

Interorganizational Alliances: The Power of Long-Term Collaboration

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Revised November 2006

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SUMMARY

This Best Practice explains the advantages of strategic alliances across organizations. Strategic alliances can bring new experience, new skills, and new knowledge to a project.

LEVERAGING KNOWLEDGE, TRUST, AND COMMUNICATION

Success in the construction industry is often defined by the success of many collaborative efforts. Learning to maximize the advantages of interorganizational collaboration and focusing your firm's culture on the benefits of those efforts can lead to new opportunities and increased profits. These positive results are built with the tools of knowledge, trust, and communication that are both synergistic and symbiotic.

Design teams include many different, often complementary—sometimes competitive—disciplines necessary to conceive and document a project. Similarly, building teams include generalist and specialty contractors and integrators working together to coordinate the schedule, logistics, and implementation of the design. Manufacturers support these efforts with product development, supply-chain resource, and logistics management, as well as through customization and adaptation.

Owners and developers work in collaborative models as well. The owner's team often includes outside members representing finance, legal, administrative, project, and construction management. Unfortunately, while these project-focused teams often work toward a common goal, the level of collaboration is dependent on the leadership and organization defined and developed by the owner, and by the ability and willingness of each firm member to work effectively with all of his or her peer organizations.

These definitions apply as equally to the larger architect/contractor/supplier model as they do to the

interior design business of consultant/vendor/installer relationships. In fact, the interrelationships common to the building industry reinforce the opportunity for collaboration as a means to increase customer value and, as a result, increase revenues and profits.

As the current reticent-economy marketplace continues to challenge organizations to find new sources of revenue, while increasing profitability and efficiencies, they have three options to expand services for their customers.

- They can buy new knowledge through mergers or acquisitions.
- They can develop new skills internally through education and professional development.
- They can engage in *interorganizational* collaboration to share common goals and mutual benefits.

THE COLLABORATIVE ADVANTAGE

For their projects to be successful, owners seek to hire effective and efficient teams who understand the uses, productivity metrics, business processes, and competitive environment of their organization, and then apply their technical knowledge to their specific challenge. They count on these teams to maximize their return on investment for their projects. This is real value, and when they are successful, everyone wins.

This can be as true for a simple one-room renovation as it is for a large multiple-building complex; it is only a matter of scale and effort. The ability of the team to understand and value the client's real needs—addressing them with both practical and innovative solutions and executing those results in a cost-appropriate, functional, and reliable way—is a key to satisfaction with the project. To differentiate the service with a unique value proposition, however, the ultimate solution will include something extra, something unexpected,

and something beyond the basic “program” for the project.

Taking a proactive approach, inter-organizational collaborative alliances approach their clients with insight into new methodologies, market analysis, or image development to deliver value beyond just the physical, aesthetic, or functional manifestation of the project. They support their clients by sharing resources that are valuable, unique, difficult to imitate, and difficult to substitute. This approach has a real competitive advantage as it transforms significant barriers to entry to traditional single-firm efforts. Bringing innovation and value to the marketplace are important to building a successful practice and one way a collaborative effort helps all team members.

This is where a collaborative alliance has a real advantage. When design, implementation, and supply-chain work together for the benefit of the client—with the customer included in the definition of the process—real productive use factors come to the forefront, knowledge is gained by all, trust is built, and ongoing communication is fostered. Efforts that improve a client’s business advantage can be put into practice for other similar clients, thereby increasing opportunities for expanded work for the entire alliance.

SHARE KNOWLEDGE

One element that brings organizations together in a collaborative effort is the opportunity for increased knowledge. An advantage that interorganizational collaboration has over traditional project-focused teaming is the ability to leverage core competencies, avoid unnecessary duplication of efforts and costs, and see the broader market implications of their solutions. This can be applied initially to a specific project, and then adapted for other similar clients or markets.

Collaboration allows team members to acquire new and extensible information beyond their own resources. The ability to leverage this knowledge transference is dependent on the alliance partners’ internal approach to strategic learning, and their ability to apply the information to their own business processes.

