

# Leveraging Organizational Capabilities through Collaboration and Collaborative Competitive Advantage

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## Abstract

The complexity and dynamics of business environment, technical and technological progress and social trends have led to development of new types of collaborative strategies that harness the capabilities of organizations. Competitiveness depends largely on the competitive advantages that may derive through collaboration.

Organization's ability to integrate and collaborate within networks or to develop partnerships increases the chance to capitalize its capabilities, and to benefit from the synergies generated through collaboration. Collaborative competitive advantage is a result of strategies focused on collaboration and the ability of organizations to capitalize their distinctive and unique capabilities, especially to access complementary resources in collaboration with other organizations.

**Keywords:** collaboration, competitive collaborative advantage, organizational networks, complementarity, synergy

**JEL classification:** M10, M19, P13.

## Introduction

Organizational collaboration can be treated and closely related to the phenomenon of globalization which essentially means disappearance of distances and organizational boundaries. Globalization is not only about the disappearance of borders demarcating organizations, but generates new spaces where organizations collaborate using its individual potential through synergies.

Collaborating organizations have multiple benefits not only because of the effects it generates interaction between them, but also the benefits that cohesion generate inside and outside organizations.

Collaborative strategies are focused on making connections between firms, companies, and even institutions with distinctive and complementary competencies and capabilities obtained by excellence. Unique organizational capabilities depend largely on the ability of organizations to focus "on what they can do best". For further resources, skills and capabilities, collaborative organizations are turning to other organizations that also try to develop their unique potential to generate business value. The first premise is to identification and development potential, and then identifies the most suitable partners for complementarity.

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Another principle underlying logic of collaboration between organizations is contingency theory and the influences of factors in the business environment have on the organizations strategic approach. Turbulence and complexity of the business had over time various influences on organizations. To be competitive in such a context, organizations must focus on the unique features they have, but especially to capitalize them. On the other hand, in order to achieve strategic objectives, organizations collaborate in order to access the skills and capabilities of other organizations. In this sense complementary organizations increase their ability to generate synergies through collaboration.

Organizations have always collaborated over time, but relations between them have taken various forms because of the influence of business and the changes that have occurred inside them. Information technology and communication networks provide complex channels for conducting collaborative relationships and achieving competitive advantage through collaboration. The business environment has generated changes in how organizations perceive the role of collaboration, resulting emergence of new business models in which cooperation is a key pillar. Therefore, increasing the importance of collaboration between the organizations strategic objectives is a principle underlying the collaborative strategies. Collaborative business culture is another major pillar of the collaboration. The lack of a business culture that encourages collaboration both within organizations and developing collaborative relationships outside will be a real barrier to conducting collaborative strategies.

## **1. Trends and conceptualizations of collaboration**

In the literature we find various definitions and conceptualizations of collaborative relationships that can arise between organizations. There are many names of entities arising from collaboration between organizations, among them are: alliances, joint ventures, partnerships, networks, coalitions, communities, consortia, cooperatives, constellations, clusters, extended enterprises, virtual organizations, associations, communities and forums.

Collaborative strategies have a wide range of interpretation depending on the objective pursued. Collaboration in general can be a way "to work together with others in order to obtain mutual benefit" (Huxham, 2003).

More specifically, the collaboration between organizations is defined as "a process in which organizations exchange information, conduct joint activities, share resources and improve their ability to reap the benefits of having common goals and mutual sharing risks, responsibilities and outputs. This definition of collaboration is complex enough to encompass a variety of collaborative activities such as consortia, alliances, joint venture, roundtables, partnerships or other relationships through which organizations carry out collaboration.

In other cases, collaboration between organizations can arise through informal or unplanned interactions. A reality is that many relationships are formed

when collaboration between organizations is not regulated by contract, or without the original preset.

Collaboration can be analyzed in terms of the partners' objectives. For example, researchers and organizations working together for the transfer of knowledge and innovation. An important objective underpinning of collaboration between organizations is the transfer of knowledge and know-how. Connections between organizations are the means by which organizations have access to knowledge and capabilities.

From the perspective of collaborative networks, which can emerge as a result of strategic intent for collaboration, interaction between organizations will generate changes in the structure of relationships. The positive effects that occur are related to power relations, performance, ability to make strategic decisions and other non-economic activities.

