

Tensions: a challenge to governance and cross-sector partnership survival

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Summary

In the UK the delivery of public services has changed over the last 25 years. This role has moved from the public sector to one where organisations from the third sector (TSOs) are involved through cross-sector partnerships. Bringing together organisations and individuals with societal and state values intensifies a tension and potential conflict between participants in how they coordinate and monitor their activities to deliver a coherent public service together. In this paper a conceptualisation of governance in cross-sector partnerships is introduced. This is used to show how tensions may be understood through highlighting who tensions are between, what activities are being used to govern tensions and how tensions exist. This aims to extend explanations of why tensions are a challenge in partnerships, why governance in partnerships is seen as complex and ambiguous, and partnership outcomes are less than expected.

Tensions: a challenge to governance and cross-sector partnership survival

Introduction

In the UK the delivery of public services has changed over the last 25 years. This role has moved from the public sector to one where organisations from the third sector (TSOs) are involved through cross-sector partnerships. Bringing together organisations and individuals with societal and state values intensifies a tension and potential conflict between participants in how they coordinate and monitor their activities to deliver a coherent public service together. Organisational and partnership roles and accountability may be disjointed or conflict. This leads to questions about partnership performance and survival. In particular, how do participants take into account both organisational and partnership governance? How do they balance these competing positions and subsequent tensions? How does a partnership survive?

There are a variety of tensions highlighted in literature on governance and on inter-organisational entities. Tensions describe conflicting, contradictory or competing positions that participants face. The elements behind tensions are numerous and varied. They appear through formal and informal structures and processes, from organisational and partnership perspectives, and may change over time. Ultimately, tensions need to be addressed to ensure the continuation and survival of a partnership (Connelly et al., 2006; Das & Teng, 2000).

These inherent tensions highlight why many inter-organisational collaborations fail to be mutually successful (Gray, 1998; Hardy et al., 2005) or meet participants' expectations (Connelly et al., 2006; Killing, 1982; Ring & Van de Ven, 1989). Tensions are connected to partnership performance and directly impact on those who carry out governance activities. For example, participants are encouraged to consider both control and trust (Das & Teng, 2001) and formal and informal governance mechanisms (Bryson et al., 2006).

Governance is complex yet it has a number of features that characterise how it is carried out in this context. Governance describes the means to direct, control and coordinate activities in line with an entity's purpose and accountability. In inter-organisational partnerships, governance has various dimensions of structural complexity (Huxham, 2000), involves different approaches to governing exchanges (Ring & Van de Ven, 1992) and collective decision making at multiple levels (Stone et al., 2010). Organisations and a partnership have competing governance structures and processes. Accountability becomes more ambiguous (Huxham & Vangen, 2005) as partnership governance is more likely to occur through horizontal interactions (Kooiman, 2010) and change over time (Stone et al., 2010).

Participants are faced with a number of tensions in carrying out governance in inter-organisational entities (Provan & Kenis, 2008; Saz-Carranza & Ospina, 2010; Vangen & Huxham, 2010). The emergence of tensions, poor partnership performance and need for governance reflects current academic interest on governance and performance in inter-organisational entities (Aggarwal et al., 2011; Alvarez et al., 2010; Provan & Kenis, 2008; Saz-Carranza & Ospina, 2010; Stone et al., 2010).

The main questions underlying this research are:

- What challenges do tensions present to governance of cross-sector partnerships?

- How do participants address tensions to sustain and govern a partnership?
- What helps and hinders participants in addressing tensions?

In this paper a conceptualisation of governance in cross-sector partnerships is introduced. This centres on the partnership as the unit of analysis. It is described in four parts. First, tensions are presented to describe how they challenge partnership survival. Next, a description of governance outlines some of the features that contribute to governance in cross-sector partnerships. Governance is described as being present from two perspectives – organisational and partnership, have two inter-dependent aspects – formal and informal, and that approaches to governance are time dependent i.e. there are dynamics between governance mechanisms, governance mechanisms and partnerships can change. Finally, three examples of tensions are presented through this conceptualisation of governance to highlight who tensions are between, what activities are being used to govern tensions and how tensions exist.

