Aalborg Universitet

AALBORG UNIVERSITY
DENMARK

The Hybridity of Strategic Partnerships and Construction Supply Chain Management

Frederiksen, Nicolaj; Fredslund, Lasse; Gottlieb, Stefan Christoffer

Published in:
10th Nordic Conference on Construction Economics and Organization

DOI (link to publication from Publisher):
10.1108/S2516-285320190000002029

Creative Commons License
CC BY 4.0

Publication date:
2019

Document Version
Publisher's PDF, also known as Version of record

Link to publication from Aalborg University

Citation for published version (APA):
Frederiksen, N., Fredslund, L., & Gottlieb, S. C. (2019). The Hybridity of Strategic Partnerships and Construction Supply Chain Management. In I. Lill, & E. Witt (Eds.), *10th Nordic Conference on Construction Economics and Organization* (pp. 77-83). Emerald Group Publishing. https://doi.org/10.1108/S2516-285320190000002029

General rights
Copyright and moral rights for the publications made accessible in the public portal are retained by the authors and/or other copyright owners and it is a condition of accessing publications that users recognise and abide by the legal requirements associated with these rights.

- Users may download and print one copy of any publication from the public portal for the purpose of private study or research.
- You may not further distribute the material or use it for any profit-making activity or commercial gain
- You may freely distribute the URL identifying the publication in the public portal -

Take down policy
If you believe that this document breaches copyright please contact us at vbn@aub.aau.dk providing details, and we will remove access to the work immediately and investigate your claim.

Downloaded from vbn.aau.dk on: April 20, 2024

The Hybridity of Strategic Partnerships and Construction Supply Chain Management

Nicolaj Frederiksen, Lasse Fredslund and Stefan Christoffer Gottlieb

Danish Building Research Institute, Aalborg University, Copenhagen, Denmark

Abstract

Purpose – Strategic partnerships and construction supply chain management are claimed to improve productivity through their capabilities of managing internal and external relations between stakeholders. Thus, this study aims to present an analysis of a major Danish contractor group's efforts to increase performances by building trust and long-term relationships across stakeholders of complex building projects with use of these managerial initiatives.

Design/Methodology/Approach – Scrutinising the social reality of the group, neo-institutional theory provides the analytical lens of an interpretivist case study drawing on empirical data (i.e. interviews and observations) collected through one year of enrolment in the group.

Findings – Findings reveals that internal organisational circumstances negatively influence the efforts to implement logics of strategic partnerships and construction supply chain management. Nevertheless, we propose organisational practitioners to obtain the perspectives of hybridisation as a fruitful concept for creating productive interactions between otherwise distinct managerial logics.

Research Limitations/Implications – The triangulation of the interpretivist data is limited to generalisations based on only one group operating in the Danish construction industry. However, the assumption is that critical implications of hybridity address generic issues across the industry.

Practical Implications – Organisational practitioners should experiment with hybridity of managerial mechanisms and dynamics, which potentially can influence the construction industry positively by innovating the operational performances in the entire value chain.

Originality/Value – The inquiry contributes to the puzzle of integrating strategic partnerships and construction supply chain management by rethinking dualism of logics generating alternatives of how hybridity can increase performance by combining various aspects of managerial initiatives.

Keywords CSCM, Strategic partnerships, Hybridity, Neo-institutional theory, Managerial logics, Organisational dimensions

All papers within this proceedings volume have been peer reviewed by the scientific committee of the 10th Nordic Conference on Construction Economics and Organization (CEO 2019).

© Nicolaj Frederiksen, Lasse Fredslund, Stefan Christoffer Gottlieb. Published in the Emerald Reach Proceedings Series. Published by Emerald Publishing Limited. This article is published under the Creative Commons Attribution (CC BY 4.0) licence. Anyone may reproduce, distribute, translate and create derivative works of this article (for both commercial and non-commercial purposes), subject to full attribution to the original publication and authors. The full terms of this licence may be seen at http://creativecommons.org/licences/by/4.0/legalcode

Emerald Reach Proceedings Series
Vol. 2
pp. 77–83
Emerald Publishing Limited
2516-2853
DOI 10.1108/S2516-28532019000002029

1. Introduction

The construction industry is a driving force in the Danish society because of its impacts on the national economy and the built environment. Thus, the industry is expected to take responsibility for maintaining a healthy national economy, and is a target of public policy instruments requiring change during perceptible economic fluctuations. According to Gottlieb and Haugbølle (2013), the industry has been subject to a series of policies aiming to increase productivity without delivering significant results.

