

The dynamics of co-management: state – nonprofit partnerships across policy fields

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1. Introduction

A burgeoning literature has drawn attention to partnerships between the state and the non-profit sector, which have recently been described as “co-management” (see the recent theme issue of the *Public Management Review*, December 2006). An area of specific interest are those activities that cross the boundaries of established policy fields, like social work, housing, health care, social services. Citizens’ needs never did comply with standard definitions of these fields. Rather, they tend to be individually defined and, at least from a government perspective, cross-sectoral. In our research on organisations from different policy fields in The Netherlands, we have observed that joint solutions to complex social problems are being developed, thereby tailoring solutions to individual needs. These solutions require partnerships between local authorities, various types of non-profit service providers in housing, health care, domiciliary care and social work. Sometimes the non-profits start partnerships with one another independently of government interference, whereas in other cases the local authorities take the lead.

The paper will deal with the following question:

What are the conditions that determine the success of interorganisational co-operation in the public services across organisational fields?

This EGPA paper is the very first draft of a beautiful publication. At least, this is our dream, born of long and lonely nights of writing. It will presumably take us many more nights to realise it.

2. Theoretical approach

Before discussing the cases that were studied in order to answer the questions posed above, we will describe the theoretical setting within which this research has been carried out. First, light will be shed on the nature of, and the context within which public-private arrangements were studied. Second, theories that clarify the process through which inter-organisational relations are established will be discussed.

2.1 Central concepts

Oliver defined inter-organisational networks as “the relatively enduring transactions, flows, and linkages that occur among and between an organisation and one or more organisations in its environment” (Oliver 1990:241). Obviously, networks and inter-organisational relations do not exist in a vacuum. DiMaggio and Powell introduced the notion of the *organisational field* (1983:147), which evokes the idea of a social arena in which organisations construct their own reality. It emphasizes the idea of a coherent field of mutually dependent organisations with an own set of rules and a distinctive culture, and with a certain degree of network centrality. Scott and Meyer added to the idea of the *organisational field* when they introduced the concept of the *societal sector*, defining it to “include all organisations within a society supplying a given type of product or service together with their associated organisational sets: suppliers, financiers, regulators, and so forth” (1991:108).

This paper deals with inter-organisational networks (so-called public-private arrangements) centralised within local organisational fields. Furthermore, the focus has been specifically on public-private arrangements within the societal sector that has recently developed around a combined service-provision concerning housing, health and social work. Before we are able to indicate conditions that add to or deduct from the ‘success’ of co-operation structures, we will first of all consider contingencies that influence the formation and development of inter-organisational relations¹.

2.2 Dynamic contingencies influencing both the formation as the development of inter-organisational relations

Oliver integrated literature on inter-organisational relations and deduced from it six contingencies that are believed to predict the formation of inter-organisational relations and – subsequently – networks (1990). We argue that these contingencies do not only have predictive value on the formation of these relations, but – as they are

¹ The inter-organisational relation is defined as “the relatively enduring transactions, flows, and linkages that occur among and between two organizations”, thus following Oliver’s definition of the inter-organisational network. We argue that multiple interlinked inter-organisational relations form an inter-organisational network.

dynamic contingencies – keep exerting influence on the relation between the involved organisations as the relation develops over time.

The first contingency² that Oliver describes is *necessity*. Interorganisational relations are established when it is mandated or legally required. Mandated relations display a high frequency of interaction between organisations, but they also reduce perceptions of control within an organisation. A second contingency that is perceived to exert influence on (inter-)organisational behaviour would be *asymmetry*. Relations are sought after in order to “create potential to exercise power or control over another organisation or its resources”. Theories of resource dependency and class hegemony describe this asymmetry in detail. Whereas asymmetry might lead to a search for control on the one hand, it might also lead to the pursuit of mutually beneficial goals through cooperation structures. Oliver labels this contingency *reciprocity*. Reciprocity describes a “process of linkage that is characterised by balance, harmony equity and mutual support rather than coercion, conflict, and domination”. Involved organisations are convinced that the downsides of cooperation are outweighed by the benefits and thus choose cooperation over competition. Cooperation may also be encouraged by the prospect of greater *efficiency*, the fourth contingency. This is derived from economics, and described by transaction cost theories, explaining that (inter-)organisational structures are determined by the most efficient coordination of transaction costs. *Stability* would be another contingency, focusing on risk and uncertainty in the environment. The uncertainty is reduced by cooperation structures, guaranteeing “reliable patterns of resource flows and exchanges”. The sixth contingency is *legitimacy*. Inter-organisational relations might be established in order to improve an image, enhance a reputation or “appear to be in agreement with prevailing norms, rules, beliefs, or expectations of external constituents”.

