

ORGANISATIONAL CORE COMPETENCIES AND THEIR INFLUENCE ON STRATEGIC PARTNERING IN REGISTERED SOCIAL LANDLORDS (RSLs).

Charles Egbu and Paul Bernard

School of the Built Environment, Leeds Metropolitan University, Leeds LS2 8BU, UK

The paper presents some findings of a preliminary investigation into the influence of organisational core competencies on strategic partnering in Registered Social Landlords (RSLs). 'Registered Social Landlords' was a term introduced in 1996 by the then Conservative Government to reflect all those that are associated with the provision of social housing in the UK (e.g. Housing Associations, Housing Trust and other providers of social housing) and registered and regulated by the Housing Corporation. The public sector housing expenditure for RSLs (through the Housing Corporation) represented £633m in 1997/98, which is equivalent to 37,000 dwellings. Of the £58bn output of the UK construction industry, about 10% of the GDP, RSLs social housing represents 1.2% of this output. Social housing is therefore a relatively large sector of public procurement in building work with a major opportunity for diffusing innovation. The last 3 years have also seen much emphasis levelled at strategic partnering from many quarters, including the DETR and the Egan Report, as yielding improvements and adding value in the provision of social housing. There is also an increasing acceptance that organisational core competencies are intangible assets that can create market leverage. They refer to the ability of an organisation to have resources that are utilised and integrated in such a way that is rare and difficult to copy. This study adopted a combination of research strategies, which included, *inter alia*, semi-structured interviews with 11 Directors from different RSLs, analysis of 30 usable postal questionnaires, analysis of company data and statistics and reports relating to the activities of the RSLs in the last 3 years. The paper examines the nature of organisational core competencies within RSLs and the extent to which they influence strategic partnering. The findings of the study reveal that, like many organisations in different industrial settings, many RSLs have a range of core competencies, which provides them with competitive advantage. This supports the works of Prahalad and Hamel (1990), Teece and Pisano (1994) and Woodall and Winstanley (1998) on "core competencies" and the 'dynamic capabilities' of firms. In relation to strategic partnering within RSLs, the 'Delivery of teamwork training' and the "Delivery of procurement advice on housing provision" were perceived to be the two most important core competencies which influence successful strategic partnering. In addition, the building and maintaining of core competencies are important to how an RSL may position itself in the social housing sector for the long term.

Keywords: organisational core competencies, social housing, strategic partnering, competitive advantage

INTRODUCTION

The social housing sector within the UK construction industry is currently undergoing rapid change. The UK government, through the Department of Environment, Transport and the Regions (DETR), have policy for all sponsoring departments such as Housing Corporations, to fully implement the principles set out in the Egan (1998)

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Report, within the next four years. For an RSL, this means becoming 'Egan compliant'. The Housing Corporation has set targets for the achievement of full Egan compliance by the funding year 2003/2004. The Egan principles hinge upon the organisation (e.g. an RSL) being committed to continuously improving construction process such as procurement. The principles are based on nine proxies - five drivers of change and four priorities for change. The five drivers for change are: a focus on the customer, a quality driven agenda, committed leadership, integrated processes and teams and committed people. The four priorities for change are product development, project implementation, partnering within the supply chain and production of components. The Egan report specifically targets the house building sector and in particular, social house building. The Report alludes to the likely benefits that could accrue to the social house building sector and the construction industry in general, through the effective implementation of partnering strategies.

'Tools' for tackling fragmentation in construction such as partnering, framework agreements and alliances are now becoming increasingly used by 'best practice firms' and innovative construction organisations in place of traditional contract-based procurement (Egbu et al, 1998). It is arguable that an RSL's strategic partnering choice may depend on devising a partnering strategy – one which matches its organisational activities and capabilities to the environments in which it aims to operate.

In the main, strategic management theories suggest that the strategic decisions taken with the aim of attaining a competitive advantage (e.g. through successful strategic partnering) should be based on a strategic analysis of what organisational resources would be needed, and what resources are actually available to the organisation. It could be argued, therefore, that the aim of strategic analysis is to attain a strategic fit of resources, which is useful in attaining a competitive advantage (Johnston and Scholes, 1999).

The area of organisational core competencies and their role in competitive advantage has received increased coverage in the last decade in both the strategic management and the general management literature (Prahalad and Hamel, 1990; Teece and Pisano, 1994; Leonard-Barton, 1995). Similarly, a growing amount of interest is given to strategic partnering (Bresnen and Marshall, 1998; Bennett and Jayes, 1998; Barlow *et al*, 1997). However, in the authors' opinion, there has been little or no empirical study that has attempted to explore the influence that organisational core competencies may have on strategic partnering in relation to RSLs.