In the efforts to solve issues of productivity, one of Denmark's leading contractor groups has launched two managerial initiatives through its subsidiaries giving promises of increased capacity for managing relations between stakeholders and clients (Gottlieb *et al.*, 2018; Fredslund and Gottlieb, 2018). Hence, a strategic partnership (SP) initiative, named TRUST, is anchored in the subsidiary Enemærke & Petersen A/S (E&P) intensifying internal relations. Another initiative, which is anchored in the subsidiary MT Højgaard A/S (MTH), seeks to progress construction supply chain management (CSCM) by strengthening external relations to suppliers and sub-contractors. Accordingly, the group responses to several institutional demands and pressures by integrating different managerial initiatives through the subsidiaries (e.g. lean construction, BIM, and location-based management, etc.). Thus, Zhao (2011) suggests that a high degree of internal integration enables external integration embracing the relevance of organisations' internal capabilities including the willingness to integrate with external partners. In addition, Ellegaard and Koch (2012) argue that low integration affect the external resource mobilisation negatively while high integration allow resource mobilisation effectively. Accordingly, the success of managerial initiatives can be considered a question of the subsidiaries' degree of internal integration, which we will scrutinise by exploring the critical implications of their practical actions.

2. Theoretical framework

The theoretical framework focusses on the micro-level processes of neo-institutional theory embracing novel understandings of the pluralistic institutional field of construction, which can give rise to conflicts. Accordingly, actors of the industry are assumed as connected by reciprocal relationships of institutional logics and orders framing their social reality and day-to-day activities (Reay and Hinings, 2009). As such, focusing on the potentials of hybridity and micro-level agency, the theoretical framework describes the multiple and often contradictory institutional demands organisations face and why they respond differently (Greenwood *et al.*, 2011).

2.1. Institutional complexity, pluralism and logics

Institutional processes exist at multiple levels of analysis from individuals to organisations and fields. Our focus is to analyse how practitioners can advance managerial logics affecting field structures and orders in the process of handling an overall institutional pressure of increasing productivity. In that perspective, institutional pluralism describes situations faced by organisations that operate within multiple institutional spheres (Kraatz and Block, 2008), while institutional complexity describes situations where organisations experience contradictions between co-existing logics. Thus, pluralism is concerned with how legitimacy can be gained or maintained within different institutional spheres (Kraatz and Block, 2008), while complexity outlines "…'demands' and 'prescriptions' not as givens subject to organizational compliance but as available and accessible strategic opportunities and resources for action" (Ocasio and Radoynovska, 2016, p. 288). Following Ocasio and Radoynovska (2016), strategic organisational choices are shaped by available institutional logics. As such, efforts to implement SP and CSCM can fruitfully be studied in an

institutional perspective, where both initiatives are considered managerial logics or practices sought integrated through the group subsidiaries.

The concept of logics is assumed relevant for understanding how managerial initiatives and micro-level processes guide behaviour by abstaining views of actors "...as 'cultural dopes' trapped by institutional arrangements or as hyper muscular institutional entrepreneurs" (Thornton *et al.*, 2012, p. 1). Hence, logics are defined as "...axial systems of meaning or ways of ordering time and space" (Suddaby, 2010, p. 16) presents a framework for "...analysing the interrelationship among institutions, individuals, and organizations in social systems" (Thornton *et al.*, 2012, p. 2).

Accordingly, the puzzle of co-existing managerial logics can expose a more nuanced perceptions of how different initiatives work together within organisations leading to potentials of managerial innovations and effective hybrids. Thus, the hybridity of logics is embracing institutional pluralism by analysing "...the creative agency that arises in the friction between logics that have traditionally appeared irreconcilable" (Johansen and Waldorff, 2017, p. 66). In essence, we focus on exploiting the benefits of interdependence between managerial logics and how this approach implicates the operational performance of the group (Reay and Hinings, 2009).