Since mutual (resource) interdependency and institutional pressures and incentives played a significant role in the public-private arrangements that are object of study, *resource dependency theory* and *institutional theory* will be described in order to

² This paragraph is mainly based on the work of Oliver (1990) and will also include some citations from her work. Instead of many individual references, the citations are indicated by the use of quotation marks.

provide in a theoretical framework for the analysis of data gathered during empirical study.

2.3 Mutual dependencies

Dependency is an element that is to be found both within organisations (e.g. between sub-units and organisational levels, or between colleagues) as between organisations. It is often forgotten that intra-organisational dependency might be just as important as inter-organisational dependency when it comes down to analysing inter-organisational arrangements. Hickson et al. (1973) deems *intra-organisational dependency* to be present when “the ability of sub-unit activities to cope with uncertainty is shaped by the degree to which the sub-unit activities are central, substitutable, or when it relies on others” (in Thompson and McHugh 2002:57). Thompson and McHugh describe how *inter-organisational dependency* is “conditioned by the fact that the environment is a source of scarce resources that have to be competed for” (2002:57). Hence we arrive at the resource dependency theory.

Resource dependency theory centres round the element of uncertainty which every organisation has to face. In order to conquer uncertainty, organisations are believed to try to reduce their dependency on a variety of external factors. In doing this, they “exchange with each other and negotiate the environment” (Thompson and McHugh 2002:58). Resource dependency has proven to be a valid theory for explaining many transactions between organisations, as well as for providing an understanding of the reasons for collaboration between organisations and the developments of networks. Nevertheless, DiMaggio and Powell state that “organisations compete not just for resources and customers, but for political power and institutional legitimacy, for social as well as economic fitness” (1983:150). Resource dependency theory might thus be complemented with institutional theory and related theories of isomorphism.

2.4 Institutional pressure and isomorphism

North defined institutions as “humanly devised constraints that shape human interaction” (North 1990:3). Though institutional theory used to be a theory of a deterministic nature, social constructivism has obviously left its marks. Nowadays, we would rephrase North’s definition so that institutions would be defined as “socially constructed processes that guide human interaction”.

Not only individuals are guided and steered by political, economical, technical, or cultural institutions. Changes in institutions shape the way society as a whole changes, but they have also an impact on the formation and dissolving of groups, organisations (as more or less concrete entities) and networks. Institutional theory describes how *regulative*, *normative*, or *cultural-cognitive* processes guide social behaviour. It considers ways in which these processes create different sets of rules – which are not static, but dynamic and fluid. These very rules, or guidelines, might be altered, changed, or simply abandoned, while others are created anew. Different institutional logics (which might be described as a coherent set of regulative, normative and cultural-cognitive processes guiding social behaviour) apply to different organisational fields and different societal sectors. When one or more of these fields or sectors come together³, the institutional logics that belong with them might contradict each other, causing conflict and misunderstanding. At the same time, the altering or changing of institutions that might be a result of this contradiction and dispute can create new institutions that are perceived as adding value to already existing processes and cultures.

The more structured and integrated the organisational field is within which this process will take place, the more it will “provide a context in which individual efforts to deal rationally with uncertainty and constraint often lead, in the aggregate, to homogeneity in structure, culture and output”. DiMaggio and Powell developed ideas on institutions and their impact on the behaviour of and interaction between organisations drawing on network arguments. They provided explanations for processes that “make organisations more similar without necessarily making them more efficient” (1983:147), and included thereby social and cultural (instead of technical) facets of the environment in institutional analysis. DiMaggio and Powell

³ ... as is the case in the research described in this paper. Housing, health and social work have all had their own institutional logic for a long time. The new societal sector that is developing this very moment brings together very different regulative, normative and cultural-cognitive processes guiding behaviour and interaction. Institutions from the three different societal sectors now come together within a new societal sector, creating a new institutional logic. This logic is, in its own turn, interacting with existing institutional logics within the local organizational field (for example with that of local authorities).

