

# **The management control of public multi partner alliances**

A case study of management control in the pre-formation of the omgevingsdienst NZKG

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## 1. Introduction

In the past years several minor and severe environmental disasters took place. For example: the fireworks disaster in Enschede or the fire in Chemie-Pack Moerdijk. Disasters with hazardous effects for humans and their environment, in which the governmental supervision didn't work adequately.

The Omgevingsdienst Noordzeekanaal-gebied, a new governmental organization, ensures the proper implementation of laws and regulations to provide a safe and healthy environmental protection for the whole North Sea and Schiphol region. This new organization, a multi partner alliance, combines the knowledge of professionals of the Province of North Holland and the municipalities Aalsmeer, Amstelveen, Amsterdam, Diemen, Haarlemmermeer, Ouder-Amstel, Uithoorn and Zaanstad. Combining knowledge, experience and capacity, the new organization (omgevingsdienst) aims to make the quality of the monitoring, supervising and permit authorization higher. The purpose is to put the government in a position to respond more adequately to complex environmental legislations. Also the government can act more efficiently in the process of permit authorization. But management control of multi partner alliances is complicated and there is not a lot of research done in the area of governance of these kind of alliances (Rochemont, 2010).

### 1.1 Joint ventures/multi partner alliances

Organizations cannot depend only on their own skills and knowledge to innovate (Chesbrough, 2003; Vanhaverbeke, 2006). In order to create value, organizations need to integrate the knowledge and skills of other organizations and customers (Chesbrough, 2003). In the last couple of years there is a big growth in different forms of collaborations between organizations (Tsang, 1998). Organizations team up to produce and market (new) products. Multi partner alliances exist in different sectors, such as telecom (Lavie et al., 2007) or agriculture (De Man, 2006; Vanhaverbeke, De Rochemont, Meijer and Roijnackers, 2007).

Syntens<sup>1</sup>, the Dutch governmental organization for innovation and research, detected two trends in Dutch multi partner alliances:

1. Between 2005 and 2007 the number of registered multi partner alliances increased by 700% (Syntens).
2. 50 - 75% of all multi partner alliances stopped before their targets were reached. This is the same failure rate as for dyadic alliances (Harrigan, 1988).

There are a couple of examples, which show why a multi partner alliance can fall apart. A classic example is the MIPS-network (million instructions per second) (Gomes-Casseres, 1996; Hwang et al., 1997). A couple of producers of semiconductors had the ambition to create a common RISC (resources information standards committee) standard. Eventually each partner began to promote their own standard. The consequence was that in the end there was not a common standard, which resulted in the alliance failure. Management control of a multi partner alliance is not a simple task. As it will be explained in the next paragraph. There is some research done about the management control of dyadic alliances, but very little is known about multi partner alliances (Garcia-Canal et al., 2003).

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<sup>1</sup> In: De Rochemont, 2010

## 1.2 Challenges for management control

Managers can face different difficulties in managing a multi partner alliance. The first difficulty is free riding. (Dyer et al., 2000; Das et al., 2002). Dyer et al. (2000) states that successful collaboration depends on whether the participants in the multi partner alliance have free access to each others' products, ideas and knowledge. This means that a partner can enter a multi partner alliance, obtain valuable information and leave the alliance. This kind of opportunistic behavior from partners will undermine the development of trust. Trust is a crucial precondition for successful collaboration (Das et al., 2003). A second difficulty is that the more partners there are in an alliance the conflicts increase, simply because there are more partners with different interests and ideas (Garcia-Canal et al., 2003). More partners can also compete with each other, as the above mentioned example of the MIPS network. A third problem is that with a large number of partners the costs for coordination and communication increases (Parkhe, 1993; Garcia-Canal et al., 2003).

Syntens<sup>2</sup> researched 100 Dutch managers to understand what are the critical preconditions of successful multi partner alliances. These are:

- Make clear agreements before the alliance start
- Uphold commitment
- Active network managers
- Better partner selection
- Less partners
- Start with the business model
- Formulate goals

The Syntens research also states that the continuation of social commitment of partners is crucial. This commitment cannot be only social, but must be also financial. The need for social commitment is supported by Das and Teng (1998) and Jones et al. (1997). They state that multi partner alliances need strong social governance, because it is impossible to control every action by formal governance processes. But it also depends in which phase the multi partner alliance is operating. Alliances have different phases in their lifecycle (Spekman et al., 1998; Doz, 1996). The importance of the phase in which the alliance is operating is crucial. As mentioned before the Syntens study showed that a lot alliances stopped before targets were reached. So the phase in which the alliance is starting up is very important. This start up phase is called the pre-formation phase. In the pre-formation phase (before formal commitment of partners has been established) alliance partners don't know each other. Therefore for example trust may still not be strong, cultural distances also may exist and the members might be engaged in the process of trust building, which can take considerable time (Gulati et al., 2000). When the alliance performs well and formal arrangements are made, trust between partners will likely become stronger. But theory also suggests that making clear formal agreements in the pre-formation phase will be enhancing trust in the alliance (Rochemont, 2010). Though other scholars (Das et al., 2002) claim that to emphasize the aspect of formal agreements can undermine the trust in the alliance. So it is a delicate situation to judge which kind of governance mode needs to be used.

In this thesis i'm using a climate approach (Rochemont, 2010), which is used to operationalize the two forms of governance, meaning formal and social governance. The climate approach is an interesting approach because it approaches complex interactional patterns, like formal and social governance, not isolated, but integrated. The climate approach is derived from organizational

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2 In: Rochemont, 2010

psychology. Naylor, Pritchard and Ilgen (1980) describe this concept as follows: “*climates are descriptive judgments that arise out of events, processes and contingencies that exists within settings*”. In chapter 2.3 the climate approach is discussed in more detail.

The climate approach in combination with a qualitative research approach is very suitable to obtain an in-depth understanding of how processes of management control in a multi partner alliance work in the pre-formation phase.

### **1.3 Research question**

How does the interaction between formal governance, constituted by the financial climate, management and organizational climate, and social governance, constituted by the relational climate, in the multi partner alliance omgevingsdienst in the pre - formation phase evolve?

#### **Sub questions**

What does the existing literature tell us about the interaction between formal governance and social governance?

What is the empirical reality about the relation between formal and social governance?

Are there differences between the theoretical developed ideas and empirical findings? What are the implications?

### **1.4 Reading guide**

In chapter two all theoretical concepts are described, from a general abstract level to a more concrete and specific level. The general concept is control and consists of formal and social governance. Then, climates will be explained, because in this thesis governance (social and formal) are constituted by climates, and how individual variables in the climates are interacting with each other. In chapter three there is an overview on the methodology. In this thesis a case study was conducted, crucial documents were analyzed and key figures were interviewed. Chapter four starts with a chronological contextual story about the startup phase of the omgevingsdienst, and highlight some crucial events in relation to my research question. Furthermore, some important empirical topics are discussed. Chapter five is the discussion between the theoretical concepts and the empirical results. Chapter six summarizes the conclusions, the limitations of this research and suggestions for further research.

## **Chapter 2 Theoretical constructs**

This chapter introduces the most important theories and theoretical concepts, which direct and give focus to the research. First the general problems, derived from literature, about the relationship between control and trust will be discussed. Control consists of formal and social governance. In formal governance the goal is to have control by formal instruments, like clear financial agreements. The goal is to achieve or maintain trust by these agreements and to stay in control. Social governance has as a goal to maintain in control by giving alliance partners trust and uses relational aspects as a means to stay in control. The climate approach is a descriptive and holistic way to analyze the different governance modes. The climates consist of different variables. In model 1 all concepts and their relations are described.

In this thesis the following definition of a multi partner alliance is used, based on Lavie et al. (2007), Vanhaverbeke and Cloudt (2006), Rochemont (2010):

*“A multi partner alliance is a collective, voluntary organizational association with more than two members, with common objectives, joint decision-making and shared risks, who interactively engage in multilateral value chain activities, such as collaborative research, development, sourcing, production, marketing and commercialization of technologies, products and/or services”.*

In model 1 all concepts and relationships are explained. In paragraph 2.1 formal and social governance as control mechanisms are explained in relation to trust. In 2.2 the interaction between these governance forms are explained. In 2.3 the climate approach is explained, because the climates make up the governance forms. In 2.4 the financial climate is explained in detail, because the financial climate is an important climate in making up formal governance. In paragraph 2.5 the management and organizational climate is explained which is the other important climate that makes up formal governance. Paragraph 2.6 is explaining the relational climate in detail. This climate is making up social governance. Paragraph 2.7 and 2.8 are discussing the interaction patterns between the different climates that are used in this thesis.

