

**COOPERATIVE LEARNING BUSINESS PARTNERSHIPS AND
KNOWLEDGE NETWORKS**

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ABSTRACT

Industrial and service companies increasingly achieve their competitive advantages on the basis of strategic partnerships. The general assertion in the article is that the quality and effectiveness of implemented changes is higher in the cases when such modifications are being implemented through the process of learning achieved through partnerships. It has been argued in the paper that cooperative partnerships have a tendency to build a strong learning environment and therefore exhibit a greater potential to be transformed into learning organizations. It is therefore suggested that the key to improving competitive advantages lies in the ability of companies to form cooperative learning partnerships. On the basis of defining features of the learning orientation and the learning company philosophy a conceptual cooperative partnership learning framework has been outlined comprising a set of hypotheses linking variables designed according to the learning company concept with the individual and partnership performance. Learning partnerships are therefore viewed as an important prerequisite for regional economic development.

Keywords: learning company, organizational learning, cooperation, partnership

JEL classification: D74, D83

1. INTRODUCTION

Discontinuous, rapid changes have led many companies to rethink their business competencies and capabilities. Faced with continuous loss of knowledge, companies become vulnerable. To survive in the future corporations need a knowledge network that captures and stores knowledge, innovations and ideas and distribute them to the right people, so that they can be used to create more value. Companies are therefore seeking alternative ways to encourage and enable learning on all levels, *i.e.* to implement the learning organization philosophy. Its basic idea is to increase the ability of individuals at all levels to make informed and independent decisions enabling the business to respond to changes quickly and flexibly.

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The process of organizational learning takes place in four phases: information acquisition, information interpretation, organizational memory and knowledge retrieval. Organizational learning can yield maximum benefits if the knowledge is acquired from various sources and shared throughout the organization as well as with other stakeholders. The selected means of information acquisition therefore determine the amount and type of learning that can take place. External information and knowledge sources can be distinguished as crucially important as they represent the primal learning inputs. The question is can this process be improved. The answer lies in partnering options that have become a critical means of supplementing corporate strengths and overcoming weaknesses. By providing external knowledge learning partnerships represent the logical way of sustaining the learning organization concept. The opposite can also be stated: by embedding learning processes and basing their relations on the learning company guidelines partners can maximize synergy effects and sustain continuous development. The intelligent learning organization breaks away from functional fragmentation and forges new partnerships that bring together the organization's capabilities to create, use and organize knowledge, and build infrastructure that enables effective knowledge management and development of resources and capabilities. Learning partnerships can therefore be considered as effective vehicles for sustained economic growth due to continuous proactive changes based on the results of learning.

It has been argued in the paper that cooperative partnerships have a tendency to build a strong learning environment and therefore exhibit a greater potential to be transformed into learning organizations. It is therefore suggested that the key to improving competitive advantages lies in the ability of companies to form cooperative learning partnerships. A conceptual cooperative partnership learning framework has been outlined comprising a set of hypotheses linking variables designed according to the learning company concept with the individual and partnership performance. By implementing the adaptive and generative organizational learning routines based on the partner's knowledge input partnership members would be able to better challenge the market setup, detect latent needs, provide superior value and more often produce breakthrough innovations with the potential to transform the market. The underlying premise behind the framework is the idea that the partnership field of research requires a broadening of its research domain towards comprising the learning organization philosophy.

2. NETWORKING AND INTER ORGANIZATIONAL LEARNING AS A CORPORATE STRATEGY

Competitive success has been explained as the ability to create and sustain successful market position. This explanation has recently evolved towards the so-called resource based view of the firm. According to this approach strategic success is based on the availability of appropriate resources and capabilities. Many authors (Spekman and Sawhney, 1990; Wood and Gray, 1991; Love and Gunasekaran, 1999) have suggested that manufacturing organizations cannot achieve a long-term competitive advantage without being part of a strategic alliance due to the fact that it is getting harder for

companies to remain self-sufficient in the modern changing environment. That is one of the driving forces behind the increase of various sorts of partnerships as a tool to increase corporate flexibility.