have distinguished between three mechanisms of institutional isomorphic change. They describe *coercive isomorphism*, which stems from external pressures and expectations and is often interpreted as being forceful or mandated. Though this is the case indeed, the coercive element is not always formalised or explicitly present, but might as well be subtle or unreasoned (behind the scenes). DiMaggio and Powell present *mimetic isomorphism* as a mechanism that induces organisations to (partially) imitate each other. This mechanism applies especially when an organisation is very successful. Other organisations will try to copy characteristics and certain processes of the successful organisation. Benchmarking is a technique used to find out which organisations are the ones to copy. Finally, DiMaggio and Powell describe mechanisms of *normative isomorphism*, which result from cultural pressures for conformity and norms that apply in organisational fields. Normative isomorphism is born from a desire to comply, for example in order to avoid conflict.

Theories of isomorphism will help explain the process through which the institutional logic of the fairly new organisational field is created.

2.5 Methodology

The paper draws on three case studies conducted in The Netherlands in 2007, involving 17 intensive, loosely structured interviews and an analysis of relevant documentation. In addition, we will refer to the results of earlier projects conducted jointly and separately by Tilburg University and Nijmegen University (esp. Brandsen, Cardoso Ribeiro and Farnell, 2006).

3. Three cases of cooperation

In the Netherlands domiciliary care and social work are considered basic health provisions. The actual delivery of these provisions is left to two different policy fields, i.e. the domiciliary care sector and the social work field. Care institutions in these sectors receive public funding, but also provide services in return for direct payment. Insofar as services are publicly funded, the central government defines the framework in which organisations provide their services. The turn towards a quasi-market has been induced by radical changes in the organization of the Dutch health

care system in the 1990s. Instead of supply-side funding, which left clients with hardly any choice, demand-based funding was introduced to make care providers more susceptible to the wishes of patients and induce competition. The competition had intensified as a consequence of the Social Support Act (*Wet Maatschappelijke Ondersteuning*, WMO) that came into force on 1 January 2007. This Act introduced a new scheme covering care and support in the case of protracted illness, invalidity or geriatric diseases. The Act also assigns greater responsibilities and tasks to municipalities. Under the Act, about 430 municipalities are now responsible for developing a cohesive policy on social support, living and social work along with other related matters. In other words, municipalities have become responsible for health care services traditionally delivered by organisations in the domiciliary and social work fields.

Like health care, social housing is considered a public responsibility. Increasingly, social housing covers groups with special needs, particularly the elderly. However, social housing providers operate largely without subsidies from the national government. During the late 1980s and early 1990s, public regulation and funding of social housing were significantly scaled back. It offered housing providers a large amount of autonomy. They acquire funds for new construction on the private market and revenues come from sale and rents. The central government defined fairly broad performance controls and local authorities have no direct control over the activities social landlords undertake. Currently, there is a renewed debate on their performance, the scope of their activities and their relationship with local and central authorities.

This paper follows on from previous research on housing association diversification in Europe (Brandsen, Cardoso Ribeiro and Farnell, 2006). One of the conclusions was that social housing providers increasingly work through alliances with a variety of partners in order to realise joint projects, especially in the fields of senior housing and community regeneration. The three cases discussed in this paper focus on a particular form of alliance, involving private non-profit providers of housing, care and social work.

Specifically, the alliances we examined involve the following partners:

1. Casade (housing) – Thebe Thuiszorg (domiciliary care) – Stichting Prisma (service provision to disabled people);

2. WonenBreborg (housing) - Thebe Thuiszorg (domiciliary care) - De Twern (social work);
3. Aramis Wonen (housing) - Stichting Integraal Welzijn Roosendaal, SIW (social work).

At the management level, general objectives and organisational frameworks were strategically defined in very broad terms, leaving staff at lower levels much scope to initiate projects. The general objectives are very much alike and can be summarized as a commitment to providing services related to living. However, the way in which the alliance was set up differs in each case. Below we will discuss the organizational context for each case in more detail.