### **2.1 Formal governance, social governance and trust**

Formal governance and social governance (the latest often also referred to as relational governance) are both two forms of control mechanisms. Both forms of governance use different instruments to strengthen management control in an organization. Formal governance in this thesis consists of two climates. The financial climate and the management and organizational climate. These climates consist of different variables. The financial climate is about making clear financial agreements, which includes financial risks, but this governance form is also focusing on creating a clear decision making process for all alliance partners. Social governance has a different set of instruments to strengthen management control. This governance mode is about creating social commitment and trust among partners. In this way trust can be seen as an instrument. On the other hand both governance forms are influencing trust in the alliance. By defining trust as one's positive expectations about a partners competencies, obligations, and goodwill (Sako, 1992), trust can function as an effective coordination mechanism as a form of social governance, in particular if the “measurability” of the activities is low (Dyer et al., 1998). When trust exists, the firm does not fear its partners actions, because the partners can depend on each other to achieve a common purpose. Low levels of trust will lead to an underdevelopment of social commitment between the parties, social commitment is crucial for effective alliances (Cullen et al., 2000; Ireland et al., 2002).

## **2.2 Interaction between formal governance, social governance and trust**

In the management accounting literature the interaction between formal governance, social governance and trust is an important research topic. In this thesis different constructs are used to define formal and social governance. But first some general research dilemmas about governance and trust are explained. Translated to an inter-organizational setting (between different organizations), the primary purpose of governance can be described as creating the conditions that motivate the partners in a multi partner alliance to achieve desirable or predetermined outcomes.

As mentioned before trust is defined as one's positive expectations about another's competencies, obligations, and goodwill, trust can function as an effective coordination mechanism, in particular if the "measurability" of the activities is low. Vanhaverbeke et al. (2006) argue that multi partner alliances require both formal governance mechanisms (clear financial agreements for example) and social governance mechanisms (social commitment) and suggest that these mechanisms are positively related to each other and benefits trust in the alliance. Other scholars (Dyer and Singh, 1998) argue that self-enforcing agreements which rely on trust 'often replace' the formal control characteristics. Then there are also scholars who argue that one governance form might even undermine the development of the other form. That formal governance is negatively associated with social governance. Formal contracts can signal distrust for one's exchange partner and by undermining trust, this can encourage opportunistic behavior (Das et al., 1998; Ghoshal et al., 1996).

Despite arguments for viewing social governance and formal governance as substitutes or opposites, the logic for viewing them as supplements is also receiving support from scholars (Poppo et al., 2002). Poppo et al. (2002) in Rochemont (2010) show that the presence of clearly articulated contractual terms, remedies and processes of dispute resolution as well as relational norms of flexibility, solidarity, and continuance may inspire confidence to cooperate in multi partner alliances. Social governance complements the limits of contracts by fostering continuance of the exchange and entrusting both parties with mutually agreeable outcomes (Poppo et al., 2002). So empirical research on dyadic exchange relationships has found that formal and social governance actually supplement each other (Poppo et al., 2002). Other research has also shown that the presence of social elements such as trust actually made formal mechanisms more effective (Das et al., 1998). There were already some discussions that try to integrate variables of transactions cost economics and sociological variables (Garcia-Canal et al., 2003; Park et al., 1996). But in this thesis variables from the organizational psychology domain are also added. So management control in this thesis is seen as an interaction between formal and social governance, and is analyzed from a climate perspective which is derived from the domain of organizational psychology. These climates are descriptive based on all together, seven different variables. These variables are coming from different domains, transactions based variables, management variables but also sociological and organizational psychology variables. In model 1 all variables and relations can be seen.

## **2.3 The climate approach**

Rochemont (2010) used the climate approach in his study of multi partner alliance performance, which is derived from organizational psychology. Naylor, Pritchard and Ilgen (1980) describe this concept as follows: "*climates are descriptive judgments that arise out of events, processes and contingencies that exists within settings*". Formal and social governance are approached from a climate approach. Formal governance consists of the *financial climate* and the *management and organizational climate*. The financial climate consists of financial agreements, proper value appropriation and acceptability of financial risks. The management and organizational climate

consists of the network orchestrator, this is a role performed by an independent person who is responsible to make sure the different parties make agreements and is responsible for the process of building the multi partner alliance. The other element is clear decision-making process, which means that the partners have the idea that there is a transparent decision making process. Social governance consists of the relational climate. The relational climate in the alliance contains the perceptions of the partners concerning the relational quality of the cooperation.

In this thesis the climate choice is focused on the financial, relational and two aspects of the management and organizational climate. This has several reasons. First of all in a time that everything is about cuttings costs, the financial climate plays a crucial role. Who is paying for what? What do I get in return and does this represent an equal exchange? These are crucial questions which theoretically influence the relational climate. The choice for involving also two aspects of the management and organizational climate is that the network orchestrator is a key person in the startup of the multi partner alliance to actually achieve agreements and build trust (Rochemont, 2010). The network orchestrator is also responsible for organizing a clear decision-making process, which is the second element of the management and organizational climate.

#### **2.4 Financial climate**

The financial climate consists of the perceptions of the alliance members regarding key financial issues in the alliance. Formal governance is a form of control which is constructed by the financial climate. The financial climate consists of two elements: financial agreements and acceptable financial risks. In this paragraph the relationship is explained in detail.

As mentioned earlier, multi partner alliances have a greater risk for *free riding* and inter-firm conflicts due to different needs. Therefore it is important to make agreements about how value is created and is distributed (Dekker, 2003; VanHaverbeke et al., 2006). Multi partner alliances involve large investments which create financial risks for alliance members. This is why it is important to establish a healthy financial climate. The first element is making financial agreements about value appropriation. Vanhaverbeke et al., (2006) claim that it is necessary to calculate benefits along the alliance to ensure that all members receive a fair return. If participants are not satisfied about their return, members become dissatisfied and exit the alliance (Ireland et al., 2002). The second element is the level of financial risks for participating in the alliance, which should be acceptable for the partners. Firms can make financial agreements, but they will never have the guarantee that the alliance objectives will be realized. If the risks are perceived to be too high, alliance members may become uncertain whether their return on investment will be realized. Thus, if managers are satisfied with the financial risks involved for participating in the cooperation, chances for alliance success increase (Rochemont, 2010).

#### **2.5 The management and organizational climate**

The management and organizational climate consists of the perceptions of the alliance members regarding management and coordination issues in the alliance. The management and organizational climate make up the formal governance because in this perspective we are talking about a network orchestrator and a clear decision making process as instruments to obtain or strengthen management control.

The first element of a good functioning organizational climate is the presence of a network orchestrator. Maintaining a group of partners can be difficult, due to the risk of different and conflicting interests. In multi partner alliances, a need exists concerning effective value creation and

value capturing. This requires active network management (Doz et al., 1998). According to Doz et al. (1998), whatever the formal governance structure, the collective has to have some way of coordinating system. Without leadership, a multi partner alliance can not expect to formulate and execute a consistent strategy (Bamford et al., 2003). Network orchestrators need to foster stability in the group by minimizing internal competition among member firms. Most of the time the network orchestrator is an independent alliance manager. This means that the person is not working for one of the partners, but for all of them.

The second element of the management and organizational climate is a clear decision-making process in the alliance. Clarity in the decision-making process is important, because a lack of it can lead to ambiguity among members negatively influencing partner satisfaction and social commitment (De Rochemont, 2010). If decision-making is not clearly defined, it may become vague how decisions are made. Partners may feel isolated or ignored and could question whether they truly have influence on the actions required to achieve alliance objectives (De Rochemont, 2010).

## **2.6 Relational climate**

The relational climate in the alliance contains the perceptions of the partners concerning the relational quality of the cooperation (Rochemont, 2010) and is connected to social governance. Social governance is a form of control which in this thesis is constructed by the relational climate, which contains three elements: joint problem solving, trustworthiness and social commitment. In this paragraph the relationship is explained in more detail.

