

## **Customer service delivery for project goals: case study**

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# Customer service delivery for project goals: case study

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## 1. Abstract

The classical approach to relationships between service providers and their customers is about meeting promises and expectations, and trust. For example, contractual requirements, where fixed standards are to be reached; and, in the case of competence, trust and expectations of open commitment to each other i.e. 'goodwill'. As more and more exchanges tend towards the longer term, the relationships between exchange parties evolve. The vision of the future increases the likelihood of successful cooperation and makes parties go that extra mile in providing excellent service. The durability of the relationship also serves as a form of social capital that not only reduces transaction costs but also enables the parties to develop new ways of delivering services and triggers shared commitment to excellence, exemplifying a distinct form of economic coordination. Economic cooperation is linked increasingly to project dynamics and needs to adjust post-contract in line with the economic circumstances and prevailing opportunities.

Mediacity:uk – a £500m 'city' in Manchester demonstrates that excellence in customer service and economic cooperation between construction parties produces significant strategic benefits and greater opportunities for meeting strategic goals. Numerous post-contract changes to the scope of the project, the programme and even the location and shape of the buildings, required intense interaction between the client and service providers. This research reports upon initial findings of the Mediacity:uk case study and highlights that the amount of work, speed of response and the quality of customer service provided by the service providers is influenced by the durability of the relationship and expectations of future behaviour, rather than trust or remuneration on the particular project.

**Keywords:** customer service, durability, cooperation, Mediacity:uk

## **2. Introduction**

The successful delivery of large-scale, complex construction projects, where service processes are highly interdependent, uncertain, and time constrained, requires all members of the team to adopt a certain state of mind; to hold a particular expectation about other team members' behaviour that they will perform in a mutually acceptable manner, providing excellent customer service.

There are two central theories that can be used to understand the behaviour of exchange parties on complex construction projects: one revolves around the notion of trust as a driving force in economic relations and the second focuses on contracts as governance structures for managing relationships between commercial parties (transaction cost theory of contracting).

The role of trust in facilitating efficient exchange relations has been considered by numerous researchers e.g. Macaulay (1963), Lyons and Mehta (1997), Lorenz (1999). This traditional approach can be described utilising Sako' (1992) study of inter-firm relations in Britain and Japan. Sako (1992) described this behaviour in economic relationships using three major types of trust: contractual trust, competence trust and goodwill trust. Contractual trust is based on a legal agreement between parties which enter into a contract, creating a universal ethical standard and an expectation of promise delivery. Competence trust revolves around the belief in the other party's capability to do the job, conform to professional standards, and ability to complete the task. Goodwill trust refers to an expectation of open commitment between parties. It has been demonstrated that efficient exchange relations are facilitated when the parties trust each other; the presence of trust transforms an exchange relationship by reducing the costs of specification, monitoring and guarding against opportunistic behaviour, encouraging better investment decisions and ensuring rapid and flexible responses to unforeseen events (Lyons and Mehta, 1997).

The transaction cost theory of contracting, on the other hand, developed by Williamson (1985), assumes that inter-firm transactions are governed by contracts. The theory predicts that any disturbances that could upset the relationship would be contemplated beforehand, so allowing development of mechanisms which would facilitate joint adaptation with the aim of protecting the relationship. These mechanisms would be incorporated into the contract and include, for example administrative procedures aimed at dispute prevention or resolution and distribution of costs and benefits (Williamson, 1985). The theory assumes a competitive economic environment and makes equilibrium forecasts, predicting, for example, that firms that misquote for their services ('mis-design, contracts') will perform poorly in the market. Over time, poor performers will be forced to exit the market, so that in equilibrium only those who make profit on their service provision ('alert agents and well-designed contracts') will survive (Mayer and Argyres, 2004).

The importance of cooperation is well established in the organisational literature (Kogut and Zander, 1996). The evolution of inter-firm relations towards cooperation is being driven by competitive forces and the intensification of competition in product markets which has accompanied increasing demands by buyers for greater customisation and flexibility in production and delivery of goods and services (Arighetti, *et al.*, 1997). However, groups cooperate well under certain circumstances, and less well under others. It is important therefore to establish what increases the likelihood of successful cooperation and makes parties go that extra mile in providing excellent service.

