

Handwritten signature

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ph 517 772 2537
December 27, 1993

Thomas H. Landry, President
A. J. Etkin Construction Company
30445 Northwestern Highway, Suite 250
Farmington Hills, Michigan, 48334

Re: NBD facility partnering.

Dear Mr. Landry:

Congratulations on obtaining the commission to build the new NBD facility. In response to your request I have outlined below a suggested course of action for instituting a partnering system for the project.

As I understand it from our conversation the total project contains about 800,000 square feet with adjoining parking facilities. The architects and engineers are Perkins and Wills, in association with Albert Kahn and Associates.

The current desire is to initiate the partnering effort with the focus on the owner, designer, construction manager staff. This group consists of about 20 people who will be responsible for the overall planning, programming, design, and management of the project. For ease of reference, I shall refer to this set of participants as the core management team.

Once the construction team has been selected and assembled, I assume you wish to extend the partnering concepts to this group also. I shall refer to this set of participants as the construction team.

Over the past 20 months I have chaired 13 partnering charter meetings, given several talks on the subject of partnering and alternative dispute resolution, and taught two major seminars at the University of Wisconsin on partnering concepts. My efforts to date indicate that the essence of the partnering effort is best captured from the beginning of the effort through team meetings to set the partnering concepts, the ground rules and to write the charter.

Thus the initial meeting is a session from which the team building actually proceeds. It is a working and a learning experience in small group dynamics that if planned and managed well actually builds the partnering team as group discussions proceed.

Partnering is a way of achieving an optimum business relationship in which a person's word is their bond, and where people accept responsibility for their actions. It is a recognition that every business contract includes an implied covenant of good faith. It is an agreement in principle and must not supersede or supplant the legal agreements in force or yet to be executed.

Partnering is designed to:

- 1.) Set operating ground rules not covered by the contract.

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- 2.) Provide guidelines by which charter objective achievement can be evaluated.
- 3.) Provide the basis for preventive methods of dispute resolution.
- 4.) Reduce destructive conflict.
- 5.) Where disputes do arise, provide methods of resolving potentially destructive conflict quickly, and at the originating levels.
- 6.) Provide a method of revisiting and updating the charter to validate, confirm, reinforce, or revise the partnering operating ground rules as needed.

If the above partnering system design requirements can be met and incorporated into the project work, team building will be accomplished as the system is established and used.

I suggest that we conduct the initial core management team partnering session at an early date - you had mentioned a possible date in January, 1994. At this meeting we should review the basics of partnering, alternative dispute resolution, and partnering effectiveness evaluation. Concurrently we should prepare an operating charter to guide the owner, design, and construction management group through the actions that lead to successful construction of the facility.

I have enclosed two attachments you may find of interest. Attachment A is an overview of partnering that may provide you a brief insight into the nature of partnering. Attachment B is a set of guidelines that I use in preparing for a partnering meeting. These guidelines contain a sample charter (pages 3 and 4), a brief description of an issue resolution system (pages 4 and 5), and an example of a partnering evaluation system (pages 5 and 6, and figure #1).

Your proposed plan to use a partnering system for the internal or core management staff as separate from the construction partnering system is one that has considerable merit. I am currently working on a sizable expansion program for the Minneapolis, St. Paul airport. We have written two charters - one for the airport staff, the design team and the construction manager on the project - the other for the construction team doing the field work. The reception given both efforts was excellent, and if the proper follow up is maintained, the dual system has a high potential to achieve the mission and objectives defined in each charter.

For the NBD program I suggest we plan for an initial one day partnering charter session for the core management group. If this group is unfamiliar with partnering concepts and alternative dispute resolution, it may be advisable to conduct a briefing meeting prior to the charter writing work. I have found however, that partnering concepts are easily grasped by most people involved in complex projects, and that a one day session is usually adequate to define and write good mission and charter statements.

Work on issue resolution and evaluation methods can then be done later in task force groups and combined with further study and discussion of the implementation of the partnering method.

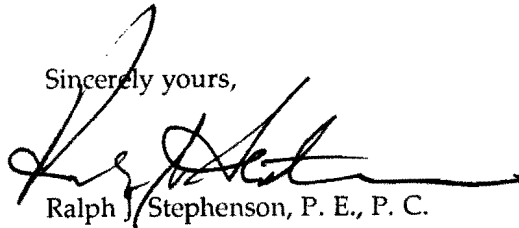
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At the point in time where it is appropriate to engage in a construction team partnering effort a construction charter meeting will also be planned and held. The procedures are somewhat the same as for the core management team. The major difference is in the orientation toward a field setting for the construction partnering action.