METHODOLOGY

This paper is based on a preliminary study (Bernard, 2000) conducted on Registered Social Landlords between 1999 and 2000. The study sets out to shed some light on four main objectives. These were:

- To investigate organisational core competencies in RSLs
- To examine the level of use of strategic partnering in RSLs
- To explore the factors that contribute to successful strategic partnering within RSLs
- To investigate the role of training associated with team working in successful strategic partnering within RSLs.

In this paper, attention is focused on the first objective. A combination of research strategies was adopted for the study. This included structured postal questionnaires, structured interviews and a thorough review of the relevant literature on partnering, core competencies and strategic management. In the main, thirty-three (33) usable questionnaires and eleven (11) structured interviews, targeted mainly at Development Directors and those responsible for procurement development in RSLs, provided the quantitative and qualitative data for the study. With ninety percent of an estimated 2400 RSLs in UK residing within England, the study focused on the large RSLs that are based in England, many of which have national coverage, operating across more than one region.

REGISTERED SOCIAL LANDLORDS – AN OVERVIEW OF THEIR IMPORTANCE IN THE HOUSING SECTOR AND IN THE CONSTRUCTION INDUSTRY

The term 'Registered Social Landlords' (RSL) was introduced in 1996 to embrace several organisations in order to widen the scope of the organisations eligible for government funding for social housing development. These include charitable and non-charitable organisations – both independent and private, housing trusts and charities, housing co-operatives, almshouses, housing societies, and housing companies (Malpass, 1999). Most housing is commissioned and or/procured by two major clients – local authorities and RSLs. In the UK, there are over two and a half thousand RSLs, and they are mostly in England. An RSL has to be registered with the Housing Corporation [England, Scottish Homes, or Tai Cymru (Housing for Wales)]. These are the non-departmental public (funding) bodies responsible for regulating and making grants to RSLs. Registered Social Landlords (RSLs) are only eligible to receive Housing Grants if they are registered (Standards in Public Life, Lord Nolan, 1996).

Most RSLs are non-profit making organisations that are overseen by voluntary committees. Many have also emerged over the last thirty years because of available government funding by grants and an instigation of local authorities to hand-over tenanted housing stock. In England, there exist about 20.5 million dwellings or social homes, housing almost 50 million people. These types of homes consist of houses, flats and bed-sits.

The importance of RSLs can be seen in their increasing growth as owners and developers of social housing. Thus, in terms of publicly owned and managed social housing, 317 local authorities hold 3.6 million dwellings (18% of the 20.5 million), whilst 2,200 RSLs (registered with the Housing Corporation in 1995) hold one million dwellings (5% of the 20.5 million). Local authority dwellings of some 250,000 have been handed over to RSLs since 1988, governed by the large-scale voluntary transfer programme (DETR, 1999). In 1979, housing associations built only 16,000 new dwellings in England (8% of the total built), whilst local authorities built 75,000 or 39%. But by 1997, RSLs built 21,000 or 15% of totally new built dwellings; whilst local authorities only built 200 or 1% of all new built dwellings (DETR – Housing Key Facts, 1999). Thus, within a 20-year span, there has been a reverse in position of the provider of most of social housing in England. This dramatic shift in who provides public social housing meant that the expenditure by RSLs (through the Housing Corporation) represented £673 million in 1997/98, which is equivalent to 37,000 dwellings.

Of the £58 billion output of the construction industry (or 10% of GDP), RSLs social housing represents 1.2% of this output (DETR- Housing Key Facts, 1999; Egan, 1998). Such changes to the expenditure and building of public social housing have highlighted the increasing importance of RSLs, as they have become the main providers of 'new' public social housing (affordable rent, through government subsidies/housing benefits).

From the above discourse, it is therefore not surprising of the impact that the social housing sector could have on the construction industry. In recent years, this has led to increasing comments and growing concerns as to how to improve productivity and efficiency levels in construction through targeting the housing sector. Productivity improvements in the construction industry are seen to be available in the social housing sector – via strategic partnering (Egan, 1998). Social housing is a relatively large sector of public procurement in building work with 'relatively major opportunity for diffusing innovation (Egan, 1998)

REGISTERED SOCIAL LANDLORDS – PROCUREMENT AND STRATEGIC PARTNERING

According to Goodchild and Chamberlain (1999), procurement is a process through which an RSL can obtain construction services, and it is the backbone of the development process of social housing in the UK. For most organisations, strategic decisions are made in their search for effective positioning when striving for competitive advantage in the market place (Johnson and Scholes, 1999). Thus, in search of this effective position, an RSL may take the strategic decision (i.e. develop strategic network or utilise its organisational core competencies) to try and increase its use of strategic partners. The strategic decision taken may influence the procurement choice of an RSL and influence the level of use of strategic partnering. A procurement option for developing and constructing social housing can relate to the extent to which the strategic partner(s) assumes responsibility for the design work and whether the price of the contract is determined via negotiation or competitive tendering. An RSL as a client will need to decide on how much risk it is prepared to accept. Inexperienced RSL will need to acquire procurement advice. Procurement by RSLs is widely perceived to be central to any strategy aimed at reducing the cost of social housing in the public sector (Goodchild and Chamberlain, 1999).

