



The learning organisation: toward a paradigm for mutually beneficial strategic construction alliances

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Abstract

Strategic alliances are becoming an important means of survival for managing construction organisations. Such alliances are a compromise between organisations doing business in isolation and in mutual partnership with another organisation(s). The key to competitive advantage and improving customer satisfaction lies in the ability of organisations to form *learning alliances*; these being strategic partnerships based on a business environment that encourages mutual (and reflective) learning between partners. Well-designed, successful alliances enhance co-operation and a high level of trust and commitment. A learning framework is presented to foster successful co-operative strategic alliances between construction organisations. A case study is highlighted based on Rameses Associates and Lloyds TSB Insurance of the UK, to illustrate the advantages of the thesis proffered. © 2000 Elsevier Science Ltd and IPMA. All rights reserved.

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1. Introduction

Most construction organisations function in a strategic mode that is inflexible and unresponsive to changes in customer demands. Upon examination of their immediate competitors, many such organisations would invariably discover that they were implementing the same strategies and operational initiatives. Competitive advantage requires that an organisation must do three things more effectively than its competitors:

1. it must quickly recognise changes in demand that could have an adverse impact on its operations (and conversely those that could yield positive impact);
2. it must be flexible enough to respond to changes in customer needs and demands; and

3. it must understand its own capabilities relative to demand.

To satisfy these three goals requires a *learning organisation*. Such organization has the ability to change; and more importantly, recognise the way it *needs* to go about its business [1]. This is important because construction is an increasingly competitive industry, demanding improved inter-organisational relations [2]. A number of theories as to why organisations enter into closer business relationships have been proposed [3]. Leading on from these, it has been suggested that construction organisations should strive for sustainable competitive advantage through the initiation of strategic alliances [4]. Accordingly, organisations cannot achieve long-term competitive advantage without strategic alliances [5].

It is becoming increasingly difficult for organisations to remain self-sufficient in a turbulent and changing business environment; demanding focus and flexibility.

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With this in mind, the recommendations of the New South Wales Royal Commission [6] and the Latham Report [7] confirm that strategic alliances are an important aspect of the construction procurement process. Their use as a mechanism for cutting costs and improving quality has also been advocated by industry practitioners [8].

This paper describes how strategic alliances can provide a 'means of survival' for construction organisations — providing opportunities for partners to cooperatively join forces and create value, rather than simply achieve basic, commercial transaction(s). It is further suggested that collaborative alliances encourage *learning* and, that the key to improving customer satisfaction (and maintaining competitive advantage) stems from resulting *learning alliances*. A framework is presented to encourage mutually beneficial strategic construction alliances. The implications of this paradigm are discussed in detail. A real-life case study reinforces the practical benefits of the academic thesis proffered.

2. The concepts

Definitions of strategic alliances abound in the literature [9]. However, a common thread is apparent. This concerns the establishment of inter-organisational relations and the encouragement of collaborative behaviour. A strategic alliance exists when the value chain between at least two organisations (with compatible goals) are combined for the purpose of sustaining and/or achieving significant competitive advantage [10]. An alliance can exist between any players in construction. For example, contractors could form an alliance for international joint ventures, or an alliance can be established between main contractor and subcontractor(s) or client(s). Their structure can take a number of forms, but essentially, alliances are either *collaborative* or *co-operative*.

Collaborative strategic alliances have become 'fashionable' [11]. It has been suggested that organisations entering into such alliances are aware that their partners are capable of 'disarming' them [12]. Parties of collaborative alliances have clear objectives and understand how their partner's objectives can affect their success. Acquiring knowledge from partners is not a devious act, but rather, represents a commitment to absorb each other's skills. Collaboration does not always provide opportunity to internalise a partner's skills; it often allows organisations to examine what their competitors are doing best and benefit from this knowledge. Consequently, a 'psychological barrier' may exist between alliance partners, stemming from the fear that the one may out-learn or de-skill the other.

Alliances can be used as an indirect strategic weapon

to slowly de-skill a partner who does not understand the risks inherent within such arrangements. Collaboration within alliances (for example, between subcontractors), can lead to competition in both learning new skills and refining organisational capabilities. Nevertheless, collaboration can be paradoxical in nature. While organisations typically enter collaborative relationships to reduce complexity (i.e. of their environment) it has been argued that the best collaboration may be the one least recognised as such and, that its formalisation may hinder its genuine achievement [11]. That is, collaboration and joint learning may occur through interaction; without formal conceptualisation or labelling. Idiosyncratically, construction operates in such a collaborative mode, yet it can be ineffective because of its transient nature.

Co-operative strategic alliances encourage partners to commit resources to the relationship. A reduced level of competition follows and partners feel more committed to work together. Indeed, co-operating organisations have been found to obtain lower costs for as long as they maintain *trust* — internally among employees and externally among the network [13]. Both collaboration and co-operation strategies can be successful. Yet, their effective use is dependent on an organisation's ability to learn. Within these alliances a reflective and mutual learning environment encourages effective knowledge transfer, this providing a mechanism for stimulating participants' satisfaction. The authors propose that within co-operative environments, alliances mutually aspire to meeting *the relationship's objectives*. In a collaborative environment, partners essentially view each other as competitors trying to achieve *individual* goals.

However, within some co-operative arrangements, partners may begin to lose their competitiveness and vision once they have become dependent on the capabilities of others. If this occurs, the less reliant partner may cause a threat to the other. To avoid this, alliance structures should include a learning framework enabling open reflection of partners' knowledge whilst retaining visions and individualism. This allows all parties to benefit from shared knowledge. *Learning is the fundamental ingredient in strategic alliances* [10].

3. The need for learning in strategic alliances

Strategic alliances facilitate knowledge transfer. This entire process relies on a learning mechanism and *trust*. Without trust, benefits to the alliance are minimised. In co-operative alliances, the learning is more intense and evacuative in comparison to those that are collaborative. The need for alliances to extract knowledge and skills from each other for survival has previously been emphasised [14].

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