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## **Working towards new practices: how to manage cooperative interorganizational relationship in occupational health care?**

### **Abstract**

In this study, we analyze the formation of a partnership between an occupational health service provider and an employer. The partnership aims to improve organizational performance and create value by promoting occupational health and well-being. By combining new institutional theory with process organization studies, our longitudinal case study reveals the institutional constraints and resources in the collaboration. The multiplicity of logics creates tensions for managing the partnership, including sensemaking in value co-creation and controlling the development processes. In occupational health care, cooperative partnership can challenge existing practices and develop new concepts. From the perspective of value creation, we emphasize the necessity of organizational learning and continuous evaluation during the partnership.

### **Extended abstract**

Recently, organizations and business firms across various sectors have shown interest in creating value for their services by combining shared resources. To take advantage of surrounding networks' potential, various inter-organizational relationships (IOR) are formed. From the establishment of joint ventures, many benefits are expected to materialize, including the sharing of knowledge, know-how, new market or business opportunities, research and development of new products, technologies or services (Gulati et al., 1998; Barringer & Harrison, 2000).

Despite the benefits, IORs have a paradoxical character. Although alliances are a popular form of business cooperation, it takes much effort to sustain a cooperative relationship. Because of these difficulties with sustainability, 50 to 70% of IORs end up as failures (Barringer & Harrison, 2000; Kauser & Shaw, 2004). Thus, the formation of an IOR imposes several managerial challenges, as cooperative partnership presume trust, transparency, shared vision and a commitment to common goals among those involved (Vlaar et al., 2007a).

Previous studies have mainly been descriptive, focusing on the success factors, starting conditions, structures, transactions and strategies in IORs instead of examining the problems of IOR formation *processes and their management* (cf. Zajac & Olsen, 1993; Ring &

Van de Ven, 1994; Barringer & Harrison, 2000; Kale et al., 2001). In this paper, management of IOR concerns not about coordination and control processes, instead, it is linked to institutional logics that frame and shape the interorganizational collaboration. Consequently, the issues of legitimacy, uncertainty and ambiguity are intrinsically prevalent in managing the IOR (cf. Vlaar et al., 2006).

Our case study examines developmental process of IOR in the context of the Finnish occupational health care<sup>1</sup> that has lately experienced many institutional changes. Recently, the discussion on promoting health and working capacity has been enriched with the new discourse of *strategic management of well-being* (Aura et al., 2010). It is assumed that strategic management of well-being generates increases in productivity, business and employee health. This requires the promotion of employee well-being is connected to organizational management systems, values and strategies, and is implemented in collaborative network.

However, the strategic management of well-being is yet more an approach and ideology than an established practice for realizing OH collaboration. In the network of inter-organizational cooperation, effective implementation of novel co-creative practices is challenging. Further, as a platform for value co-creation, OH collaboration demands particular sustainability in a way that practices become permanent and the targeted effects will be achieved (Turpeinen et al., 2016).

Using a longitudinal case study concerning the partnership between service provider and the client organization, we illustrate the multiple institutional logics embedded within occupational health collaboration by asking *how do these logics in IOR frame, shape and constrain the process of partnership* (see Figure 1). Instead of focusing on assessing development outcomes, we see partnership as an emergent and dynamic process involving information-asymmetry, conflicting interests and management tensions to cope with (Ring & Van de Ven, 1994; Weick, 1999; de Rond & Bouchikhi, 2004; Vlaar et al., 2007b; Langley & Tsoukas, 2010).

In this study, we combine new institutional theory with a process-oriented analysis of inter-organizational relationship. The process view enables us to analyze how the value of partnership is defined at the different stages of the process and at the different levels of organization. We acknowledge the tensions being present in interorganizational collaboration that “...cannot be completely solved or forestalled by clever organizational

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<sup>1</sup> In Finland, the provision of occupational health services is mandated by law and employers are obligated to arrange preventive occupational health care for their employees (Finlex 2001, Ministry of Social Affairs and Health 2014). The content and the coverage of the services for the employees is stipulated by two key documents: service agreement and the occupational health action plan. Mandatory occupational health action plan acts as a fundamental base for the collaboration. In the action plan, the workplace and the occupational health service provider mutually define and agree the aims of cooperation, special needs, measures and actions of occupational health.

*design*” (Vlaar et al., 2007b). Our dialectic view of management means that the trade-offs are inevitable as the functions and dysfunctions exist simultaneously (cf. de Rond & Bouchikhi, 2004; Vlaar et al., 2007b).

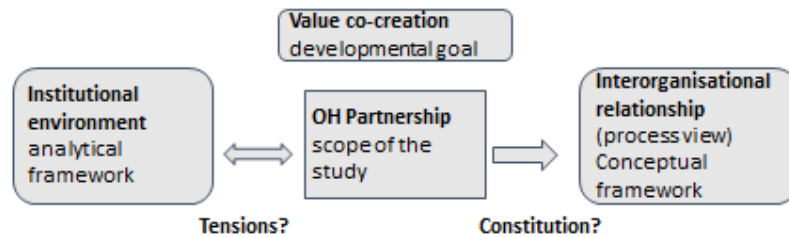


Figure 1. The study design

The empirical context of the study is based on a two-year qualitative and inductive study. The research material was gathered in a developmental and research project project aimed to facilitate a joint effort to promote employees’ well-being at work. The partnership between a global wholesale trader (employer) and a growing healthcare company (OH service provider) aimed to improve organizational performance and create value by promoting health and well-being at work.

In exploring the formation of OH collaboration we found three “puzzles” characterizing the management of the partnership. First, the partnership in the institutional field of OH leads to coping with *mixed roles and positions*. While partnership presumes symmetrical positions in collaboration, it also presumes the asymmetry in transactional relationship as a principal (buyer) and an agent (seller). In the formation of the partnership, this tension implies an inter-dependency and a flexibility to meet the needs of partner while retaining a self-interest in the partnership.

Second puzzle relates to the *exploitation of the existing institutional norms*, roles and routines of occupational health versus *the exploration of entirely new concepts*, roles and methods. Traditionally, the customer is connected to the value chain of the service provider. In co-creation, in turn, the challenge is how the service provider will manage to integrate into the customer value creation. The tension stems from whether to follow the standardized solutions or to create new ones.

This leads us to the third puzzle, which refers to how OH collaboration is operationalized. If we consider partnership as a linear and reactive process, we will mostly need know-how in the processual management of OH services (*‘operational logic’*). However, more a proactive

and iterative process view is needed if we follow co-creation logic in which contextual problem solving, collective decision making and dialogue is needed to manage the partnership ('*co-creation logic*').

The value of partnership lies in the interorganizational learning processes. From the value co-creation perspective, the key factor is the organizational capability to recognize the strategic value of shared knowledge and adopt it in an operational setting (Barringer & Harrison, 2000). A novel course of action requires responsiveness to learn. Our case shows that the value of the partnership may lie in the increased self-assertion of the organizational members. The sensemaking process in co-creation enhances partners' mutual knowledge about their complementary resources and capabilities.

The study suggests that in order to manage the divergent processes of the IOR formation, we must understand the ways in which the IOR manifests itself at different levels of the organization, what meanings and significance participants associate with it, how the success is assessed and how the agents themselves recognize and define the '*value*' of partnership. This calls for continuous assessment of collective achievements during the developmental process.

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