My professional fees for planning and assisting in the partnering effort are \$95.00 per hour plus reimbursement at cost for reproduction of material used in the partnering sessions. The partnering meeting itself requires 10 to 12 hours. Preparing for the meeting usually requires 8 to 12 hours, while completing the charter notes and related reference material after the meeting takes from 5 to 8 hours.

I have enclosed a personal and professional resume with attachments A and B. If you have any questions about partnering or my experience and background, please don't hesitate to call. Again congratulations on getting this very important assignment, and good luck in doing the gratifying work to follow.

Sincerely yours,



Ralph J. Stephenson, P. E., P. C.

- cc:Harvey Schneider
- attachments A & B
- resume

Attachment A - An Overview of Partnering

I. Partnering is a system of conducting business with minimal destructive conflict. Other names for partnering are:

- A. A handshake agreement.
- B. A gentleman's agreement.
- C. "Let's look at the drawings a bit more closely."
- D. "Let's tally up the favor score?"
- E. "Let's settle this over a beer."

II. Definitions related to partnering

A. ***Critical Transition Point***

The point in a project delivery system at which the responsibility and authority for the work passes from the supportive group to the ex'ecutive group.

B. ***External project challenges***

Challenges to the functional or project integrity by those outside the parent organization that seek change or disruption.

C. ***Functional component***

A group designed or adapted to perform some specialized activity or duties, usually concerned with the continuous operation of the company.

D. ***Internal functional or project challenges***

Challenges to the functional or project integrity by those within the parent organization that seek change or disruption.

E. ***Partnering***

A method of conducting business in the planning, design, and construction profession without the need for unnecessary, excessive and/or debilitating external party involvement.

F. ***Partnering charter***

The basic manual for operating a partnering system. Contains at a minimum, the mission of the project team, and their objectives for the project. Usually is signed by those writing the document.

The charter is an agreement in principle and must not supersede or supplant the design and construction contracts in place or to be written.

G. ***Project component.***

Project - as related to management

A group established to achieve a set of objectives by accomplishing a set of related, discrete operations which have a defined beginning & end.

H. ***Relations - Formal Functional***

Organizational connections that concern distribution and use of data, information and decisions that flow along formally defined transmission lines. Formal functional communications are usually written and are normally both from and to individuals and groups.

Formal relations are precisely defined and most day to day business is accomplished within the formal relation framework. The line expressing a formal functional relation usually has an arrowhead at each end to show a mutual exchange of responsibility and authority. If there is a higher authority to be implied a single arrowhead can be used pointing to the superior party.

I. Relations - Informal

The natural channels along which organizationally related material is most easily and comfortably transmitted. The informal relation exists by mutual consent of the parties to the relation, and is stimulated to maximum effectiveness by a mutual profit gained from the relation.

Little, if any, authority normally is expressed in informal relations. Communications are usually oral and one to one. Often informal relations define the hidden organization structure. A line defining an informal relation is usually shown dotted with an arrowhead at each end.

J. Relations - Reporting

The official channels through which each individual conveys, or is given raises, appraisals and evaluations; is fired, assigned or is provided professional, vocational and personal identity in the organization. The true organizational superior of an employee is usually that individual with whom he maintains a reporting relation. The line expressing reporting relations has an arrowhead at one end pointing to the superior.

K. Relations - Staff

The business patterns through which a person or group provides consulting services necessary to achieve goals and objectives. Staff personnel usually have little or no authority over those outside the staff group. The line expressing staff relations has an arrowhead at each end.

L. Relations - Temporary

Those relations created when extraordinary or unusual management demands must be met. The temporary relation is usually unstable and should be kept active for only short periods of time. The line expressing a temporary relation can have an arrowhead at one or both ends depending on the nature of the relations.

Extensive use of temporary relations creates business dysfunctions, breaks down morale and causes internal tensions.

M. Stakeholder

An at-risk member of the charter writing team who has signed the charter.

