Collaboration as Negotiation: Structuring Organizational Learning in Complex Political Environments

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Paper presented at the 69th Annual Conference of the American Society for Public Administration (ASPA), Dallas, TX, March 7-11, 2008
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Abstract

By recognizing that economists use the transaction cost methodology to account for the role of actors engaged in market exchange, this study draws from that insight as a way of delineating various critical factors and outcomes that influence the effectiveness of collaborations in the public sector. While collaboration is not only about making public service delivery more efficient; it also transcends the constant struggle for power and negotiation between agencies, either in a specific policy domain, or in the control over resources or asset-specific programmatic initiatives. As organizations seek the protection of their institutional identity and culture, they also set in motion corresponding processes that work in tandem to create factors which may lead to collaborative inertia. Effective collaboration requires a complementary structural design (governance mechanism) that mitigates many of the disincentives of asymmetry in collaborative processes.

As a follow-up to the New Public Management paradigm and its corollary in the reinventing government school (Osborne & Gaebler, Bellone & Goerl, Gore 1993, Berry 1994, Borins 2002), collaborative and network governance has become the new lexicon explaining how public sector agencies can do better in delivering public services by leveraging the resources of two or more agencies (Kenis and Provan, 2006; Milward and Raab, 2006; Agranoff and Mcguire, 2003; Alexander 1995; Axelrod 1984; Bardach 1998; Gray and Wood, 1991; Huxham 1996b; Ring and Van de Ven, 1996; O’Toole, 1997; Frederickson, 1999, 2007; Provan and Milward, 2001; Rosenau 2003; Vigoda-Gadot 2003; Thomson and Perry, 2006). As defined by Thomson and Perry (2006), collaboration is a system of participative decision-making, arrangement for sharing power, arrangements for carrying out decisions, and arrangements for collective problem solving. But because collaboration is oftentimes voluntary, partners generally need to justify their involvement in it in terms of its contributions to their own aims or the aims of their primary organizations or jurisdictions (Huxham, 1996; Huxham and Vangen, 2000); it thus raises issues as to what extent most collaborative endeavors serve the public interest as a primary condition.

Collaboration is about power politics as much as it is an attempt to conduct public service more efficiently. But there remains a dearth of research devoted to discussing how agencies react in response to the structural changes necessitated by collaboration; or
how particular types of transaction costs influence the dynamics of the negotiation process. Drawing from an interdisciplinary block of theories, this work seeks to expand the discussion as well as draw on the fundamental implications of inter-agency collaboration at the functional and normative levels. By situating the collaborative process a form of continuous negotiation, it is hoped that the evolving conceptual framework would help to advance further studies on the underlying mechanisms and efficacy of collaboration in influencing various political and institutional outcomes. Inter-agency politics is not only limited to internal bureaucratic politics between agencies over the distribution of power and advantage in a specific policy domain; but it also includes, on a macro level, various nuances put forth to shape public perception of institutional identity.

Because collaboration may itself become a dimension of competition, it may also create entry barriers to the extent that new capabilities are situated or embedded exclusively in the interacting parties (Powell 1998). Competition and the struggle for policy dominance generate heuristics through which turf battles, competition, and inter-organizational conflicts are won or lost. And because the protection of institutional identity is equally as important as gains from collective governance, the primary agency purpose may become lost in the politics of inter-agency collaboration—thus leading to ‘goal displacement.’ On balance, one can then ask the question: does collaboration really make public sector service delivery more efficient, and if so, at what cost? In what ways do agency coping mechanisms contribute to the dysfunctional effects of inter-agency policy collaboration.

**The Meta-theoretic Context of Collaboration**

Two theoretical paradigms drive this study: transaction-cost economics, and organizational learning. By exploring the emerging discourse on collaboration through the theoretical prism of transaction-cost economics, we are able to isolate specific agency behaviors. Because collaboration involves learning new ways of conducting the public’s business, it is a process of agency learning that would require unlearning old habits, and re-learning new methods within an oftentimes uncertain and complex environment. Furthermore, and for the simple fact that most public sector agencies continually seek
power, attention, and dominance over other agencies within a contested policy domain, collaboration raises its own collective action problems. These problems are reflected in an evolving process of continuous negotiation over the instrumental objective of power, the normative issues that inform organizational mission, and the more concrete issues of institutional identity. Because the sequence of events in which organizational actors become engaged in collective action to construct a new institutional infrastructure are, none the less, built through an accretion of numerous events involving many actors who transcend boundaries of public and private sector agencies (Van de Ven et al., 1999); power and politics become central ingredients in the search for balance in the collaboration process.

While there are many reasons for engaging in inter-organizational collaborative arrangements in the public sector, many are aimed at gaining collaborative advantage; that is, to achieve outcomes that could not be reached by any of the organizations acting alone (Huxham 1996a, 2000, 772). But for most, instead of achieving collaborative advantage, they often degenerate into a state of collaborative inertia in which the rate of work output is much slower than might be expected (Baumhauer & Naulleau, 1997; Huxham 1996a, 2000; Huxham & Vangen 1996). Several explanations have been advanced for this. They range from the increasing level of ambiguity and complexity in collaborative structures and membership status, shifting purpose, and the dynamics and pace of change over time. The tendency for collaborations to drift into inertia rather than to achieve collaborative advantage could be due to “difficulties in agreeing to the goals of collaboration, in working with those who use different languages and who operate with different organizational structures, procedures, cultures and in managing power relationships” (Huxham and Vangen, 2000, 799).

