

Managing Tensions in Inter-Organizational Knowledge Cycles

EURAM 2012 Session:
An Inter-organizational Perspective on Strategic Management

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Motivation

*You can't run from strategic alliances.
So learn how to borrow.*

It's not devious to absorb skills
from your partner –
that's the whole idea.

Collaborate with Your Competitors— and Win

How to Build Secure Defenses

Alliances should establish
and enforce specific
performance requirements.
No performance,
no technology transfer.

by Gary Hamel, Yves L. Doz, and C.K. Prahalad

HBR 1989

"Our Western partners
approach us with the attitude
of teachers. We have
the attitude of students."

Motivation

- Inter-organizational value creation:
 - Strategic drivers
 - Knowledge dependencies
- Risks of inter-organizational cooperation:
 - Diverging interests
 - Contradictory demands, i.e. tensions
- Prior relevant research on inter-organizational cooperation:
 - Mixture of control mechanisms
 - Contingency perspective

Research Objective & Approach

Objective: Insight in dynamic managerial challenge of
controlling tensions in inter-organizational
knowledge-intense cooperation

Approach: Tension management applied to inter-organizational
cooperation (conceptual analysis)

Background

- Organizational knowledge cycles well-researched (e.g. transactive memory, organizational learning)
 - Inter-organizational knowledge cycles
- Possible tensions:
 - (1) Intra-organizational pressure
 - (2) Unequal inter-organizational distribution of benefits and costs
 - (3) Inter-organizational power imbalance
- Organizational control:
depending on information availability, interest divergence,
specifiability of inputs, processes, or outputs
 - ... Managerial process?

Tension Management Perspective

Smith, W. K., & Lewis, M. (2011). Toward a Theory of Paradox: A
Dynamic Equilibrium Model of Organizing. *Academy of
Management Review*, 36(2), 381-403:

- Tensions as contradictions, e.g. collaboration-control, individual-collective, flexibility-efficiency, exploration-exploitation, and profit-social responsibility
- "We ... present a dynamic equilibrium model of organizing, which depicts how cyclical responses to paradoxical tensions enable sustainability—peak performance in the present that enables success in the future" (AMR 2011)

Application: Stages of Managing Inter-Organizational Knowledge Cycles

<u>Stages</u>	Experiencing tensions	Choosing a tension management strategy	Coping with emerging control cycles	Developing capabilities for sustaining inter-organizational cooperation
<u>Tension</u>				
Intra-organizational pressure				
Unequal inter-organizational distribution of benefits and costs				
Inter-organizational power imbalance				

Application: Stages of Managing Inter-Organizational Knowledge Cycles

<u>Stages</u>	Experiencing tensions	Choosing a tension management strategy	Coping with emerging control cycles	Developing capabilities for sustaining inter-organizational cooperation
<u>Tension</u>				
Intra-organizational pressure	Awareness of intra-organizational pressure	<u>Defensive</u> versus <u>accepting</u> (reinterpreting) strategy	<u>Vicious</u> (escalation of intra-organizational tension), versus <u>virtuous</u> cycles (activate units' responsibility)	<u>Short term</u> : Intra-organizational alignment; <u>Capabilities</u> : intra-/inter-/organizational coordination
Unequal inter-organizational distribution of benefits and costs				
Inter-organizational power imbalance				

Application: Stages of Managing Inter-Organizational Knowledge Cycles

<u>Stages</u>	Experiencing tensions	Choosing a tension management strategy	Coping with emerging control cycles	Developing capabilities for sustaining inter-organizational cooperation
<u>Tension</u>				
Intra-organizational pressure				
Unequal inter-organizational distribution of benefits and costs	Emerging discrepancy of benefits and costs for participating organizations	<u>Defensive</u> (rigid pursuit of consistency) versus <u>accepting</u> (acknowledging shifts) strategy	<u>Vicious</u> (loss of control), versus <u>virtuous</u> cycles (renegotiate benefits and costs, new synergies)	<u>Short term</u> : redistribution; <u>capabilities</u> : organizations engage in entrepreneurial process
Inter-organizational power imbalance				

Application: Stages of Managing Inter-Organizational Knowledge Cycles

<u>Stages</u>	Experiencing tensions	Choosing a tension management strategy	Coping with emerging control cycles	Developing capabilities for sustaining inter-organizational cooperation
<u>Tension</u>				
Intra-organizational pressure				
Unequal inter-organizational distribution of benefits and costs	Loss of strategic distinctiveness	<u>Defensive</u> (opportunistic focus on organizational interests) versus <u>accepting</u> (articulate concerns) strategy	<u>Vicious</u> (polarization), versus <u>virtuous</u> cycles (combine original and current situation)	<u>Short term</u> : new power equilibrium; <u>capabilities</u> : reflection and repositioning organizations
Inter-organizational power imbalance				

Contributions

- Inserting strategic risks and tension management into strategic perspective on knowledge management
- Introducing tension management as dynamic perspective complementing contingency-based theorizing
- Highlighting managerial intra- and inter-organizational responsibility for (re)achieving equilibrium
- Extending dialectical thinking to inter-organizational knowledge cycles

Discussion Beyond the Paper

- Does it make sense to refer to three specific tensions in inter-organizational cooperation?
- Are the four stages of tension management (see our table) applicable also to other tensions? Which ones? Which ones not?
- Does it make a difference how knowledge-based the partnering organizations are? How knowledge-based the core of cooperation is? Does it have to do with more or less complete contracts between the partners?
- What are the application limits of 'our' framework (the table)? What are the application limits of tension management as suggested by AMR?

Thank you

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