An important element of the relational climate is trust. By defining trust as one's positive expectations about a partners competencies, obligations, and goodwill (Sako, 1992), trust can function as an effective coordination mechanism, in particular if the "measurability" of the activities is low (Dyer et al., 1998). When trust exists, the firm does not fear its partners actions, because the partners can depend on each other to achieve a common purpose. Low levels of trust will lead to an underdevelopment of social commitment between the parties, which is crucial for effective alliances (Cullen et al., 2000; Ireland et al., 2002). Social commitment in an alliance contains a partner's intention to continue the relationship (Cullen et al., 2000). Cullen et al. (2000) claim that without a sense of mutual social commitment, partners fail to work out the inevitable problems of alliances. Positive levels of social commitment between alliance partners contributes to a healthy relational climate. If partners in an alliance demonstrate mutual social commitment, the venture will develop based on the principle of fair exchange (Lane and Beamish, 1990). Fair exchange means that all partners believe and perceive that they receive benefits from the relationship that equal their contributions.

Another important element of the relational climate is joint problem solving and refers to the extent to which disagreements with a partner have been productively resolved (Heide and Miner, 1992, Lusch and Brown, 1996). Joint problem solving increases the involvement of partners which in turn enhances their satisfaction and expectations with regards to the future. If partners solve problems jointly, satisfaction among partners and expectations about the future may positively be influenced. This also creates trust among the partners and in the alliance. In the next two paragraphs the interaction between the different climates are discussed.

## **2.7 The interaction between the financial and relational climate**

The financial climate is an important element of formal governance and as mentioned above the financial climate and the relational climate affect each other in various ways (de Rochemont, 2010). In this chapter some possible forms of interaction between the two climates are explained.

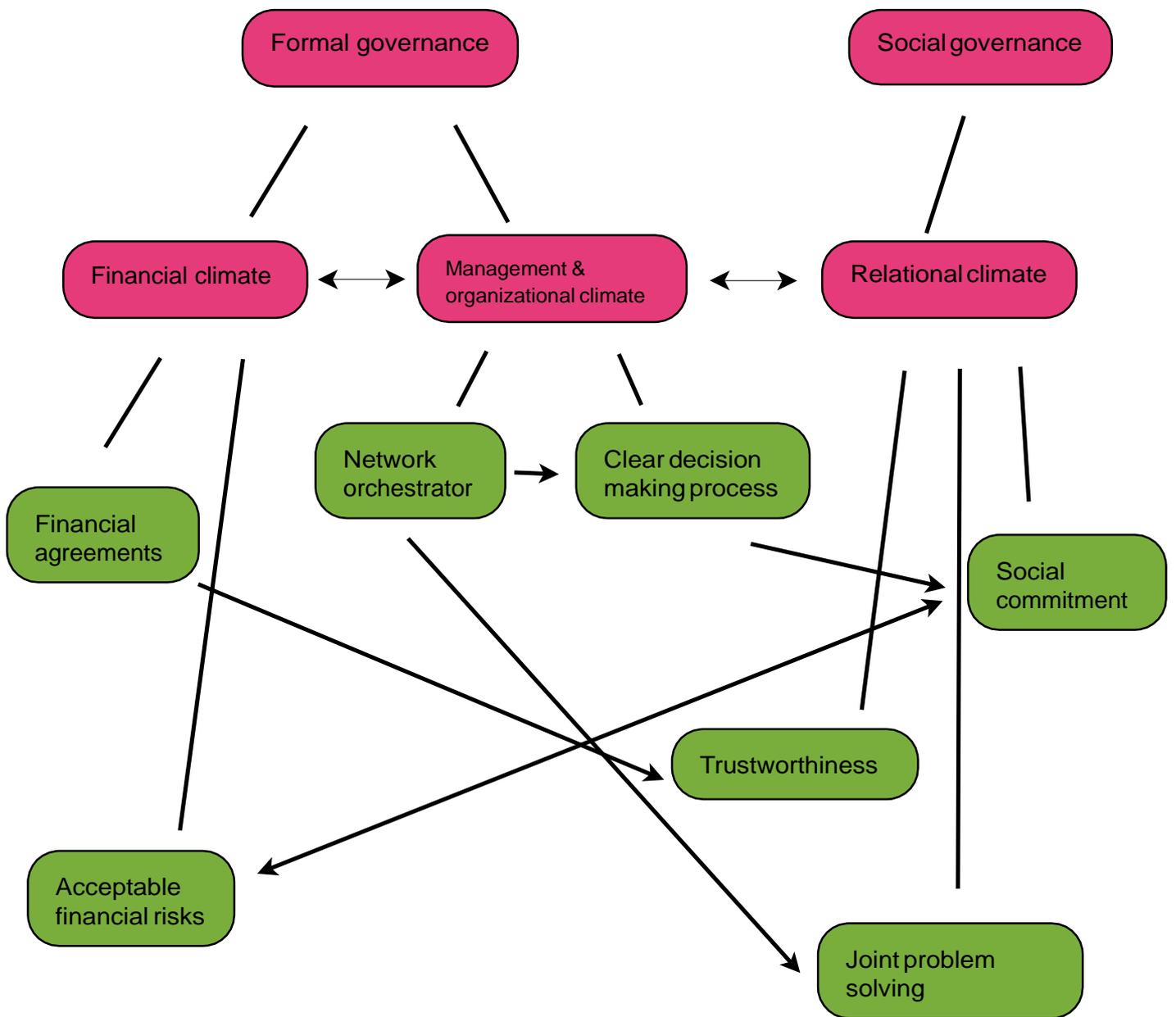
The first is that the use of financial agreements creates barriers for opportunistic behavior of partners. As stated earlier, multi partner alliances face a special type of opportunism called free-riding. Das et al. (2002) claim that in multi partner alliances, there is a natural tendency for free-riding. Managers should therefore make agreements beforehand, which makes partners more accountable for their performance. In this way opportunistic behavior which undermines the relational climate could decrease.

Financial agreement on fair value distribution reduces ambiguity and enhances social commitment towards fulfilling the cooperative goals (Vanhaverbeke & Cloudt, 2006). The acceptance of financial risks is the second element of the financial climate. Risks are acknowledged as critical factors in management research (Das et al., 2001). Especially financial risks are important in multi partner alliances, because multi partner alliances demand high risk and large upfront investments (Mothe et al., 2001; Browning et al., 1995). If the financial risks are acceptable for partners, it is likely to enhance the willingness of partners to stay involved in the alliance thus benefiting social commitment. Besides the positive influence of the financial climate on the relational climate, the relational climate may also enhance the financial climate (Rochemont, 2010). Firstly, social governance helps partners to improve their contract (Poppo et al., 2002). As a close relationship is developed and sustained, lessons from the prior period are reflected in revisions of the contract. Secondly, to have effective formal control over partners, a certain amount of trust is required (Das et al., 1998). If firms are lacking in trust and/or social commitment, alliance members will question their partner's motives and might give the impression that control is needed for advancing one's interests rather than the common alliance goals.

## **2.8 The interaction between the management and organizational climate and the relational climate**

The management and organizational climate is an important element of formal governance and as mentioned before this climate affects the relational climate in different forms. In this chapter the possible forms of interaction will be described.

According to Rochemont (2010) it is important that partners have a clear insight into the decision-making process within the alliance. A clear decision making process makes partners feel they are taken seriously because of the idea that the process itself is open for discussion. This has to do with the perception that, if you have the idea that decisions are made transparently, the whole decision making process itself is open for discussion. A transparent decision-making process creates space for communication which can improve understanding and decreases conflicts. The processes used to reach strategic decisions positively affect social commitment, attachment and trust of individual team members (Korsgaard et al., 1995). In the existing literature there is not empirical data about the interaction between the network orchestrator and the relational climate.



— = relationship connector  
 → = influence line

### **3. Methodology**

#### **3.1 Research design**

To understand and explore different relations between the climates and the effect on management control in a public alliance, a case study is an appropriate research design. A case study is an investigation of a specific, unique, bounded system (Stake, 1994, p. 237). Thus, a group, and an organization can be seen as cases. In this research the omgevingsdienst NZKG as an organization is the case. It is a qualitative research in which the researcher seeks to understand the life and experiences of a group of individuals (Baxter and Babbie, 2004, p. 419). On the other hand theory is used to form an open model about relationships between climates and their underlying variables. Some interesting theoretical concepts were used as interview topics for in depth exploration. So the model was not constructed to be tested in the research but to explore possible relationships between climates. It is about understanding the construction of reality through the eyes and minds of the research participants. The underlying philosophy of the research design is the belief that human action is centered in meaning, not in causes or functions. The goal of interpretive research is to understand what action means to people (Baxter and Babbie, 2004). Meaning making is complex. In order to understand it comprehensively, it's needed to weave together all of the bits of knowledge that can tell us more about the research topic. But meaning making varies depending on whom we talk to (Baxter and Babbie, 2004). The goal is to understand the web of meanings by describing its components semantic relationships and to weave together native and researcher interpretations in an attempt to understand the life experience of the native (Baxter and Babbie, 2004).