Casade – Thebe Thuiszorg – Stichting Prisma

The cooperation between Casade, Thebe and Prisma was initiated by their management boards, which set up a steering committee to discuss general objectives and strategic issues. In a general agreement they laid down broadly defined conditions for cooperation. In various districts the partners were to set up projects in which various working groups take the lead. In the projects we examined, Casade, Thebe and Prisma combined forces to provide so-called multi-functional buildings. These buildings accommodate all sorts of service providers and are constructed with the explicit aim of facilitating combined service provision.

WonenBreborg - Thebe Thuiszorg - De Twern

The cooperation between WonenBreborg, Thebe and De Twern started in April 2005 with a formal agreement, signed by its management boards. Three months later the partners set up a separate inter-organizational unit responsible for project management. The unit manages the cooperation on a day to day basis and is in turn managed by a steering committee composed of board members. According to the formal agreement's objectives, the cooperation has to contribute to the joined development and implementation of innovative projects and to shared knowledge. The cooperation is not exclusive, but takes the form of preferred partnership. A project comes under the supervision of the interorganisational unit when it is perceived to be in the interest of stakeholders. Projects usually focus either on the elderly or on problem neighbourhoods.

Aramis Wonen - Stichting Integraal Welzijn Roosendaal

Aramis en SIW Roosendaal can be conceived of as a loosely coupled cooperation. Aramis defines its core business as ‘taking care of living’. To improve living conditions, it joins forces with care providers when a tenant’s or neighbourhood’s needs requires such cooperation. SIW Roosendaal has proved to be an obvious partner. Workers at the shop floor sought each others help spontaneously to provide or coordinate services to the so-called ‘vulnerable ones’. In recent years the boards of Aramis en SIW Roosendaal have agreed to act jointly. This proved to be a signal for intensifying the cooperation at lower levels within the organizations. Furthermore, Aramis contracts in services of SIW Roosendaal to improve the quality of living in certain districts. This takes form of small-scale projects with a clear timeline that serve the interest of a particular group of inhabitants.

The loose organisational structure of the cooperation allows workers and staff to seize opportunities whenever they see fit. Consequently, the dynamics of the cooperation is a result of a shared focus on individuals and groups that are considered in need of social work services and joint efforts to provide these services. The loose structure enhances the flexibility to start projects at every opportunity, but at the risk of a loss of focus. This type of cooperation therefore requires managerial involvement at the operational level.

4. The dynamics of starting cooperation

Why did these organisations in housing, social care and domiciliary care start to cooperate in the first place? There are various developments that come into play here.

The first is mutual dependence. They each possess resources the other does not (yet) possess. Housing providers not only have experience with construction and maintenance , but also a relatively large financial leeway. By virtue of their capital, they can shift money through time and are therefore less bound by the constraints of specific budgets. However, what they generally lack are the close ties to local communities they need to realise their plans for community regeneration, nor do they

have the staff to build them. Social work agencies have those ties and desperately need the money. Domiciliary care also lacks money, as well as the expertise for the ‘brick and mortar’ aspects of their residential homes. What they can offer is human resources and expertise in handling the elderly.

The combination of the three seems obvious: they each have something to offer another. Yet resource dependence is a necessary, but not sufficient condition for explaining cooperation. If that were so, the cooperation would presumably have started decades earlier. Indeed, it is not clear why separate organisational fields would have continued to exist until this moment.

First of all, organisations must *perceive* interdependence and this is only of relatively recent origin. It is of course obvious that citizens would benefit from integrated or at least mutually adjusted services in these fields. But it is only recently that the boundary rules of the organisational fields have started to become more fluid, due to a combination of legislation, financing and personality. Most important were the changes that made Dutch social housing providers financially independent and freed them from any constraints tied to subsidies, which had historically been its prime source of control. It opened the way for them to pursue their own strategies (Brandsen & Helderma, 2006). It encouraged them to ‘spread their wings’, exploring activities that they could only manage in the context of alliances. By contrast, providers in social work and domiciliary care became more financially dependent. Not only were budgets tightened, but also increasingly subject to performance measurement. It made them all the more eager to pursue other sources of income and efficiency savings. In other words, changes in the legislative and financial framework strengthened a previously existing resource dependency.