Tensions

Researchers have highlighted a number of tensions that individuals face in organisational life. Those specifically associated with organisational governance describe contradictions between third sector boards' conformance and performance roles (Edwards & Cornforth, 2003), being representative and professional (Robinson & Shaw, 2003), encouraging democracy and simple accountability (Meadowcroft, 2007) and between focusing on short and long term objectives (Lynn et al., 2000).

Research on inter-organisational network governance highlights tensions between unity and diversity (Saz-Carranza & Ospina, 2010), involvement and efficiency, flexibility and stability, and internal and external legitimacy (Provan & Kenis, 2008). In other inter-organisational entities, researchers have highlighted tensions between competition and cooperation (Teece, 1992), trust and control, alliance rigidity and flexibility, long term or short term objectives (Das & Teng, 1998; 2000). Huxham & Beech (2003) highlight that tensions can arise where there is conflicting advice from best practice about how to address an issue e.g. taking time to articulate common agreed aims and getting on with joint tasks without agreeing aims. It is clear that tensions present challenges to decision-making and coordination. However to investigate tensions further a few questions are first addressed – what is a tension? And why are tensions important?

Tensions outline relationships between contradictory, conflicting or competing positions. Positions summarise a statement, attitude, opinion, belief or value. Each position promotes attention to one end of a tension at the expense of another e.g. an executive board emphasising organisational conformance rather than organisational performance.

This becomes complex as multiple perspectives exist at each position. Organisations and partnerships will each have their own view about what is important in each position based on their values. These may be similar, complementary or contradict and be inter-organisational or inter-entity. For example an inter-organisational tension may exist between organisations emphasising conformance and performance roles and an inter-entity tension may exist between organisations emphasising conformance and a partnership performance. Tensions present a challenge to participants, yet practically individuals find some point in between competing positions for a partnership to continue (Huxham & Beech, 2003).

The concept of tensions is used to highlight the need for balancing and living with multiple positions to sustain a partnership. This heeds calls to move beyond simplified and polarised ideas (Cameron & Quinn, 1988) about inter-organisational partnerships (Connelly et al., 2006; Das & Teng, 2000; Håkansson & Ford, 2002; Huxham & Beech, 2003; Saz-Carranza & Ospina, 2010). Partnership outcomes are dependent on multiple positions. Positions are linked to each other, for example trust building and control mechanisms influence each other and both are required to develop confidence between participants (Das & Teng, 1998). In practice, participants consider multiple positions to decide how to develop their partnership. This indicates that participants avoid splitting or undoing tensions by exploring the relationship between each position of a tension. In balancing no one position can dominate – participants live with tensions. Positions are balanced to ensure the continuation and survival of a partnership (Connelly et al., 2006; Das & Teng, 2000).

Tensions may be separated into two categories based on what competing or contradictory positions they describe: 1. Practical and 2. Conceptual. Practical tensions describe how participants experience and confront issues through interacting with each other. For example Provan & Kenis (2008) emphasise that participants need to balance what is legitimate to internal and external contexts; and Teece (1992) points out that individuals have to learn how to balance cooperation and competition between organisations for successful technological innovation. Secondly, conceptual tensions describe links between countervailing or contradictory theoretical approaches advising participants how to act. These can be between multiple best practice guides (Huxham & Beech, 2003) or between emphasising a board's role of conformance and performance based in different theories (Cornforth, 2003). Both categories of tensions are likely to be present, yet it is unlikely that participants will experience or confront all of them at the same time in a partnership. This raises questions about which tensions are dominant in cross-sector partnerships? How does the dominance of tensions change with time?