## **2.1 *Mediacity:uk***

The first phase of *Mediacity:uk* was enabled by a distinct form of economic cooperation. This project has as stakeholders: Developer - Peel Group (Peel Holdings, Peel Media, Peel Living 1, Peel Living 2); managing contractor – Bovis Lend Lease (BLL); tenant – British Broadcasting Corporation (BBC); architects, engineers, quantity surveyors; and, numerous consultants, sub-contractors and suppliers; Salford City Council; funders, and others. All engaged to ensure successful delivery of the second-largest (as seen in Figure 1), after the Olympic Village, construction project in the UK.



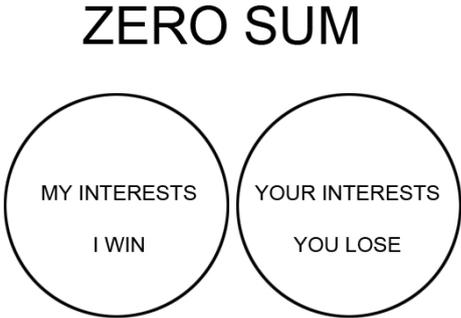
**Figure 1: Mediacity:uk scheme when completed. Digital image, courtesy of Chapman Taylor.**

The unique approach to customer service adopted by the Mediacity:uk Developer and the delivery team, allowed the team not only to deliver the BBC buildings ahead of contractual dates, under the planned cost (Plunkett, 2010), but also to achieve standards, which did not even exist when the construction commenced (Mediacity:uk has achieved the first world-recognised BREEAM Approved Sustainable Community Award (BREEAM, 2010)).

Utilising game theory as a theoretical framework to explain the possible mechanism which drove the team members' performance, it is possible to demonstrate, that an anticipation of future behaviour facilitates the emergence of an inter-firm alliance structure associated with commitment to provision of the excellent customer service.

**3. The construction project as a non-zero-sum game**

Game theory is a branch of applied mathematics that has been widely recognised as an important tool in many fields: social sciences, economics, engineering, political science, international relations and so forth. Game theory attempts to mathematically capture behaviour in strategic situations, in which a particular party's success in making choices depends on the choices of others (Aumann, 1987). In game theory as well as in economic theory, zero-sum denotes a situation where one party's gains or loss is exactly balanced by the gains or losses of other parties, so the total gains and losses of all participants sum to zero. In contrast, non-zero-sum refers to a situation in which the interacting parties' aggregate gains and losses are either less or more than zero as displayed in Figures 2 and 3.



**Figure 2: Zero-sum game**



**Figure 3: Non-zero-sum game**

In non-zero-sum games, a gain by one player does not necessarily correspond with a loss by another and the success of all players depends on their ability to come together and cooperate. If the game is played only once and players do not have to fear retaliation from their opponents, they often play differently than they would if they played the game repeatedly. In the game's theoretical context, the pursuit of self-interest by an individual or an organisation leads to poor outcome for all (Axelrod,

1984). The possibility that players may meet again (the 'shadow of the future'), gives rise to cooperation.

There are two types of cooperation (Welling and Kamann, 2001): perfunctory and consummate. Perfunctory cooperation is an extent of cooperation which can be imposed either through legal agreement or the threat of sanctions. Consummate cooperation occurs when parties work together to a mutual end, sharing skills and information and responding flexibly. Since consummate cooperation cannot be enforced, the circumstances in which it can be achieved are important. In cooperation, in line with the Axelrod (1984), individuals do not have to be rational, nor do the players have to exchange messages or commitments as their deeds speak for them, there is no need to assume trust between the players as the use of reciprocity can be enough to make defection unproductive, altruism is not needed as successful strategies can bring out cooperation even from an egoist, and no central authority is required as cooperation based on reciprocity can be self-policing. Therefore what makes it possible for cooperation to emerge is the fact that players might meet again; the choices made today not only determine the outcome of this particular interaction, but can also influence the future opportunities for the players. The future 'casts a shadow' on the present affecting the current strategic situation of the parties. According to Welling and Kamann (2001) parties in construction supply chains seem to be entangled in a kind of an iterated non-zero-sum game for many years already. If there is no future to influence (the game displays a known, finite number of interactions), the results are likely to be: adversarial behaviour, low profit margins for construction firms and a short term, project oriented vision recognised, for example, in the Latham Report (1994).

