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

Gary D. Holt\textsuperscript{a,\ast}, Peter E.D. Love\textsuperscript{b}, Heng Li\textsuperscript{c}

\textsuperscript{a}Built Environment Research Unit, School of Engineering and the Built Environment, University of Wolverhampton, Wulfruna Street, Wolverhampton WV1 1SB, UK
\textsuperscript{b}School of Architecture and Building, Deakin University, Victoria, Australia
\textsuperscript{c}Department of Building and Real Estate, Hong Kong Polytechnic University, Hung Hom, Kowloon, Hong Kong

Received 8 April 1999; received in revised form 23 July 1999; accepted 13 September 1999

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.

Keywords: Organisational management; Strategic alliances; Learning organisation; Collaboration; Co-operation

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.
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 co-operatively 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].
The process of learning in strategic alliances is based on single-loop learning. Learning opportunities are not typically exploited in a form consistent with their initial learning objectives. Consequently, the primary barrier to learning occurs at an individual level where learning opportunities are not exploited; because the alliance experience conflicts with existing managerial beliefs. Double-loop learning, can help overcome these problems. This incorporates a high level of evaluation and analysis of information into knowledge; enabling changes to be made for mutual benefit. It also leads to the development of creativity in problem solving, which has been referred to as deuto-learning. Essentially, deuto-learning occurs when organisations discover how to carry out single-loop and double-loop learning simultaneously.

The notion of organisational learning is not entirely new, but one can differentiate between a long term interest in learning as a concept in organisational theory and the more recent focus on the idea of the learning organisation. The former is concerned with enhancing learning processes in order to improve individual and collective organisational knowledge and understanding. The latter focuses on design of organisations to deliberately facilitate the learning of members and therefore improve collective adaptation. Debates concerning the anthropomorphism of claiming that organisations have memories can be set aside. Of course, memory resides in individuals but can also occur in systems, structures and many dimensions of organisational culture. There is presently wide debate in this area and while consensus seems far off, there is some overall agreement in that:

- organisational learning is more than simply the sum of members’ learning;
- environmental alignment is vital; and
- the probability of learning is affected by: the degree of environmental turbulence; the rigidity of organisational structure; the adequacy of the organisation’s strategy; and its strength of culture.

An organisation must travel two paths in order to learn:

1. the systems-structured path, which concentrates on communication, that is, information acquisition and distribution, emphasising structure for allowing tangible data and message transmission and storage; and
2. the interpretative path, which emphasises information sharing and the interpretation capabilities of human participants.

Many organisational theorists place emphasis on the systems-structured approach while others prefer the interpretative path. Less frequently are the two brought together to enhance understanding, analysis, and a concomitant richer picture of this overall complex concept.

The complexity of organisational learning grows when one considers the different types of learning; ranging from adaptive to institutional experience. Some suggest single loop or adaptive learning; double loop or generative learning; and even triple-loop learning as dialogue [17]. Here we have a range that involves incremental and adaptive learning focused on: changing routines; pushing towards a new framework for learning and practice; and learning about learning through revealing and altering the tacit infrastructure of thought. When the different levels of learning (individual, group, organisation-wide) and the problem of knowledge types are aggregated (explicit and tacit [18]), the problem grows. The authors therefore suggest that for strategic construction oriented alliances to improve customer satisfaction they must be able to learn collectively.

The concept of the learning organisation provides a new paradigm. Traditional notions of the organisation see it as a place where learning takes place autonomously and where individuals operating (as individuals) acquire new knowledge and/or experience. This suggests that successful organisations learn perse. Therefore, if an individual leaves an organisation, the knowledge acquired within it remains. Over time, team members develop new skills and capabilities, which alters what they can do and understand. Consequently, individuals that make up the team learn together (e.g. quality circles). Mechanisms, such as those ingrained within quality management allow effective learning to occur. The organisation becomes a ‘laboratory’ where people at all levels are constantly experimenting with, and testing, new practices and techniques.

Organisations that readily adopt and are committed to quality management will be uniquely prepared for the ‘learning disciplines’. Such disciplines include personal mastery, mental models, shared vision, team learning, and systems thinking. Yet, none of the above can be effectively applied without the constant co-operation of all organisational members. That is why successful organisations place particular emphasis on
practices such as empowerment, mobilisation, and motivation, making sure that they ‘penetrate’ the entire workforce, from senior management down [1].