The information from the interviews suggests that strategic partnering is on the increase. This is fuelled by DETR's support for partnering, the need for RSLs to be Egan compliant as well as the move from Compulsory Competitive Tendering (CCT) to Best Value in local authorities. RSLs increasingly have to do business with local authorities. Best Value became law in the UK in April 2000. In the study, it was also noted that trust and mutual understanding are two fundamental factors needed to acquire and progress on strategic partnering. Successful strategic partnering, however, will depend on the extent to which these factors exist, and continue to exist, within partnering relationships. The extent of trust and mutual understanding will also depend on other influential factors. These include the culture, structure of the RSL, and the chosen channels or medium of communication. Such intervening and influential factors are, in the main, not developed independent.

THE INFLUENCE OF ORGANISATIONAL CORE COMPETENCIES ON STRATEGIC PARTNERING IN RSLs

In a changing and competitive environment, an organisation will seek to maintain a competitive advantage in order to survive and remain profitable. The last decade has seen a great deal of emphasis levelled at core competencies (Prahalad and Hamel, 1990) and their role in providing competitive advantage to organisations. Other similar terms to core competencies include strategic capabilities, distinctive competencies, strategic assets, dynamic capabilities and core capabilities. According to Teece and Pisano (1994), core competencies are ‘a set of differentiated skills, complementary assets and routines that provide the basis for an organisation’s competitive capacities and sustainable advantage in a particular business’. For Winterschild (1994), core competencies in an organisational context mean ‘the specific tangible and intangible assets of the firm assembled into integrated clusters, which span individuals and groups to enable distinctive activities to be performed’. In this paper, our concept of core competencies is biased towards a resource-based view of an organisation. According to Prahalad and Hamel (1990), the common attributes associated with core competencies include uniqueness to the organisation, they are sustainable because they are hard to copy or imitate, they are partly the product of learning, and they are generic because they are incorporated into a number of products and/or processes.

It is surely the case that an important, and indeed necessary, part of the journey of strategy making is for any management team within an organisation to reflect upon the organisation’s competencies, which are ‘distinctive’. Porter's (1980) frameworks on strategy and competitive advantage and those of Teece and Pisano (1994) on the dynamic capabilities of firms are well known. According to Porter, the goal of competitive strategy is to find a position in an industry where a firm can best defend itself against competitive forces [relations with suppliers, relations with buyers, new entrants, substitute products, and rivalry amongst established firms] or can influence them in its favour. Teece and Pisano's (1994) views on the dynamic capabilities of the firm take account of the 'implementation' stage of a strategy, and the capabilities of organisations learning and changing in response to new and often unforeseen threats and opportunities. This gives due recognition to competitive markets, firm's specific technologies and organisational practices.

In the study on which this paper is based a host of organisational competencies within RSLs was obtained from the interviews conducted. These included, the varied knowledge and expertise of staff, the ability to react quickly to clients’ need and expectations, and effective collaboration through internal and external networks and linkages (e.g. strong links with local subcontractors and suppliers).

The importance of collaboration to corporate success, and in building organisational capabilities is well cited in the general literature on innovation. For example, Ross and Krogh (1996) identify networks as key resources for knowledge building, information and language sharing and in the building of shared meanings. Leonard-Barton (1995) also suggests that core capabilities are built through a knowledge building process which is clustered around four learning styles [present problem solving, future experimenting and prototyping, internal implementing and integrating, and external importing of knowledge. Grant (1995) sees resources and capabilities as key to strategic advantage and notes that organisations must build and maintain capabilities if they are to innovate, survive and remain in business. For Teece (1986), an important

capability is the expertise to manage internal and external organisational complementary resources. In considering the importance of co-operation, Alter and Hague (1993) also inform us of the need for adaptive efficiency and role boundary spanning when dealing with the different types of organisational co-operation and collaboration.

However, the two main organisational competences that came out from the interviews in the study and which related to procurement were:

- The delivery of procurement advice
- Delivery of teamwork training in relation to strategic partnering

At face value, the area (place of origin) of business where the two distinctive core competencies lie is not really unique. Indeed, it is to be expected. However, what is unique is the way that they are put together to give a competitive advantage in the carrying out of day-to-day strategic partnering activities.