The traditional applications of game theory attempt to find equilibriums in a particular game. In equilibrium, each player of the game has adopted a strategy that they are unlikely to change. In a construction context this can be compared, for example, with the strategy adopted by the Executive Architect on Mediacity:uk scheme – Chapman Taylor. In line with the words of its director, Tim Partington<sup>1</sup>, the company is committed to providing excellent customer service and project completion irrespective of the transaction cost, as despite best efforts to reach an optimal level of fee income in contractual relationships the occasional misquotation is inevitable. To enable the provision of excellent customer service, the company strategy of drawing fee instalments is based on presumption that there is always more work to do at the end of the project. This 'extended foresight' cash flow approach adopted by CT helps with cash flow and facilitates the provision of high quality service even if the company misquoted for its services or provided more service than originally envisaged to assist the client (and for strategic purposes is not seeking fees re-negotiation).

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<sup>1</sup> In an interview dated 07.05.2010

According to Axelrod (1984, p.12) the future is less important than the present for two reasons: 'The first is that players tend to value pay-offs less as the time of their obtainment recedes into the future. The second is that there is always some chance that the players will not meet again. An ongoing relationship may end when one or other player moves away, changes jobs, dies, or goes bankrupt. For these reasons, the payoff of the next move always counts less than the pay-off of the current move'. However, as indicated in the case study discussed in the next part of this paper, for some organisations, especially those with long-term orientation, the future is more important than the present. For example, the Peel Group business model revolves around the presumption that pay offs in the future will be greater than today (Peel, 2009), which allowed the company to build up a successful business and deliver Mediacity:uk.

In line with Axelrod's (1984) suggestion, one of the conditions that facilitate cooperation is the shared feeling of a 'fair deal' among both partners of the cooperation. The perceived fairness of the transactions between Peel Group and CT is not guaranteed by the threat of a legal process, but rather by the anticipation of mutually rewarding transactions in the future. However, whatever the anticipation among parties is based on, there has to be an opportunity of future contracts in the first place. In other words: one of the key aspects of game theory relevance for the construction industry is a very specific shadow of the future: the real possibility that individuals might meet again.

Apart from the inter-firm cooperation at the strategic level, Geerink (1988) also found that in construction practice the allocation of individuals seems to play an important role in establishing cooperative behaviour. Repeated personal contacts across organisational boundaries support some minimum level of courtesy and consideration between the parties. An interesting aspect of this fact, can be observed when construction and professional services firms, following appointment for the provision of services on large-scale construction projects, seek to employ individuals who have previous experience of working with a particular business partner, for example, on Mediacity:uk project Executive Architect approached one of Managing Contractor's Design Managers, who, upon agreement with his firm, joined Executive Architect company to facilitate inter-firm dealings.

The future is therefore important for the establishment of the conditions for cooperation; however the past is important for monitoring of actual behaviour. Although service providers and construction firms monitor their own behaviour as part of their ISO 9001 Quality Assurance System, it is the last actual customer service experience which determines whether the client will use the particular service provider again (Partington, 2010).

This paper therefore sets out to establish whether such approaches are conducive to project delivery when faced with a tight timescale and design fluctuations.