The success of collaborative efforts is directly related to the knowledge culture of each of the organizations involved. When companies share a strong internal focus on communicating and integrating new information, they have a better

chance of successfully partnering in an interorganizational alliance.

If the culture of the organizations put a low value on sharing and integrating learning, they are likely to avoid any collaborative effort. If, however, there is a greater willingness to share, but a low tendency to integrate and apply new knowledge, the potential exists for one firm to try to take an opportunistic competitive advantage. When both sharing and integrating learning is a common bond among alliance members, true collaboration can be achieved. When mutual trust is present in the alliance, the potential for abuse and opportunism is minimized.

BUILD TRUST

An article in the *Strategic Management Journal* cited five factors necessary to build trust. First, the environment in which the alliance will function needs to support a collaborative approach. On one hand, if the client or market does not acknowledge or perceive an advantage, the alliance cannot succeed. In most cases, however, the bond and capacity of a collaborative alliance brings such clear benefit that this is rarely the case. Alternately, if the collaborative effort is not created with strong communication linkages, it is difficult to build the necessary connections for success.

Second, the tasks involved in executing the collaborative effort need to be clearly defined. Mutual responsibility is the foundation for building a continuing trusting relationship.

Third, the process used to both perform and communicate the progress and results of the effort is equally important. A common framework for both short-term and long-term efforts will help avoid miscommunication and undermine trust.

Fourth, each alliance partner must bring and demonstrate the requisite skills and expertise to build the collaborative value proposition. If one partner is only present to acquire knowledge, without the ability to contribute to the common efforts, trust will be undermined.

Finally, building trust takes a willingness by all parties to discuss openly individual goals and objectives, and the commitment level and actions they are willing to bring to the alliance.

As with any strategic effort, interorganizational collaboration is an evolutionary process. Built into the agreement to collaborate should be the ability to

adjust the contract based on both external and internal factors. Expectations and motivations need to be clearly defined, and sensible as well as formal agreements need to be reached before going to market as a team.

The quality of the collaborative relationship will depend on personal bonds between individuals in each organization as well as their trust in each other to reach their common objectives. A greater ability to rely on trust reduces the costs required by the alliance partners to negotiate and reach agreements, and to execute the services of the interorganizational relationship.

IMPROVE COMMUNICATION

Another element in effective interorganizational collaboration is the level and quality of communication. Building processes that encourage, track, and record team interactions is critical. Proximity has traditionally been a factor in encouraging and enabling communication. However, with the increasing effectiveness of team-based collaborative tools (e.g., videoconferencing, Web conferencing, shared Web-based project sites), communication and information exchange is improving. The ability to create real and productive “virtual teams” is more than ever a reality.

Successful collaborative alliances are at the forefront of leveraging the power of these technologies. They invest in the platforms and architecture of knowledge management and knowledge sharing, and provide the training and incentives to see that these tools are effectively used.

A NEW VALUE PROPOSITION

Interorganizational collaboration, where disparate cultures agree to share resources and co-develop both markets and projects through formal—sometimes informal—strategic alliances and joint-ventures, has continued to gain popularity over the past 20 years because it brings added value to both the partnering businesses and their customers.

RESOURCES

More Best Practices

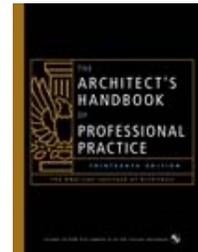
The following AIA Best Practices provide additional information related to this topic

- 04.02.01 Multi-State Practice: Certificates of Authority
- 04.06.01 Forming Strategic Alliances
- 04.06.02 Strategic Alliances: Insurance Considerations

For More Information on This Topic

See also “Strategic Alliances,” by Ralph Steinglass, FAIA, *The Architect’s Handbook of Professional Practice*, 13th edition, Chapter 6, page 93.

See also the 14th edition of the *Handbook*, which can be ordered from the AIA Bookstore by calling 800-242-3837 (option 4) or by email at bookstore@aia.org



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Keywords

- Practice
- Project administration
- Project team
- Joint venture partners



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