Yet even this cannot explain sufficiently why the organisations would necessarily seek to satisfy their heightened needs in this particular way. For this, one must necessarily include the cognitive aspects of the decision to cooperate. Ten years ago, many of the housing providers forays into other policy fields were decried as a deviation from “core business”. In recent years, influential reports from think tanks and advisory bodies changed the perception that service providers should stick to traditional activities and encouraged innovation. This happened in a context where

political developments (the Fortuyn assassination in particular) not only set community regeneration at the heart of the agenda, but also imposed a spirit of “whatever works”: a strong emphasis on effectiveness as the single most important criterion for success. The result was that boundary-crossing in services was considered more legitimate than it had been previously.

Finally, it is important to mention local social networks in driving cooperation. In time a new generation of directors rose through the ranks, who were familiar with one another, but lacked the historical animosity that had characterised some of the interorganisational relationships. For them it was easier to believe that they were in the same business (i.e. in overlapping organisational fields).

All in all, it appears that coercive, mimetic and normative isomorphism coincided and reinforced one another, resulting in forms of cooperation that seem obvious on hindsight, but never took off in practice. The changes within their respective fields also bred a common language of public management, another form of isomorphism, on which the next chapter will have more to say.

5. The dynamics of continuing cooperation

Yet interorganisational cooperation is like love: early passion is no guarantee for lasting happiness. The initial phase of the alliance being over, the grumbling started. Some felt the cooperation “was not going anywhere”; others that it should be more formalised; and yet others thought it was doing fine and could continue in its present form. Quite different perceptions of the success and future direction of the alliance sat alongside each other, without any clear evidence base.

How can this development be explained? We attribute it to interorganisational cultural differences and intraorganisational dynamics, which are in the end both related to the management of expectations. The basic problems are really quite simple, though difficult to solve.

5.1 Interorganisational cultural differences

Between the organisations in an alliance, prejudices persisted, especially at lower levels of the organisations. With some exaggeration, they can be described as follows:

- | Housing providers were regarded by others as suppliers of brick and cash, obsessively focused on planning procedures and overly rational.
- | Social workers were seen as woolly, incapable of translating abstract visions into practical solutions and unreliable as far as deadlines and delivery were concerned.
- | Members of domiciliary care providers, in addition to having the same tendency towards abstractions, were seen as overly focused on budgets, with little long-term vision.

This is putting it rather strongly, but more or less mildly worded echoes of these types could be heard frequently throughout our interviews. Although perhaps unjustified, these sentiments also reflected real difference in the logic of provision of the services each of the participating organisations offers. Construction does require strict planning, given the time-scale, regulation and levels of investment involved. This logic can to some extent be imposed on other processes of a more social nature, but only to a point. By contrast, care for patients is a relational good, with an individual, patient-by-patient perspective. This is a strength in reaching out to citizens, but it can stand in the way of strategies towards larger entities such as communities, beyond the short term. Prejudices sharpen the cognitive divisions that such different types of work inevitably engender. In addition to the basic differences, the organisations have historically developed towards different types of structures and levels of scale. The care providers are regional and multi-layered organisations with thousands of staff, whereas their partners in housing are flat organisations with a few dozen staff (and huge financial assets). They therefore find it hard to pinpoint what they can reasonably expect from each other, given their differences. Where can they find common ground?

An example of interorganisational confusion: multi-functional accommodations

Setting up a multifunctional building influences the dynamics of the cooperation in a very specific manner. During the first phase, the cooperation centres on property

issues, as erecting buildings requires a tight schedule to meet deadlines, e.g. in getting building permits in time. The care providers, as future residents of the buildings, are expected to take part in decision-making on their design. As construction is the core business of the housing provider Casade, it is used to working in accordance with tight schedules and consequently puts its partners under pressure to speed up the process. However, Thebe and Prisma have difficulty imagining what their future use of the building will look like at the early stage where such decisions are not. Moreover, being care providers, they are not used to planning far ahead. Their public funding makes them subject to government policies that usually have a short life-span, which require flexibility and short-term decision making. The pitfall of structuring the cooperation through a multifunctional building is the strong orientation on property issues in the initial phase. It does speed up the process, but at the cost of reaching a proper balance between the partners involved. For instance, after the building phase had ended Casade assumed its partners would take over, whereas Thebe and Prisma were not yet capable to do so. At that point the partners had to renew their organizational arrangements. The logic of the process of construction cannot easily be imposed on the interorganisational alliance.