Tensions are clearly evident in inter-organisational partnerships, yet how do participants address them? And what helps or hinders participants in balancing tensions? These questions evoke the topic of governance. Tensions influence governance structures (Stone et al., 2010) and addressing tensions is a way of governing effectively (Provan & Kenis, 2008; Saz-Carranza & Ospina, 2010). Governance is needed for the survival of cross-sector partnerships (Bryson et al., 2006; Stone et al., 2010). This emphasises that balancing or living with contradictory positions is a part of governance. Features of governance are explored next to highlight how governance can be conceptualised to address tensions.

Governance – survival in cross-sector partnerships

Governance describes the means to direct, control and coordinate activities in line with an entity's purpose and accountability. Governance 'must occur for a partnership to survive and produce results' (Stone et al., 2010: 312). A conceptualisation of governance is presented through three features: 1. Governance perspective, 2. Formal and informal governance mechanisms, 3. Time (dynamics, evolution and change). These highlight who governs what, what governance activities are, and how governance is carried out.

Governance perspective

Governance perspective emphasises that governance in partnerships is relational i.e. it involves at least two parties, and is dualist i.e. simultaneously there are organisational and partnership governance structures and processes.

Governance describes relations between parties outlining accountabilities for what and to whom. Organisational governance outlines the relationship between individuals and an organisation. Organisational structures and processes are shaped by legal and regulatory requirements and often focus on an organisation's board or governing body. Traditionally governance is a hierarchical concept carried out through vertical relations e.g. between an executive board and operational management. In contrast, governance of inter-organisational partnerships is less defined. Partnerships have a mixture of vertical and horizontal governance relations (Kooiman, 2010), sometimes with no clear accountable entity (Stone et al., 2010).

Governance exists in multiple entities. In this research there are a number of relevant entities – for example third sector organisations (TSOs), central government, local authorities, and partnerships. Partnerships bring a number of entities together. Multiple governance structures and processes exist simultaneously and two perspectives to governance are present – organisational and partnership governance. Participants mediate between organisational and partnership expectations. Accountability is defined and understood differently in organisations and a partnership (Agranoff & McGuire, 2001). They have a dual conflict – negotiating with other participants and with their own organisation (Adams, 1976). Participants balance establishing legitimacy in a partnership and to others outside (Provan & Kenis, 2008; Provan et al., 2008) for a partnership to continue. Both partnership and organisation need to establish legitimacy for survival (DiMaggio & Powell, 1983). Governance in partnerships is hence dualist, there are two distinct perspectives for participants to consider – organisational and partnership.

Formal and informal governance mechanisms

Governance is carried out through structures and processes. They act as mechanisms to carrying out governance activities. Governance structures refer to the rules and resources people use e.g. contracts, working norms etc. Governance processes covers the behaviour and actions of individuals e.g. negotiating, committing to etc. These structures and processes cover 'both formal structures—statutes, administrative guidelines, judicial decrees—and the informal exercise of judgment by the numerous actors involved in policy and program implementation' (Lynn et al., 2000: 236). Formal and informal aspects describe different approaches to achieve governance.

Formal aspects of governance

Formal governance covers explicit structures that outline participants' roles and obligations to each other (Lyons & Mehta, 1997) and processes that are carried out through positions of authority (Lynn et al., 2000).

Research on inter-organisational partnerships has highlighted formal governance structures under different terms: formal institutions (Zenger et al., 2002), formal contracts (Lyons & Mehta, 1997; Poppo & Zenger, 2002), formal structures (Lynn et al., 2000; Ring & Van de Ven, 1989), formal control (Das & Teng, 2001; Williamson, 1975) and organisational control (Ouchi & Maguire, 1975).

Whilst others highlight formal governance processes of negotiation, agreement, administration (Ring & Van de Ven, 1989) steering and controlling (Das & Teng, 2001; Ouchi, 1977).

Researchers have also identified typologies of partnership governance forms (Provan & Kenis, 2008) to suggest how the structure of a partnership influences its effectiveness and legitimacy (Provan et al., 2008). These typologies start to identify how partnerships governance structures are more or less desirable in different situations and give some early indications about how governance structures may change over time (Provan & Kenis, 2008) (see partnership evolution p).