3. Methodological design and data collection

Scrutinising the micro-processes of different institutional environments involves an interpretivist approach exposing actionable understandings and practical knowledge when analysing the critical mechanism of the managerial logics. As such, by one year of enrolment in two subsidiaries, the research attempts to recognise the "...institutional landscapes and the ways in which organizations construct and navigate them in practice" (Smets *et al.*, 2015, p. 283). Intrinsically, we build a case study on the triangulation of data that comprises the everyday life of the two subsidiaries (e.g. meetings, workshops, disseminations, dialogs, information and interviews) in relation to productivity issues. As such, the empirical data supports cross-organisational opinions and knowledge of the entire group. Additionally, the triangulation process and generalisations is solely based on the respond of only one group, which is limiting the research. However, empirical considerations are associated to address recognised issues of the Danish construction industry.

4. Case analysis

The group operates within different areas of construction and consists of seven subsidiaries, including the two case organisations. In addition, the group has annual revenue of €910M and employs 4,200 people, making it one of the largest contractor groups in Denmark. In this section, we scrutinise how the two case organisations respond differently to institutional pressure of increasing productivity by progressing altered managerial logics. Subsequently, we pursue to better understand critical implications of internal integration and mechanisms of hybridity by analysing the operational environment of the group.

4.1. E&P and the strategic partnership "TRUST"

E&P is a 43-year-old project-based organisation of approx. 700 employees, which has experienced a remarkable growth in last decade. E&P is recognised as a proactive and innovative contractor using a variety of production concepts. Furthermore, they are well-known for their social profile and dialog-driven approach to the market, which is mirrored by the company slogan "people who build for people". For this reason, strong social aspects are deeply rooted in the company culture and their efforts to increase productivity.

In 2016, the City of Copenhagen announced an SP-tender for a four-year project portfolio of municipal construction projects of approx. €310M. Six AEC companies, including E&P, formed the business unit 'TRUST' as a response to the tender, focusing on integrating internal values such as trust, transparency, risk-sharing, common culture and collaboration reflecting the culture of E&P.

The legitimacy of the SP is a desire for organising complex-projects in novel ways resulting in economic productivity and more quality for the citizens of Copenhagen. Furthermore, the SP addresses challenges as fragmented value chains, uncertainties, distrust, disputes and autonomy, which are contemporary issues in the construction industry. Consequently, it has taken a year to build trust and a common culture, where teams are working for the SP rather than their respective companies. In addition, the companies involved are financially co-responsible, and any losses associated with new working methods are accountable to the companies.

According to the project executive of TRUST, the effort has already resulted in productivity improvements by at least 10 per cent through shorter planning and execution time owing to the already established team, as well as optimised processes and partnership principles between the involved parties. Thus, efficiency is obtained, nonetheless, it has been difficult for the actors of the partnership to valuate specific projects owing to divergent assessment criteria and non-generic project attributes. Accordingly, the validation of projects is of highest interest to maintain legitimacy and continued support by the City of Copenhagen. Furthermore, another issue (or opportunity) of the SP is how to relate strong internal relations to external dimensions by the acknowledgement of the potentials and volumes of the project-portfolio affiliated to suppliers and sub-contractors increasing productivity by also partnering the supply chain.

4.2. MTH and construction supply chain management

MTH is a project-based organisation of approx. 1,500 employees and have 100 years of history constructing bridges, infrastructure and buildings. The organisational procurement function is divided into strategic and project procurement and their objectives is to create market differentiation by continuously reducing costs, as well as ensuring value creation through alternative solutions, which is the rationality of progressing CSCM.

Strategic procurement focusses on how purchasing is organised in terms of policies, management and evaluation as a natural extension of contract preparation with external actors. Consequently, the potential of their efforts is to coordinate the purchasing volume, reduce risks and to address the market as a combined organisation, resulting in scaled benefits and competitive prices. As such, they assist with sourcing processes, benchmarking, invoice control and critical KPI's addressing cost-avoidance, bonus, compliance and evaluations to secure competitive advantages and bottom line improvements. In contrast, project procurement focusses on project scrutiny and design in collaboration with project-stakeholders to optimise resources related to the projects.

In MTH, procurement practitioners highlight issues as unique products, fragmentation, inexpedient tendering and one-time collaborations as barriers to build trust and long-term relations in the supply chain. Furthermore, they emphasise internal organisational contradictions between company-policies and project-practice owing to the lack of compliance between strategic agreements and practices on site. Thus, tensions are created in relation to how supplier bonuses at the company level influence project budgets, which leads to sub-optimisations within the company. For example, strategic agreements are used to create an overall price dump in the market and act to direct prices in a high conjuncture market releasing bonuses at the company level, which not necessarily provide the lowest

project price. Hence, strategic agreements and sourcing processes are accused of being too rigid to follow the fluctuations in a descending market and therefore lower project-level prices can be achieved by detouring strategic agreements in the short run, at the same time as savings are directed to the project instead of company bonuses. The majority of the practitioners are missing incentive structures to mediate this duality releasing the capacity of collaboration instead of organisational sub-optimisation.

