AN EMPIRICAL STUDY IN SUBCONTRACTOR SELECTION AND LONG-TERM ALLIANCE RELATIONSHIP BETWEEN MAIN-CONTRACTOR AND SUBCONTRACTOR

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Abstract
This paper aims to identify the main contractors’ current practice in subcontractor selection and their perception towards the long-term alliance relationship with their subcontractors. Fifteen interviews were conducted with executives of eight main contracting firms in Australia. The research found that the subcontractors were chosen mainly through selective or open tendering using the criteria of “past performance, technical capability, reputation, financial stability, experience on similar work and lowest price”. With regard to long-term relationship, the research found the main motivation is “to achieve organisational competitive advantages”, and the key successful elements include “trusting behaviour, honesty, open communication and top management commitment”, while the proactive strategies to achieve the long-term relationship include “organise regular meetings, provide incentive financial scheme, maintain constant contacts, provide project programming ownership and provide structured and detail documentation”. It is concluded that, with the aim of enhancing organisational competitive advantage, while selective and open tendering are the main means for subcontractor selection, the main contractors understand the importance and key successful elements of long-term relationship with their subcontractors and they have adopted some strategies to develop and maintain the long-term relationships.

Keywords
main contractor, subcontractor, long-term alliance relationships, trust, commitment, communications, competitiveness

INTRODUCTION
The competitions in the construction industry has evolved from company and project based to supply chain based and therefore the development of long-term alliance relationship with the members in the supply chain become vital in order to remain competitive. Furthermore, the construction industry is dominated by a large number of subcontractors with a few main-contractors in the upstream. As such, the selection of subcontractor becomes an important factor for main contractors to ensure project success as well as remaining competitive. In other words, in turbulent business realities, competitive advantage is no longer inhabited within organisations’ own internal capabilities but rather the network of relationship and linkages that the organisations can create with external organisations (Underhill, 1996; Spekmann et al., 1999). Many authors suggest that long-term alliance relationship play a critical role in enhancing the competitive advantages of companies through continuous improvement by reducing redundant performance and enhancing quality standard (Doz and Hamel, 1998; Holti et al., 1999; Kale et al., 2001). It has been said that the success of managing the construction