Under conditions of collaboration, trust poses an implicit risk factor. “When we say that we trust someone or that someone is trustworthy, we implicitly mean that the probability that he will perform an action that is beneficial or at least not detrimental to us is high enough for us to consider in engaging in some form of cooperation with him” (Williamson 1993b, 463). In the same way that this applies to individual cooperation, it also applies to organizations since individuals are the primary decision makers in organizations. Hence whether organizational actors will “reliably self-enforce covenants
to behave ‘responsibly’ or not, is therefore problematic” (Williamson 1993, 458). And because such an expectation can rarely be guaranteed in the absolute sense, the trust factor increases the level of uncertainty in the collaborative process—especially in situations where there are few historical precedents to go by, and/or where, as in the case of government programs, “participants do not have the luxury to choose their partners, but policy dictates who the partners must be (Huxham and Vangen, 2004).

Collaborations are, by their very nature, movable feasts (Huxham 2000, 792). There exists a defining cyclic relationship between the nature of the participating organizations and the focus of collaboration, with the participants defining the focus and the focus defining new participants (Huxham 2000, 793). Chris Huxam (1993) refers to this dynamic as ‘domain shift’—hence each time a new participant become involved in the collaborative process, the focus or ‘domain’ alters slightly as other organizations become relevant. The very process of introducing new agendas, taking action, reviewing results and agreeing on new courses of action makes it inevitable that the cycle will continue to cause incremental changes and renegotiation of the collaboration’s original purpose (Huxham 2000, 793). Depending on the scope of change from the original purpose, new resources, new competencies and coalitions of interest (political capital) would need to be generated in order to maintain and sustain evolving collaborative cycles. Distrust, uncertainty, and unpredictability reflect key transaction costs that could drive the collaborative process toward the draw-down effects of inertia.

**Transaction-Cost Economics**

The central question of collaboration is how to increase the effectiveness and efficiency in the delivery of public services and in the capacity of agencies responsible for doing so. Because the main design features of collaboration as the quest for efficiency in the context of collective action involves issues of institutional identity, power, and the creation of a new institutional infrastructure; the analytical framework of this paper draws upon transaction cost economics literature (Coase 1937, 1988, 1992; Williamson 1975, 1985, 1991, 1999; Ouchi 1980; Teece 1982; Leblebici 1985; Robbins 1987; Argyres and Mayer 2007) as well as works on organizational learning and adaptation (Huber 1991; Fiol and Lyles, 1985; Lant and Mezias, 1992; Romanelli 1991; Busenberg 2001;
Dilworth 1996; Levitt and March, 1988; Crossan, Lane and White 1999; Starbuck 1983; Morgan 2006). “Transaction costs economics can serve as a bridge linking the large body of neoclassical economic theory, in which it is firmly rooted, to much of the noneconomic literature on public organizations that shares its view of institutions as governance structures” (Heckathorn and Maser 1987, 70). Transaction costs include search and information costs, bargaining and decision costs, and policing and enforcement costs; hence transactions that differ in their attributes need to be aligned with governance structures that differ in their costs and competence, so as to effect an economizing result (Williamson 1985, 1991, Birner and Wittmer, 2006, 463).

On a micro-level, transaction cost economics (TCE) has been widely used a theoretical basis to explain and predict the appropriate governance structure for make-or-buy decisions within organizations (Riordan and Williams, 1985; Saarinen and Vepsalainen, 1994; Ngwenyama and Bryson, 1999). It focuses more properly on the economic implications of a procurement choice and proposes that a decision maker would choose the procurement option that produces the lowest total cost associated with a transaction. Although focusing on the transaction as the basic unit of analysis, it proposes that transactions differ on three key dimensions: the degree to which transaction-specific assets are involved, the extent of uncertainty, and the frequency of the transaction (Williamson, 1981a). “Many kinds of goods involve relatively low transaction costs, but for those with high transaction costs, they represent a special kind of market failure. The cost in time, energy, and resources; to the frictional activities of acquiring information and then haggling over the prices at which goods will be traded, may be prohibitive” (Garvey 1997, 221-222).

Because the basic criterion for organizing transactions is to economize not only on productions costs but on the sum of production expenses and transaction costs (Williamson 1981b); an organizational decision maker should chose the governance form that minimizes the total cost associated with the transaction (Silverman, Nickerson and Freeman, 1997; Williamson 1981a). “Goods are asset-specific if the cost of their alternative deployment is high; and because they cannot easily be deployed in another relationship, the opportunity for hold-up thus increases” (Williamson 1975, 1983, 1985, 1986). Alternatively, “when transactions are frequent and assets are specific, the
individual firms (or agencies) involved in the transactions will demand greater formal governance structures; because given the intention of actors to continue the business relation, incidental redress through litigation will not suffice” (Spruyt 2000, 133). Public agencies are governed not by the market but by a hierarchy of rules and reporting mechanisms attuned specifically to the characteristics and mission of each agency. But collaboration involves political transactions and trade-offs that makes unilateral adherence to specific agency rules problematic. The collective effort to devise a mutually-rewarding governance structure in a collaborative effort means that each party weighs the relative cost of acquiescing on an issue to the potential benefits or incentives that might accrue from its rejection. But because of bounded rationality or cognitive constraints, agency actors tend to conduct more limited searches among available alternatives to obtain satisficing, rather than optimizing solutions” (Roberts and Greenwood 1997, 351-352; March and Simon, 1958; Cyert and March 1963). As a process, collaboration shares a contractual structure very similar to that which characterizes the make-or-buy decisions of the market system; except that the nature of goods ‘traded’ in the public sphere are less discrete in their value and conceptualization.

