Investing in the inter-organisational domain

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Abstract
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Keywords
Investing, inter, organisational, domain

Disciplines
Business | Social and Behavioral Sciences

Publication Details

This book chapter is available at Research Online: https://ro.uow.edu.au/commpapers/1830
Investing in the Inter-Organisational Domain

Gordon Boyce, Stuart Macintyre and Simon Ville

Background
Organisations communicate with one another in many different ways and for a variety of reasons. Markets, especially business to business, and the price signals that underpin them, require organisations to communicate regularly. Our focus in this book, however, is on the richer and more sustained communication that takes the form of collaboration. Collusive behaviour among collaborating organisations, designed to exclude others and promote sectional interests, has been widely discussed and documented. Despite this, it is increasingly recognised that collaboration can bring benefits to a broader community of interests as a result of efficiency improvements. The inter-organisational domain provides the setting for a mutual exchange of complementary competences (such as skills, knowledge and connections) with the prospect of building synergies if the collaboration is wide-ranging and sustained. Today, business draws increasingly upon strategic alliances and joint ventures to promote global expansion, while governments emphasise the fostering of contractual relationships between public agencies and private organisations to promote joint funding, project alliances and closer community relations (Contractor and Lorange 1989).
Unfortunately, many, perhaps most, inter-organisational collaborations fail to satisfy the expectations of their initiators (Boyce 2001; Reuer 1988). We argue that this is because most organisations neglect the complex and multifaceted task of external communication relative to the potential benefits it can yield, instead concentrating their resources upon the productivity and efficiency of internal operations. In other words, they underinvest in their 'external architecture' (Kay 1993: 80–2).

Successful collaboration faces many obstacles. Uncertainty and complexity characterise most inter-organisational relationships. Negotiation replaces the certainty of legitimate authority in hierarchies or the contract-based market transaction. Complex negotiations will intertwine the different knowledge bases of the collaborating organisations. Parties bring to collaboration different social or cultural norms that will shape their methods of negotiation and their intended goals. These differences may reflect the evolution of individual organisations or, more broadly, sectoral or national types of behaviour where collaboration is, for example, between the private and public sector or crosses geographic borders. In addition, individual, often hidden, motives that provide no shared benefits—such as power games, glory seeking, credit recognition and territory control—may come to the fore (Vangen and Huxham 2003).

In particular, we are interested in the evolution of different institutional traditions (customs, norms, modes of behaviour) that both shape the nature of collaboration and are subject to modification under the influence of sustained inter-organisational relations (Phillips, Lawrence and Hardy 2000). Understanding the institutional norms that have evolved to shape inter-organisational behaviour provides us with a sharper focus on the nature of underinvestment in communication and how this can be overcome. For example, we need to establish whether different negotiating environments between public and private sector organisations create a vacuum or mismatch or misunderstandings that hinder communication. In addition, nationwide negotiating practices and styles can become institutionalised in a way that inhibits effective cross-organisational and international communication (Alter and Hage 1993).

There is a paucity of historical writing focused specifically on the development of institutions in Australia. North's work, however, provides us with a broad historical context from which to shape an understanding of the nature of institutional development within Australia. There is nothing new about collaboration: it was prominent in the early colonial period (the Commissariat) and then in what Butlin called 'colonial socialism', which included partnerships in labour recruitment, capital formation and the provision of infrastructure (Butlin 1959). Public–private sector collaboration was a distinguishing feature of the two world wars and the response to the interwar slump (Butlin 1995; Schedvin 1970). Business cooperatives, networks, agencies and joint ventures also have a long history (Boyce and Ville 2002; Richardson 1987). Historical studies of collaboration in Australia, however, have tended to focus upon outcomes and the implications for macroeconomic policy rather than the process of negotiation and collaboration itself (Butlin, Barnard and Pincus 1982).

How might the problems of inter-organisational communication be mitigated? We have drawn attention to some of the broad issues above. In looking for solutions we might ask what particular skills are needed to make the most of the external architecture? Some negotiating styles are more effective than others. What types of intermediary capabilities are particularly valuable in forging inter-organisational relationships? What role, if any, is there for third parties or bridging organisations? Finally, are there potential shifts in the institutional environment that might improve communication?

Workshop

The aim of this study is to increase our understanding of why inter-organisational collaboration has had a high failure rate and establish what can be done to improve the prospects of success. We do this by focusing on the development of institutional norms governing patterns of interaction and through the examination of historical and contemporary case studies of collaboration.

A workshop was hosted by the Queensland University of Technology (26–27 August 2005) and funded by the workshops program of the Academy of the Social Sciences in Australia. It brought together a group of leading Australian scholars from across a range of relevant disciplines including organisation studies, economic history, business history, economics, management and international
business. They addressed the issue through empirical case studies together with a couple of conceptual papers to lay a broader framework. In particular, scholars were asked to specify the nature of the communication problems in their study and examine what solutions had been proffered. The predominant focus was on Australia, with reference to international communications and benchmarks where appropriate. Different types of collaboration were examined including project and strategic alliances, networks, bridging organisations, public–private partnerships and labour market relationships.