Organizations performing collaborative strategies do not act in an independent manner and isolated individually or as a response to the challenges of turbulent and dynamic business environment. Acting in a dynamic business environment, intentions and actions of each organization can be better understood within a structure consisting of connections and collaborative relationships (Ford, Hakansson and Johanson, 1986).

Sharing and exchange of information is a crucial component of collaboration also contributes to increasing competitive advantage of organizations. Development of collaborative relationships and their improvement will lead to increased confidence, access and sharing of information and increased complexity of interaction. Referring to the decentralized decision-making within organizations, Sabel suggests that they must acquire the discipline and rigor for continuous exchange of information (Piore and Sabel, 1984).

## **2. Some factors which generates the collaborations between organizations**

Primary relations of cooperation between organizations are based on their need to collaborate because organizations cannot rely solely on their own resources to achieve strategic objectives. In this context arises the need for organizations to work together to access the resources of other organizations. Sometimes this kind of collaboration requires access to financial resources, human resources and technology, but the increase in complexity of collaboration involves the mix of resources and skills, experience and technology. For example to access some global markets or a business sector with high level of competition, organizations decide to work together to gain access to innovation or to gain access to customers.

Organizational limitations reduce their ability to cope with risks coming from turbulent business environment. Risk sharing is one of the reasons why organizations choose to work together; some independent failures may be much larger than failures resulting from collaborative partnerships. The complexity of activities and processes carried out within an organization, the dynamics of

business environment causes the need of identifications of some additional organizations to share with specific business risks.

The decentralization of organizational structures, by flattening them, brings new challenges to the management of organizations in terms of efficiency and effectiveness of activities. To streamline business activities and processes in line with the new organizational structure, more flattened than in the past, organizations cooperate as a result of the outsourcing process. Operational efficiency can also be achieved through collaboration between organizations when talking about large organizations. In the digital economy, knowledge based organizations vision is focused on development new distinctive and unique skills and competencies. This trend has led, naturally, to the focus on other organizations for resources and key complementary competencies to achieve strategic objectives. Collaboration and its principles increase integration and coordination of organizations in more complex systems. In some business sectors, organizations collaborate to develop joint products or provide services in an integrated manner. Through collaboration in these complex systems organizations can avoid duplication of activities or processes, omissions, discrepancies, conflicts and counterproductive behavior.

One of the most important effects of interaction between organizations is the transfer of knowledge. Transfer of knowledge provides access to information and knowledge held by other organizations, and more than that the formation of mutual learning skills in organizations.

We can observe a clear trend, in the economy and in society, of the importance of relationships, partnerships and networks as a foundation of progress. Both the society and the economy are based either on individual interest branches or on the common underpinned collaboration of various degrees of complexity.

Other determinants of collaborative strategies are modular approach of organizational components, flexibility and dynamics of workforce, flexible organizational structures, business process outsourcing, development of strategic partnerships, a clear understanding of roles and objectives of organizations in collaborative partnerships, risk taking, individual and joint interests in collaboration, and the existence of information technology platforms to mediate the collaboration.

### **3. Increasing competitiveness through collaborative strategies and collaborative competitive advantage**

As we argued in earlier passages we can identify in organizational practice many sources that cause organizations to collaborate. There is a tendency for organizations to work together to share the risks arising from dynamics and turbulence of economic environment. Other organizations work together for the benefit of know-how and availability of resources to innovate, common research and development. Through collaboration, due to the flexibility, adaptability and decentralization of hierarchical structures, organizations can better respond to business conditions than an organization built on hierarchical structures.

Complementary competencies through collaboration lead to innovation, sustainable growth and collaborative competitive advantage.

Organizational diversity generates the need to identify new ways to increase cohesion and to generate synergies. Cohesion between organizations can be reduced by their inability to collaborate. Organizational openness is determined by the organizational flexibility, which leads to more easily identification of the most suitable business partners.

The results acquired by many organizations can be more effective if they develop collaborative relationships unless acting independently. Regarding the underlying reasons of collaboration, there are three trends: organizations working together to achieve one or more specific advantages, collaboration is driven by actions taken in common and consensual cooperation.

The reasons why organizations choose to work together are sources of collaborative competitive advantage. One source is the ongoing collaborative initiatives which make organizations more innovative and competitive. Through collaboration, organizations are exploring new areas of research, the main goal is represented by the access to the widest possible spectrum of ideas, contacts, expertise and know-how. At European level there are a multitude of collaborative partnerships that successfully combines innovation and research with the ability of businesses to integrate them into complex products and services and bring them to market as quickly as possible.