**Extant Applications**

Transaction cost economics is grounded in that branch of the new institutional economics that is predominantly concerned with the issue of governance. Although most governance structures work through private orderings, with courts being reserved for purposes of ultimate appeal; multinational and public sector transactions are variations on a theme to which numerous public-policy ramifications accrue (Williamson 1998, 76). Though emanating from the economics and business literature, the transaction cost approach offers a robust theoretical pathway for explicating the macropolitical dynamics that influence efforts at public sector collaboration. Because collaboration leads to the creation of a new institutional infrastructure, the problem arises in the search for a governance structure that produces a mutually-rewarding economizing result for organizational participants. The trade-off between political and agency costs would need to be balanced in light of potential gains, incentives and other instrumental values that accrue as a result. And for most agencies, the value and promise of such incentives are as
varied as the different agency missions and the coalition of political interests behind them.

“Government, like the market, is a system for conveying information to interested parties with the discretion to make decisions in the case of changing conditions; none the less, both mechanisms serve social ends not because they achieve optimal outcomes (benefits), but because they tend to avoid those that are inferior (costs)” (Heckathorn and Maser, 1987, 95). Contemporary application of the transaction cost model to the study of the government and the public sector cut across a range of issues from enforcement of alternative contractual arrangements among public regulatory agencies (Heckathorn and Maser 1987); procurement (Baron 1989); international security cooperation (Weber 1997); leadership turnover and city service delivery (Clingermayer and Feiock, 1997); collaboration in national pollution control policy (Weber and Khademian , 1997); legislatures and agencies (Huber and Shipan 2000); and politics of administrative design (Wood and Bohle, 2004).

Since the basis for policy or program collaboration in the public sector is a political decision, it is also useful to take Terry Moe’s (1990) transaction-cost driven analysis of political institutions into account. As he points out, “institutions arise from the choices of individuals, but individuals choose among structures in light of their known or presumed effects; hence a theory capable of explaining institutional behavior, therefore presupposes a theory of institutional effects” (Moe 1990, 215). Because “most political institutions are exercises of public authority as well as the struggle to gain control over it; they arise out of a politics of structural choice in which the winners use their temporary hold on public authority to design new structures (or manipulate existing ones) and impose them on the polity as a whole” (Moe 1990, 222). While some new governing structures create temporary advantages; others may still yet “impose new constraints on the way the political game will be played in the future, constraints that give today’s winners advantages over their opponents (or fellow collaborators) in tomorrow’s jockeying to exercise public authority” (Moe 1990, 222). To the extent that collaboration generates collective action problems for which none of the parties would be willing to agree on a way of resolving it in advance; the ensuing uncertainty and ambiguity of
commitment may lead to a distribution that leaves some agencies worse off than they were in the absence of any collaboration.

**Negotiating Collaboration: A Paradigmatic Framework**

It is important to point out that, no matter the stated purpose, collaboration harbors a dynamic conceptual richness. While it may raise some structural and boundary issues, it is also a dynamic process involving sequential adaptations to oftentimes mutually incompatible considerations. “The need to allow the collaboration the flexibility to manage itself in whatever way it may devise to avoid inertia” (Huxham and Vangen 2000, 198), and to correct the turbulence generated by externally imposed pressures, has to be balanced against the benefits of having a clearly defined and purposeful objective. Although membership structure is relevant to the maintenance of unity and a common sense of purpose in a collaborative process, I am of the view that ideology and commitment play a more central role. When the membership shares a comparably similar ideological persuasion regarding key elements of the issue in question, it makes individual and organizational commitment easier to obtain. Ideological conformity offers an incentive that induces increased cooperative behavior and in making the adjustments necessary for a mutually-rewarding outcome.

The collaboration process essentially involves three design features: the protection of institutional identity, reciprocity or deferential reasoning involved in the ‘give and take’ necessary to sustain the process, and negotiation—in terms of the strategies and tactics employed by the players to advance one’s interest or a specific point of view. Opportunism, moral hazard, and the free-rider problem become key strategies in the negotiation process as members seek to gain advantage over others, or to conserve resources so as to create enough organizational slack for future use. Figure 1 delineates how collaboration emerges, and how the evolving institutional infrastructure imposes constraints and opportunities on individual and agency behavior within the collaborative relationship. Because collaboration creates a sub-institutional infrastructure (a micro-structure) in addition to the formal organizational structure, it oftentimes requires unique sets of resources for its maintenance. In the mutual search for the appropriate
combination of resources, agencies have the tendency to behave opportunistically if they are able to shift a greater burden of responsibility to the other party or parties, especially where governance and institutional arrangements are yet to be fully realized. “Not only are the failures to self-disclose true attributes ex ante (adverse selection) and true performance ex post (moral hazard) both subsumed under opportunism; but more than that, is that opportunism invites attention to and helps to unpack a much wider set of phenomena than normally arise when reference is made to adverse selection and moral hazard (Williamson 1993a, 101). Such phenomena might include evasion of responsibility, violation of the rules of engagement, delay tactics, red tapism and forced renegotiation.

Figure 1: Mutual Adjustment in the Collaborative Process
To behave opportunistically does not necessarily mean that an agency lacks continued interest in the collaborative process; rather it is a way of conserving resources at the expense of other participants. But at the systemic level, the collaborative effort is sustained as a result of the interplay (balancing act) between the centripetal and centrifugal forces of inertia and the effectiveness of the negotiation process to sustain a level of functional equilibrium. Collaboration does not and need not suggest an absence of conflict, but its success depends on how the fundamental issues of the conflict (including monitoring and enforcement costs) are negotiated and acted upon. In fact, conflict and uncertainty can create conditions for new learning that could, in return, make the collaborative effort more effective. Negotiating collaboration requires a series of mutual adjustments and incremental steps that leads towards the resolution of a central question; and when those steps reach critical mass, the cumulative effect produces a dynamic that creates opportunities for new learning and realignment of interests and capabilities.