III. Why is partnering applicable in today's construction industry?

A. Value is added by partnering?

1. Lower costs to resolve conflicts.
2. Quicker settlement of conflicts.
3. Knowledgeable professionals make the resolution decisions.
4. Decision makers are closer to the resolution process.
5. Nature of decisions rendered lessen the probability of appeal.
6. Participants gain privacy in the resolution process.
7. Probability of fair resolution is increased by timely consideration of the dispute.
8. Helps cross critical transition points by setting the ground rules for the crossing.

B. Partnering has been successful?

1. Comments on partnering from the Albuquerque District Corps of Engineers staff in a guide to partnering dated February, 1991.

"Our experience is positive based on six contracts with four of them substantially complete." Benefits include:

- a) Disputes reduced - no formal claims.

- b) Common objectives achieved (schedule, safety, etc.).
 - c) Increased responsiveness.
 - d) Higher trust levels.
 - e) Improved communication.
 - f) Excellent cooperation & teamwork.
 - g) Increased value engineering proposals.
 - h) Developed expedited process for tracking and resolving open items.
2. **Comments on partnering by Colonel Charles E. Cowen - then Commander Portland District Corps of Engineers in a strategy for partnering in the public sector - April 15, 1991.**
- a) 80 to 100 % reduction in cost growth over the life of major contracts.
 - b) Time growth in schedules virtually eliminated.
 - c) Paper work reduced by 66%.
 - d) All project engineering goals met or exceeded.
 - e) Completion with no outstanding claims or litigation.
 - f) Safety records significantly improved.
 - g) Pleasure put back in the process for all participants.
3. **Combination partnering relationships surveyed & studied by the Construction Industry Institute and reported in the publication ("In Search of Partnering Excellence" - July 1991).**
- a) Shell Oil/SIP Engineering - 1984.
 - b) DuPont/Fluor Daniel - 1986.
 - c) Proctor & Gamble/Fluor Daniel - 1986.
 - d) Proctor & Gamble/BGP - 1986.
 - e) Shell Oil/Bechtel - 1987.
 - f) DuPont/MK - Ferguson - 1987.
 - g) Shell Oil/The Ralph M. Parsons Company - 1987.
 - h) Alcan/Fluor Daniel - 1988.
 - i) Union Carbide/Bechtel - 1988.
 - j) DuPont/Day & Zimmerman - 1988.
 - k) Great Northern Nekoosa/Rust International - 1988.
 - l) Pillsbury/Fluor Daniel - 1989.
 - m) Hoffman-LaRoche/Day & Zimmerman - 1989.
 - n) Chevron/Bechtel - 1989.
 - o) Bethlehem Steel/United Engineers & Constructors - 1989.
 - p) Proctor & Gamble/M. W. Kellogg - 1989.
 - q) Chevron/Besteel - 1990.
 - r) DuPont/H. B. Zachry.
- IV. **What are some of the action ingredients of a successful partnering effort?**
- A. **Generate and maintain a strong desire to achieve project success for all.**
 - B. **Make intelligent commitments.**
 - C. **Avoid accepting or imposing unreasonable risk.**
 - D. **Work and act ethically, morally, and with integrity.**
 - E. **Work and act from a position of fairness rather than a position of power.**
 - F. **Suppress greed.**
 - G. **Try to establish an honest feeling of trust among participants.**
 - H. **Gain support from the participants and stakeholders.**

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- I. Assign experience, competent people to responsible management positions.
- J. Have empathy.
- K. Prepare a good charter, a good partnership evaluation system, and a good issue resolution process.
- L. Allow time to make the partnering system work.
- M. Recognize and celebrate success.
- N. Gain the support and participation of higher management.
- O. Develop and use guidelines and evaluation systems for measuring performance quality.
- V. Situations in which partnering may be difficult to use.
 - A. Where the parties intend to pay lip service only to the partnering effort.
 - B. Where individuals in key technical or management positions choose to resist intelligent discussion and fair decision making.
 - C. Where early commitments by the owner have made good intercontract relationships difficult or impossible to maintain.
 - D. Where construction contracts are let as the documents are being released for field use.
 - E. Where several parties to the contract prefer to resolve disputes by contested claiming & binding resolution.
 - F. Where poor contract documents are made the basis of the partnering effort.
 - G. Where excessive, one sided conditions are placed on sub contractors by prime contractors.
 - H. Where unfair or obscure payment processing systems are specified and enforced.
 - I. Where risk has been poorly defined and unfairly allocated.

