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Strategy: The Collaborative Edge

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Leveraging Knowledge, Trust, and Communication

The current economy continues to challenge our organizations to find new sources of revenue and maintain profitability and efficiencies. Success in the building industry is often the result of the success of many collaborative efforts. Learning to maximize the advantages of inter-organizational collaboration, and focusing your culture on the benefits of those efforts, can lead to new opportunities and to increasing customer value—and, as a result, increasing revenues and profits. These positive results can be built with the tools of knowledge, trust, and communication that are synergistic and symbiotic.

Design teams include many different, often complementary, sometimes competitive disciplines necessary to conceive and document a project. Similarly, construction 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 and 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, and project and construction management.

These definitions apply equally to the larger architect/contractor/supplier model as they do to the interior design business of consultant/vendor/installer relationships. Unfortunately, while all these project-focused teams often work toward a common goal, the level of collaboration is very dependent on the leadership and organization defined and developed by the owner, and by the ability and willingness of each member firm to work effectively with all of its peer organizations.

Firms have three options to expand service offerings for their customers. They can buy new knowledge through mergers or acquisition. They can develop new skills internally through education and professional development. Or they can engage in a new model of inter-organizational collaboration to share through a cooperative effort with common goals and mutual benefits. These

opportunities apply to many areas of the operational needs of a client including market analysis, project research and development, and traditional building industry service delivery.

The Collaborative Advantage

For their building projects to be successful, clients seek to hire effective and efficient teams that understand the uses, productivity metrics, business processes, and competitive environment of the client's organization and then apply their technical knowledge to the client's specific challenge. Clients 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 multi-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. However, to really differentiate the service with a unique value proposition, the ultimate solution will include something extra, something unexpected, and something beyond the basic "program" for the project.

Taking a proactive approach, an inter-organizational collaborative alliance would approach its clients with insight into new methodologies, market analysis, or image development in order to deliver value beyond just the physical, aesthetic, or functional manifestation of the project. The alliance would support its clients by sharing resources or identifying productivity enhancements, new income streams, or time-to-market savings that are valuable, unique, difficult to imitate, and difficult to substitute.

This approach has the potential to deliver a real competitive advantage as it builds 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 alike. 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. Those 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.

Shared Knowledge

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

Collaboration allows team members to acquire new and extensible information beyond their own resources. The ability to leverage this knowledge transference is dependent on each alliance partner's internal approach to strategic learning and its ability to apply the information to its 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 inter-organizational alliance.

A 2003 University of Ghent Leuven Management School study on technological innovation and organizational collaboration defined a framework of knowledge culture that shows five levels of learning strategies that are predictive of success in building collaborative alliances. (See Figure 1 on page 22.) This framework is useful in the analysis of the potentials for gaining knowledge from a collaborative effort.

“Firms that choose to invest resources in creating long-term collaborative relationships can help expand and enhance their ability and improve the profitability of their business models.”

If the culture of the organizations puts 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 between alliance members, true collaboration can be achieved. When mutual trust is present in the alliance, the potential for abuse or opportunism is minimized.

Shared Trust

A 1996 article in the *Strategic Management Journal* cited five factors necessary to build trust:

- Environment
- Tasks
- Process
- Skills
- Goals

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. However, in most cases, the bond and capacity of a collaborative alliance bring 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.

Next, 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 undermining of trust.

Further, 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, inter-organizational 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 and their trust in each other to reach their common objectives. The greater the ability to rely on trust, the greater the reduction in costs required by the alliance partners to negotiate and reach agreements and to execute the services of the inter-organizational relationship.

Shared Communication

Another element in effective inter-organizational collaboration is the level and quality of communication. Building processes that encourage, track, and record team interactions is critical. Proximity traditionally has 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, etc.), communication and information exchange have been vastly improved. The ability to create real and productive *virtual teams* is today more than ever a reality.

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

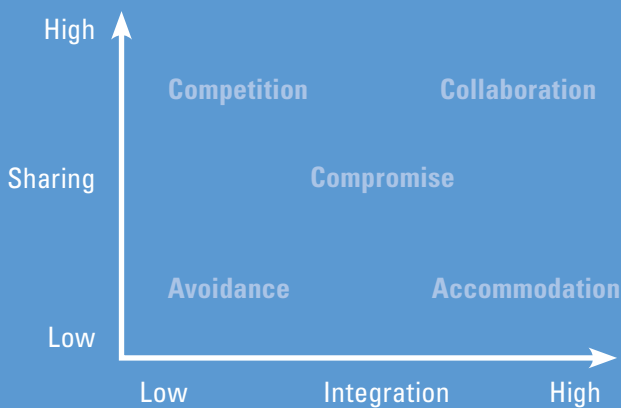
A New Value Proposition

There have been very few attempts to leverage a highly integrated, high-knowledge-sharing, collaborative approach in our industry. Those that have tried have, for the most part, been limited by inter-organizational competitiveness (“a bird in the hand...”). Alternative project delivery methods like design-build (D-B), construction manager-at-risk (CMR), and early contractor involvement (ECI) begin to approach the collaborative model but too often put one party at a competitive or organizational advantage and rarely involve consultants, subcontractors, or vendors in a success-based approach. Public Private Partnerships (P3) provide a unique funding paradigm but fall back to traditional project delivery models once the financing structure is in place.

However, given an uncertain economy combined with the current industry hot topic of integrated project delivery (IPD), this is an excellent time to test the fundamental viability of a collaborative model. Inter-organizational collaboration, where disparate cultures agree to share resources and co-develop both markets and projects through formal—sometimes informal—strategic alliances and joint-ventures, will continue to gain popularity because it brings added value to both the partnering businesses and to their customers.

This type of interdisciplinary collaboration has been common in a variety of non-building, technologically-intensive industries (e.g., Silicon Valley, aerospace, defense, etc.) and remains a viable methodology today. Firms in the building industry that choose to invest resources in creating long-term collaborative relationships can help designers, constructors, and product specialists expand and enhance their ability and improve the profitability of their own business models, while delivering new and innovative solutions to their client’s challenges—the very definition of “win-win.” ■

Figure 1: Knowledge Culture Framework



About the Author



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