

# Learning to collaborate in multi-organizational projects

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## Abstract

Behavior in multi-organizational projects has the characteristics of a social dilemma. In a social dilemma parties choose between the non-cooperative strategy of pursuing their own interests and the cooperative strategy of pursuing the collective interests. All parties are better off when they all cooperate than if they all defect, but individually they are better off if they defect. The possibility to realize a collaboration strategy depends on how those involved in the project define their interests. We propose that these interests are socially constructed. In an empirical study of multi-organizational projects in the Dutch shipbuilding industry we inductively explore the relationships between social constructions of interests and the capability to learn to collaborate more effectively. By identifying mechanisms at both the organizational and the project level our study makes a first step towards the articulation of a theory of social construction of interests in the context of multi-organizational projects. © 2011 Elsevier Ltd. and IPMA. All rights reserved.

*Keywords:* Interests; Social dilemmas; Multi-organizational projects; Shipbuilding

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## 1. Introduction

An increasing number of organizations is working in project-based settings (Gann and Salter, 2000; Scarbrough et al., 2004). In project-based settings the production process is organized around projects, usually for the production of one-off products, and operating in coalitions of companies (Gann and Salter, 2000; Hobday, 2000). Although the products are each unique, companies may over time collaborate on multiple projects. In these settings learning within and across projects is important for the competitive success of the organizations involved (Brady and Davies, 2004; Levinthal and March, 1993). Also for the progress of each individual project it is essential that the organizations learn throughout the project (Cherns and Bryant, 1984). Different types of inter-organizational learning can be distinguished (Inkpen and Tsang, 2007). We focus on learning aimed at collaborating more effectively (Doz, 1996; Knight,

2000). For this to occur, organizations must learn both about the general processes of successful collaboration and about the specific characteristics of their partners (Inkpen and Tsang, 2007).

However, multi-organizational projects constitute a context in which learning is particularly difficult (Hobday, 2000). In multi-organizational projects representatives from several organizations have to collaborate during the execution of the project, forming a multi-organizational project team. This multi-organizational team dissolves after every project to be reformed, often in a different composition, for the execution of a new project. Learning within the project is difficult because activities are distributed over several companies. And even if learning within the project takes place, there is the risk that mistakes are repeated when the lessons learned are not transferred to following projects (Brady and Davies, 2004). Moreover, the temporary nature of the project team may decrease the commitment of the organizations involved to collaborate effectively. Even though the organizations need to collaborate for the duration of the project, exchange of experience and sharing of knowledge and information between the different organizations necessary for learning may be jeopardized (Brady et al., 2002). The temporary nature of the project may focus

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organizations on short-term gains for their own organization over long-term collective gains for all organizations collectively within and across projects.

A crucial issue with multi-organizational collaboration therefore is the possibility of clashing interests of the parties. In a multi-organizational project each party is an independent company with its own goals (Arto et al., 2008). Thus each party has its own interests, as well as its own perspective on the interests of the others (Medlin, 2006). Individuals within the organizations are driven by the utility of their actions in order to pursue individual or organizational interests (Rowley and Moldoveanu, 2003). Self-interests have a great impact on the behavior of individuals (DiMaggio, 1988; Miller, 1999; Van Vugt, 2009), and it may be assumed that also the self-interests of the representatives of organizations in a project team influence their behavior. What is essential in collaboration is that the organizations overcome their conflicting interest and focus on their common interests that are centered on the project goals (Bresnen and Marshall, 2000; Clegg et al., 2002). Thus, the collaboration between the different parties of the multi-organizational project is dependent on the interests of the organizations.