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Attachment B - Steps in preparing for the Partnering Briefing and Workshop - Core Management Staff

- I. **Decide to use a partnering system on the project.**
- II. **Prepare and send invitation letter and agenda for the partnering workshop.**

December 27, 19__

Dear _____:

The Network Mutual Insurance Company requests your presence on Friday, January 28, 19__ , at a meeting to prepare a partnering charter to guide the core management staff in the design and construction of their new downtown headquarters building.

Enclosed with this letter is a packet of partnering explanatory materials. I would appreciate it if you would read this material prior to the meeting.

Partnering is fully supported by me, by Network Mutual's senior executive and facilities staff, by Mr. Thomas Bonwitt president of Bonwitt & Providence, the architects/engineers of record, by Mr. Roy Prince, president of Prince Construction, general contractors for the project.

Below are outlined the meeting objectives and agenda for the January 28, 19__ session. The neutral chair of the meeting will be Frank Bennett, a well known, and highly respected design and construction consultant in our area.

We appreciate your interest, participation and efforts to help improve the probability of success for you, and for us on this significant project.

Sincerely yours,

Cirro T. Street
President, and Chief
Operating Officer

Agenda for Core Management Team Partnering Session

Purpose of meeting: To develop and adopt a partnering charter for guidance of the NIMC facility core management team.

Location of meeting: Topaz Hotel - 444 Lincoln Street

Those attending: See attached list.

Meeting chairman: Frank Bennett , Consultant

Timetable:

07:00 to 08:00 am - Continental breakfast - Steamship Room - 1st floor level

08:00 to 10:00 am - Session #1

- Introduction - by Cirro Street, Thomas Bonwitt and and Roy Prince.
- Exercise #1 - What actions do others take that create problems for us? - break out for discussion, reassemble, & present findings.

10:00 to 10:15 am - Coffee break.

10:15 to 12:00 noon - Session #2

- Exercise #2 - What actions do we take that cause problems for others? - break out for discussion, reassemble, and present findings.
- Exercise #3 - What recommendations can we make that could improve relations and performance on the Network Mutual project?
- Exercise #4 - In light of exercises #1, 2 & 3 what do I think my organization's mission is on the Network Mutual project.

12:00 to 01:00 pm - Lunch - United States Room - 2nd floor level

- During lunch a small, specially selected task force will meet in a separate room, and prepare a 25 word or less 1st draft mission statement for the project.

01:00 to 03:00 pm - Session #3

- Exercise #5 - Full attendee group discuss, revise and accept the 1st draft mission statement as revised.
- Exercise #6 - What specific project objectives can we now set within the results of exercises #1, 2, 3, 4, and 5 that will help insure excellent relations and performance on the Network Mutual project?

03:00 to 03:15 pm - Break.

03:15 to 05:00 pm - Session #4

- Review principles of alternative dispute resolution.
- Review principles of partnering performance monitoring and evaluation.
- Exercise #7 - Combine all previous discussion into a charter ready for signatures.
- Print final draft of charter.

05:00 pm - Session #5 - sign charter & receive award memento.

05:15 pm - Adjourn to social hour.