Strategic relationships can provide a number of tangible and intangible benefits. Tangible benefits include achieving economies of scale, gaining access to the benefits of other company's assets, reducing risk by sharing the capital requirements of new product development, generating additional profits, improving market share, gaining access to new markets, accelerating the pace of entry, encouraging sharing of research and development, manufacturing and/or marketing costs, broadening of the product line (cf. Varadjaran and Cunningham, 1995; Beeby and Booth, 2000). Intangible benefits can include learning specific skills and competencies, learning about inter-firm cooperation or simply learning how to learn. The time span over which the benefits are observed may lead to conflicting reports on the nature of benefits obtained. Organizations, which have achieved many intangible benefits, may not have realized the tangible benefits that will eventually flow from the partnership. Alternatively, while some partnerships may have yielded clear tangible benefits, the intangible gains in terms of increased knowledge about the market and new customers may not be obvious at first. The nature of the benefits likely obtained from the partnership depends to a great extent on the partnership motivation, *i.e.* on their separate strategic intent. It is always of benefit to align strategic goals, even though such intent can also be modified as the partnership develops along with the potential benefits observed and the ability and capacity of each partner to achieve those benefits. Many question whether strategic alliances represent a defensive business strategy. This statement may be true if a company is participating in a partnership for the sole purpose of material resource supply. However, if partners engage in the knowledge exchange process partnership formation can be a form of an offensive strategy relative to competitors outside the formation.

Management literature explores interactions between companies or other organizations under the plethora of terms. However, the most common is strategic alliance. A strategic alliance is formed when the value chain between at least two organizations with compatible goal structures are combined for the purpose of sustaining and achieving significant competitive advantages (Bronder and Pritzl, 1992). Strategic alliances can include joint ventures, equity strategic alliances, non-equity strategic alliances, and global strategic alliances, consortia, licensing agreements, offset agreements and any form of cooperation or exchange of resources between two or more partners. The form of the alliance is not of relevance in this paper so to avoid misunderstandings the more general term "partnerships" is used in order to enhance the focus on the process of learning in such formations.

Learning partnerships can be classified according to the *object of transfer*: tacit and/or explicit knowledge. Since tacit knowledge is more difficult to integrate and transfer Grant (1996) implies that only explicit knowledge can be integrated and exchanged through learning networks. Partnerships based on readily encoded or explicit knowledge seem to be more simple relationships. Tacit knowledge is more difficult to manage and represents a more important strategic asset than explicit knowledge. Hamel (1991) states that partnerships entered into for the purpose of internalizing partners'

knowledge, skills and expertise require a far greater extent of cultural fit and mutual trust and commitment and are therefore rare and more difficult to accomplish. When discussing knowledge transfer in general it should be noted that it has greater potentials for success in partnerships that show convergent development than those which show divergent development.

Learning partnerships can also differ according to *subjects*. Learning partnerships can be formed among companies, but they can also include professional societies, academic institutions or other organizations. Overdevest (2004) provided evidence that various joint activities between corporations and non-for-profit groups are on the rise. Cross-sector alliances focusing on environmental issues resulting with a win-win approach for all parties are fairly common (Rondinelli and London, 2003). Such interdisciplinary and multi-sector approach can help optimize various stakeholder interests by joint decision making. Non-for-profit partners can be especially helpful to corporations by offering insights into various social quality standards and providing learning potentials in that field. Such collaborations can result in better implementation of corporate social responsibility principles. Some other opinions should also be mentioned that view partnerships with non-for-profit organizations as symbolic facades attempting to abate rising stakeholder pressures (Sethi, 2003). However, partnerships with non-for-profit organizations can even unintentionally help redesign corporate mental models and infuse elements of social responsibility in their policies and strategic orientations. Non-for-profit organizations can also gain some benefits in terms of new knowledge (Osborne and Gaebler, 1992). They can learn to be more competitive, customer-driven and results-oriented.

No matter which learning partner is selected the relationship should be built on integrity, trust and confidence. External partners can help a company to establish a more effective organizational learning process and therefore become a more effective learning organization. External partners can provide pressure and a sense of urgency and continuity as well as objectivity thus keeping the learning process less political.