In the study, the respondents to the questionnaire were asked if it was their company policy that procurement advice is given to strategic partners. Seventy-five percent (75%) voted yes, that it was the case. Similarly, 70% of the Directors/Development Managers of organisations that were interviewed gave a similar viewpoint. These results show the level of importance, which RSLs give to the delivery of procurement advice to strategic partners. In the delivery of procurement advice, the real advantage or cutting edge comes from the mode of delivery of advice, the ease of delivery of the advice, the quality of advice, the speed and the timeliness of the advice given.

The role of the Development Manager within RSLs is prominent in terms of procurement and the given of procurement advice. The information gleaned from the interviews suggests that the most frequently used modes for communicating procurement advice, in order of citation by respondents, are:

- Face to face meetings
- Telephone
- Fax
- Internet (E-mail based medium)

RSLs who are able to provide quality, speedy and timely procurement advice through an appropriate medium are likely to be better placed to forge better and longer relationships with current and potential partners.

The study also sought to elicit the views of respondents as to whether teamwork was perceived to be important (essential ingredient) to strategic partnering success. All those who responded to the postal questionnaire strongly agreed or agreed that that teamwork was essential to partnering success. Similarly, 96% of those interviewed were of the same opinion. The views of the respondents on the importance of team working to strategic partnering lend support to the works of Bresnen and Marshall (2000, 1998); Bennett and Jayes (1998) and Barlow *et al* (1997). Teamwork training provides the opportunity for partners to understand each other's processes, systems and culture. This is important for the smooth running of the partnering arrangement. Team working also provides the opportunity to understand the nature and type of procurement advice that is likely to be needed by one or more of the partners and the most appropriate mode for the deliver of any such advice. In this regard, the type, nature, quality, extent of teamwork training and the number of staff trained is what

actually provides the advantage to an RSL. In this study, although all are in agreement of the importance of training for team working, only half of the respondents to the questionnaire have trained 50% or more of their 'key' staff.

The fundamental need for mutual trust and understanding of goals requires a high level of communication between RSL's Development Managers and staff who are in contact with their strategic partners. It could be argued that high levels of communication can keep problems from growing into disputes and encourages problem solving. Teamwork is seen as a necessary factor in the route to building trust (Belbin, 1981). An ability to know when to deliver teamwork training at the right time and to the right persons will greatly assist strategic partnering success.

The effective exploitation of core competencies, as suggested by Prahalad and Hamel (1990), hinge on the view that they involve 'collective learning within the organisation'. Thus, success of strategic partnering for an RSL will rely on the collective learning attained from its core competencies, i.e. the delivery of procurement advice and delivery of teamwork training.

The building and maintaining of core competencies is important to how an RSL may position itself in the social housing sector for the long term.

CONCLUSIONS AND RECOMMENDATIONS

Strategic partnering as a means of procuring services by RSLs is on the increase. This is fuelled by the government's support on partnering relationships as well as the need for RSLs to be Egan compliant.

Like many organisations in different industrial settings, many RSLs have a range of core competencies, which provide them with competitive advantage. These include the varied knowledge and expertise of staff, the ability to react quickly to clients' need and expectations, and effective collaboration through internal and external networks and linkages (e.g. strong links with local subcontractors and suppliers). This therefore lends support to the works of Prahalad and Hamel (1990) and Teece and Pisano (1994) and Woodall and Winstanley (1998) on "core competencies".

As far as strategic partnering within RSLs is concerned, the delivery of teamwork training and the delivery of procurement advice on housing provision' were perceived to be the two most important organisational core competencies.

There is a general agreement by RSLs that teamwork training is an important ingredient for successful strategic partnering. Teamwork training should commence between RSL staff and strategic partners before the project commences – the aim being to align values and beliefs. This also has the benefit of improving the much needed mutual trust and understanding between partners.

The building and maintaining of core competencies are important to how an RSL may position itself in the social housing sector for the long term. RSLs should therefore give due cognisance to the importance of developing a strategy for assessing the future use of its organisational competencies.

If RSLs are to build and maintain capability, they have to change their culture to an embracing and sharing one. The issue of trust is important in this context. RSLs and the social housing sector will need to invest in long-term relationships. They will also need to establish effective mechanisms to enable them to learn from each project and transfer knowledge from project to organisational base.

This paper has been based on a preliminary study on RSLs. Due to the increasing importance of the RSLs in the provision of social housing and in their potential to disseminate innovation and best practices widely in construction, it is recommended that a detailed study be conducted. This should have a strategic partnering perspective and investigate the main mechanisms, which RSLs (especially the profit making RSLs) put in place to exploit their core competencies. Such a study could also investigate the role of organisational structure, culture, training and education and government intervention on the building and exploitation of core dynamic competencies by RSLs.

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