GEPM 375

Project Planning and Construction Management

Conflict Negotiation

What we discussed in the last Class?

Conflicts into Chronological Perspective of Project Life Cycle

- Conflicts in Project **Evaluation Stage.**
- Conflicts in Project **Build-up Stage**
- Conflicts in Project **Main Stage**
- Conflicts in Project **Phase-out Stage**

Question: Describe the conflicts arise in to chronological perspective of project life cycle**.**

What we are going to discuss today?

- What is conflict negotiation?
- Pareto-Optimal Solution and Concept to the two Party Conflict.
- Ethical Situation during negotiation.
- Partnering, Chartering and Scope Change to conflict negotiation.

What is Conflicts Negotiation?

- **Ability to reduce and resolve conflict** in ways that **support achievement of the project's goal**, is a prime requisite for success as a Project Manager.

- **Primary tool** is Negotiation.

Explanation:

- Conflict is an **inherent characteristics** of projects, and

- **Project manager** is **constantly beset** by conflict.

- **Methods of handling conflict**, established in the project **formation stage**, will **set the pattern** for the entire project.

- **Style of negotiation** adopted by PM is critical and **must has been written** on conflict resolution.

What is negotiation?

- **Favored technique** for resolving conflict.

- ‘**Process through which two or more parties seek an acceptance rate of exchange for items.**

Explanation

- ‘Negotiation **focuses on gaining the favor of people** from whom we want things’.

- Even if **no single definition neatly fits** all the activities that level ”negotiation”.,

- It is **recognized that such terms as**
  - ‘mediate’,
  - ‘make peace’ etc

Pareto-Optimal Solution to the two Party Conflict:

- General objectivity of negotiation should be **to find a solution such that no party can be made better off without making another party worse off** by the same amount or more.

- That is **Pareto-optimal solution**.

Explanation

- Discusses the **nature of bargaining processes** **required to reach optimality.**

- Conflicting parties **may not know and understand the complex trade-offs.**

Concept of Pareto-optimal solution:

- Proper outcome of this type negotiation should be to "**optimize the outcome in terms of organizational goals".**

- **No win-No lose solution** rather win-win solution.

Explanation

- Approaching **intra-project conflicts** with a **desire to win a victory over other parties is inappropriate.**

- PM must remember that he **will be negotiating with project stake holders many times in future**.

- If PM conducts a **win-lose negotiation** and the other party loses, from then on, PM will face a **determined adversary** who seeks to differ him, which will not be helpful.

What is ethics?

•"Ethics is concerned with **how we should live our lives.**

•It **focusses on questions** about what is **right or wrong**, **fair or unfair, caring or uncaring, good or bad, responsible or irresponsible, and the like**". –Jaksa and Pritchard.

What is professional Ethics in negotiation?

•"The principle behind professional ethics is that **one's actions are designed to create the greatest good** for both the client and community rather than **to enhance the position and power of the practitioner**". Cutlip



Ethical Situation on issues that Project Management facing.

Example:

•Consider the situation, where a **firm requests an outside contractor** to **develop a software package** to achieve some function.

•When the **firm asks for a specific objective to be accomplished**, **firm frequently does not know** it that is a **major task** or **a trivial task** **because it lacks technical competence** in that area.

•**Contractor has the opportunity to miss-present the task to its customer, either inflating the cost** for a **trivial task or minimizing the impact** of a **significant task** in order to **acquire the contract and then boosting the cost later**.

•Ethics of the situation require that **each party in the negotiation be honest with the other**, even in situation where it is clear that there will not be further work between two.

•These are by far the **most common and most troublesome issues**, project management facing.

Partnering, Chartering, and Scope Change

Three situations commonly arising during projects that **call for the highest level of negotiating skills**:

- **use of subcontractors**,
- **use of input**, to design and develop the project's mission, and
- **management changes of ordered** in the project's deliverables and/or **priorities** after the project is under way.

All account for **more litigation** than all other aspects of the projects combined.

Question: Describe the situations commonly arising during project that call for the highest level of negotiating skills of project manager.

What is **project partnering** as tools of Negotiation of Project Management?

Project Partnering is:

- A method of transferring **contractual relationship** into a **cohesive, cooperative project team** with a single set of goals **and**

- **Established procedures for resolving disputes** in a timely and effective manner.

Concept of partnering is developed in Project.

- Frequency of **outsourcing parts of projects** is an steady growth.

- **External suppliers are delivering parts of projects**, including the tangible products and services as well as intangible knowledge and skills.

Many **reasons that firms entering partnering** arrangements with each others in Projects: (DARSP)

- **Diversification of technical risks**.
- **Avoidance** of **capital investment**,
- **Reducing political risks** on multinational projects.
- **Shortening the duration** of the projects and
- **Pooling of complementary knowledge** among others.

Question: Describe the various reasons that firms entering partnering arrangements with each other.