Project-based settings where multiple organizations have to cooperate to finish the project bear the characteristics of a social dilemma (Zeng and Chen, 2003). Two properties hold for a social dilemma: a) each individual receives a higher payoff for the socially defecting choice than for the cooperative choice, no matter what the other individuals do; b) all individuals are better off if all cooperate than if all defect (Dawes, 1980). However, although mutual cooperation leads to a higher payoff for all group members than the mutual choice for non-cooperation, an individual can receive a higher payoff in the short-term if he does not cooperate (Weber and Murnighan, 2008; Wit and Kerr, 2002). These characteristics can also be recognized in multi-organizational projects such as in the construction or shipbuilding industry. In a multi-organizational project organizations also have two options. They can collaborate and choose for the cooperative choice that focuses on the interests of all organizations. The other option they have, is that they decide not to collaborate and choose the competitive strategy that puts their own interests ahead (Wong et al., 2005). A difficulty with a social dilemma is that although the highest payoff occurs when all organizations collaborate no one wants to be the ‘sucker’ who puts himself in a vulnerable position by being the first to collaborate without the certainty that the others will collaborate as well (Brady et al., 2002; Kollock, 1998; Lanzara, 1998; Miller, 1999; Weber and Murnighan, 2008).

Although the social dilemma literature assumes that interests are objectively given, we will consider the possibility that effective collaboration depends on subjectively perceived interests, and that these perceptions are influenced by the social environment (Scott, 1987). An individual’s perception of interests is associated with desired or anticipated future outcomes. Individuals tend to look at each other to decide what a logical, acceptable definition of self-interest is. If other players are perceived to give priority to their individual gains, even if at the expense of the project, this will likely also guide

one’s own behavior. In the context of a social dilemma the relative emphasis on short-term versus long-term gains plays an important role. If all parties perceive the others to focus on short-term gains, this will be seen as rational, and a suboptimal outcome is unavoidable. However, if other parties are perceived to focus on longer-term gains, this is more likely to guide one’s own behavior, too, and the social dilemma dissolves (Pruitt and Kimmel, 1977; Zeng and Chen, 2003). In particular in situations where collaboration patterns have not stabilized yet individuals have difficulty deciding where their self-interest really lies (Lanzara, 1998). In these situations perceptions of interests of self and others are likely to strongly influence behaviors, and changes in these perceptions are often necessary in order to learn to collaborate more effectively.

We believe that these issues go to the core of the problem of learning to collaborate effectively in a multi-organizational project. Hence our research question is: *What are the factors that influence perceptions of interests in multi-organizational projects, and how do these perceived interests affect the ability to work together effectively?*

In this paper, following a path paved by a few researchers (Justice, 2006; Kleppestø, 2005), we argue that interests in the context of multi-organizational projects are social constructions. This implies that the perceptions and the behaviors of individuals in organizations in this context are influenced by the behavior of individuals in other organizations (Kelley and Stahelski, 1970b). We purport that it is not a-priori clear to the individuals representing organizations in such projects what their roles should be and what interests they should pursue. Rather, these individuals decide in interaction with their relevant social environment what are rational and appropriate interests to strive after. This is in line with social constructivist and institutionalist perspectives on organizations (Gergen, 1985; Gioia et al., 2000; Kleppestø, 2005; Scott, 1995, 2008).

We will discuss more in detail in later sections how we think the process of social construction of interests takes place. At this point it is important to explicate how our analysis of the influence of socially constructed interests relates to other important factors affecting multi-organizational projects, particularly more formal factors, such as the contracts linking together the organizations involved in the project. At first sight, such formal arrangements may seem to be more formative of interests than vice versa. After all, formal contracts define interests. But one could also say, conversely, that the step to a more collaborative forms of contracting (such as partnering and alliancing contracts) can only be made if the parties concerned first define their roles and interests accordingly (see, e.g., Bresnen and Marshall, 2000; Critchlow, 1998; Myers, 2001). We will not pursue this discussion here, but assume that an exploration of social construction of interests in multi-organizational projects is relevant, in its own right, as well as possibly as a factor associated with the formation of collaborative forms of contract.

The aim of this paper is to contribute to the articulation of a theory of factors influencing the ability of organizations to learn to collaborate more effectively in multi-organizational projects. We focus on projects for the execution of unique and complex

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