Learning partnerships can also be distinguished according to *the nature of the partnership*. Bronder and Pritzl (1992) and Hamel *et al.* (1989) distinguish between collaborative and cooperative alliances. Collaborations refer to short-term partnerships, while co-operations are established for a longer period of time. In a collaborative partnership there is a spirit of competition that operates in them. Partnership parties have clear objectives and are aware that other partner's objectives will affect their success (Morrison and Mezentseff, 1997). Such relationships are a manifestation of interorganizational cooperative strategies aimed at achieving individual and common goals through pooling of resources and skills (Varadjaran and Cunningham, 1995). Hamel *et al.* (1989) suggests that organizations that enter into collaborative alliances are aware that their partners can disarm them. While participating in collaboration partners may try to absorb skills of other parties. However, collaboration does not always provide an opportunity to internalize a partner's skills. A "psychological barrier" (Love and Gunasekaran, 1999) may exist between partners caused by the fear that their partner may out-learn or deskill them, which could undermine their position in the marketplace. Collaboration can therefore lead to competition in both learning new skills and refining organizational capabilities in their products and processes. A

paradox situation can result: collaborations are usually formed with the purpose to reduce the complexity of the environment, while they can cause new dependencies upon partners' skills, which can increase environmental complexity. Increases in complexity can also increase transaction costs, the need to manage bilateral and multilateral relations, and the need to develop new skills.

On the other hand, co-operative alliances are aimed at obtaining mutual goal. Varadjaran and Cunningham (1995) suggest that these relationships are a manifestation of inter-organizational cooperative strategies and as such entail pooling of resources and skills through the cooperation of organizations aiming to achieve common goals, as well as goals specific to individual partners. Since the level of competition is lower, partners may feel more committed to exchange their knowledge and resources. Ketelholm (1993) states that organizations that rely on cooperation have been found to obtain lower costs for as long as they maintain trust - internally among employees and externally among members of their network. Due to their nature, such partnerships exhibit better chances for an effective mutual organizational learning. The type of learning that is encouraged in these relationships is aimed at creating a co-operative environment that encourages sharing of information and experiences to enhance the knowledge of individuals and the organization. This form of partnership should stimulate double loop learning that incorporates a high level evaluation and analysis of information and encourages members of organizations to implement and transfer new knowledge enabling behavioral change. That can enable the continuity of the learning process followed by an effective innovation process. Because of their nature cooperative partnerships represent the more narrow focus of this paper.

3. DEVELOPMENT OF A COOPERATIVE PARTNERSHIP LEARNING FRAMEWORK

Cooperative strategic partnerships encourage partners to commit their resources to the relationship in order to gain from mutual learning (Love and Gunasekaran, 1999). In order to achieve that goal they require a stimulating learning environment, which can encourage an effective transfer of knowledge, reflective learning and knowledge internalization. A strong learning environment is especially important in maintaining individual and joint vision and mission. If companies become dependent on the capabilities of their partners, they may begin to lose competitiveness (Mintzberg et al. 1996). The less reliant partner may begin to pose a threat to other partners by becoming a direct competitor. The learning environment encompassed in the learning framework can prevent such problems by enabling partners to openly reflect their knowledge and information as well as uprising problems and concerns, while retaining the individual vision, as well as joint vision. The learning environment can therefore contribute to a more efficient problem solving as well as more pronounced learning, which would in turn prove beneficial for all parties within as well as outside the partnership.

The empirical work on organizational learning as the most important benefit in partnerships has been limited. Kogut (1988) describes three rationales for collaboration: transaction cost, strategic behavior and organizational learning. His argument supporting the organizational learning approach is based on the problem or

difficulty of transferring tacit knowledge, which is embedded in the organization in the minds of the employees. Tallman and Shenker (1990) also found greater support for organizational learning than for transaction cost theories in explaining the structure of collaborations. Bronder and Pritzl (1992) see learning as the focal tool for future competitiveness in strategic relationships. In their model for successful strategic alliances they addressed learning as a contributor to the prosperity of alliances. This model appears to be one of the few in the strategic alliance literature that address learning. Crossan and Inkpen (1995) have identified that the process of learning in strategic alliances is predominantly the single loop learning. Learning opportunities are also not fully exploited and consistent with initial learning objectives. The most important barrier to learning is considered to be on the individual level where learning opportunities are not exploited because the partnership experience conflicts with the existing set of managerial beliefs.