Qualitative interviews are especially appropriate to understand in a richly detailed manner what an interviewee thinks and feels about some phenomenon (Baxter and Babbie, 2004). This is the main reason for choosing the research method of interviewing.

#### **3.2 Research participants**

In this research the following participants were interviewed:

- Two members of the board of directors of the omgevingsdienst NZKG

The board of directors consists of two directors who each have their own responsibilities. This is a very relevant group to investigate because these are the people who executed, thought of and negotiated about the new organization and its governance. The new director of the omgevingsdienst NZKG performed the role of the network orchestrator in the pre-formation phase.

- The mayor of one of the participating municipalities

This represents the political board which is relevant for this research because the political board negotiated with the board of directors of the omgevingsdienst NZKG about the policy, financial issues and employer investments and are the clients of the board of the directors. Another interesting aspect is to understand if the political perspective gives an alternative explanations about the research question.

- The management of three participating municipalities and the province of North – Holland

These are the managers and directors of the municipalities. They prepared, thought, constructed and negotiated with the board of directors of the omgevingsdienst NZKG about policy proposals. The political decision makers and the public council eventually made the decisions.

<b>Date</b>	<b>Function</b>	<b>Organization</b>	<b>Interview length</b>
08/07/13	Director	Municipality Zaanstad	55 minutes
09/07/13	Director	Province North Holland	50 minutes
10/07/13	Director	Municipality Haarlemmermeer	62 minutes
10/07/13	Governor	Municipality Haarlemmermeer	57 minutes
24/07/13	Two directors	Omgevingsdienst	58 minutes
29/07/13	Director	Municipality Amsterdam	55 minutes

### 3.3 Coding and analysis

The design in qualitative interviewing is iterative. This means that each time the basic process of gathering information, analyzing it, coding it, and testing it, makes the model of the phenomenon of study clearer. So the process of coding will be done during and after the actual research. The coding process is characterized by analytic induction (Goetz & LeCompte, 1981), although analytic induction involves not only coding but also negative case analysis. This is a process of accounting discrepancies in the data (Lincoln & Guba, 1985). This means that in the development of initial coding categories, the gathering of additional data and “testing” the categories against the new data, will be part of the process. If it disconfirms the categories, the coding categories need to be revised accordingly. For now the coding of the information will be structured by the chosen topics, which are the climates, as can be seen in appendix 1.

The analysis of the material will focus on understanding relationships, testing the validity of the theoretical model and comprehend the complexity of the interaction between climates.

### 3.4 Credibility

To establish the credibility of this research, triangulation is useful. Norman Denzin (1978) identified four different forms of triangulation. The forms that are applicable to this research is the use of multiple and different sources of data. This is accomplished by comparing the experiences and perceptions of one informant with those of other informants. But also by member checking (Lincoln and Guba, 1985), comparing the perceptions of the researcher with those of the research participants. Furthermore there was consistency in the way in which interviews were conducted. Every interview starts with asking the same open question, in this way the researcher does not influence the interviewee in thinking. All interviews are recorded so the researcher can listen back to the conversation. For the validity of the research Sandberg (2005) gives three related criteria; *communicative validity*, *pragmatic validity* and *transgressive validity*. *Communicative validity* means achieving truth according to the notion of perceived fulfillment. In the initial phase, gathering empirical data, communicative validity will be achieved by a community of interpretation. Which means that the researcher and the research participant have a shared understanding about what is the goal and method of the research. In this research this will be achieved by explaining to the research participants the goal of the research, and in short the concepts/topics in which the research is based. But also telling the participants that the interview is recorded, results are processed anonymous and the report of the interview is member checked with the participant, to make sure the report is an accurate statement of the interview. The researcher will also explain that the main interest is to understand their view and perspective on how they see the

interaction between different topics. The interview will be therefore a dialogue and not a question answer method. Questions like 'what do you mean with that?' or 'Can you elaborate more on this topic' keeps the dialogue dynamic. This also enhances the communicative validity. *Pragmatic validity* is about paying attention to possible discrepancies between what people say they do and what they actually do. Here my actual experience in the alliance can be beneficial, in this case I also played the role of a participant observer. Transgressive validity is about looking for inconsistencies to understand if people are telling the truth. It has been argued that communicative and pragmatic validity are two appropriate criteria for justifying the extent to which truth has been achieved according to perceived fulfillment and fulfillment in practice. However, those criteria tend to encourage the researcher to search primarily for consistent and unequivocal interpretations of lived experience (Sandberg, 2005). In this research awareness for salient details or inconsistencies is important. This is because the main research goal is to understand the complexity of the case. By identifying inconsistencies complexity is made explicit. A way to achieve higher transgressive validity is to confront different statements from different participants about the same topic of different participants. Questions like: in another research a participant said the exact opposite of what you are saying, do you have an explanation for that? Or 'First you say this about....and now you say .....this looks inconsistent, is it'?

## 4. Results

### 4.1 A process view

In 2008 the commission Mans, a research group that needed to investigate better ways of organizing safety, concluded that the municipalities are too fragmented to achieve a high quality of permit-regulation and supervision. The consequence was that the government chose to create a new organization that would be responsible for the safety in certain areas. This top-down and blueprint approach, focused on formal governance mechanisms, created a slow process. Because of the lack of joint meaning-making and problem solving (social governance), the potential partners needed to create their own vision regarding the omgevingsdienst NZKG and also find their position between other potential alliance partners. In June of 2010 the municipalities of Amsterdam, Haarlemmermeer, Velsen, Zaanstad and the province of North Holland acknowledged the importance of creating a new organization for safety and permit regulation. The potential alliance partners were talking to each other and exchanging ideas, the emphasis in the process was on enhancing the relation, joint meaning making and creating a common ground for ideas. So here the relational and management and organizational climate were dominant. On 5 October 2010 the intention agreement was signed, which meant partners were willing to develop the omgevingsdienst NZKG. The consequence was that an exploratory research needed to be conducted to the feasibility and added value of the omgevingsdienst NZKG. In this research the focus was on investigating formal and social governance criteria like, financial investments and willingness to cooperate with certain alliance partners. During this phase different interests (like: scope of the alliance, client - contractor relationship and responsibilities, financial agreements) of the alliance partners were becoming visible, because an independent research organization was speaking to all alliance partners. However, in May of 2011 the results of the research showed that a new organization in the specific area is feasible. From this moment on the focus shifted from the relational climate, especially joint meaning making and problem solving, to the financial climate, especially financial agreements and risks and the idea of fair exchange. As one director said: *“the perception of fair exchange is very important. This means that what you put in the new organization is worth the energy. If this is not right, the risk that parties might leave the alliance is getting bigger”*. But also agreements needed to be made about which tasks and workers, from each individual alliance partner, would go to the omgevingsdienst NZKG. This amount of tasks and workers was also related to the size of the share and influence the alliance partner would get in the omgevingsdienst NZKG. But as one of the directors said: *“The more precise you try to make every agreement, the more you highlight the differences of all the contributing parties”*. All parties wanted clarity about costs and tasks. However, it is impossible to know, because there are always hidden costs along the process. So as one of the directors says: *“You always ask questions in the beginning that you only can answer much later in the process”*. Or as another participant puts it: *“it is difficult to know exactly the value of everything, especially of immaterial things like safety. This is a political choice and therefore financial agreements are also a political choice.”* But to come to financial agreements it is according to all participants important to have trust in the quality, ambition and goals of the new organization. Every alliance partner contributes money and people to the new organization, because they believe that there is a fair exchange of value. Director X said: *“It was important for municipality X that the customer service would become better, the safety of the environment higher and all this without spending more money, for me this is how concrete the fair exchange principle work”*.