With reference to internal and external implications of progressing CSCM, overall issues are according to the practitioners a blind-price-focus instead of a multi-criteria-focus of suppliers and sub-contractors. Consequently, the practitioners see CSCM as not only a complex logic to understand and mobilise, but also a necessary and value adding initiative for progressing external relations. Thus, they identify several critical aspects as building trust, risks and benefits allocation, knowledge sharing, transparency, innovation assessment, mutual KPIs and supplier evaluations as main remedies to progress CSCM.

5. Discussion

Perspectives of managerial logics, complexity and pluralism are highlighted as ingredients to analyse and discuss how two subsidiaries of the group are responding to an institutional pressure of increasing productivity. The MTH subsidiary is trying to integrate external relations through CSCM whereas the E&P subsidiary is progressing SP as a remedy to problems of internal integration. In general, both managerial logics are, somehow, pursuing associated principles about partnerships and seem committed to the same sub-logics of trust and collaboration, creating a common ground of learnings regardless of their external and internal attributes. However, we see that the responses to the productivity issue differ, which partly can be explained by differences in the organisational characteristics. Furthermore, the ways in which both organisations respond to the availability of managerial logics are to some extent influenced by internal circumstances especially considerations to how potential savings should be accounted for in the specific organisations leading to inconsistencies. Accordingly, this phenomenon can negatively affect legitimacy and opportunities affiliated to the potentials of external dimensions by the lack of internal integrity, which is assumed relevant to build strong external associations. As a proposal, we emphasise experimental capabilities of managers progressing the group as a hybrid organisation to handle contradictory demands from the institutional environment.

In terms of organisational structure, MTH is more bureaucratic and centralised, focusing on systems and technologies in the performance of on-time projects-collaborations. In contrast, the E&P (TRUST) organisation is more culture-oriented in the process of handling a four-year project-portfolio with equivalent actors. Consequently, these diverse conditions can both bias learnings and value creation across the subsidiaries and disturb the overall innovation capacity of the entire group if both initiatives are implemented without acknowledging the potential incompatibilities they imply. Thus, novel attentions to the group as a hybrid nexus of managerial logics could be the remedy of inappropriate internal circumstances in both subsidiaries, through the ability to navigate the ambiguity of the otherwise competing managerial logics or practice.

In sum, the managerial initiatives can be understood as an answer to the complex nature of construction drawing on some similar sub-sets of logics, such as trust, collaboration, transparency and risk-sharing, as well as pursuing the same objective of increasing productivity. Nonetheless, they respond differently. A reason for this is, as emphasised, that organisations are very diverse focusing on dissimilar stakeholders and act as two interdependent companies regardless of their common obligations to the group. Inherently, the overall assumption is that the achievement of the productivity objective requires

managerial interactions (i.e. hybridisation of logics) beyond the co-existence of logics moving from competitive group settings to a nexus environment of shared understandings and learnings. As such, managers of the group should initiate frameworks or platforms for substantiate cross-organisational interactions.

Substantially, the majority of costs in complex building projects are related to external stakeholders and it, thus, makes sense to strengthen these relations by developing an alliance of trusted suppliers and sub-contractors, which is highly relevant for the entire group including TRUST (E&P). Hence, learnings from TRUST (E&P) could potentially advance the CSCM logic of partnering with the supply chain as well as strengthening the overall relationships across the entire group by legitimating trust, collaboration and project-portfolios as sub-logics of increasing productivity and innovation.

6. Conclusions

We have analysed and discussed perspectives of how a major Danish contractor group can integrate co-exiting logics to increase productivity and innovation. Thus, we suggest that hybridisation and mutual adjustment of CSCM and SP is an opportunity to generate managerial innovations across the entire group integrating internal and external relations. Accordingly, logics can co-exist effectively, and we define the productive interdependence among them by the group's ability to create managerial interactions of shared understandings and learnings. Ironically, the analysed subsidiaries are diverse and typically acting interdependently. Nevertheless, they attempt to establish the same level of trust and collaboration as core components to increase productivity and innovation.

