## **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.

How to Build Secure Defenses

Collaborate with Your Competitors-

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

and Win

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

"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**

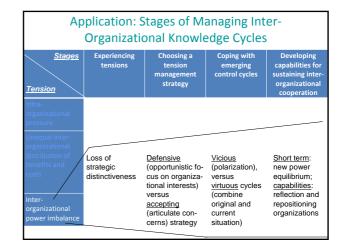
Smith, W. K., & Lewis, M. (2011). Toward a Theory of Paradox: A Dynamic Equilibrium Model of Organizing. Academy of Management Review, 36(2), 381-403:

- Tensions as contradictions, e.g. collaboration-control, individual-collective, flexibility-efficiency, explorationexploitation, 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 Stages Experiencing tensions Choosing a tension management strategy Coping with emerging capabilities for sustaining interorganizational pressure Unequal interorganizational distribution of benefits and costs Interorganizational power imbalance

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

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