Why the concept of partnering develops in project management

Relationship between Organization and Subcontractors:

•Generally, relations are **best characterized as adversarial.**

•**Parent's organization's objective** is to **get deliverable** at the lowest possible **cost,** as **soon as** possible. **Subcontractor's objectives** is to **produce the deliverable** at the highest possible **profit** with the least **effort.**

•This **conflicting interests** create an atmosphere of **mutual suspicion and antagonism**.

- Two parties will have **significantly different ideas** about the exact nature of deliverable itself.

- But, **adversarial relationship** **makes cooperation difficult** in the best of cases.

- Concept of '**Partnering',** has been developed **to replace this adversal atmosphere** with one of **cooperation and mutual helpfulness.**

Multi-steps Process for Building partnered projects:

Step 1:
Parent firm must **make a commitment** to partnering, **select subcontractors** who will also make such a commitment, engage in **join team building exercise**, and develop a **'charter' for the project**.

Step 2:
Both parties must implement the partnering process with an **agreement on**:
- **Joint evaluation**' of the project progress,
- A **method for solving any problem or disagreements**,

Step 3:
Acceptance of a goal for continuous improvement, known as Total Quality Management (TQM) for joint project.

Step 4:
Continuous support for the process of partnering from senior management of both parties.

Step 5:
•***Parties* commit to a joint review of 'Project Execution'** when the project is completed.

Example of Partnered project:
•**Airbus Industry**, originally British, French, Spanish and German.

•Airbus Industry is not only a **consortium of private firms from four different nations,** but each of the **four governments subsidized their respective private firms.**

•This venture, apparently **undertaken in order to foster a European competitor to USA's Boeing Aircraft.**

Problems in Partnering and Lessening the problems:

Partnering is not without its problems. Those who have not had much experience with partnering, underrate its difficulties.

- Partnering **requires strong support from** senior management of all participants, and **requires continuous support** of project objectives and partnering agreements.

- Most difficult of all, it **requires open and honest communication** between the partners.

With all its problems, **partnering yields benefits great enough to be worth the efforts** required to make it work correctly.

Question: What problems in partnering in the project?

Project Chartering

What is project charter?

- **Agreements between groups**, partnering on large endeavors are **often to as charters**.

- A project **charter is simply a written agreement between the PM, senior management and the functional managers** who are committing resources and /or people to a specific project.

Charter may take many different form:

- **Details the expected deliverable**, often includes schedules, budgets, and resource commitments.

- It attests to the fact that **senior management of all the relevant organizations, functional managers and the PMs are 'on the same pace'**, "agreeing about what is to be done, when, and what at cost.

- Has an implication that **none of the parties will change the agreement unilaterally**, or, at least, without prior consultation with other parties.

- **Many projects do not have charters**, which is one reason for observing that many projects are not completed on specification, on time and on budget.

In chartering, Points to which partnering team sign for commitments as charter:

- **Meet the design intent (ie** long-term viability of the project**)**,

- **Complete contract** without need for litigation (ie process of taking legal action).

- **Finish product on schedule**:
  - -Timely resolution of issues
  - -Manage joint schedule

- **Keep cost growth** to less than 2% etc.

Scope Change

Project Scope: "The **work that needs to be accomplished** to deliver a product, service, or result with the **specified** features and functions."

In other words, it is **what needs to be achieved** and the **work that must be done to deliver a project**.

Basic Causes of Scope Change in Projects:

First Cause: Some changes result because:

•Planners **erred in their initial assessment** about how to achieve a given end

or

•**Planners erred in their choice of proper goal** for the project.

Example:

•**Technological uncertainty** is the fundamental causal factor for either error.

- **Foundation for a building must be changed** because a preliminary geological study did not reveal a weakness in the structure of the ground on which building will stand.

- **An R & D must be altered** because metallurgical test results indicate another approach, should be adopted.

- Project team **becomes aware of a recent innovation** that allows a faster, cheaper solution to the conformation of new computer.

Second Cause: Other changes result because **Client/user or project team learn more about:**

- **Nature** of the project deliverable or
- **Setting** in which it is to be used.

Example:

- A **computer program must be extended or rewritten** because the user thinks of new uses for the software.

- Physicians request that **ICUs in a hospital be equipped with laminar air flow control** in order to accommodate patients highly subject to infection who might otherwise not be admissible in an ICU.

- Fledgling audio-addicts **upgrades specifications** for a system to **include very high frequencies** so that his dog can enjoy music too.

(Fledgling - a person or organization that is immature, inexperienced, or underdeveloped.)

Third Cause:

- **Source of change is the mandate.**
- This is a **change in the environment** in which the project is being conducted. As such, it can not be controlled by the PM.

Example:

- A **new law** is passed.
- A government regulatory unit articulates a **new policy**.
- A trade association sets **a new standard**.
- Parent organization of the user applies a **new criterion for its purchase.**
- The **rules of conduct for the projects are altered**.

Thank you