#### 4.1.1 The network orchestrator/quartermaster

On the 4<sup>th</sup> of November 2012 agreements on the political board level were made about which tasks the new organization would perform. On 15<sup>th</sup> of November the political board decided to appoint a quartermaster/network orchestrator to build the new organization. This was a crucial moment because from that moment on alliance partners were not talking to each other anymore but with the omgevingsdienst NZKG (read; quartermaster). As one of the directors said: *“The quartermaster was the fifth power in the game”*. The quartermaster/network orchestrator determined the agenda of the meetings, told what the strategy was and organized a new team of directors around him. According to one of the directors; *“this top-down approach creates among some of the contributing parties a feeling of powerlessness, which in turn is not healthy for social commitment. It also creates the need to find ways to create influence and power ourselves. But in this way the whole process becomes a power play, which is fueled with distrust and in the end, creates qualitative less good decisions”*. On the other hand one director said: *“due to the time pressure, it is also understandable that the quartermaster played the power game, surpassing administrative officials, and dealt directly with the political board level”*.

The network orchestrator/quartermaster needed to create a company- and organization plan. The focus of the network orchestrator was to create the legal, material and financial agreements as a framework for the new organization. So the emphasis in this phase lied on the financial- and organizational climate. The legal and financial components were in this phase more important than creating social commitment. As one of the directors said: *“First the organization should exist as a legal entity, a physical building and people working in that building. Later on we should take the time to get to know each other and create a culture with each other”*. In the case of the omgevingsdienst NZKG the network orchestrator also takes the role of the quartermaster. Or to orchestrate a network was one of the jobs of the quartermaster. But there is a difference between a network orchestrator and a quartermaster. The network orchestrator needs to create social commitment in the alliance and among alliance partners by the means of careful process management. Whereas the quartermaster needs to build a new organization and create a quality standard for the new work. So in the case of the omgevingsdienst NZKG this was a combined role, which created contradicting expectations among the different parties. Trust of the partners in the process was related to the different expectations they had from the role of the quartermaster. Some partners expected a negotiation role in which the orchestrator would take all needs into consideration and create in this way a democratic and transparent process. Other partners felt comfortable with the role of quartermaster. This means creating political support for decisions, and thereby surpassing the administrative board level, just to speed up the decision making process. The reasons why the expectations among partners were different can be summarized in a couple of variables. First, the experience a partner already had in complicated change processes. The more experience - the more trust there was in how processes can and would go, the more a quartermaster role was welcome. Second, the trust a partner had in the goals of the new organization. Third, the level of influence a partner had in setting the new goals of the organization. Fourth, the transparency in the decision making process itself. These different reasons are discussed in more detail further.

The difficult part of a multi partner alliance, like the omgevingsdienst NZKG, is that each party has different interests. As one director said; *“when different interests get into the process, the process itself will become more irrational”*. Another director said: *“directors could perceive the interventions of the quartermaster/network orchestrator as somebody who took their people away, so the need to take care of their own shop was getting more important”*. Therefore, as a network

orchestrator/quartermaster the reasons to act with power and speed is to create a common understanding and willingness on a political board level. Because this was the only means to achieve efficient and fast decision making, the time was short and the task was complex. Then the political board would give the administrative officials tasks. In that way it is possible to speed up the process by surpassing the administrative officials. As one director explained: *“it is very difficult to achieve common decision making with all the parties on all levels when there are a lot of differences”*. But two other directors said it is wise and wishful to aim for a wide support from all parties on a board and administrative level. This creates trust and social commitment on a wider scale rather than only the board level. This is achievable by implementing good process management in which all parties are represented in an early stage. Though director X argued; *“reality is that the quartermaster needs to fight for high quality standards of the new organization, and because of different interests wide support isn't always achievable”*. Or as a political leader argues; *“the role of the quartermaster isn't to create support within all parties of the alliance, but to build a new organization according to the given assignment”*.

In December 2012 the collective arrangement, which states which tasks the new organization is responsible for, was approved in the city councils of all participating municipalities. The deadline, for being operative, at the 1<sup>st</sup> of January 2013 put pressure on all processes. This is the main reason for the network orchestrator to focus on the financial climate and to make agreements about these financial and organizational issues on the political board level.

In the next paragraphs some issues are discussed in more detail outside the chronological account.

#### **4.2 Differences between partners and financial risks**

This chapter describes participants opinions and perceptions on financial risks and the financial differences between alliance partners. This chapter is also an elaboration of paragraph 2 in chapter 4.1, where the results about the differences between alliance partners were briefly discussed.

*“The smaller the financial risks for an organization, the less critical an alliance partner can be in the decision making processes”* Quote on of the directors.

In case of the omgevingsdienst the contributing parties were not contributing equally. The municipality of Amsterdam was contributing 250 FTE, and for example the municipality of Zaanstad included less than 10 FTE. The need for more or less formal control depends on the levels of the financial risks, except if some other important criteria are playing a role. These criteria may be; a rich experience with these kind of specific change processes, and a strong believe in the mission of the new organization. So if one believes in the goal and have the trust that these kind of alliances can work, then one can also solve other (financial) puzzles. According to one of the directors: *“The alliance members that are financially larger can have the habit to take the lead and tell the other parties how everything needs to be done. This is not enhancing social commitment of the smaller alliance members”*. Another interesting fact is that on the political board level, the (financial) size of the organization did not matter, or did not matter according to the fair exchange principal. Distribution of seats is a political game. But on the administrative level it does matter. Director X argues; *“municipality X was one of the smallest parties, so we had the smallest financial risks, therefore we did not want to put too much time in all kinds of meetings (fair exchange). The bigger the alliance member was the more need to be in control, because their financial risk was bigger”*. Or as another participant argues; *“alliance members that are financially bigger can have the habit to take the lead and tell the other parties how things should work. For a smaller*

participant like municipality X you need to determine your own position in relation to the bigger parties". Director X has an anecdote to acknowledge the story about searching positions;

*"Municipality X was the smallest alliance member, but had some critical remarks about the budget of the new organization. The faces of the other directors in that meeting were telling everything. I apparently overplayed my cards"*.

#### **4.3 Clear decision making processes, transparency and trust**

*"If there is a sentiment of mistrust between people, transparency will help, but would not make a big difference"* Quote of one of the directors.

Clear decision making is very important in these kind of start-up processes. Director X said; *"it is very important to report very precisely about what is going good and what is not. You want to avoid that the political board feels that they are tricked or mislead"*. Also it is important to your own employees that all the decision papers are transmitted to all people. Director X says: *"make sure to avoid that your employees or other parties think that decisions are made behind doors, mistrust is hard to repair"*. Furthermore, it is also difficult to be clear, because as one of the directors says; *"In reality you can think you made a clear decision and later on you notice that other parties interpret it differently. Checks and balances are necessary to make sure everybody is on the same page. If checks and balances are good, it will enhance trust within the alliance"*. In this case checks and balances refer to the quality of the communication between alliance partners. There need to be clear reports from every meeting, with clear agreements. Also partners and the network orchestrator should check with each other the interpretation of the agreements. So openness in communication is very important.

The quartermaster had chosen for a strategy which created support on the political board level. Some administrative officials perceived the process sometimes as unclear and this created a feeling of mistrust. As one of the directors said: *"because of the short time period, some levels of the organization had to be passed by. Because if the political board would agree, the organization needed to follow. Thereby taking the risk into account that sometimes the administrative officials could slow down the process by advising the board differently"*. He further states: *"the new organization had to become more professional in comparison with the individual organizations and their performance in the past. Therefore, all the individual organizations needed to be audited and this made points of improvement clear. If you deconstruct existing practices, there will always be pain and mistrust"*

## 5. Discussion

In chapter two a theoretical model was developed based on the existing literature. This model provides a theoretical framework in which the main research question, about how the interaction between social and formal governance evolves during the pre-formation phase, can be understood. During the empirical research, the model was explored in depth and certain relations and aspects were supported, others had to be adjusted and some other criteria were discovered that make the model more specific. In this chapter the results from the research of the omgevingsdienst NZKG are discussed.

### 5.1 Interaction between the financial climate and the relational climate

Model 1 states that formal governance is constructed by the financial, management and organizational climate and social governance is constructed by the relational climate. In this paragraph the interaction between the financial and relational climate, in the case of the omgevingsdienst NZKG, is discussed.