- III. Obtain management commitments to a partnering plan. Some guidelines:
 - A. Make certain all attending know that a desired end result of the day is to have a properly written charter, agreed to in principle and signed by all responsible parties attending.
 - B. The charter is a moral agreement to behave in a responsible manner within the boundaries of the legal contract. It should set operating rules not covered by the contract.
 - C. The charter must be written so as to not supersede, contradict, or conflict with the design and construction contract documents.
 - D. The charter signing process is designed to signify management commitment.
- IV. Brief project participants in the partnering concept.
 - A. Short meetings, workshops and discussion groups can be all helpful in implementing the charter agreement. These should aim to improve the probability of adherence to the charter mission and objectives.
 - B. Briefings should include orienting the stakeholders on dispute resolution and partnering evaluation.
- V. Meet and write the charter.
 - A. See agenda above for steps leading to mission and charter preparation.
 - B. Sample charter for new Detroit, Michigan Post Office, Area P
 - 1. Mission
This partnering team commits to deliver a quality project on time, within budget, safely, profitably for all, and of the intended quality, through mutual cooperation among the participants.
 - 2. Objectives
 - a) Maintain a clean and well maintained work site
 - (1) Experience no lost time from accidents.
 - (2) Be a good neighbor.
 - (3) Use good construction site housekeeping practices.
 - b) Effectively administer the project
 - (1) Prepare & publish an acceptable payment procedure.
 - (2) All parties submit complete, accurate & timely billings.
 - (3) Prepare & publish an acceptable submittal processing procedure.
 - (4) Treat each other fairly
 - c) Close out the project in a proper & timely fashion
 - (1) Prepare & publish acceptable close out guidelines.
 - (2) Establish clearly defined punch out procedures and standards early in the project.
 - d) Maintain effective lines of communication.
 - (1) Recognize the need for quality information.
 - (2) Minimize response times in all matters.
 - (3) Maintain an appropriate level of documentation.
 - (4) Be available.
 - e) Resolve problems effectively
 - (1) Develop, approve, and implement a responsive conflict resolution system
 - (2) Resolve disputes and conflicts at the originating level if at all possible.
 - (3) Resolve disputes and conflicts as quickly as possible.
 - (4) Eliminate the need for third party legal involvement
 - f) Limit cost growth
 - (1) Maintain objective attitude toward constructability.

- (2) Develop cost effective measures to apply to all job related activities.
- (3) Recognize owner's needs in occupation and operation of project.
- g) Maintain technical excellence in all program, design & construction work.
 - (1) Owner abate promptly as required
 - (2) Define and clearly communicate quality standards expected
 - (3) Maintain constructability of the project.
 - (4) Properly plan and schedule the work.
 - (5) Do it right the first time.
- h) Maintain good job morale & attitudes
 - (1) Promote partnering attitudes at all levels of contract administration.
 - (2) Have pride in your work.
 - (3) Have fun.
- i) Maintain partnering effectiveness
 - (1) Prepare and publish a partnering effectiveness measurement system.
 - (2) Meet on a scheduled, regular basis and formally evaluate partnering effectiveness.
 - (3) Take prompt steps to correct any deterioration of partnering effectiveness on the project.

VI. Create and implement an issue resolution system.

A. Step #1 - Ultimate decision maker (UDM) appoint a task force.

- 1. Select from among signatories to partnering charter - the stakeholders.
- 2. Must be given the full support of top project management.

B. Step #2 - Task force write and set an issue resolution policy.

- 1. Sample issue resolution statement.

a) Policy

It is the objective of the Area P Post Office project team management to first and foremost avoid unnecessary disputes and conflict on the job. It is the intent to do this by achieving the objectives of the charter, particularly to resolve an issue promptly and at the level at which it originates. If this is not possible the issue will be referred promptly to the next highest level for resolution.

In all cases, individuals who are involved in a difference should be businesslike and not resort to personal attack. The principles outlined in the Partnering Charter mission and charter should be followed at all times in resolving differences.

Upon request, site meetings will be convened to discuss any unresolved issue and to attempt to reach resolution. Any issue presented should be clearly defined and alternative solutions suggested. The resolution process is to work through open communication and looking at the other side's point of view. In addition, issues are to be kept in the forefront to ensure resolution in a timely manner. A log of unresolved issues will be maintained from meeting to meeting.

if resolution cannot be reached at the job site, the principals of the involved firms or agencies should attempt to reach resolution through informal discussion before the formal process outlined in the contract documents is used.

In seeking resolution to an issue, involved parties will attempt to:

- Thoroughly understand the issues.
- Maintain empathy for the other point of view.
- Communicate thoughts openly and clearly.
- Clearly document the issue resolution.

b) Methodology

Goal - To encourage and provide a forum for resolution of issues at the lowest possible level, but to provide a mechanism to elevate the issue if needed.

If resolution is not achieved at the lowest level forum, the principals in the firms in conflict will attempt to reach resolution through informal discussion.