#### **4. The case study – Mediacity:uk**

In the next few months the British Broadcasting Corporation's (BBC) programme-making departments will be up and running from the Europe's first purpose-built creative and media development in Manchester. The £500m first phase of Mediacity:uk consists of over 65,000 sq m offices including the BBC and University of Salford, over 23,000 sq m high definition (HD) studios including the largest HD studio in Europe and one dedicated to the BBC Philharmonic, 5,500 sq m of shops and leisure facilities including bars, restaurants and healthcare services, public park, events space twice the size of Trafalgar Square, 378 new apartments, 218 bed Holiday Inn, retail units, supermarket, 2200 space car park, a new bridge, new tram link to Manchester city centre and a highway junction.

The BBC allowed only three years to design and build its new centre of operations, giving the Developer, a date of December 2010 for the Phase 1 completion. In addition, at the eleventh hour the Corporation notified the Developer that it did not like the masterplan or the concept design and requested a new team of architects. The short timescale remained the greatest challenge to the successful delivery throughout the whole design and construction phase. However, the challenge associated with the nature of the product to be delivered cannot be underestimated. Media cities are widely recognised as a 'geographically complex phenomenon' (Kratke, 2003). Media cities are centres of cultural production and media industry with geographical links at both the local and global level. Media as an industry revolves around the inexorable and accelerating march of technology while cities and buildings embody decisions taken some time previously, in distant circumstances, often for obsolete reasons. The location of buildings, their massing, internal layout and materials used in construction generally reflect legislation and standards prevailing when the building brief was realised, which means that at completion buildings are already 'outdated'. During the construction phase fire and building codes discover new things to worry about, sustainability standards change and some building materials go from being very good for you to very bad for you (Brand, 1984).

The successful delivery of untested prototypes which should perform to unknown standards prevailing in a distant future, in a timescale which did not allow completing design before the foundations were poured required a team that would operate like a social unit, responding to the perpetually changing needs, scope, programme, budget and strategy required to achieve the moving target of a true media city. Due to the complexity of a contractual agreement between the Developer and the BBC the management contract between the Developer and the Managing Contractor was a tripartite agreement, with a trilateral governance provision making use of an outside arbitration by the Independent Surveyor and Independent Commissioning Engineer.

Despite time being one of the main critical factors, Peel Group, in their team selection strategy, rather than appointing one or two one-stop, all-service firms, followed their usual strategy of relying on a large number of local, highly specialised firms providing customer service within their, often very narrow, expertise. This approach can be explained: diversity helps to achieve the best possible outcome, because it adds perspectives that would otherwise be absent and because it takes away, or at least weakens, some of the destructive characteristics of group decision making. In line with Surowiecki (2004, p.36) account, 'Homogeneous groups become cohesive more easily than diverse groups, and as they become more cohesive they also become more dependent on the group, more insulated from outside opinions, and therefore more convinced that the group's judgement on important issues must be right.'

Another strategic decision which contributed to the project's success was to involve the managing contractor right from the start. The two firms, the Developer and the Contractor, have a long standing relationship going back 26 projects. The early involvement of the Contractor informed certain design solutions as well as resulted in the change of the original, BBC-approved Executive Architect, among Contractor's concern that the original 'signature' architect would not entertain the necessary method of work which required picking up Developer's phone call at midnight that the construction is to commence tomorrow morning, but a building is to be different type than originally envisaged, as it was the case with one of the residential towers developed as a hotel, a few storey lower (for example the office tower) or higher (multi storey car park), or built on a different plot than originally planned (the Energy Centre). The perpetual changes required flexibility while maintaining the high level of professional standards and competence and were necessary to keep the scheme viable at the time of construction cost inflation.

The contractor made certain assumptions as to what will be required, was granted the possession of the site and commenced construction four months before the contract with the Developer was ready to be signed. The construction proceeded on the basis that the Team continued to follow an agreed path unless instructed 'otherwise' by the Developer.

Numerous post-contract changes to the scope of the project, programme and the location and shape of the buildings required intense interaction between the Developer and service providers. A good example of flexibility and cooperative approach was the introduction of a tri-generation scheme (a simultaneous production of heat, cooling and power using a centralised energy centre). Mediacity:uk achieved the significant saving through the use of the tri-generation system that it is capable of delivering heating and cooling energy through the built network from future energy sources whatever they might be. The Mediacity:uk site had been designed with an infrastructure that did not initially incorporate the concept of tri-generation. The idea of utilisation of this new technology came about

very late and the integration of the heating and cooling network within the infrastructure and buildings that were already in progress, on a site, where the buildings were built at the same time as the pipe-work was laid required a substantial amount of re-design and construction re-work as well as major re-programming of site operations.