Organizational learning is best conducted in the learning environment provided by the learning company concept. An interest in learning is concerned with enhancing processes of learning in order to improve individual and collective organizational actions via improved knowledge and understanding (Love and Gunasekaran, 1999). It should be stressed that an interest in learning is different from the learning organization concept. The learning organization concept focuses on the design of organizations to deliberately facilitate the learning of members and therefore improve collective adaptation (Coopy, 1995). Garvin (1993) sees a learning organization as an organization skilled at creating, acquiring and transferring knowledge, and modifying its behavior to reflect new knowledge and insights. That is an organization skilled at systematic problem solving, experimentation with new approaches, learning from their own experience and best practice of others and transferring knowledge quickly and efficiently throughout the organization. In that way learning organization is permanently achieving continuous improvement. Learning company is an organization, which has implemented systems, mechanisms and processes that increase the ability of achieving sustainable competitive advantages based on the results of learning on the individual, team and organizational level, enabling companies to stay alert to changing customers' preferences and providing insight into latent opportunities for product development.

A core dimension of a learning partnership is the learning orientation. Learning orientation involves the overall organizational engagement and reflects the value the company places on promptly responding to environmental changes but also constantly challenging patterns, procedures, systems and mental models that direct the company's relationship with the environment. It is directed at stimulating adaptive and introducing generative learning as corporate core competencies. It accentuates the propensity to generate intelligence and knowledge and ensures its organization-wide understanding and implementation. According to Baker and Sinkula (1999) a learning orientation is conceptualized as a set of values that influence the degree to which an organization is satisfied with its theories in use, mental models, and dominant logic, which may or may not have their base in the marketplace. Companies that are implementing the learning orientation therefore constantly question the implemented procedures, assumptions and courses of action embedded in mental models.

Hamel (1991) has identified three determinants of the learning process within collaborative relationships: intent, transparency and receptivity. Intent refers to the question do companies intend to internalize partner skills or access their partner's skills in order to compensate for their own lack or weakness. Another important prerequisite for the skill transfer is transparency, usually attributed to the transparency of the organizational culture. If organizational culture is transparent, partner's skills are easily accessible and can therefore be internalized more easily. It can be concluded that asymmetric learning contributes to the asymmetric learning. Hamel also identified receptivity as a prerequisite for the skill transfer and described it as an openness of the organization to learning. Hamel claimed that a company can perceive itself as a student or as a teacher. Asymmetric receptivity therefore also leads to asymmetric learning. Even though receptivity can be closely related to the learning intent mentioned above, Cummings and Teng (2003) have later confirmed the importance of receptivity as a determinant for learning. Bearing in mind Hamel's determinants of the learning process a conceptual cooperative partnership learning framework can be designed consisting of three elements: structural prerequisites in terms of a decentralized or network partnership organization, and learning culture and transformational charismatic leadership being developed within partnership members. When building learning partnerships, managers of all partnering entities should carefully revise those building blocks. In order for a learning partnership to function all elements have to become in sync.

Even though the importance of knowledge exchange in collaborations is widely recognized, the process itself is often prevented by all sorts, especially *structural impediments*. In order to stimulate learning based entrepreneurship activities among partners, organizational structures should change to become less monolithic. Knowledge exchange can flourish in an organizational environment with relatively small number of layers, which results in a broader span of control (Ireland *et al.*, 2006). With fewer managerial layers and less formalization, authority and responsibility are decentralized and horizontal or lateral interactions among employees are encouraged. Enhanced lateral interactions enable intense communication and knowledge sharing so proactive entrepreneurial behavior and new ideas can surface at any organizational level. By stimulating knowledge sharing partners also indirectly stimulate the process of new knowledge acquisition *i.e.* individual and organizational learning. In order to further stimulate such behavior work in member companies should be organized around process teams and should not be highly structured. The partnership organization should enable partners to effectively transfer knowledge, skills and resources and openly share and reflect their knowledge and information while retaining the individual and joint vision. This whole process relies on learning mechanisms so the relationship becomes a learning process. This type of organization should enable double loop learning to overcome problems encountered in partnership operations as well as those found in relationships with the environment. This framework element mirrors Hamel's element of receptivity. The following hypothesis can be identified:

H1: Decentralized i.e. network organization of and between member companies is positively related to their knowledge exchange level and consequently to learning based innovativeness or entrepreneurship of member companies leading to improved individual and partnership performance

Knowledge exchange and organizational learning efforts should be embedded in the *learning culture*. Learning culture strongly supports entrepreneurial endeavors of member companies because it places great value on risk taking, change and learning based innovation. A learning organization culture nurtures and encourages leadership, creativity, empowerment and participation, continuous improvement and learning. It places high importance on empowerment and team work while stimulating excellence in all efforts. Open communication flows enable constant team debates emphasizing balanced individual-collective approach with the purpose of creating an entrepreneurial mindset. When adopting an entrepreneurial mindset, organizational actors increase their ability to sense opportunities and mobilize the resources and knowledge required to exploit them. The principle role of the culture in a cooperative learning alliance is to create an overall organizational attitude that encourages knowledge sharing and learning at all levels. The idea is to create such a culture where mistakes are viewed as learning opportunities in an environment of openness, honesty and trust. A learning partnership culture should embed a systemic perspective. System thinking is a very powerful tool to facilitate organizational learning. Partnerships should nourish a systemic focus and implement strategies that generate a holistic view of the partnership. This involves the ability to see connections between issues, events and information as a whole or as patterns, rather than a series of unconnected parts (Morrison and Mezentseff, 1997). System thinking involves adopting a holistic approach to problem solving by focusing on trying to understand how relevant factors collectively interact to produce and solve the problem. This framework element mirrors Hamel's element of transparency.

H2: Learning culture of member companies is positively related to knowledge exchange and organizational learning and consequently to learning based innovativeness or entrepreneurship of member companies leading to improved individual and partnership performance

Partnership managers acting as entrepreneurs should reflect the attributes of *transformational and charismatic leadership* (George and Jones, 2005). As charismatic leaders, entrepreneurs envision the desired reality and have the ability to communicate it to their partners and associates thereby conveying enthusiasm and proactive behavior. However, since entrepreneurship is fundamentally about changing the current reality, entrepreneurs as leaders should also exhibit strong transformational orientation based on a specific vision that should become a common vision in coordination with partners and associates. There is currently broad consensus on the idea that the transformational leadership style is more likely to encourage organizational learning and innovativeness than transactional styles (Garcia-Morales *et al.*, 2006). The presence of transformational leadership capability has been described as one of the most important ways to develop organizational learning (Slater and Narver, 1995; Wick and Leon, 1995). A transformational leader acts as a catalyst and facilitator of change, a designer, and mentor and servant to the organizational shared vision and employees. Transformational leaders in a learning partnership environment are therefore responsible for developing a context that legitimates knowledge exchange, organizational learning and therefore innovative entrepreneurial behavior. The servant leadership is important in partnerships because the leader's activities operate on two levels: stewardship for the individuals who compose the network and stewardship for

the larger purpose or mission that underlies the partnership. Leadership commitment to the vision of a learning organization guides the partnership towards transformational learning. Transformational leaders should constantly monitor alliance information channels and knowledge networks as well as work on its extending.

The most important task of transformational leaders is to facilitate the alliance mental model transformations. Mental modes relate to deeply-held assumptions, images and generalizations that influence how people understand the world and the actions they take (see: Senge, 1990). Examination and transformation of mental models is especially important in the process of establishing partnerships. Partnership success highly depends upon the joint examination, modification and synchronization of individual mental models. This process results with a great amount of knowledge on each other's goals, strategies, policies etc., but also contributes to the construction of the most appropriate and suitable culture. This process is also very beneficial as it shows organizational and partnership members how mental models are created and more importantly how they can be changed. Mental model redesign is highly dependant upon the quality of information channels, which is the responsibility of managers and leaders. Their responsibility is also the design of reward and incentive systems that encourage the questioning of mental model foundations, learning, knowledge exchange and its implementation. This framework element mirrors Hamel's element of intent.