If we look at the case of the omgevingsdienst NZKG, the financial climate was influencing the relational climate. Specifically, financial agreements influenced the feeling of trust within the alliance and trust, in turn, influenced the ability to make financial agreements. When financial agreements were made and every partner had insights in investments and performance expectations, the chance of free riding decreased. As a result the overall trust in the alliance did grow. Trust also influenced the process of making financial agreements. This is because some alliance partners knew each other from previous collaborations, and therefore trust existed in each other's capabilities. This made it easier to come to financial agreements. The difficulty is that in a multi partner alliance there are more than two partners. Some partners know each other, others do not. Bigger alliance partners, the ones that invest the most money and people, have the tendency to stress in the eyes of other alliance partners, the topic of financial agreements. In the case of the omgevingsdienst NZKG this meant, for example, that every number had to be calculated twice and accountancy firms gave second opinions. This gave the signal to other partners that there was a lack of trust in them. So an over emphasis of the financial figures is influencing the relational climate in a negative way. But if there is too little emphasis for making financial agreements free riding can occur (Das et al., 2003), which also undermines trust in the alliance. As one director said: *'without clear financial agreements, the alliance lacks a backbone'*. Acceptable financial risks influenced the social commitment of the alliance partners. In this case the more money and people an alliance partner needed to invest, the higher the social commitment of the partner was. The big losses that can come with big investments give reason to continue good relationships with other alliance partners. Also the need for control was higher, when risks are higher. Alliance partners that had higher risks and therefore more to lose also used social governance instruments like trust and social commitment as an instrument for control. But at the same time, opportunistic use of social governance instruments can give the signal to other alliance partners that it is used only as means to achieve own goals. And therefore decreases the social commitment that the smaller alliance partners have in the bigger alliance partners.

## 5.2 New criteria that influence the financial and relational climate

The financial and relational climate influenced each other in different ways. Their interaction depended on how financial agreements were made, how high the financial risks were and if partners had trust in each other and were committed to each other, sometimes based on previous encounters. This all fluctuated in time. Because if a bigger alliance partner emphasizes the financial climate, this had a negative influence on the relational climate, i.e. social commitment of other partners. Because the perception of 'bigger alliance parties try to control the direction of the alliance' was reinforced among smaller alliance partners Which in effect, influenced the financial climate in a negative way. This process becomes a self-reinforcing spiral of behavior.

Now if we take a look at model 2, there are new criteria, which in the case of the omgevingsdienst NZKG, influenced the financial climate, i.e. acceptable financial risks and financial agreements. The first criteria is that if an alliance partner had good experiences with prior complicated change processes, the negative sides of financial risks were more neutralized. This is because the alliance partners knew and believe that this kind of change processes lead to better outcomes. But if an alliance partner had bad experiences with alliance processes, every financial aspect needed to be investigated twice. In the case of the omgevingsdienst NZKG the municipality of Amsterdam had good experiences with creating multi partner alliances. These good experiences resulted in the fact that the director had trust in these kind of operations, and relied less on formal governance instruments. **So** if a partner had good experiences with alliances, it was easier to make financial agreements, and financial agreements created trust. Good experiences of a partner with alliances also created more trust in alliances itself and therefore these partners needed less formal control mechanisms.

Another component is that the financial and organizational size of the alliance partners is of influence in establishing financial agreements. The more money and people an alliance partner invested in the new organization, the more influence the partner wanted in, for example, strategy creation. The need for more influence comes with bigger financial investments and risks. In the case of the omgevingsdienst NZKG the smaller financial alliance partners did not feel the need of having many meetings and figuring out in detail what had to be paid and who is in charge. This is directly related to the fact that the smaller partners had smaller financial investments and risks. Smaller financial alliance partners can afford to be less socially committed to the alliance because the financial risks are smaller for them. So financial risks can influence social commitment of the partners. In the case of the omgevingsdienst NZKG this also had to do with the *fair exchange principle*, which is related to the financial climate. Alliance partners needed to have the idea that there is a fair value distribution according to the effort and money they put in the new alliance. If there is no *fair exchange of value* or between input and output, in the eyes of alliance partners, social commitment can be damaged severely and might end up with partners leaving the alliance. So in this way the *fair exchange principle*, as part of the financial climate, is interacting with the relational climate.

Another important factor, in the case of the omgevingsdienst NZKG, that enabled making financial agreements is the aspect of *shared strategy creation*. If there is time (context variable) to create a strategy with all alliance partners, trust of the partners in the alliance will enhance. This in result, as seen in model 2, will make it easier to find support for making certain financial agreements. So as one director said: "*If all parties understand and acknowledge the strategy and reasons behind the strategy for the new alliance, financial agreements are made easier*".

The last, but new, component that influences the financial climate - i.e. the making of financial agreements - are the different levels in an organization (political/administrative & strategic/operational). Whereas the administrative level is more occupied with financial and managerial issues (formal governance), the board level is more concerned about the political side of management control (how is a decision or action perceived by the other alliance partners, media or city council). This can lead to different agendas in common meetings. For example, the *fair exchange* principle, which is about the fair exchange between input and output for an alliance partner, does not seem to be completely of interest on the political board level. On the administrative level the fair exchange principle plays an important role. He or she makes a balance about what is the input and the output and if it is balanced. A politician is not calculating from his or her own perspective but also from the perspective of the council and the public opinion of the people. For example, the Amsterdam alderman did not want to be the chairman of the political board, because this would strengthen the perception of other alliance partners that Amsterdam as the biggest alliance partner controls every action. This can be used against the alderman by the labor union for example.

### **5.3 The interaction between the management and organizational climate and the relational climate**

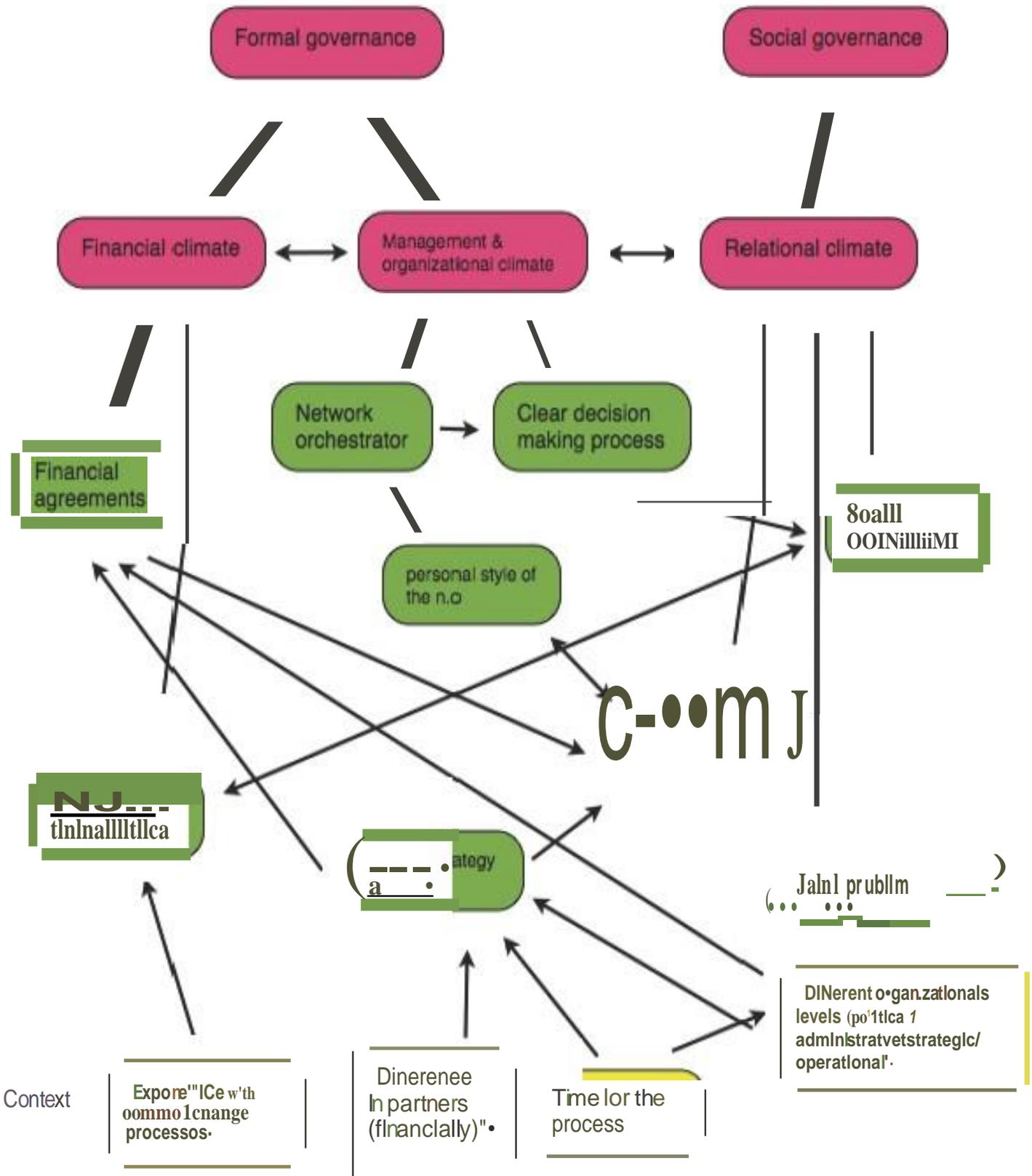
In this paragraph the interaction between the management and organizational climate and the relational climate will be discussed, as encountered in the case of the omgevingsdienst NZKG. The management and organizational climate is constructed by the following components: ‘the network orchestrator’ and ‘clear decision making process’.