Another example of a collaborative approach was the provision of power – as the construction works were under way it became apparent that the most cost effective way of providing power to the development would be to abandon the originally pursued strategy and, instead, to drill a tunnel under the Manchester Ship Canal, the largest navigation canal in the world, to pull the cables. This operation normally requires months of preparation and advanced booking of equipment as there are only two rigs of sufficient size available in the country. As one of these rigs was potentially available within weeks of the realisation of the need for these works, it was immediately booked and concurrently with the company operating the rig planning the possible route that would allow transporting this extremely oversized plant to the Mediacity:uk site the Team was designing the best possible drilling route and incorporation of the revised power supply strategy into the overall scheme. The first drill attempt was unsuccessful as the drill hit a century old decommissioned culvert which has not been identified on maps. Within days, a new route was identified and the rig operator, working non-stop for a couple of days to enable completion of the task without delaying the next assignment, finished the required works.

The relationship between the Team and the BBC followed a similar path. Rather than using the clauses in the Agreement for Lease (contract signed between Peel and BBC) in a legal sense, the parties tended to refer to them only when they needed opportunities for some give and take. For example, in one instance the BBC needed more time to provide the specific requirements in relation to the soft floor finishes, especially the specification and the preferred installation stage<sup>2</sup> of carpets, but wanted the team to keep its final delivery date. This created a problem of timely supply of the required quantity of the product, as it exceeded the capacity of the largest suppliers in the country. It also created a problem of acoustic testing as certain acoustic criteria can be met only with the soft floor finishes being installed. The Team in collaboration with the soft flooring Works Package Contractor, secured the production slot on the basis that the specification of the carpet to be produced will be confirmed right before the production shall commence and purchased only 100 sq m of carpet to allow testing of all areas which had to achieve specific acoustic criteria on the basis that this 100 sq m will be moved around all rooms in three buildings, as required, to enable acoustic testing.

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<sup>2</sup> Whether the installation shall take place as part of Cat A, B or C Works, e.g. whether the carpets should be installed by the Contractor as part of its Works or provided in storage for the BBC Cat C fit-out contractor to install after the Practical Completion once under-floor cabling is in place.

The excellence in customer service provision on Mediacity:uk project was based on each party's desire to maintain an ongoing relationship and willingness to make sustained efforts to maintain this connection in the face of disturbances to it.

## **5. Conclusions**

The durability of the inter-firm relations and their future strategic position (the shadow of the future) has a far more important and beneficial impact on customer service delivery than is currently recognised: its implications for customer satisfaction and successful delivery of the project may be immense. One of the key findings from the Mediacity:uk case study is that effective relationships with the customer depends, in part, on functioning relationships between the service providers who are jointly involved in the delivery of service to that customer.

Due to the unusual nature of the tri-partite contractual arrangement adopted on Mediacity:uk, this case study offers views on customer-provider relationships and provider-provider relationships, as one type of service relationship, providing a basis for integration of traditionally fragmented and often adversarial types of service relationships.

The findings also suggest that firms, in contexts characterised by uncertainty, might enter into appointments with levels of commitment that are more bounded than approaches based on trust or transaction cost theory assumptions, providing that the inter-firm relationship is durable. This implies that in the context of complex construction projects ongoing commitment management, including frequent evaluations of future opportunities, might be critical in moving parties toward efficient cooperation.

The Mediacity:uk case study contributes to existing theory by showing that effective cooperation and excellent customer service are *facilitated* by difficult circumstances, be it time pressure, position of mutual dependence or exposure to liability. An important area for future research, therefore, is to gain a better understanding of the benefits of the notion of 'the shadow of the future' for the quality of service provided to clients in construction.

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