.0138	1.1055	6th
Conformance from both parties	4.0069	1.0411	7th
Fairness from both parties	3.9379	0.9518	8th
Good health and safety practice	3.8276	1.2153	9th
Contract development	3.7103	1.0796	10th
Adaptation to change	3.5793	1.0971	11th
Flexibility in the terms of contract	3.5211	1.1091	12th
Interdependence	3.3103	1.0770	13th
Common goal	3.2621	1.0867	14th

### Professionalism

There are laid down procedures or ethics in every profession, the study revealed that professionalism is the most important factor for building relationship which synchronize with Every (1942) opinion that, professionalism leads to healthy relationship between drilling contractors and client. This study further confirms that of Frodell (2011) asserted that professionalism is a basic input for efficient relationship. The construction industry employs law of contract in its operation. The main aim of the client is to get the project done using the service of the contractor and the contractor aims at getting his reward from his paymaster. Customers are always treated to be right in the business environment. The customer in the context of the construction industry is the client, however a little twist is associated with the construction industry. For instance, a contractor will not enter into a contract with a client who does not redeem his part of the deal. Likewise, a client will not engage the services of a contractor who does not deliver quality work. In other words, professionalism can be synonymous to competence as stated by Altinay and Brookes (2010).

### Client and contractor satisfaction

Satisfaction is an ingredient for building healthy relationship even after the gestation period of a project (Altinay and Brookes 2010; Ambrose et al 2008; Bolton and Tarasi 2007; Every 1942). Satisfaction was the second ranked factor implying that when parties to contract are satisfied with each other's role, the perception of servant-master relationship paves way for a more cordial relationship between the client and the contractor. According to Prior (2012), satisfaction strengthens the loyalty of the parties.

### *Effective communication*

Effective communication is the third most significant factor for healthy client-contractor relationship. It is a confirmation to the works of Prior (2012), Davis and Love (2011), Raciti and Dagger (2010), Choo et al (2009), Ambrose et al (2008), Bolton and Tarasi (2007), Akintoye and Main (2007), Kannan and Tan (2006), Wasti et al.(2006) and Doran et al (2005). Tacitly, the views of these researchers indicate that, without communication it is impossible to establish relationship with others. This thought is also interpreted that, communication as a factor for healthy relationship is of the same level as the role of blood in the human body. Although, Ambrose et al. (2010) asserted that, communication is one of the factors of building a relationship but there is a significant difference between the views of buyers and suppliers which in this context between clients and contractors.

### *Commitment*

The study also concurs with the works of Kumra et al. (2012), Prior (2012), Frodell (2011), Davis and Love (2011), Altinay and Brookes (2010), Ambrose et al. (2008), Akintoye and Main (2007) and Kannan and Tan (2006), that commitment is important in establishing relationships. Frodell (2011) earlier divulged that, factor for efficient relationship can be classified into input, throughput and output. This can be interpreted that, there is an association between commitment and relationship or the bond between the client and contractor is dependent on the level of commitment shown by them.

### *Importance of project*

Objectively, every individual or institution is ever ready to channel its resources into a life transforming activity provided it is a priority. The study further endorsed importance of project as another push factor for relationship building between contractors

and clients. Sternquist et al. (2008) and Bolton and Tarasi (2007) had earlier alluded that preference of brand is an outstanding basis for relationship. The physical edifice which is the end project speaks volumes about the client and the contractor. Such reason pushes clients and contractors to merge their best resources in achieving value for money which ends creating a good relationship between them.

### *Trust*

The seriousness of every great relationships depends on the trust developed (Davis and Love 2011; Frodell 2011; Choo et al. 2009; Ambrose et al. 2008; Akintoye and Main 2007; Kannan and Tan 2006; Wasti et al. 2006; Wicks and Berman 2004; Soetanto et al. 2001). Although, the findings from this study revealed that trust is another important factor for relationship building, it is surprising that it is not part of the first three factors. From observations, the researchers are aware that the genesis of every well-meaning relationship is trust. Importance of trust in a relationship is comparable to the foundation of a building because the absence of trust will terminate the relationship in the short term. Since the study was focused on suppliers which in this context refers to contractors, it totally disagrees with Ambrose et al. (2010) which posited in their study that, trust is not a significant factor for relationship building based on their findings from suppliers' perspective.

### *Conformance*

The 7th ranked and significant factor is conformance. The contract document specifies into details the expected duties of the client and contractors as well as the contractor. Legal disputes in construction mostly arise due to the inability of some stakeholders to perform their duties accordingly. In other words, accepting and executing a project in accordance to the stated principle automatically brings the client and contractor together. This finding confirms that of Soetanto et al. (2001).

## **Insignificant Factors Influencing Client – Contractor Relationship**

### *Interdependence*

Interdependence is the 13th ranked factor and also the first insignificant factor for relationships between clients and contractors. Researchers such as Kannan and Tan (2006), Sternquist et al. (2008) and Frodell (2011) divulged that, interdependence is a triggering factor for relationship because parties to a contract needs the complimentary role of the other to survive. Although the study had proved otherwise but the researchers had a strong feeling that as far as the factor in question brings the two parties together, it is a potential factor for relationships. However, the study concurs with Ambrose et al. (2010) study, which revealed that dependence is not a major factor for relationship building.

### *Common goal*

Ideally, partnership agreements become an alternative when the people or institutions realise that there is similarity in their objectives. In relating the forgoing statement to the findings in Table 2, it is realized that common goal does not necessary influence healthy relationship building. Though the researchers agree with Doran et al. (2005) and Akintoye and Main (2007) assertion that, it is the common ideologies that draws two different people or institution together. However, common goal or ideology has been termed by Prior (2012) as a soft factor for building relationship. Probably, is because the objectives of each party on a project differ from the other.

## **Conclusion and Recommendation**

Relationship development among project stakeholders in the construction industry has been gaining recognition. This study specifically focused on factors affecting client-contractor in

the construction industry, which is readily not available in construction management research. The central theme for relationship building between the client and the contractor as revealed by the study include factors such as professionalism, satisfactions, communication, commitment, the value of the project, trust and conformance. In order to mitigate and subdue the aggressive nature of the construction industry, the identified factors should be incorporated in the policy formulation of construction institutions. Moreover, observing the identified factors contribute to achieving the respective objectives of projects. Establishing well-meaning relationship should be a bonus objective to both the client and the contractor because it helps provide a fair playing ground for them. It is the responsibility of both parties to make the relationship between them work through observing the identified factors. Clients are recommended to adopt innovative procurement routes, which encourages relationship building for projects. The following are areas to be considered for further studies as far as relationship building is concerned in the construction industry:

1. The impact of relationship development on addressing contractual related conflicts.
2. The viability of relationship contracting in the construction industry.
3. Effects of relationship development on performance improvement of construction projects.

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