Rigorous discussion from nominated discussants and the group as a whole followed the presentation of pre-circulated papers. In the final session of the workshop, as part of an iterative process drawing on the work in the previous sessions, we sought to develop a wide-ranging template to guide authors in addressing the question of ‘building effective relationships’. The template dealt with the following aspects of relationships:

1. **Getting started.** Incentives exist to motivate relationship building. The search for partners, then dealing with incongruities and sources of uncertainty, dominate the initial phases of the relationship.

2. **Context.** The institutional environment underpins the relationship and determines the rules, behaviour and communicating metastructure. Legacy considerations, path dependency and ideology all play a role in shaping this environment and establishing the ground rules.

3. **Communication.** There are many aspects to the actual process of communication, particularly the extent to which it is based on a common cognitive framework as is the norm in communities of practice. These include language (formal and informal styles), the channels used (remote technologies or face to face), the role of intermediaries and the intensity (frequency, regularity) of communication.

4. **Culture.** The existence of cooperation matters but in a manner that accommodates a diversity of views not blind obedience. Social capital and notions of trust help to build an effective negotiating environment. There is a role for loose as well as tight linkages.

5. **Politics of interaction.** Leadership, power distribution, the existence of elites and the nature of personality all shape the negotiating environment.

6. **Legal contract.** Relationships frequently exist within a regulatory environment and may be governed by a formal contract in addition to informal understandings and agreements.

7. **Relationship dynamics.** We are interested in how different types of inter-organisational relationships develop and change over time, whether this brings benefits such as enhanced understanding and learning, or costs through suspicion or shifts in interest and power. What can we understand about the termination of relationships, whether, for example, it is a brief or protracted process, and a unilateral or multilateral decision?

Authors were then asked to revise their paper in a manner that addressed those template themes that were informed by their study.

In his overarching chapter, Boyce explores the broad infrastructures of communication. He explains these as cognitive maps or negotiating frameworks that shape and focus discussion, and behavioural standards that determine the form and range of discourse, adjustment and learning. Infrastructures can either be public, providing a standard template, or private and so customised. In addition, they operate at different levels from encompassing meta-structures to more specialised subsidiary structures. Empirical examples provided include the 'gentlemanly capitalism' meta-structure, whose norms heavily influenced the manner in which business and social organisations interacted in nineteenth-century Britain. In the other overarching paper, Clegg and Pitsis examine alternative typologies of communication and authority. They contrast collaboration with a common human inclination towards hierarchy. Heterarchy (multiple power bases) and responsible autonomy (through accountability) provide the environment for collaboration. 'Inter-organisational synthesis' represents the achievement of successful collaboration. While this process need not be linear and does not necessarily require an environment of harmony and uniformity of viewpoint, certain building blocks are necessary. These include agreeing on a vision and mission, negotiating a cultural order and providing leadership with high 'emotional intelligence', that is able to read the context and
understand each stakeholder's needs, wants and expectations. Trusting relationships, but with some degree of circumspection, and the language and technology of communication play an additional role in effective relationship building.

Ineffective communication between the public and private sectors is a key concern that was addressed by three studies. Mann investigates research and development collaboration between higher education and business in Australia between 1999 and 2004 using data from the Business/Higher Education Round Table of Australia. He finds these collaborations most successful when partnerships were long term, strong and involved few members. Singleton focuses on the evolving and fluctuating relationships between Australia's and New Zealand's central banks, governments and trading banks since the 1930s. Several factors have shaped interaction in the monetary system, including shared beliefs and values (or their absence), legislative arrangements, the quality of communications, and personalities. Ryan and Brown examine contractual arrangements between government and community organisations and the resulting implications for the distribution and use of power. They compare Queensland (Australia), New Zealand and British Columbia (Canada). Variation in the provisions of these contracts provided a basis for developing a typology of different state–community sector relations, namely: state-directed, paternalism and partnerships.

Varying types of relationships among private sector firms are addressed in two further papers. Mowatt examines the interrelationship between innovation and the control of supply chains in two consumer industries in Britain, groceries and magazine publishing. A helpful distinction is drawn between control and innovation networks. Ville and Merrett analyse the history of the Melbourne Wool Brokers Association, drawing attention to the strong associative capacity of this bridging organisation and its ability to achieve efficiency improvements for the rapidly expanding wool trade. Finally, Shanahan reviews the long-term historical changes that have altered the institutional framework surrounding the employment relationship and in particular the employment contract in Australia. The importance of institutional structures have ebbed and flowed over time, as governance structures such as the common law, criminal law, labour statutes, wages boards, a range of conciliation and arbitration

courts and commissions, and union and employer associations have been used to intervene in, and regulate, the employer–employee relationship.

References