While the traditional approach to negotiation has generally been cast under two broad perspectives, the bargaining and problem-solving paradigms; none the less, “their common foundation is grounded in the theory of non-zero sum or mixed-motive games—in which both parties have competitive and cooperative options available” (Hopmann 1995, 25). In a situation where the effort to advance the interest of one party relative to others conflicts with an equally cooperative effort to enlarge the joint interests of both parties simultaneously; “collaboration may take the form of creative brainstorming sessions in which various heuristics are tried informally to invent solutions that were not evident from the original definition of the problem” (Hopmann, 1995, 41). “In most negotiations, the potential value of joint action is not fully obvious at the outset; hence it is important to understand the bases for joint gains and to envision possible agreements” (Sebenius, 1992, 28). By applying both the bargaining paradigm (reciprocal concession, initiation of new proposals, and other soft behaviors) and the problem-solving perspective (the search for better, mutually beneficial solutions to problems that satisfy the needs, identities, and interests of all parties) in the same collaborative context; one is able to situationally determine the scope of flexibility and the strategic contingencies needed to facilitate agreement and continuity.
To the extent that each party to a negotiation has a preference ordering of incentives spread along a continuum of minimum dispositions and estimated outcomes, most of which are hidden from the competition; a mixed approach seems to be the most effective for addressing the complexities of the collaborative process. As long as both parties sincerely wish to attain a mutually-rewarding compromise, “they will seek to improve the terms for themselves through the modification of dispositions and estimated probable outcomes” (Ikle and Leites, 22-23). The art of negotiating collaboration is a very complex process that involves competition for such instrumental objectives as power, control over resources, honor and prestige; as well as the protection of central normative issues of organizational mission, philosophy and cultural identity. In the process, every single act, be it public relations, press releases, photo-ops, credit claiming or issue advocacy, offer symbolic incentives that could make a great difference between victory and defeat. Negotiation, therefore, can occur in many different phases and through various routes.

**Symbolic Negotiation: Test Cases in Practice**

Prior to the beginning of the U. S-Iraq War in March 2003, the State and Defense departments engaged in a flurry of activities, some in defense of the Bush administration’s case against the regime of Saddam Hussein, but others as mere strategic posturing. To the extent that a case had to be made either for war or for continued diplomacy and for United Nations’ approval, neither action of both departments could be seen as value-neutral. In fact, there emerged a struggle as to which department’s ideas should drive U. S. Iraq policy as well as the general thrust of the ‘war on terrorism’ in post-9/11 national security policy. On February 5, 2003, the Secretary of State Colin Powell testified at the United Nations regarding ‘credible’ evidence of Iraq’s Weapons of Mass Destruction program. But sitting behind him was then CIA Director George Tenet. It was a picture and imagery meant for the world to see--the idea being that, first, the State Department (not the Defense Department) was in charge of making the U. S. case against Iraq. Second, the credibility of the evidence is strengthened to the effect that the CIA also stood behind it. Third, if the ‘affable’ Secretary of State Colin Powell (rather than the ‘abrasive’ Secretary of Defense Donald Rumsfeld) could make the case himself,
it must be credible--hence the rest of the world might be better off joining the coalition against Saddam Hussein. In fact, General Powell poignantly stated during a session of MSNBC’s Meet the Press with Tim Russert on June 10, 2007, that: “the reason why I (Powell) had George Tenet seated behind me was that I wanted people to see that I was not making a political statement, but that I was making a statement of fact as we saw it.”

In the context of inter-organizational collaboration, organizational leaders often employ images and metaphors to make their case. Although a metaphor is often regarded as no more than a literary and descriptive device for embellishment, it is more fundamentally regarded as a creative form which produces its effect through a crossing of images (Morgan 1980, 610). The inter-organizational competition between the U. S. State and Defense departments has been a constant event in matters relating to foreign policy, defense, and national security policies. Because most of their functions require joint-collaboration, both sides compete to be the dominant voice in various interdependent policy domains. While the competition may not be obvious in most cases, the independent courtship of public opinion through the media and the granting of press conferences provide an avenue to demonstrate agency leadership and policy control.

Although seeking to achieve the same objective with respect to the Bush administration’s Iraq policy, there was a division of labor between the Defense and State departments. What made this interesting was the different strategies which both departments employed in the pursuit of the same objective. While Rumsfeld made the case at NATO headquarters in Brussels, Western Europe, and in the media for the need to disarm Iraq, if necessary, by force; Powell resorted to working within the United Nations’ system and inter-ministerial negotiations with other countries in the search for a multinational support for U. S. policy toward Iraq. As Rumsfeld worked on putting together the military logistics for action in Iraq, Powell spent his time shuttling from one foreign consulate to the other. It was a two-pronged ‘carrot and stick’ negotiation strategy, one seeking the diplomatic option in dealing with the Iraq question, the other holding forth the military might--just in case all else fails. In the end, the Bush administration settled for a “coalition of the willing” made up of more than 40 countries that offered to support and participate in a military action against Iraq.
In many facets of post-war Iraq administration, the Defense and State departments continued to play fundamental roles, none yielding to the other in areas that it sees as its operational turf. At one time or the other, Donald Rumsfeld and Colin Powell both made trips to Iraq to visit with U. S. troops and personnel in the country. Hence what we had in Iraq was a situation where a civilian authority led by Ambassador Paul Bremer (State Department) headed the Interim Governing Authority; while Lt. General Sanchez (Defense Department) as the commander of U. S. forces in the Iraq theater reported to Ambassador Bremer. Press conferences and operational reports about ongoing situations in Iraq were always presented by two people, General Sanchez or General Kimmit (Defense Department) and Dan Senor (State Department, and also spokesman for Ambassador Bremer). The most basic metaphor that emerged from this structural arrangement was a reinforcement of the traditional civilian control over military authority. It was also a symbolic way of demonstrating that diplomacy (State Department) and force (Defense Department) are fundamental and integral part of U. S. foreign and national security policy, including the war on terrorism.