The, perhaps surprising, answer is the discourse and methods of what the organisations tended to call a “business-like” or “goal-driven” attitude. It appeared to be inspired by a New Public Management type of philosophy, though the term was never mentioned. Nor could it be said to be anything more than discourse, as the practical recommendations of such a philosophy were in no way systematically adopted. None of the alliances described here defined anything like a clear goal or time-span above the project level, nor did any have a clear point or method of evaluation. What the “business-like attitude” came down to in practice were simply directness and reliability, the willingness to address practical problems and to come to a clear division of responsibilities, with deadlines and a (more or less) predefined result. These simple procedural rules were an important element of the early success of the alliances, as they reduced uncertainty and to some extent provided a common ‘language’.

5.2 Intraorganisational expectations

It could be argued, though, that misunderstandings within the organisations were stronger than those between them. Managers regarded some of their obstructive and felt that their plans were being carried out too slowly. Middle managers were somewhat fearful of the ever grander schemes that were being trumpeted from the top of the organisation and felt that the management failed to appreciate the practical problems of their implementation. Street-level workers sometimes found the plans for formal cooperation irrelevant or even harmful, where informally interorganisational cooperation had already emerged on the street or in specific projects; or they simply tried to ignore them because of a lack of capacity.

This is not to suggest that many were against the idea of interorganisational cooperation in this area. We found little evidence of deliberate obstruction. Most supported the idea, but were unhappy about the (in their eyes) impractical or uninspired way other members of their organisation were handling it. Nor, indeed, was there evidence that the alliances were spectacularly failing; in fact, as we noted above, there was little evidence on the progress of the cooperation whatsoever. The unease seemed to be emotional rather than anything else.

Again, it seemed to come down to different methods of working. To devise a partnership strategy for the development of senior housing is a fundamentally different activity from drawing up a joint financial plan and staff policy, which again is different from dealing with the problems of elderly people in practice. These are activities which require different skills and different time-spans to achieve results. Many of the internal problems were simply the result of a lack of mutual understanding. Managers who had thought out a grand vision did not comprehend the effort it took to deal with the administrative complexities that came with it and felt that staff were dragging their feet. Street-level workers were unable to explain their views on cooperation in a way that connected with the interests of the management and felt bypassed or overwhelmed. Middle management felt squeezed by the demands coming from different sides. Yet nearly everyone was in favour of the cooperation in itself.

5.3 Process management and boundary spanners

The cases also showed a couple of solutions to the problems described above.

The first is to interweave different processes at an earlier stage. If the management are made aware of implementation issues at an earlier stage, then their expectations of the follow-up will be more in line with the capabilities and capacities of their staff. Likewise, it helps to avoid too strict a separation between the planning of physical construction and the design of services. This does not alter the fact that these are fundamentally different types of processes, but to make the people involved better acquainted with each other's problems leads to uncertainty reduction.

In addition, we have found that the presence of boundary spanners was of great benefit to alliances. These were professionals of a certain stature who, by virtue of background and gut feeling, were able to translate the interests of one organisation in terms of those of another, or to explain to management what their staff were trying to get across and vice versa. Typical of these people was that they were all only temporarily associated with the cooperative efforts, with a clear time limit for their involvement, and were therefore more inclined to 'speak their mind' and address uncomfortable issues.

6. Conclusion

Our case studies confirm the findings of previous research, in that the dynamics *within* organisations turn out to be vital to the dynamics *between* organisations. The challenges of inter- and intra-organisational cooperation are closely linked in border-crossing (Brandsen and Van Hout, 2006). They also show the inherent friction between cognitive views at different organisational levels. The holistic view of organisations tends to obscure the fact that the activities people perform are very different, even when they are nominally in the same business is very different. This is an inevitable feature of the organisational fiction, as old as organisations themselves, but it comes to the fore when organisational routines are challenged and established modes of 'translation' between levels are disrupted.

However, perhaps the most striking result is the ability of process-based discourse to act as a shared language between organisations that are otherwise in very different lines of work. Here there is a complicated dynamic between different types of organisational field rules coalescing within single organisations, an issue we will further explore in future versions of the paper. In the meantime, we look forward to your comments on the present text.

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