The network orchestrator played an important role in the case of the omgevingsdienst NZKG. The network orchestrator had a big influence on many processes<sup>3</sup>. Theoretically, as model 1 shows, the network orchestrator directly influenced the elements of clear decision making process and joint problem solving. The job of the network orchestrator is to manage the alliance, by creating clear processes and to involve the alliance partners in these processes. In the case of the omgevingsdienst NZKG, the function of the network orchestrator was much more complicated mainly because the network orchestrator influences indirectly every element in model 2. The network orchestrator needs to create clear decision making processes, which interact with the relational climate, i.e. social commitment of partners. If alliance partners, in the case of the omgevingsdienst NZKG, perceived the decision making process as something that is done behind closed doors, the feeling of trust and social commitment were influenced in a negative way.

Another aspect is that some alliance partners expected a network orchestrator to create a democratic decision making process (social governance), taking into account different partners and their needs and discuss differences to try to achieve a compromise, while other alliance partners were satisfied with the quartermaster role (formal governance). This means, as can be seen in model 2, that the network orchestrator and his personal management style is decisive in choosing the strategy for creating a clear and shared decision making process. A network orchestrator’s choice for a wide democratic bottom-up process (a more social and relational approach of the decision making process) or a faster top-down political board process (a more formal and financial approach of the decision making process), depends on various elements. One of the elements is time. How much time does a network orchestrator have to build a new alliance? As in the case of the omgevingsdienst NZKG, the less time there is, the bigger the need for a fast top-down strategy.

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<sup>3</sup> Model 2 would become too complicated if every interaction line would be placed.



- Interacts with governance and trust with such OOI/CI iCnT/Cl change processes
- also interacts with financial agreements and trustworthiness, also enters the need for shared strategy content
- also interacts with social commitment

Another element is the personal management style of the network orchestrator. Some managers preferred a fast top-down process and did not have affection and the set of skills to facilitate a broad bottom-up process. The style and strategy that was chosen by the network orchestrator influenced the trustworthiness of the alliance partners in the new alliance. In the case of the omgevingsdienst NZKG the fast top-down strategy undermined trust of some directors on the administrative level. The wider support strategy can create more social commitment on both the board and higher administrative level. To choose for a top down support strategy is effective but did not create the social commitment and trust on every level of the alliance member organizations. Another aspect to take into consideration is that alliance members on higher and more strategic levels, which own interests were not aligned with the goals of the new alliance, tended to see the network orchestrator more as a 'new power' than as somebody who orchestrates the network. Which in effect had a negative influence on the relational climate/social commitment.

The style and strategy of the network orchestrator and the expectations that the alliance partners had about this role, can be of a big influence on trust and social commitment in the alliance. In the case of the omgevingsdienst NZKG the strategy of the network orchestrator effectuated speed and clear decision making, but the top-down approach negatively interacted with the relational climate, in this case the social commitment of the alliance partners on an administrative level.

#### **5.4 Interaction between financial climate and management and organizational climate**

To come to financial agreements, the network orchestrator played a crucial role. As in the case of the omgevingsdienst NZKG the network orchestrator facilitated and organized all meetings about (financial) agreements and gave input about the content and consequences of the agreements. And with providing all this crucial information he created a transparent decision making process. Each alliance partner had the same kind of information. So by providing the same information to each partner and made this process very open, the network orchestrator created trust among the partners and trust in the process itself. So to come to financial agreements, the network orchestrator needed to create a clear decision making process. Because alliance members who have influence on the decision making process, will be more socially committed to the alliance. But to take all partners and their interests in consideration takes time. As a result, all kinds of questions and rumors on the working floor can pop up and this undermines trust in the new alliance. So what can create trust in the higher ranks of the alliance can create mistrust in the lower parts of the alliance.

The duration of the decision making process also depends on whether the alliance partners had a steady belief in the mission of the new alliance and if they had good experiences with previous alliances. Moreover, what is important to take into account, is that the whole process of the start-up of an alliance is not purely a rational one. When different interests are at work, the whole process can look irrational, though from a local perspective the seeming irrationality can be understood. For example, the mission or strategy of the new alliance is not always leading the choices people make. All the research participants on board or higher administrative level agreed that if everybody is focused on the end goal, processes can become smoother.

Model two is a complex model, but it reflects the complexity of these kinds of processes.

## 6. Conclusions

In this research about the omgevingsdienst NZKG the following research question was investigated: “*How does the interaction between formal governance, constituted by the financial climate, management and organizational climate, and social governance, constituted by the relational climate, in the multi partner alliance omgevingsdienst in the pre-formation phase evolve?*”

In this thesis I used a climate approach, which Rochemont (2010) is using to operationalize the two forms of governance, meaning formal and social governance. The climate approach is an interesting approach because it approaches complex interactional patterns, like formal and social governance, not isolated, but integrated. The climates and their components were used to create model 1. In this model the relations and interactions were described from a theoretical perspective. The model also introduced some important research topics, derived from the climates. These topics were used as a structure in the interviews which determined my case study about the omgevingsdienst NZKG.

I did my best to map the full complexity of interaction patterns but all climates and their variables play very important roles simultaneously and on different organizational levels. This made it more difficult to comprehend and map the full complexity and to oversee the whole playing field of stakeholders, needs, thoughts and emotions.

### *Triangle interaction*

There are some important conclusions to make. The financial climate, the management and organizational climate and the relational climate interact with each other in multiple directions. Though this triangle interaction is not discussed in the specific literature about climates in relation to alliances. For example; financial agreements interact with trustworthiness but, without a clear decision making process, trust decreases and so also the chance of making financial agreements. Trust is related to financial risks and shared strategy creation, but the network orchestrator has a big role in facilitating the process of shared strategy creation, which influences trust and financial risks. These examples make clear that the story behind the model is more complex and nuanced than it may look.

### *Supported interactions and new criteria*

If we look at specific interaction patterns between the financial climate and the relational climate, some conclusions can be made. Financial agreements and trustworthiness interact with each other. Financial risks interact with social commitment and vice versa. The research also shows that a clear decision making process creates social commitment among partners. Partners are more willing to sustain relationships when they understand and know who decides what and when. This part of model 1 is supported.

There are some new criteria that also influence the financial- and relational climate. Previous experiences that partners have with alliances influence the height of the financial risks that they accept. Previous experiences also influence the trust in the alliance and the belief that an effective alliance exist. Another new criteria that affects both the financial and the relational climate is *shared strategy creation*. If the strategy is created in a joint process with all partners, the making of financial agreements can be less complicated. This has to do, and here it influences the relational climate, with the fact that in a joint strategy process partners trust in the alliance enhances. Then the fact that a political organization has different levels (political/administrative/strategic/operational) influences the financial climate. This is since Some levels, like the administrative one, can stress the financial figures, where other levels can give these figures less importance. Because different levels

create more complexity the need for a shared strategy enhances. This is since a shared strategy functions as structure in chaos.