- C. **Step #3 - Task force sets methods of alternative dispute resolution to be used.**
- D. **Step #4 - Task force establishes log system to record filing of issues and disputes.**
- E. **Step #5 - Project management in conjunction with the task force takes immediate action to resolve issues and disputes through the use of the issue resolution policy guidelines.**

VII. **Create and implement a partnering review and evaluation process.**

- A. **Step #1 - Ultimate decision maker appoint task force.**
 1. Select from among signatories to partnering charter - the stakeholders.
 2. Must be given the full support of top project management.
- B. **Step #2 - Task force write and set partnering evaluation procedures.**
- C. **Step #3 - Task force sets and maintains a schedule of regular evaluation meetings - each three to six weeks - varies from project to project.**
- D. **Step #4 - Task force uses charter objectives to measure project partnering effectiveness.**
 1. Assigns par weights and par values to each objective
 2. Regularly judges implementation effectiveness by a value applied to each objective and the rating determined by multiplying the par weight by the current value.
 3. Each member of task force makes and submits individual evaluation.
 4. Evaluations are combined and averaged for discussion.
- E. **Step #5 - Where dysfunctions are identified, the task force recommends solutions, and acts promptly to resolve the dysfunction and its cause.**
- F. **Sample partnering evaluation format (see figure 1).**

Each objective in the Charter is to be initially given a par weight. The par weight indicates how important the item is perceived by the charter partners in relation to achieving the project mission. Weights are assigned from 1 to 5. A weight of 5 indicates that the objective is of critical importance in achieving the project mission. A weight of 1 indicates that the objective is of least importance when evaluated against the highest weighted objectives.

The weights assigned to the objectives remains constant throughout the project. Therefore care must be taken in assigning them properly at the start of the evaluation process.

The quality of the project performance in relation to the Partnering Charter objectives is to be measured once per month by representatives of all organizations participating in writing the Charter. Partnering performance quality ratings are to be from 1 to 5.

A quality rating of 1 indicates very poor performance with little adherence to the standards set out by the objectives. A quality rating of 5 indicates high and excellent adherence to standards set by the objectives.

Figure 1 - Partnering evaluation for current period

1 - objective	2 - par weight (w)	3 - par quality (q)	4 - par (w) x (q)	current quality	current (w) x (q)
01. Maintain a clean and well arranged work site	3.00	2.50	7.50	2.25	6.75
02. Effectively administer the project	4.50	3.75	16.88	3.50	15.75
03. Close out project in a proper and timely fashion	4.00	3.50	14.00	2.00	8.00
04. Maintain effective lines of communication	4.25	3.75	15.94	3.00	12.75
05. Resolve problems effectively	4.50	4.00	18.00	4.00	18.00
06. Limit cost growth	2.50	2.25	5.63	2.25	5.63
07. Maintain technical excellence in all program, design and construction work	3.50	3.00	10.50	3.25	11.38
08. Maintain good job morale and attitudes	2.50	2.25	5.63	2.00	5.00
09. Maintain partnering effectiveness	4.00	3.75	15.00	3.25	13.00
Average:	3.64	3.19	12.12	2.83	10.69

The total evaluation of the objective is the constant weight multiplied by the quality rating for each objective for each evaluation. The total partnering performance is measured at each evaluation.

Total partnering performance = total of the objective weights x the total of the objective quality for the period.

A comparison of current to past performance and to the expected par should be carefully analyzed by the charter partners for trends both good and bad. Action on trends should be taken promptly after the analysis - maintaining good performance if the trend is up, and correcting poor performance if the trend is down. The charter is the report card standard of performance.

VIII. Definitions

A. *Dysfunction - Organizational*

An organizational problem that hinders or prevents achieving objectives. May be temporary or permanent.

B. *Par value*

A value used to define an acceptable level of worth of a charter goal or objective for a specific project. The par value of a goal or objective is usually established immediately after the charter is written, and is set by the evaluation task force of stakeholders.

C. *Par weight*

A weight used to define an acceptable level of achievement of a charter goal or objective for a specific period of time. The par weight of a goal or objective is usually established by the evaluation task force of stakeholders.

D. *Ultimate Decision Maker*

The individual or group at the lowest management level that has the authority to make a final binding decision in any job related matter.

E. *Value*

The worth of an open system goal or objective. Often multiplied by the weight of the factor to give a weight/value rating of the goal or objective to help measure performance.

F. *Weight*

The relative importance of a factor being used to help evaluate performance. The factor importance is frequently measured on a numeric scale from 1 to 5, in which a very high positive influence is indicated by a rating of 5. A very low influence is indicated by a rating of 1. The weight of a factor multiplied by the value gives a weight/value rating of the factor to help determine acceptable performance standards.