H3: Transformative learning leadership is positively related to knowledge exchange and organizational learning and consequently to learning based innovativeness or entrepreneurship of member companies leading to improved individual and partnership performance

What has been missing in partnership models so far is an explicit analysis of interorganizational networks for sustainable management as emerging learning organizations. The framework presented in this paper is a means of achieving a long-term, sustainable cooperative partnership. It identifies elements needed for the movement towards becoming a learning partnership with higher levels of mutual trust and respect, which can improve the sustainability of the relationship. The framework can also find its application in the existing strategic partnerships and allow partners to evaluate the current nature of the formed relationship and determine what modifications need to be done suggested by the framework that can contribute to meeting the partnership objectives more effectively. It is a conceptual framework so empirical research will be needed to determine its applicability and validity.

4. DEVELOPMENT POSSIBILITIES OF COOPERATIVE BUSINESS PARTNERSHIPS: LESSONS FOR CROATIA

Public policy created especially for business relationships in many countries is often non existent. In order to regulate this field, antitrust policy or competitive guidelines developed for cases of mergers and acquisitions are usually applied. This approach is however not suitable since partnerships in general do not reduce the number of competitors as seen in cases of mergers and acquisitions. Such approach also demonstrates the regulators' lack of understanding of potential social and economic benefits which can result in the process of resource pooling and combined value

creation. However, in areas where potential benefits of partnerships are more thoroughly understood public policy regulators encourage their formation in the hope of promoting regional economic development. This is especially true in cases where collaborations are more likely to comprise small firms and help them gain access to skills and resources and therefore develop competencies necessary to overcome weaknesses and act more competitively in the regional but also global market place or in other words to internationalize their business.

It should also be mentioned that some companies, realizing the importance of knowledge, enter partnerships with the intent to concentrate resources but also gain knowledge. However, the knowledge and skill portfolio is not always very transparent so the process of learning is disabled in the start. Reasons for that can vary. In some cases organizational culture and leadership can be blamed, while in some other cases the existing knowledge is not made transparent because of the fear of losing the competitive edge over partners. Even though it can be debated if the knowledge exchange can alter the relationship between partners towards a more competitive position, instead of a cooperative one it is well known that the value of information and knowledge is multiplied when they are shared. In that sense the role of the public policy makers should also be aimed at raising awareness of knowledge sharing as a way of gaining competitive advantages for all partners.

EU regional policy can be distinguished on several tiers, from country level micro interventions to high level macro EU policy (<http://www.btre.gov.au>). EU regional policy is based on a philosophy of equalizing the performance of regions by raising the performance of the weakest regions (principle of economic convergence). It is also focused on promoting social cohesion and sustainable development. Regional planning is viewed as a tool to offset economic and social disparities between regions, which would in turn facilitate the politician cohesion and socio-economic unity of EU member states. The evolution of EU regional development policies has produced three distinct generations of policies (Armstrong and Taylor, 2000). The third and current generation recognizes that regions just like companies compete against each other. Policies can therefore no longer be exclusively local, but must take into account the position of territorial production systems within sectoral and global contexts. This generation policy focuses on territorial rather than sectoral development. Besides stimulating complementary investments in support systems, it is aimed at encouraging companies to develop strategic alliances and facilitating horizontal and vertical coordination and learning between actors. The goal of this policy is to ameliorate regional disparities made increasingly complex by the integration of Central and Eastern European states with weaker performance. EU policy directed at regions is however targeted at stimulating the growth of SMEs and development of social capital to help local communities capitalize on territorial comparative advantage. These goals would be achieved through provision of institutional arrangements, structural funds and regional development programs. Partnerships are promoted across tiers of government and between public and private stakeholders. This is facilitated through regulation and administrative arrangements that require networking, public and private commitment to local strategies and cross-tier co-financing.

The aim of this paper is however not to discuss the content and quality of EU policy programs but to contribute to the implementation of the third generation policy by providing an effective framework for facilitating strategic partnerships and learning between partners leading to increased pace of European regional development in terms of raising performance and opening up unrealized market opportunities. By intensifying learning and sharing knowledge and experience, these partnerships would enable companies but also regions to develop new solutions to economic, social and environmental challenges. The benefits from leveling of regional performance should include real economic gain for all regions, and improved social and political cohesion across the EU. The goals of this paper are therefore in accordance with the current European political and economic approach.