Formal aspects of governance intend to direct and make individuals accountable on issues that are known, can be planned for or specified. Formalising is 'a process of codification and enforcement, which is inextricably linked with outcomes, such as contracts rules and procedures' (Vlaar et al., 2006: 1620). Formalising can be seen in a number of ways: a means to facilitate sense-making (Alvarez et al., 2010; Vlaar et al., 2006), as directly dealing with misunderstandings and conflicts (Ring & Van de Ven, 1994), as restoring balance in inter-organisational relationships (Ariño & de la Torre, 1998), and as important for partnership growth (Alvarez et al., 2010).

Informal aspects of governance

Informal governance covers structures and processes relating to participants' social behaviour and informal relationships. These highlight that governance structures include social norms and practices (Ferguson et al., 2005) and that governance processes describe agreeing values, social compliance (Macaulay, 1963; Uzzi, 1997) and direction through sharing information (Poppo et al., 2008).

Informal governance is considered under multiple structural terms: informal institutions (Zenger et al., 2002), informal structures (Lynn et al., 2000), informal dimensions (Ring & Van de Ven, 1989), relational governance (Poppo & Zenger, 2002; Zheng et al., 2008), self-enforcing governance (Dyer & Singh, 1998), and network governance (Jones et al., 1997). There are also a number of processes highlighted e.g. building trust (e.g. Gulati, 1995; Gulati & Nickerson, 2008; Larson, 1992; Nooteboom, 1996; Poppo & Zenger, 2002; Sako, 2000; Zheng et al., 2008), sense-making, understanding, committing to (Ring & Van de Ven, 1989), communicating openly, sharing information, depending on others, cooperating (Poppo & Zenger, 2002). These emphasise the importance of human judgment (Lynn et al., 2000) and action in governance in addition to formal structures and processes.

Structures and processes associated with informal governance aim to direct and make participants accountable through less certain, vague or implicit approaches. Behaviour and outcomes are not defined to begin with, boundaries are not set. There is an emphasis on prior knowledge about social values, expectations, and inter-personal interaction to develop and maintain them. Trust is one theme that has dominated academic interests as an approach to governance in inter-organisational settings. Yan and Gray (1994) propose that in addition to trust, common aims, institutionalising goals will mediate the relationship between organisational control and partnership performance. Less attention is given to other themes e.g. reciprocity [a determinant of inter-organisational relations (Oliver, 1990)], commitment [key to achieving inter-discipline activities (Jeffrey, 2003)] and group socialisation [how individual and group influence each others' values].

Time

Governance involves coordinating and monitoring activities that are essential for a partnership to survive (Bryson et al., 2006; Stone et al., 2010). Governance activities take place continuously during partnerships. How these structures and processes are used as governance mechanisms changes with time. Both formal and informal governance mechanisms are important yet their interaction and dynamics is less defined.

Interaction of formal and informal aspects of governance

Governance in inter-organisational partnerships has these two distinct aspects that are connected. Todeva and Knoke (2005: 125) describe governance as a 'combinations of legal and social control mechanisms for coordinating and safeguarding the alliance partners' resource contributions, administrative responsibilities, and division of rewards from their joint activities'. Ring & Van de Ven (1989: 172) argue that there is 'a need to look at both formal and informal processes to understand transaction structures and processes' and Bryson et al (2006) propose that formal and informal governing mechanisms influence the effectiveness of cross-sector partnerships. Thus identifying both aspects and how they interact is essential to understand tensions and how partnerships survive.

Formal and informal governance structures and processes exist simultaneously. Informal governance processes can elaborate or replace formal ones and invoke different behaviours (Jones et al., 1997; Larson, 1992; Sako, 2000) and contracts can become imbued with social exchange through long term relationships (Blau, 1964). Formal agreements provide a frame of reference, informal aspects provide the glue that holds inter-organisational partnerships together (Larson, 1992).