Paradoxically, organisations must also unlearn to survive [19]. It is proffered here that before construction organisations consider forming an alliance, unlearning must take place. That is, current modes of operation (typically hierarchical and rigid) must to some extent be disregarded, so that a different ‘behaviour’ is encouraged. Much of the basis for productive learning resides in unlearning. Unlearning is: “The process through which learners discard knowledge” [20]. Whether we can actually ever erase knowledge (as if deleting files from a computer hard drive) is a controversial issue and beyond the scope of this paper. Unlearning is not the opposite of learning; it involves severing current behaviours and/or mental modes. For example, implementing quality circles or cross-functional teams means unlearning traditional definitions of boundaries, roles, responsibilities and authority. The authors propose that without a co-operative learning environment, the success of strategic alliances will be limited. Therefore, a learning framework for successful co-operation is suggested as in Fig. 1. The essential components of this framework are now described.

4. A new learning framework paradigm

Some models of learning organisations are no more than clear descriptions and do not offer anything new for solving today’s complex organisational problems. Underlying the models of learning organisations that are genuinely different from traditional approaches is systems thinking [21] — this having a systemic and holistic focus facilitating organisational learning within alliances. Feedback processes need to be in place, to provide information about what has to be learned as well as what has been learned. Project managers within the partnership need to have an understanding of how sub-systems of the alliance are inter-related and how

![Fig. 1. A learning framework for co-operative strategic alliances in construction.](image-url)
they individually influence procurement of the final product or service they are providing.

To foster organisational learning it is necessary to focus on both individual and group skills, for designing suitable (continuous learning) support structures. Managers at various levels within the alliance need to create and stimulate an appropriate organisational (learning) climate. Mistakes (errors/rework) must be seen as opportunities to learn; there must be honesty and trust throughout for this to happen [14].

Fundamentally, learning requires receptiveness to new ideas. There must be firm commitment from senior management to free up employees or for site managers to free up subcontractors so they can have the time to reflect and review their actions. Such an approach is embedded in the process of double-loop learning. By encouraging the double-loop process, members of the organisation or project are required to act as change participants and progress with a dynamic relationship, where knowledge transfer and information is intense and highly valuable.

Organisations effectively co-operating with each other, are better able to adapt to dynamic environmental changes and to satisfy customers’ needs. An important factor of learning is the encouragement of dialogue with alliance members. All partners of the alliance must be able to receive and transmit information (across internal and external boundaries). Critical also is how knowledge is communicated. Successful organisations are those that consistently create new knowledge, and are able to disseminate it widely (through the organisation) [18]. A critical part of the exchange between alliance partners is the ease of access to all forms of knowledge, from knowledge about people, facilities, management systems and practices, to critical information about differences in values and beliefs. It has been suggested that alliances can sustain joint learning structures if the following steps are integrated into relationships:

- becoming aware and identifying new knowledge;
- transferring/interpreting new knowledge;
- using knowledge by adjusting behaviour to achieve intended outcomes; and
- institutionalising knowledge by reflecting on what is happening and adjusting learning behaviour [22].

Knowledge and communication are valuable components of the framework and should be constantly monitored and extended. The most significant learning that can take place in organisations involves changing mental modes. Essentially, people need to learn how to surface, challenge and adapt their mental modes to cope with change [1]. To support the alliance learning process, joint learning structures, strategies and processes need to be developed. This should include: designing reward and incentive systems that encourage both individual and organisational learning; and establishing mechanisms for collecting and transferring information from both inside and outside the alliance. Shared learning within strategic alliances enables participants to develop multiple and overlapping technologies and skills into future products and services. In essence, a strategic alliance that incorporates shared learning encourages a strong foundation for a relationship built on trust and mutual commitment.

5. The mutually beneficial learning alliance: a case study of Lloyds TSB Insurance and Rameses Associates

The following real-life case study is exemplar of the philosophy proffered in this paper, and is evidence that the strategic learning alliance works exceptionally well in practice. Rameses Associates3 (Rameses hereafter) is an SME contractor specialising in refurbishment, construction and damage management. Rameses operates exclusively for their client Lloyds TSB Insurance4 who underwrite physical assets against disaster (fire, flood and other perils). Lloyds TSB Insurance is the largest provider of Personal Lines Insurance in the UK.

Rameses realised that Lloyds TSB Insurance was a major client with an ongoing construction demand (the nature of which consists major domestic property refurbishment and works of an emergency nature). It made good business sense therefore, that if Rameses could totally satisfy the client’s demands, a continual (increasing) workload would ensue and the administrative burden of competing for work (and its concomitant pressure on prices) would be negated. Rameses formed an alliance with its employees and suppliers/subcontractors in so far as the former situation was made explicit — these parties learned the aspirations of Lloyds TSB Insurance — and the rewards for achieving such (e.g. stability, income and reputation).

Rameses then set about placating the needs of Lloyds TSB Insurance fully, in terms of:

1. speed (quick response in emergency works and mitigation of damage);
2. quality (of process, product and service, both to the client and the client’s customers);
3. minimal administrative burden (e.g. procurement, management of works); and
4. satisfied customers (i.e. Lloyds TSB Insurance customers).