The importance of cooperation instead of dominant competition has been recently recognized in the Croatian business world. It has been recognized that a strong corporative development often cannot be realized on one's own. It is believed that a higher rate of growth can be achieved in various forms of partnerships by achieving complementary specialization, especially in realization of complex projects, in comparison with fusions, acquisitions or organic growth. Industrial and service companies, small and medium sized increasingly achieve their competitive advantage on the basis of strategic partnerships. The formation of clusters as a form of sector, vertical and horizontal business associations is on the rise in the business area of the Republic of Croatia. The process is still relatively novel since the majority of clusters have been formed since 2006, probably provoked by incentives provided by the national government institutions. Dominant objectives behind cluster formation were joint market access and joint marketing approach, cited in 84% and 72% of cases respectively. Joint investment in research and development, employee education and supply cost reduction were also very common cluster goals, cited in 50 to 70% of cases (<http://www.inkubator.hr/novosti/novosti/novo-istrazivanje-klasteri-u-republici-hrvatskoj-2009.html>). 48% of surveyed clusters were active in the manufacturing industry, while other most striking sectors for cluster formation were tourism, agriculture and IT, noted in 20 to 30% of cases. According to data on joint activities, the most common activity was information exchange, present in all surveyed clusters, followed by joint marketing present in 84% of cases and lobbying, identified in 80% of clusters. Joint education of member companies' employees, the existence of joint visual identity, joint market and fair access were also very common, cited in 64 to 72% of cases. On the other hand, joint supply and distribution and establishment of foreign branch offices were found very rarely. However, those were the very activities that clusters have planned for their future activities. The satisfaction perception of member companies with previously executed activities showed that joint research and development and lobbying were activities that still have not fulfilled member expectations. However, member companies were most satisfied with joint fare access and information exchange within a cluster.

Knowledge on the benefits and potentials of partnerships can prove as invaluable for governments of small countries such as Croatia. Having in mind possible and expected benefits of partnerships it is advisable that public policy makers, especially those in countries with small domestic markets such as Croatia support and stimulate such arrangements as one of the options to boost economic growth. It is advised that such

governments promote the formation of partnerships more eagerly and support them through stimulations of financial nature, as well as with information and know how. An example of collaborative formation can also be clusters. Even though clusters have been formed lately in Croatia, none of the participants identified the learning intent as a motive for their membership. For many it was not even a secondary consideration. However, management awareness of companies entering partnerships can be raised towards the importance of learning even when such intent was not outlined when partnership was formed. Public policy makers can play a major role in raising such awareness. It is quite possible that companies do not take advantage of opportunities to develop skills and competencies through partnerships because they lack awareness of the potential of such a possibility.

However, it is important to note that knowledge exchange between partners should not represent the end of the process. In order to learn and truly form a learning organization as well as a learning partnership the knowledge gained should be internalized. Only when and if the acquired knowledge is internalized companies can move from the position of merely compensating for absent skills rather than gaining new knowledge and closing their skill gaps. Without extensive knowledge exchange and internalization participation in partnerships cannot reduce the dependence of member companies on their partners and leverage that knowledge outside the partnership. Since the intent for learning is absent in the majority of partnerships, it can be concluded that this factor takes precedence over other determinants of learning in partnerships.

5. CONCLUSIONS AND MANAGERIAL IMPLICATIONS

Many companies enter various kinds of alliances with the anticipation to learn from their partners' wealth as a primary goal or as a derivative of other objectives. Learning is a process of acquiring new insight that leads to behavior reassessment and modification. Learning and continuous improvement are so closely related that learning is the foundation but also the result of every improvement process. It is proposed that a cooperative learning environment can enable the success of strategic partnerships in the long run and effectively fulfill the individual and common objectives. It has been argued in the paper that cooperative partnerships have a tendency to build a strong learning environment and therefore exhibit a greater potential to be transformed into learning organizations. It is therefore suggested that the key to improving competitive advantages lies in the ability of companies to form cooperative learning partnerships. A learning environment stimulating reflection and mutual learning as well as effective knowledge transfer within cooperative strategic partnerships will serve as a mechanism for achieving competitive advantage. Social networks in terms of learning partnerships are an important prerequisite for regional economic development in terms of building corporate capabilities through the process of learning.