Research on governance following transaction cost theory (Williamson, 1975; 1985) has started to study links between certain structures and processes. In particular they emphasise the importance of understanding contractual and relational mechanisms. These contrast the role of contracts and building trust in reducing opportunistic behaviour and facilitating participant coordination, thus lowering governance costs. They can act as substitutes (Dyer & Singh, 1998; Granovetter, 1985; Gulati, 1995; Macaulay, 1963; Uzzi, 1997) and as complements to each other (Gulati & Nickerson, 2008; Poppo & Zenger, 2002; Zheng et al., 2008).

Structures and processes change

Structures and processes change during the lifetime of a partnership. Governance mechanisms are not a fixed characteristic (Alvarez et al., 2010); structural forms may change due to tensions (Stone et al., 2010), working norms are diffused cyclically over time (Huxham & Vangen, 2005; Ring & Van de Ven, 1994) and expectations are reviewed to update how relationships are perceived.

Choice of governance approach is affected by existing relationships and how quickly governance is required. Das & Teng (2001) suggest that formal control (of behaviour or output) undermines trust, yet control through establishing and maintaining common values can reduce risks to relationships and overall performance. Gulati & Nickerson (2008) showed that pre-existing trust enhanced exchange performance. High levels of pre-existing trust led to less formal governance approaches being used (e.g. working in partnership rather than as customer-supplier) and it helped to reduce inter-organisational conflict. Secondly, drawing up contracts takes time in negotiating, bargaining,

drafting and reaching agreement on terms (Macaulay, 1963). Formal governance provides stability yet it can change. It takes time and effort and there may be limited options e.g. as contracts become complex (Zheng et al., 2008). In contrast, participants can adapt quicker through inter-personal trust but trust is more susceptible to fluctuations (Zheng et al., 2008). Participants are more likely to choose first informal over formal structures and processes to address tensions. This is more likely when there is limited time or existing relations.

The effectiveness of network governance forms varies with time. Provan & Kenis (2008) introduce four factors to describe the suitability of different structural forms of network governance (trust, goal consensus, number of participants, and the need to act as a network). Each one of these factors is likely to change during a cross-sector partnership. Trust is related to participants performance – a contractual trust based on shared norms of honesty and intent and competence trust on ability (Sako, 2000). Thus trust is dependent on how participants perform and expectations are met. Goal consensus is likely to vary with short term and long term objectives; these may be refined or changed as a partnership starts to address their purpose (Huxham & Vangen, 2000a; b). Membership numbers change as participants may represent different networks, organisations, and groups at different times (Huxham, 2003). As partnerships change, their purpose may also alter (Huxham, 2000) questioning whether and how participants need to act together. This suggests that forms of governance may be more or less appropriate in ensuring the effectiveness of a partnership at different times.

Governance also defines how partners control and influence the evolution and performance of a partnership (Doz & Hamel, 1998). Development is governed by legal contracts and informal psychological contracts (Ring & Van de Ven, 1994). Governance forms may be changed when a current setup is less suited to its purpose. Some suggest that structural governance forms will change in a predictable manner - 'from shared governance to a more brokered form and from participants governance to externally (NAO) governed' (Provan & Kenis, 2008: 247). Others emphasise that participants are more likely to formalise their activities as a partnership evolves (Alvarez et al., 2010).

Tensions and governance

This conceptualisation of governance is introduced to highlight the broader role of governance (Cornforth, 2010). Three examples of tensions are presented to illustrate the relevance of this conceptualisation of governance. This is based on practical tensions rather than conceptual ones. In particular this description focuses on highlighting three characteristics of tensions – 1.. Perspectives, 2. Structures and processes, and 3. Time. This starts to look at who tensions are between, what activities are being used to govern tensions and how tensions exist over time.