---

3 Rameses Associated Ltd., The lodge, Ash House, Yarnfield, Stone, Staffordshire, ST15 ONJ, UK.
4 Lloyds TSB General Insurance Ltd., Tredegar Park, Newport, Gwent NP10 8SB, UK.
It is noticeable that cost was not an overriding criterion at this stage. The contractor provided (continues to provide) Lloyds TSB Insurance with a service that fully achieves all the above four objectives. Subsequently, a mutual dependency was nurtured and more importantly, the benefits of this alliance were understood by all parties. The parties learned to understand each other’s needs completely and trusted each other totally; to the point that they now operate almost as one company. All parties became a mutually beneficial, strategic construction alliance.

The results of this alliance include the following benefits:

- the client obtains exclusivity of the contractor’s services;
- the client achieves total satisfaction regarding its trading transaction with the contractor (as listed above) that is, the client satisfies its own customers;
- the client has a reduced administrative burden and associated costs (e.g. procurement, contract administration, rework, waste, complaints);
- the contractor has something of a ‘guaranteed’ workload; and
- the contractor remains in a profitable trading position.

Lloyds TSB Insurance appreciate that an extra capital cost results from this alliance, but, that the overall (longer term) benefits (cost savings) outweigh such. That is, value-for-money is achieved. Consequently, both the client and the contractor gain from this business interaction whilst end users are provided with a service that is second to none.

Just as importantly (in a macro-context), a degree of stability and profitability is brought to the construction industry. Any client that has had to pick-up-the-pieces after one of their main contractors has failed financially in mid-contract, will fully appreciate the benefits of this. Moreover, the business activity (interaction) in itself represents a continual learning process. This is in stark contrast to the typical (construction) non-value-adding basic business transaction that occurs under more common adversarial client/contractor (‘them and us’) business relationships.

This alliance has been in existence now for almost five years. During this time, the trading activities of Lloyds TSB Insurance have increased significantly, both as a result of greater workload and expansion from mergers. Obviously, due to their trading relationship such expansion has been mirrored in Rameses’ turnover growth. This is a further evidence that a successful strategic learning alliance is beneficial, in all respects, to all parties thereto.

6. Conclusion

Co-operative alliances can create a shared vision of mutuality perse and hence the learning organisation evolves. This type of learning enhances an organisation’s capacity to learn continuously and improve the effectiveness of its systems and operations. Thus, improved and more effective operations bring with them improved internal and external customer satisfaction. It is suggested that organisations looking for long-term alliances that incorporate the essential elements of the framework proposed herein will gain advantage over their competitors by developing unique, mutually beneficial and effective business relationships. These relationships, if nurtured, will cultivate a climate for mutual learning, trust and client benefits. Remaining focused on the alliance objectives, may not only reduce costs, but also maintain a sustainable competitive advantage as well as win-win business transactions. Construction organisations can not employ yesterday’s business philosophies today, if they wish to remain in business tomorrow.

References


Gary D. Holt is a Reader in Construction Management and Director of the Built Environment Research Unit, at the University of Wolverhampton, UK. He commenced his academic career in 1993, following two decades of industrial experience in the UK construction sector. He has since undertaken numerous research projects in conjunction with industry and research funding bodies. His particular areas of research specialization are: construction procurement; construction productivity; contractor performance; construction management process analysis/improvement; and plant management. The products of his extensive research activities have been comprehensively disseminated through numerous international conferences, a host of refereed academic journal papers, articles and features in the construction press, and several textbooks.

Peter E.D. Love is a Senior Lecturer in Construction and Project Management in the School of Architecture and Building and responsible for the management of research activities undertaken by the Australian agile construction initiative. Peter is a Chartered Builder and Quantity Surveyor. He has a wide range of industry experience, which he gained in the UK and Australia working as a Quantity Surveyor in private practice and for a multinational contracting organisation. His research focuses on quality, business process management and strategic information systems evaluation. He has authored/co-authored over 100 refereed research papers, which have appeared in journals such as the International Journal of Production Economics, Journal of Intelligent Manufacturing, International Journal of Quality and Reliability Management International Journal of Technology Management, International Journal of Operations and Production Management, Computers Industry and the International Journal of Information Management.

Heng Li is an Associate Professor in the Department of Building and Real Estate at Hong Kong Polytechnic University. His research focuses on construction IT, technology and business process management. He has authored one book as well as authored/co-authored over 100 refereed research papers, which have appeared in journals such as Automation in Construction, ASCE Computers in Civil Engineering and ASCE Construction Engineering and Management, Information and Management, International Journal of Quality and Reliability Management, and the International Journal of Operations and Production Management.