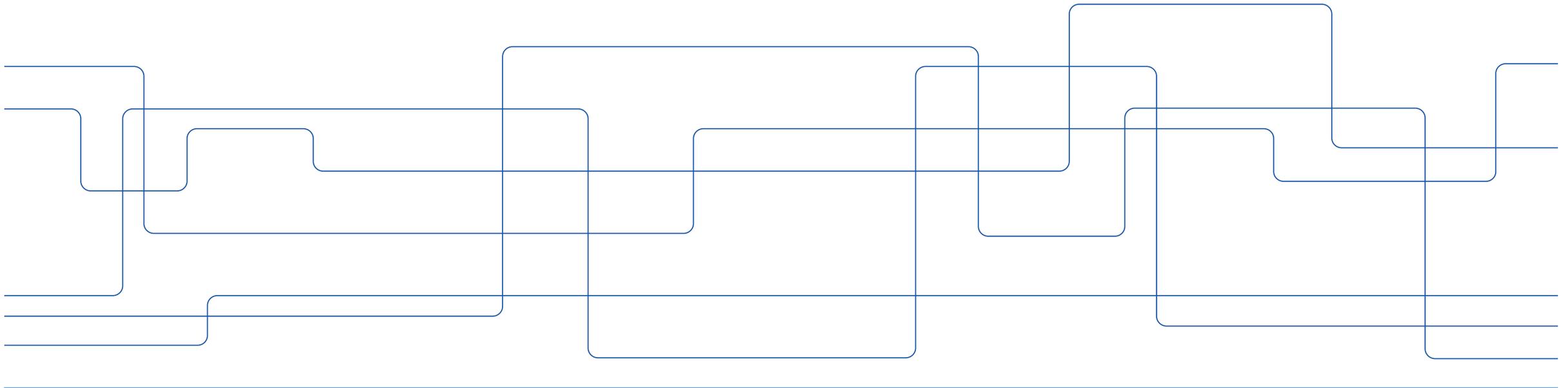




# Relational contracting in the Nordic countries 1990s-2020s

Anna Kadefors, 6 September 2022



# Me



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# Relational contracting in Nordic construction - a comparative longitudinal account of institutional field developments and learning mechanisms

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# Background

- In the paper, Relational Contracting (RC) is used as umbrella concept comprising models such as partnering, ECI, alliances, IPD, strategic partnering
- Has been used in various countries since the 1990s
- Is attracting broader interest (research, McKinsey, FIDIC, etc)
- Learning is not systematic, legitimacy varies over time, terminology is ambiguous and varies over time
- Nordic countries have similar jurisdictions and contracts, overlapping supplier markets and partly shared cultures and languages, but are also different in their institutions and political governance style

# Aim, theory, method

- Map and analyze the development in relational contracting over 30 years in four Nordic countries: Denmark, Sweden, Finland, Norway.
- Conceptual framework based on institutional theory where relational contracting is perceived as a new institutional practice
- Method: 10 page descriptions produced by each national researcher team, validation by industry, cross-reading

# Research themes

## 1. Triggers and problem perception

- How have problems with the existing institutional order been perceived and described? Are there critical incidents that have triggered de-institutionalization of traditional practices?

## 2. Actors

- Which actors have been important in promoting and impeding change? Government, clients, contractors, others?

## 3. Inspiration, knowledge development, dissemination

- How and where are new solutions to the problems found and legitimized? Which dissemination patterns may be identified? Which legitimacy problems have occurred?

# Results 1 (2)

- Denmark: two waves of RC with backlash between
  - Project partnering/ECI (two-phase, bilateral contracts) in the 2000s, inspired by UK, government driven (coercion, with benchmarking, guidelines, etc), and supported by contractors.
  - Failures to meet high expectations (notably cost overruns in flagship project) causing legitimacy problem and partnering taboo.
  - From 2016 Strategic partnerships. Driven by municipalities, inspired/legitimized by Sweden and supported by industry development programs and research. "New partnering" for a few single projects.
- Sweden: RC widely used (in building) since around 2003 but still fragile
  - No government initiative, inspired by UK and DK, driven by individual clients, the clients' association and contractors. Consultants provide training.
  - Mainly partnering/ECI and recently strategic partnering. Big difference between regions.
  - In infra less experience, govmt initiatives in the 2000s (FIA), 2010 focus on DB, then a few ECI projects in 2015-2018, a few failures and ECI taboo, and recent restart.
  - Still legitimacy problems due to contractors as institutional entrepreneurs, disagreements about how to pay contractors for incurred costs (open books).
  - Concern for lack of learning and shared knowledge/methods – ISO44001 only neutral joint industry development forum.

# Results 2(2)

- Finland: knowledge-driven alliancing
  - Alliances inspired by AU, driven by FTIA and consultants as institutional entrepreneurs.
  - First projects started in 2010 were successful, no legitimacy problems. 70 projects up to 2021
  - Initially based on directly translated documents and contracts in AU, combined with training and connected to joint industry development initiatives including research. Well-defined.
  - Also inspiration from the US (IPD/IPT), less well defined, lean
- Norway: recent and pluralistic developments
  - Concern for cost increases, national QA scheme for large projects
  - Several industry development programs over time focusing on control and governance (Concept, PS 2000, Project Norway). Contracting and collaboration are parts of this agenda.
  - RC recent development (except for some early UK/DK influences),
  - St Olavs hospital, Oslo Municipality, NTNU, Nye Veier, Veidekke, Lean
  - Mainly ECI-type (also IPD but not alliances), many models/contracts have been developed by various actors and networks but little systematic evaluation/learning.

# Conclusions 1: drivers, influences, actors

- **Institutional aspects** relating to the role of government, political trends and market conditions (demand, size, cohesion) **underlie the development and shape many differences** between countries.
- **Influence from other countries** (UK, AU, US) has been important, but also between Nordic countries. The purposes have been to gain knowledge and inspiration, but also legitimacy.
- **Public organizations** have played a pivotal role in driving RC practices in the Nordic countries.
- **Top-down pressure** may seem efficient but is associated with a **risk for backlashes** if goals are unrealistic and the concepts do not deliver. Also, coercion may produce lip service/resistance and distrust.
- **Individual actors can play important roles**, especially if they have high legitimacy through knowledge and networks and are seen to have altruistic motives.

# Conclusions 2: Obstacles to learning

- When RC models are pushed back due to insufficient performance and **legitimacy failures** they tend to arise under a new label. The result is **proliferation of concepts** – existing labels become obsolete as they lose in legitimacy and new ones are invented or brought in from other countries. Such conceptual ambiguities, in turn, present obstacles to learning over time and between countries.
- There is a **contradiction between dissemination and performance**, where it is hard to combine high sophistication with wide adoption. Often, simple approaches are sufficient. But without sustained learning over time on the industry level, relational contracting risks to underperform when employed in complex projects, which will undermine legitimacy and reduce adoption. (failures of flagship projects pivotal)
- There is another potential **contradiction between investments in a multitude of industry development programs and long-term industry level learning** trajectories. How can such programs be aligned to reap the benefits associated with higher levels of institutionalization in a fragmented industry?