Gargiulo and Benassi's results (2000) suggest that over time a cohesive network may eventually hurt a manager's ability to enter and promote new cooperative relationships involving partners outside the network. Strong bonds that are developed over time create mutual understanding and trust and also serve as a filter for information, perspectives and perception, resulting in a "cognitive lock-in". Due to concerns about

the loss of reputation and possible sanctions, a partner for whom the relationship brings no added value, may lack the initiative to terminate the relationship causing the “relationship inertia”. Organizations can therefore realize performance benefits when their members repeatedly adapt the configuration of their social capital to changing resource needs (Maurer and Ebers, 2006). It is important to stress that the learning environment, especially the constant process of mental model questioning and redesign may prevent damaging partnership lock-ins, often encountered in the practice. Constant mental model reassessment naturally occurring at all levels of the learning organization based partnerships can therefore prevent inertia by preventing the occurrence of two inertial forces – relational lock-in and cognitive lock-in. That fact represents the final argument why it is important to further study and practically develop partnerships as learning organizations.

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COOPERATIVE LEARNING BUSINESS PARTNERSHIPS AND KNOWLEDGE NETWORKS

ABSTRACT

Industrial and service companies increasingly achieve their competitive advantages on the basis of strategic partnerships. The general assertion in the article is that the quality and effectiveness of implemented changes is higher in the cases when such modifications are being implemented through the process of learning achieved through partnerships. It has been argued in the paper that cooperative partnerships have a tendency to build a strong learning environment and therefore exhibit a greater potential to be transformed into learning organizations. It is therefore suggested that the key to improving competitive advantages lies in the ability of companies to form cooperative learning partnerships. On the basis of defining features of the learning orientation and the learning company philosophy a conceptual cooperative partnership learning framework has been outlined comprising a set of hypotheses linking variables designed according to the learning company concept with the individual and partnership performance. Learning partnerships are therefore viewed as an important prerequisite for regional economic development.

Keywords: learning company, organizational learning, cooperation, partnership

JEL classification: D74, D83

CONCLUSION

Many companies enter various kinds of alliances with the anticipation to learn from their partners' weather as a primary goal or as a derivative of other objectives. Learning is a process of acquiring new insight that leads to behavior reassessment and modification. Learning and continuous improvement are so closely related that learning is the foundation but also the result of every improvement process. It is proposed that a cooperative learning environment can enable the success of strategic partnerships in the long run and effectively fulfill the individual and common objectives. It has been argued in the paper that cooperative partnerships have a tendency to build a strong learning environment and therefore exhibit a greater potential to be transformed into learning organizations. It is therefore suggested that the key to improving competitive advantages lies in the ability of companies to form cooperative learning partnerships. A

learning environment stimulating reflection and mutual learning as well as effective knowledge transfer within cooperative strategic partnerships will serve as a mechanism for achieving competitive advantage. Social networks in terms of learning partnerships are an important prerequisite for regional economic development in terms of building corporate capabilities through the process of learning.

Gargiulo and Benassi's results (2000) suggest that over time a cohesive network may eventually hurt a manager's ability to enter and promote new cooperative relationships involving partners outside the network. Strong bonds that are developed over time create mutual understanding and trust and also serve as a filter for information, perspectives and perception, resulting in a "cognitive lock-in". Due to concerns about the loss of reputation and possible sanctions, a partner for whom the relationship brings no added value, may lack the initiative to terminate the relationship causing the "relationship inertia". Organizations can therefore realize performance benefits when their members repeatedly adapt the configuration of their social capital to changing resource needs (Maurer and Ebers, 2006). It is important to stress that the learning environment, especially the constant process of mental model questioning and redesign may prevent damaging partnership lock-ins, often encountered in the practice. Constant mental model reassessment naturally occurring at all levels of the learning organization based partnerships can therefore prevent inertia by preventing the occurrence of two inertial forces – relational lock-in and cognitive lock-in. That fact represents the final argument why it is important to further study and practically develop partnerships as learning organizations.