The protection of organizational image can also be seen in the reactions of the State and Defense departments concerning the Iraqi prisoner abuse at the Baghdad Abu Ghraib prison. While both Powell and Rumsfeld publicly condemned the incidents, it was Rumsfeld who made a sudden visit to the prison at the height of public indignation over the treatment of the Iraqi prisoners. While the trip became part of the crisis management effort, it was also meant to demonstrate leadership and control over the situation as well as calm public opprobrium. The whole incident was explained away by employing the metaphor of “a few bad apples.” The phrase “bad apples” offered a simple but vivid imagery through which we came to understand a very complex phenomenon. What happened at Abu Ghraib was presented as the work of a few “bad apples” in the military, and by implication, should serve to exonerate the greater majority of the servicemen and women serving in Iraq. Strategically, the State department maintained a low profile while ceding to the Defense department the overt responsibility for dealing with a very messy situation. The same scenario was recreated, albeit differently, during later testimony to the “9/11 Committee.” While the testimonies of Powell and Rumsfeld pointed to the fact that they had no prior intelligence regarding the probability of a 9/11 type catastrophe, it
was a very subtle way of shifting responsibility to the Central Intelligence Agency. In all, the series of defensive mechanisms and finger-pointing became a way of negotiating themselves out of a troubled collaborative project.

Research by Argyris (1985) suggests that organizations have defensive routines that can play an important role in producing noise (ambiguity, shifting the blame, turning the issue into an ‘argument’) when substantive issues containing potential embarrassment or threat to the organization arise. But while defensive routines are intended to prevent embarrassment or threat, they are oftentimes overprotective (Argyris 1987, 456) as a response to what has already occurred or as a buffer against future unwanted events. The historical relationship between the State and Defense departments has always been competitive (Allison 1971). For the simple reason that both agencies share collaborative responsibilities in many of their programs, the mutual competition for policy dominance has remained a recurring practice. For instance, as soon as the regime of Iraq’s Saddam Hussein was overthrown by Coalition forces, there was a general clamor within the Bush administration and in many segments of popular opinion in the United States that the opportunity has come to deal decisively with the renegade regime of President Bashir of Syria. By simply repositioning U. S. forces and other Coalition forces closer to the Syrian border, a ‘symbolic’ warning was sent to the Syrian regime not to harbor any fleeing Iraqi or Baath party official. The government of Syria was also cautioned not to allow Iraqi nuclear and chemical weapons materials to be hidden on Syrian territory.

As the heat piled on Syria, many in the Arab world became convinced that Syria would be the next target for military action. After the tough-talking Donald Rumsfeld made this point very clear, Syria began to reassess a new method for cooperating with the United States. As the U.S government sent out cryptic messages of its intention to take on Syria, there was heightened tension and all eyes were on Donald Rumsfeld and the Defense Department with regard to U. S. Policy toward Syria. Feeling left out, and in one bold stroke, Collin Powell (State Department) took an action that not only sidelined the central role of the Defense Department in shaping U. S policy toward Syria, but at the same time gave Syria a new lease on life. By making a quick trip to Syria where he met the Syrian President and Foreign minister, he returned with ‘assurances’ that Syria would provide no haven for Iraqi escapees nor pursue any weapons of mass destruction
program. Syria offered to ‘cooperate’ with the United States and the international community on the ‘war against terror’ as well as the non-proliferation regime.

By this single trip, Powell succeeded in calming restive nerves in Washington D.C., but at the same time took back the initiative away from the Defense Department. The conflicting metaphor and symbolisms underscored the divergent operational positions held by both departments. It also reinforced the fact that organizations have objective realities, hence “specific application of metaphors and symbols may be judged in terms of their ability to accurately capture essential features of a specific situation to which they are applied” (Palmer and Dunford 1996, 698). Because they support specific value interests within organizations; symbolic acts can serve as a means of passive negotiation. The various actions by Rumsfeld and Powell corresponded to their respective beliefs concerning the characteristics of their collaborative engagement, the peculiar threats facing the United States, and what they consider to be the traditional policy domains of their respective agencies.

The Structural Effects of Collaborative Outcomes

Depending on the characteristic of the collaboration process, there are profound structural effects. This is primarily due to the nature of the functional relationships between the participants as well as in the different capabilities they bring into the process. *Bimodal* collaboration suggest a situation where there are basically two actors or agencies, while *multimodal* collaboration means that there are three or more participants. None the less, whichever format applies carries with it different implications both in the design characteristics and in the nature of political transactions and calculations that bear on the collaborative process. While specific “organizational structures and processes can encourage or facilitate desired behaviors” (Jenkins 2006, 321); but in an increasingly complex collaborative engagement, they are rarely successful in compelling changes in behavior. Table 1 delineates several design and structural features that reflects critical governance problems of collaboration. These range from size of participants, relative size-power difference, reciprocity, institutional identity, opportunism, complexity,
framework for negotiation, number of veto points, asset specificity, moral hazard, and the free-rider problem.