The dynamics of business environment and strengthening of business sectors raises entry barriers for new organizations. This new entrants must increase the influence they have in the value chain to become competitive. Increasing importance and their role, organizations can gain an increase their capability to be more powerful in relations with suppliers and customers. A result of collaboration between organizations when they are considering increasing influence, represent standards or patents.

Organizations with the strategic aim to become competitive have various alternatives on how they should use their capabilities effectively to meet greater customer requirements. The biggest advantage that it brings collaboration is that it opens new routes to opportunities that can be exploited in common. In some situations through cooperation organizations can access resources, skills, products or services provided by partner organizations. Also through collaboration organizations can benefit from the advantages of intangible resources.

Business dynamics and intensifying competition are just two of the factors that led to the shortening of product life cycle. To remain competitive, organizations must increase the rate at which they innovate, especially the capability to bring to market new products or services. In this respect, cooperation with other organizations for joint innovation can be a viable alternative. Also, companies can work together to develop new markets in order to protect their patents, standards and partnerships. Competitive advantage gained through collaborative innovation can be translated to other areas such as marketing, logistics and after-sales service. For global companies the process of entering to the

new markets can be accelerated if there is a partnership with a local company who knows the specificity of these markets.

The trend in many business sectors is to provide stakeholder value from collaboration with other strategic partners. Businesses that require significant investment, sophisticated information infrastructure and business process outsourcing are just a few examples of joint management of complex activities.

Organizational learning can be realized in several ways through collaboration. Learning is one of the effects that collaboration generates in organizations, and in some cases learning and transfer of know-how are strategic objectives themselves. Organization's ability to learn faster than competitors, especially know-how transfer generates a sustainable competitive advantage. Organizations are learning how they use information and create distinctiveness and uniqueness, and this in a complex competitive environment can create competitive advantage. Collaborative organizations on the one hand have access to information resources, data's, know-how and knowledge, and finally collaborative learning can generate synergies.

Access to information through collaboration increases the capacity of organizations to make better forecasting, negotiate and carry out more complex projects. Through collaboration, organizations can also significantly reduce costs. Using common collaborative platform gives organizations the ability to use common standards and increased flexibility and availability of real-time business processes.

## Conclusions

Collaborative competitive advantage is a strategic objective of organizations in today's business environment. There are a number of issues that organizations need to focus when the most important aim is to achieve competitive advantage in a collaborative manner.

One of the most important is the strategic vision which must be focused on identifying opportunities that can be exploited in a common manner with other organizations. New collaborative paradigm proposes a new type of leadership that is collaborative leadership through which managers seek to exploit organizational capabilities through complementarity with other organizations.

In the complex process of collaborative relationships development, organizations face barriers such as organizational configurations and business environment characteristics: incompatibility between strategic vision and operational agenda, organizations inability to match the organizational and social cultures, lack of experience, inability of leaders to generate synergies organizational individualism and lack of ability to see the risks they face if they act independently and hierarchical and bureaucratic organizational structures.

If organizations exceed to overcome these barriers, benefits from the collaboration can be: flattening and flexible organizational structures, organizational core capabilities development, access to additional and

complementary key skills, credibility, trust and efficiency, increasing the capacity to achieve the strategic objectives, lower costs, increasing innovation capacity and synergies.

Collaborative approach proposes initiating activities at two levels of complexity and interaction. The first level is that of collaboration in interpersonal and covers issues related to collaboration between individuals. The second level, which is often the support, is the nature of inter-organizational activities within the organizations for cooperation and how they are delivered.

In a business environment increasingly dynamic and changing an organization's ability to develop and successfully managing its relations with other organizations is a key competence and source of sustainable competitive advantage. The importance of collaboration between organizations derives from the challenges and changes of strategic nature. Organizations chose to develop collaboration strategies to access the combination of resources that enable them to carry out some complex projects. Organizations seek, through collaboration to reduce risks and uncertainties and also costs.

Collaborative relationships and collaborative networks emergence are key factors of performance obtained in a context of increasingly interconnected world. Inter and intra organizational collaboration may be the most important process of developing organizational capabilities. Collaboration with other organizations and access to information, resources, markets and technologies through collaborative strategies are sources of sustainable competitive advantage.

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