### *Network orchestrator*

Some conclusions can also be made about the interaction between the management and organizational climate and the relational climate. The network orchestrator needs to create a clear decision making process, but at the same time needs to influence a lot of different processes, sometimes directly sometimes indirectly. The network orchestrator needs to create trust in the new alliance, by creating a clear and joint decision making process, but he also needs to arrange financial agreements between all partners. A new criterion that influences the relational climate is the personal style of the network orchestrator. If a network orchestrator's style is characterized by fast, clear and top-down decision making, trust can be influenced negatively. If the personal style is more characterized by a broad, democratic, bottom-up approach, trust in the alliance enhances. Of course to facilitate and organize a bottom-up democratic process there must be enough time, because if the alliance needs to be operational in a short time an extensive bottom-up process is not possible.

## **6.1 Limitations**

It is important to point out some limitations with respect to the methodology and research purpose. Sandberg (1995) says: *“Given truth as intentional fulfillment, criteria of reliability, such as replicability and interjudge reliability of results relating to objective reality, fall outside the domain of interest in achieving reliability within interpretive approaches. Instead, the proposed truth constellation implies first and foremost that researchers must demonstrate how they have dealt with their intentional relation to the lived experience studied. That is, researchers must demonstrate how they have controlled and checked their interpretations throughout the research process: from formulating the research question, selecting individuals to be studied, obtaining data from those individuals, analyzing the data obtained, and reporting the results”*.

From this perspective Sandberg (2005) identifies three criteria for determining the trustworthiness of knowledge in interpretive research. The first is *communicative validity* and means achieving truth according to the notion of perceived fulfillment. One of the limitations when it comes to communicative validity of this research is that the participant,s because of a busy agenda, could only be interviewed once. If more interviews could be conducted the range of misinterpretation should have decreased.

When it comes to pragmatic validity a limitation is that the case itself was a political sensitive one. Because of the politically sensitive nature of this case, it was more difficult to achieve this pragmatic validity. Politicians cannot admit their inconsistency when confronted with the discrepancies between saying and doing. The democratic system itself makes it impossible to make and therefore keep promises because coalitions change and so the political priorities also. Another limitation of this research in relation to pragmatic validity is that I did not misinterpret deliberately the participants answer to see how they react to my misinterpretation. Another limitation is that I did not apply the participant observation method so I could observe possible discrepancies between ‘saying’ and ‘doing’.

The third criteria is transgressive validity. A complication in qualitative research, in this case interviews, when it comes to validity is that it is always difficult to know if the interviewee is telling the truth or the interviewee and the researcher have an shared understanding about the interview topic. This also has impact on the reliability of the research. A different researcher could obtain

different answers and the fact that I was a member of one of the participating alliance municipalities could affect the answers of the interviewees. One way that can form a limitation to this kind of validity was the fact that I was professionally involved within this alliance and therefore could be biased. But I was aware of my own subjectivity during the research and therefore sometimes I also tested my own assumptions about the startup process of the omgevingsdienst NZKG with other participants. A limitation of this research in relation to transgressive validity is that I did not cross member check the reports. This was not possible to do because of the political sensitivity of the subject. Because transgressive validity can affect pragmatic and communicative validity, the last ones are focussing on establishing coherent interpretations and the first one is keen on inconsistencies, this research scores higher on transgressive validity than on communicative and pragmatic validity. This is an explanation for the complexity of the results. Also the complexity of the results is related to this specific case and space/time continuum. Results cannot be projected on other public alliances.

## 6.2 Practical implications

This research has several practical implications. First of all, the network orchestrator has an important role in building the new organization and creating trust and social commitment within the alliance. Therefore it is beneficial to oversee the players, their differences (culturally, financially) and their history and experience with these kind of projects. The startup process forms a good opportunity to talk about these topics (differences between partners, previous experience with complicated change processes) with the alliance members, thereby creating a common frame of reference, which sets the path to creating a common strategy. Both financial and relational interventions should be balanced in the pre-formation phase. It is also important to understand the relations between the different partners and how they see each other, this can give insights in how and why they can act seemingly irrationally. Second, it is very important to create time and space for a mixed top-down/bottom-up approach. Shared strategy creation is crucial for long term social commitment. A network orchestrator needs to be appointed to maintain good relations with and between partners, also facilitating a transparent and clear decision making process. This will improve trust and social commitment. Thereby it is also important to understand the different needs on a political and administrative level, the *fair exchange principle* and *financial agreements* (what do we put in and get in return) works differently on these levels. The sensitivity for seeing and acknowledging this can create trust and social commitment, especially on the administrative level. Trust is a crucial factor in all processes, and relates to all variables. However trust is a perceived phenomenon and not an objective one. This may explain why some partners had trust and others did not and why some interventions enhanced trust and social commitment with one alliance member and damaged it with another alliance member. To build trust is a delicate process. Trust is something one earns by deeds not words. If alliance members show congruent behavior, they do what they say and vice versa, it will enhance trust. There are some cliché truths that are also applicable to this case, such as: “*Trust takes years to build and seconds to destroy*” and “*Action speaks louder than words*”.

### **6.3 Future research**

In contrast with expectations, theoretical and empirical research on multi partner alliance management remains limited. Most scholars have approached the antecedents of multi partner alliance management control from isolated mono-theoretical perspectives (Rochemont, 2010). This is an important shortcoming, because understanding management control of multi partner cooperation demands a multidisciplinary approach (Vanhaverbeke et al., 2006). Some scholars adopt a social governance view, such as Das et al., (2002). Other scholars have only looked from a formal governance perspective (Garcia-Canal et al., 2003) or game theory (Hwang et al., 1997). The climate approach is a useful approach to get better and broader insights on the dynamics of management control. But the climate approach does not take into account different context variables. Therefore results can be misinterpreted. This research shows some variables, from a process view, that enrich the climate approach. By conducting this research through the method of open interviews more variables were identified which interact in subtle ways with trust and social commitment. These variables are for example; previous experience with complex change processes, a political perspective on management control, irrational decision making and how the financial size of a partner interacts with formal control mechanisms. Future research should take these new findings into consideration.

From a process view more research needs to be done to understand how different alliance partner interests interact with the role of the network orchestrator. Further research should focus on whether the results from this research can be falsified in other public alliance case studies.

Also more research needs to be done into how and when above context variables interact with formal and social governance mechanisms. Another interesting research may look into the way in which people in political functions perceive management control in public alliances, because in this case study the perception of management and politics on management control was different.

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## Appendix 1: Topic list

Alliance Phase	Concept	Item	Source
Pre-formation phase	Financial climate	Financial agreements  Acceptable financial risks	Williamson, 1985  Mothe et al., 2000
	Management and organizational climate	Network orchestrator  Clear - decision - making process	Doz et., 1998  Bamford et al., 2003
	Relational climate	Social commitment  Joint problem solving  Trustworthiness	Cullen et al., 2000  Claro et al., 2003  Barney et al., 1994

## **Appendix 2: Protocol guide**

### **Introductory protocol**

To facilitate my note-taking, I would like to tape our conversations today. For your information, only my teachers on this research project will have access to the audio files which will be destroyed after they are transcribed. Also the report I make about our conversation will be member checked, this means I will ask you to give your feedback about the report. We have planned this interview to last no longer than an hour. During this time, we have several questions that I would like to cover. If time begins to run short, it may be necessary to interrupt you in order to push ahead and complete this line of questioning.

### **Introduction**

You have been selected to participate in the research because you have been identified as someone who has a great deal to share about the start-up process of the omgevingsdienst Noordzeekanaal gebied. This research project as a whole focuses on the improvement of management control in multi partner alliances in a political setting, with particular interest in the interaction between the formal aspects of governance (i.e. financial agreements, acceptable financial risks, clear decision making process and the network orchestrator) and the social aspects of governance (trustworthiness, competence-based trust, social commitment, joint problem solving). The interview will start with a “grand tour” question on how you as a participant describe and looks back at the start-up process (pre-formation phase) of the omgevingsdienst. My study does not aim to evaluate your techniques or experiences. Rather, i'm trying to learn more about the pre-formation phase around multi partner alliances, and hopefully learn about management control practices that help improve the start-up of such organizations.

### **A. Interviewee background**

1. Briefly describe your role as it relates to the omgevingsdienst NZKG, especially in the pre-formation phase.
2. Do you already have experience with or in multi partner alliances?

### **B. Research topics and questions**

1. How do you perceive the whole pre-formation phase of the omgevingsdienst NZKG, in relation to management control?

### **Topics**

1. Financial agreements about value appropriation
2. Acceptable financial risks
3. Network orchestrator
4. Clear- decision making process
5. Social commitment
6. Joint problem solving