<table>
<thead>
<tr>
<th>Design Characteristics</th>
<th>Bimodal</th>
<th>Multimodal</th>
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<tbody>
<tr>
<td>Size</td>
<td>Two players</td>
<td>Three or more players</td>
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<tr>
<td>Size-Power Difference</td>
<td>Relative equality</td>
<td>Potential size-power differences</td>
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<tr>
<td>Reciprocity</td>
<td>Discernable</td>
<td>Ambiguous</td>
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<tr>
<td>Institutional Identity</td>
<td>Less threatening</td>
<td>More threatening</td>
</tr>
<tr>
<td>Opportunism</td>
<td>Less likely under condition of equal size-power</td>
<td>Increased chance for opportunism</td>
</tr>
<tr>
<td>Complexity</td>
<td>Simple or minimally complex</td>
<td>Highly complex</td>
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<tr>
<td>Negotiation Framework</td>
<td>Broader in scope</td>
<td>Limited in scope</td>
</tr>
<tr>
<td>Information</td>
<td>Generally symmetric</td>
<td>Potentially asymmetric</td>
</tr>
<tr>
<td>Accountability</td>
<td>Streamlined</td>
<td>Diluted and Amorphous</td>
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<tr>
<td>Asset specificity</td>
<td>More effective</td>
<td>Less effective</td>
</tr>
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Table 1: Structural Incentives and Disincentives of Collaboration: Bimodal and Multimodal

**Size**

Where there is a high number of participants in a collaborative effort, it has the tendency to introduce multiple and often conflicting demands into the process, hence making it more complex. With fewer players in the act, the contributions and incentives demanded by each are relatively well-known, issues are more easily resolved because there is a small number of participant to engage in negotiation. Bimodal collaboration is a more simple process while multimodal collaboration is more complex and involves a higher level of uncertainty and tendency for opportunistic behavior. Multiple actors bring too many issues to the table thus making it much more difficult to tradeoff on each other’s superior argument with minimal loss of prestige and other incentives of collaboration.
A fundamental problem with governance of any collaborative process or network is that the needs and activities of multiple agencies must be accommodated and coordinated; and as the number of participating agencies grows, the number of potential relationship also increases exponentially (Provan and Kenis 2007, 10). Because bimodal collaboration offers a comparatively lower transaction cost, the structure (the governance design) and substance (purpose of collaboration) become mutually negotiable elements of the same package. This allows political principals to mold agency performance more efficiently to satisfy the demands of contemporaneous coalitions (Wood and Bhote 2004, 184).

**Size-Power Difference**

Collaboration between equal partners will more likely encourage reciprocity as opposed to policy imposition or the tendency for opportunistic behavior. Power could be related to size or to the possession of key resources and other critical contingencies deemed instrumental to the success of a collaborative effort. Organizations that control resources on which others are dependent are able to influence the actions of those others (Pfeffer and Salancik, 1978) in ways that grant them even greater advantage. By looking more closely at where power is actually used to influence the way in which collaborative activities are negotiated and carried out, it is possible to identify different points of power that occur both at the micro and macro levels. These include who names the purpose of the collaboration, who puts together the membership structure, who controls communication and dissemination of information, who determines the processes for meetings and deadlines, who dictates meeting agendas, and so on (Huxham and Vangen 2004).

An important characteristic of points of power is that they are not static; and in collaborative settings, power continually shifts (Huxham and Vangen 2004). “Understanding and exploring the points of power can enable assessment of where and when others are unwittingly or consciously exerting power, and where and when others may view them as exerting power” (Huxham and Vangen 2004). To the extent that abrupt changes in membership can also disrupt existing structural and power relationships,
“carefully negotiated social order and carefully nurtured trust among the membership could also be affected” (Huxham and Vangen 2000, 799).

**Reciprocity**

Reciprocity relates to the degree to which each member is willing and able to complement the action of others in such a way that the mutual-balancing roles of all parties make collective action successful. When participants see that other members are performing their own designated roles, they are equally motivated in such a way that they develop the willingness to increase their own contributions to the collaborative effort. Reciprocity also helps to build trust among the membership; and trust is an essential ingredient in transactions, especially in situations of increasing complexity and uncertainty. There are situations in which the risk one takes depends on the performance of another factor (Coleman, 1990); that is “when the expected gain from placing oneself at risk to another is positive, but not otherwise” (Williamson 1993b, 463). None the less, to the extent that the formal rules are constant with the preferences and interests of organizational actors, informal processes of social control largely subsume the cost of monitoring and enforcement. And it is this circumstance that affords for a lower transaction costs for all parties in the collaborative arrangement” (Nee 1998, 88).

**Institutional identity**

Because organizations seek to empower themselves through the maintenance of their institutional identity as well as core mission, inter-organizational collaboration is more likely to be successful when it serves the dual function of reinforcing institutional identity and the objective of the collaboration. “The difficulty of negotiating goals, and in interacting generally in collaborations is exacerbated by differences in professional languages, organizational cultures and procedures (institutional identity); hence membership issues will compound the problem, thus making it unclear where effort towards attaining mutual understanding should be directed” (Huxham and Vangen, 2000, 799). “While it may appear that partners only need to be concerned with the joint aims for the collaboration, but in reality organizational and individual aims can prevent agreement because they cause confusion, misunderstanding and conflicts of interest—all
of which could create the conditions for collaborative inertia to set in. Institutional identity is a valuable resource, and when faced with limited choices, organizations may prefer its preservation than for any potential gains from continued participation in a collaborative endeavor.