The relationship between organisational and partnership perspectives highlights a tension in governance, for example a tension between internal and external legitimacy. Legitimacy describes the appropriateness, suitability, or desirability of an entity's actions in reference to values (or normal working values – norms), working practices, or beliefs (Suchman, 1995). In inter-organisational partnerships there are multiple sets of these values and thus the potential for differences within a partnership and its internal legitimacy. This is complicated as partnerships also have to establish and maintain their legitimacy to those who are not part of it – external legitimacy. Participants are presented with a tension between what it legitimate internally and externally (Provan et al., 2008) or

between organisational and partnership perspectives. Provan & Kenis (2008) suggest that for internal legitimacy a shared mode of network governance is most suitable, and a lead organisation mode of governance for external legitimacy. This suggests that circumstances influence how legitimacy is carried out on behalf of a partnership. Concentrating solely on a partnership is likely to overlook how participants may alternate between their organisational and partnership focus to balance an internal/external legitimacy tension. What remains unclear is how dominant or intense tensions are between perspectives during a partnership, and hence how participants recognise who governance is required between.

Tensions can be arranged between structures and processes that have both formal and informal aspects. Provan & Kenis (2008) outline a tension between efficiency and involvement. There is a need for efficiency – focusing on administrative task-based performance outcomes of a partnership (formal), yet various social processes e.g. trust building, which have important roles in achieving involvement (informal) take time and effort. Mechanisms for achieving governance are formal and informal. Saz-Carranza & Ospina (2010) describe a tension between diversity and unity in goal directed networks. Unity refers to a state of agreement, and diversity covers variability in 'structural and institutional traits' of participants. They highlight five components characterising diversity (geography, culture, composition & organisation size, specific issues) and three for unity (identity, shared goal and value of diversity). This shows a mixture of structures and processes that have both formal aspects e.g. organisation size, shared network goal etc, and informal aspects e.g. ethnic/national culture, social identity etc. To make sense of what tensions appear and which are dominant, it is important to identify the character of the position. Tensions are more complex if formal and informal aspects are present. It is not clear whether formal and informal aspects of governance act as substitutes or as complements in addressing tensions. This raises two questions – what governance mechanisms are used to address tensions? Are formal and informal aspects of governance combined or used separately to balance tensions?

Thirdly, tensions have a temporal dimension reflecting adaptations from changes in circumstances. For example Provan & Kenis (2008) describe a tension between stability and flexibility in goal directed networks. Stability covers formal hierarchies to maintain legitimacy, continuity in responses and efficient network management. Flexibility highlights the importance of being able to respond to competition and new demands emphasising some of the advantages of networks over hierarchies. They add that different arrangements of network governance (Lead, Shared-Network, Network Administrative Organisation) are likely to have different approaches to address the tension. Shared-Network are described as more flexible and suitable for short term projects, NAOs as imposing a formal structure on participants, and Lead also emphasising a more stable position. In particular this suggests that tensions can change as circumstances do. Thus the intensity or dominance of tensions may vary e.g. agreeing aims and getting on with the task may be more intense at the beginning of a partnership. This poses further questions – how does the perceived dominance of tensions vary during a partnership? And how do participants decide on which tensions to address?

This paper is part of the first phase of a new research project to examine governance of inter-organisational partnerships involving third sector organisations. These three examples show how this conceptualisation of governance may be used to investigate tensions. Each example only highlights one aspect of the conceptualisation. This conceptualisation will be used to guide the empirical phase of the project, which will involve a small number of in-depth case studies of cross-

sector partnerships. This aims to address gaps on how governance changes over time (Cornforth, 2010) by looking at governance processes (Stone et al., 2010) and how partnerships develop (Provan & Kenis, 2008).

Summary

In this paper the importance of looking at governance and tensions in inter-organisational partnerships is highlighted. Governance is linked to balancing or living with tensions and is essential for partnership survival. By investigating tensions the aim is to move beyond simplified and polarised ideas (Cameron & Quinn, 1988) to represent the complexity and ambiguity in inter-organisational partnerships. A conceptualisation of governance is presented to investigate how participants address tensions. This highlights three aspects – who tensions occurs between (perspectives), what governance activities are carried out to balance tensions (structures and processes) and how tensions may become more or less dominant (time). This aims to extend explanations of why tensions are a challenge in partnerships, why governance in partnerships is seen as complex and ambiguous, and partnership outcomes are less than expected.

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