Essentially, we have argued that hybridity can create a productive interdependence between managerial logics by sharing practical experiences and mutual interactions, which is our main proposal for relevant project-managers and for further research of managerial logics. For example, strong external relations demand mechanisms of partnerships, which make TRUST's lessons relevant for the progress of CSCM. In contrast, CSCM learnings can increase the productivity of TRUST as most of project-costs are related to external dimensions. Hence, the attraction to institutional practices of the group is an analytical tool for conceptualising change and a method of discussing practical implications of managerial logics. In essence, we have analysed how the co-exiting of managerial logics can create productive innovations by frictions of incompatible logics that have otherwise seemed inconsistent. Nevertheless, we emphasise that aspects such as power, consensus, legitimacy and integrity affect the integration of logics and hereby the operational performance of the group as well as building trust requires substantial resources and time.

References

Ellegaard, C. and Koch, C. (2012) "The effects of low internal integration between purchasing and operations on suppliers' resource mobilization", *Journal of Purchasing and Supply Management*, Vol. 18, No. 3, pp. 148–158.

Fredslund, L.M. and Gottlieb, S.C. (2018) "Engaging the Construction Supply Chain – A Pluralistic Perspective", in Gorse, C. and Neilson, C.J. (Eds.) A Productive Relationship: Balancing Fragmentation and Integration 2018 proceedings of the 34th Annual ARCOM Conference, 3–5 September 2018, Belfast, UK, Association of Researchers in Construction Management, pp. 352–361.

Gottlieb, S.C., Frederiksen, N., Koch, C. and Thuesen, C. (2018) "Institutional logics and hybrid organizing in public-private partnerships, in Gorse, C. and Neilson, C.J. (Eds.) A Productive Relationship: Balancing Fragmentation and Integration 2018 proceedings of the 34th Annual

ARCOM Conference, 3-5 September 2018, Belfast, UK, Association of Researchers in Construction Management, pp. 383–392.

Gottlieb, S.C. and Haugbølle, K. (2013) "Contradictions and collaboration: partnering in-between systems of production, values and interests", *Construction Management and Economics*, Vol. 31, No. 2, pp. 119–134.

Greenwood, R., Raynard, M., Kodeih, F., Micelotta, E.R. and Lounsbury, M. (2011) "Institutional Complexity and Organizational Responses", *Academy of Management Annals*, Vol. 5, No. 1, pp. 317–371.

Johansen, C.B. and Waldorff, S.B. (2017) "What are institutional logics – and where is the perspective taking us?", in Krücken, G., Mazza, C., Meyer, R.E. and Walgenbach, P. (Eds.), *New Themes in Institutional Analysis*, Elgar, Cheltenham, pp. 51–76.

Kraatz, M. and Block, E. (2008) "Organizational implications of institutional pluralism" in Greenwood, R., Oliver, C., Suddaby, R. and Sahlin-Andersson, K. (Eds.), *The SAGE Handbook of Organizational Institutionalism*, SAGE Publications Ltd, London, pp. 99–129.

Ocasio, W. and Radoynovska, N. (2016) "Strategy and commitments to institutional logics: Organizational heterogeneity in business models and governance", *Strategic Organization*, Vol. 14, No. 4, pp. 287–309.

Reay, T. and Hinings, C.R. (2009) "Managing the Rivalry of Competing Institutional Logics", *Organization Studies*, Vol. 30, No. 6, 629–652.

Smets, M., Greenwood, R. and Lounsbury, M. (2015) "An institutional perspective on strategy as practice", in Golsorkhi, D., Rouleau, L., Seidl, D. and Vaara, E. (Eds.), *Cambridge Handbook of Strategy as Practice*, Cambridge University Press, Cambridge, pp. 283–300.

Suddaby, R. (2010) "Challenges for Institutional Theory", *Journal of Management Inquiry*, Vol. 19, No. 1, pp. 14–20.

Thornton, P.H., Ocasio, W. and Lounsbury, M. (2012) "*The Institutional Logics Perspective*", Oxford University Press, Oxford.

Zhao, X., Huo, B., Selen, W. and Yeung, J. (2011) "The impact of internal integration and relationship commitment on external integration", *Journal of Operation Management*, Vol. 29, No. 1–2, pp. 17–32.