**Opportunism**

Opportunism refers to “the tendency of workers whose personal objectives conflict with the goals of the organization to take advantage of loopholes in the rules or weaknesses in organizational procedures” (Garvey 1997, 101). But in the transaction cost economics scheme of things, opportunism corresponds to the frailty of motive which requires a certain degree of circumspection (Williamson 1993a, 97). “Because of limits to human information processing abilities (bounded rationality), it is often impossible even to anticipate all possible contingencies, let alone specify them in a contract or collaboration arrangement (Frant 1996, 366). There are many things that could lead to opportunistic behavior in a collaborative engagement. These could range from size-power differences, information asymmetry, control of resources, incomplete information (as a result of bounded rationality), resource dependency, and monopolistic advantage. In collaboration or other forms of political transactions, opportunism creates conditions for cheating, buck-passing, free-riding, hostage taking and benign neglect. When political actors claim *plausible deniability* as a way of sanctioning specific unpopular actions, they are at best, being opportunistic. “Opportunism may occur when a party either engages in or refrains from particular actions. But the specific manifestations (active or passive opportunism) depends on whether a particular behavior (or lack thereof) takes place within existing collaborative circumstances or whether the original circumstances have changed as a result of exogenous events” (Wathne and Heidi 2000, 40-41). In practice, opportunism has the potential to restrict the creation and redistribution of the incentives of collaboration.

**Complexity**

By its very nature, “the science of complexity seeks to explain the ways that interactions cause actors to adapt, and how even minor adaptations can echo recursively
throughout a system, leading to outcomes that might or might not be predictable” (Hornstein 2005, 913). For the fact that collaboration oftentimes leads to the development of sub-institutional infrastructures that draw simultaneously from the activities of different organizations, it is inherently ambiguous and complex. Part of this ambiguity comes from the fact that most members do not know each other, and often remain at a loss regarding how much contribution is required of them vis-à-vis other members or agencies. The complexity becomes more pronounced in situations where one collaborative effort duplicates another; where individuals and organizations have overlapping memberships, where organizational departments may be involved in partnerships independently of each other; and where the governance structure of the collaboration involves different hierarchies, such as partnership staff, executive committees, working groups, and so on” (Huxham and Vangen 2000, 778). Legislative or policy changes within the larger political environment can cause disruptions that create further complexity in the management of existing collaborations.

**Negotiation Framework**

The negotiation framework reflects the number of issues or problems that needs to be resolved in the context of the collaboration process. With fewer participants, the frame of reference as well as the stakes involved are much smaller and could be more easily managed. Depending on the type of issues involved, each participant has wider latitude and also gets to share a greater degree of responsibility. But with many participants involved in the collaboration process, the pie gets smaller and is distributed among a larger number of stakeholders; hence each gets to exercise a narrow latitude and responsibility over a smaller area. But with many participants involved, each of them represents a veto point that must be overcome for the collaborative process to move ahead. This creates multiple opportunities for the kinds of opportunistic behaviors, hostage-taking, and coalition-building that may be inimical to building the kind of collective action necessary for effective collaboration. The amount of energy, resources and time expended to achieve agreement among multiple participants can oftentimes take on a life its own such that it becomes a self-sustaining phenomenon. When participants spend more time worrying about the importance of achieving agreement on issues as
opposed to attaining the primary objective of the collaboration, they suffer from the bureaucratic pathology known as ‘goal displacement’—where following rigid rules overtime becomes more relevant that the agency’s stated mission.

**Information**

Asymmetry of any kind constitutes a potential factor for rent creation, deception, and opportunism (Shoemaker 1990, 1187). The nature of collaboration can create differential patterns of information asymmetry, in such a way that the participant with the desired scope of technical information relative to the objective could wield enormous power and control over the decision premises. This creates more opportunities for opportunism, and by withholding or releasing information at strategic moments, the participant essentially holds the collaboration process hostage. Because participant’s lack of information may lead to implementation as well as commitment problems; it will require a different set of institutional arrangements to ensure that information flows horizontally across all layers of the collaboration process.

**Accountability**

Participants in a collaborative engagement have dual accountability, one to their main institution or agency, and the other to the sub-institutional goals and objectives that govern the collaboration. In this situation, organizations establish priorities and benchmarks beyond which they would be less willing to sacrifice their core interests for alternative incentives that may accrue through collaboration. There are also other pragmatic reasons to be concerned about accountability; if members are unclear about the structure of the collaboration, they cannot be clear where the accountabilities lie (Huxham and Vangen, 2000, 800). Furthermore, “continual shifts of membership not only add to the confusion but also lead to continual renegotiations of the collaborative agenda to allow for new accountabilities” (Huxham and Vangen, 2000, 800). While it may be said that public agencies generally operate in terms of procedural accountability or established mechanisms of action, the practical requirements of the collaboration process can force changes in such a way that procedural routines become more of a hindrance rather than an advantage. To the extent that a change in structural relationships
necessitates a reciprocal change in accountability, the collaboration process would need to be flexibility enough to allow for innovation as well as adaptation to changing circumstances.

**Asset specificity**

Asset-specificity relates to the degree to which transaction-specific investments are incurred (Williamson 1979, 239). An asset is specific if it is less transferable or redeployable to other uses or users (Williamson 1985, 54; Perrow, 1986, 20). None the less, “if an asset (or expertise) is designed for a particular use, and the value of the asset would be significantly reduced if the asset were used otherwise, a breakdown of this relationship would cause serious damage” (Weber, 1997, 328). In this case, all participants have an incentive to conform to the specific rules of engagement in order to avoid a loose-loose situation for everyone. In the public sector, most agencies perform specific functions for which only they have the requisite expertise and legislative mandate. There are also other asset-specific services (i.e., rocket boosters for the space shuttle or the engines for the F-16 fighter) that public agencies would need to obtain externally. And because legal mandates require them to do so, agencies must ensure adequate monitoring capacity (governance mechanism) to mitigate transaction cost risks (Brown et. al, 2006, 326). With fewer participants, asset-specificity becomes more relevant, but with a larger number of participants, there are more likely to be alternative choices available to replace one asset or expertise with another.

**Learning to Learn**

To the extent that collaboration involves agency leaders and their subordinates, they would need to learn new ways of thinking, coordination, and most importantly, a new way of organizing. But to do that they must first unlearn the old habit of doing things. “Organizing and learning will absorb increasing amounts of resources, time and effort” (Gabriel, Fineman, Sims, 2000, 264-265). Unlearning is a condition for learning--unlearning theories, unlearning habits and unlearning lazy shortcuts which stand in the way of new understanding. It takes courage and requires the ability to drag ourselves out of our comfort zones, the zone we create with the help of our existing stock of concepts,
ideas, and theories” (Gabriel et. al, 2000, p. 265). And this is the paradox which is often concealed by political cliché--old learning and old ideas can act as a hindrance to new learning and new ideas (Gabriel et. al, 2000, p. 265); but in the complex and dynamic collaborative environment, the choices are highly consequential.

Participants that exhibit opportunistic behaviors or are engaged in adverse selection of alternative choices, also learn how to cover their activities in order to avoid collective opprobrium. The irony is that among bureaucratized public organizations, the fundamental organizing principles often operate in a way that obstructs the learning process” (Morgan 2006, 86). “The formal structures, rules, job descriptions, and various conventions and beliefs offer themselves as convenient allies in the process of self-protection and are used both consciously and unconsciously for this purpose” (Morgan 2006, 87). Within such a framework, organizations are able to learn from direct experience, from the experience of others, as well as develop conceptual paradigms for interpreting that experience” (Levitt and March 1988, 319). The inchoate experience becomes part of the organizational memory critical to the creation of comparative advantage and the competence necessary for future collaborations.

Because most collaborative engagements are of a temporal duration, and to the extent that they do not involve radical changes or adjustments in agency mission, they are considered as lower-level learning. “Lower-level learning leads to the development of some rudimentary association of behavior and outcomes, but these usually are of short duration and impact only part of what the organization does” (Fiol and Lyles, 1985, 807). None the less, to the extent that collaboration may involve doing things differently, it offers a means of learning to learn how to do things more efficiently. Sometimes what is learnt from a collaborative effort might have dramatic effects for agency-wide operations, while others have marginal effects on peripheral issues. Because “organizational learning involves the ability of resolving the tension between assimilating new knowledge (exploration) and using what has been learned (exploitation)” (Crossan, et al., 523); agencies, therefore can have a choice of deciding how much of the learned behavior they are willing to replicate within the organization and for what purposes.

While the “learning of a collective is different from the learning of an individual, there is no organizational learning without individual learning” (Levy 1994, 288); and for
learning to be internalized in some enduring, objective, consistent, and therefore predictable way, it would need to be institutionalized. Institutionalization is a means that enables organizations to leverage the learning incentives derived from collaboration.

“Over time, spontaneous individual and collective learning becomes less prevalent, as the prior learning becomes embedded (diffused) in the organization and begins to guide the actions and learning of organizational members” (Crossan et. al., 1999, 529). When organizations or agencies develop coping mechanisms to deal with highly complex and uncertain situations, they are also engaged in the process of learning. Learning and unlearning is a continuous process that organizations would need to be engaged in, in order to adapt as well as innovate. In this context, it is equally important to note that new learning can also be disruptive to the collaborative effort. It might create conditions in which it becomes necessary to challenge not only the objective but also the basic philosophical assumptions that undergird the collaboration itself. As more stakeholders seek to lay claim to various aspects of the collaboration effort, the added complexity and resources spent to coordinate and manage emergent compliance problems could undermine the success of the whole effort.

Conclusion

The general argument developed in this paper is that the logic of transaction cost economics has important implications for inter-agency and public sector collaboration. In order to explain the frameworks underlying organizational collaborative processes, transaction cost economics provide a rational lens for understanding the hidden phenomenon of organizational politics, power relations, structure, influence processes, and policy dominance. Theorists and practitioners alike have been concerned with such practical matters as how to achieve common interpretations of situations so that coordinated action is possible (Smircich 1983, 351); but at the same time maintain a unique sense of institutional identity and cultural preservation. Collaboration is not only about the quest to make public service delivery more efficient; but it is also about the constant struggle for power, either in a specific policy domain, or in the control over resources or programmatic initiatives.
Collaboration is a very dynamic and fluid process. “Effort put into building mutual understanding and developing trust can be shattered, in some cases, by a change in the structure of a key organization or the job change of a key individual” (Huxham and Vangen, 2004). Because many political transactions have “highly uncertain outcomes, recur frequently and are less predictable” (Williamson 1985); collaborations performed within existing hierarchies (established rules of the game) are less likely to be successful. Unexpected environmental and political events, changes in membership structure and design, information asymmetry, size-power differences, opportunism, and differences in risk acceptance or aversion can very easily complicate and undermine execution of the best laid plans. Besides the overt and covert roles of individual participants, in addition to efforts to protect institutional identity and culture, forces of opposition (disintegration) and support (integration) work in tandem to create factors which may lead to collaborative inertia. To the extent that “structure and process can be used to produce desired outcomes” (Huber and Shipan, 2000, 30), they are more problematic in situations of increasing uncertainty and complexity. Hence, the possibility of maintaining stability under anarchy would depend on the balance of forces arraigned on each side of the polar opposites.

As in market arrangements, while high transaction costs always reduce potential efficiency and effectiveness (Wood and Bhone, 2004, 199); the politics of collaborative design is driven by an analysis of how to reduce each participant’s relative cost as well as how much and what type of incentives could be expected for the future. In public sector collaboration, stakeholder interests goes beyond that of the immediate participants but can be found everywhere in the larger society. Effective collaboration, therefore, must take into account the structural design characteristics as well as the different capabilities and interests within the membership and to balance such differences in such a way that makes them more symmetric than asymmetric. In this way, we can be able to reduce the tendency for agencies to fight against each other, instead of fighting alongside with each other.
References


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