Retrospective Case Study – Project Report

SUMMARY

In this report, we will outline the results of our retrospective case study to investigate the business model formation of an integrated partnership between a not-for-profit and a for-profit actor. In a first section, an overview of the relevant scientific literature on public-private partnerships will be presented. In a second section, we will elaborate on a specific case we took a closer look at. Finally, in a third section, we will introduce an instrument - that was developed based on the conclusions drawn from the literature review and the case study - that will be used as a follow-up tool for the prospective case studies on a three-monthly basis.

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1. Review of the Literature on Public-Private Partnerships

1.1. Method: Selection of Journals and Papers

To examine the evolving literature on public-private partnerships, we decided to focus on peer-reviewed studies published in management journals, regardless of their impact factor (Seglen, 1994). We selected all journals included in the management category within the ISI-Web of Knowledge during 2016. Our search produced 190 records in total. In the next phase, we used the databases ABI/Inform, Ebsco-Host, JSTOR, ProQuest and Web of Science to search for all paper publications containing the terms "public private partnerships", "public private ties*" or "partnerships" and "nonprofit" in the title, abstract, and/or keywords. This approach enabled us to identify a set of articles directly referring to the debate on partnerships between for-profit and not-for-profit organizations.

1.1. Defining the Setting

1.1.1. Partnerships in general

When two organizations recognize that their respective needs can be met by the other organization, they engage in what Sagawa and Segal (2000) call partnerships. A partnership is a type of collaboration between two or more organizations to pursue common goals, while leveraging joint resources and capitalizing on the respective competences and strengths of the partners (Jamali & Keshishian, 2009).

1.1.2. Distinctive features of Public-Private Partnerships (PPPs)

In the review of the scientific literature of interorganizational partnerships, we focused on partnerships between private corporations and public organizations. This particular choice was motivated by the fact that in the SHINE project, we will follow the start-up process of three partnerships in the healthcare economy between a for-profit actor on the one hand and a not-for-profit actor on the other hand. In contrast to partnerships between two rent-driven corporations, partnerships in the healthcare economy and public-private partnerships (PPPs) are both distinct forms of hybrid organizations that do not reside entirely in the private or public setting but fall within an intermediate space between private and public bureaucracies (Williamson, 1999). Given the presence of critical interdependencies between public and private interests on the one hand (Mahoney et al., 2009) and inherent tensions between private rent-driven objectives and the wider public and social good typically pursued by public companies (Margolis & Walsh, 2003), the relationships between public and private actors, or between for-profit and not-for-profit actors, require a critical examination of underlying value creation and distribution mechanisms to understand for whom they create value and how.

Public-private partnerships are defined as "any long-term collaborative relationships between one or more private actors and public bodies that combine public sector management or oversight with a private partner's resources and competencies for a direct provision of a public good or service" (Kivleniece & Quelin, 2012). The key features of public-private partnerships are thus based on voluntarily collaborative structures, shared resources and competencies and public goods[1] as collaboration output. The main difference between PPPs and partnerships in the healthcare economy, is that the output of the latter is not necessarily a public good or service. Nevertheless, both types of partnerships suffer from a very similar problem with relation to the contributions of the individual partners to the joint value creation. These similarities motivated us to focus our literature review on PPPs.

1.2. Types of Partnerships

PPPs are found in many different forms, which can be distinguished based on multiple criteria. We look at three of them. A first distinction can be made on the basis of the partnership's governance mode. A second distinction can be made based on the way business models are developed. A third distinction we look at is based on the position of the partnerships on the evolutionary collaboration continuum.

Kivleniece and Quelin (2012) argue that a partnership's governance mode is the key mechanism shaping the value creation and value distribution of a partnership. In their study, they distinguish two categories of partnerships based on their governance mode: autonomous partnerships and integrative partnerships (Kivleniece & Quelin, 2012). The main differences between the respective governance modes are shown in Figure 1. In the autonomous governance mode, the private partner undertakes an investment in public assets (e.g. bus, train or tunnel) and also executes subsequent service provision based on rights obtained from the public authority. The private firm derives payments from the end users or consumers of the service. The role of the public partner is restricted to a monitoring and enforcement function. In these autonomous partnerships, the value creating potential stems from the efficiency gains associated with private sector involvement in public sector output. The public sector partner is only involved to monitor whether the private partner does not keep all the efficiency gain to himself instead of passing it on to the public. Compared to the autonomous governance mode, partnerships with an integrative governance mode have a much tighter collaboration model. In integrative partnerships, public and private partners jointly share the responsibilities for the development, management and/or delivery of a certain public good or service. Unlike in the autonomous governance mode, the public partner is considered a more equal partner to the private partner. The advantage of this tighter collaboration model is that it significantly reduces the uncertainty with respect to revenues and investments for the private partner. On the other hand, this more intense and complex collaboration also implies a higher dependency on the public partner and brings higher coordination and communication needs between the partners.

[1] A public good is defined as: a good that has two main properties: (1) non-excludability and (2) non-rivalry in consumption: individuals cannot be effectively excluded from use and use by one individual does not reduce availability to others. Examples include knowledge, national security, street lighting, etc… (Varian, 1992)

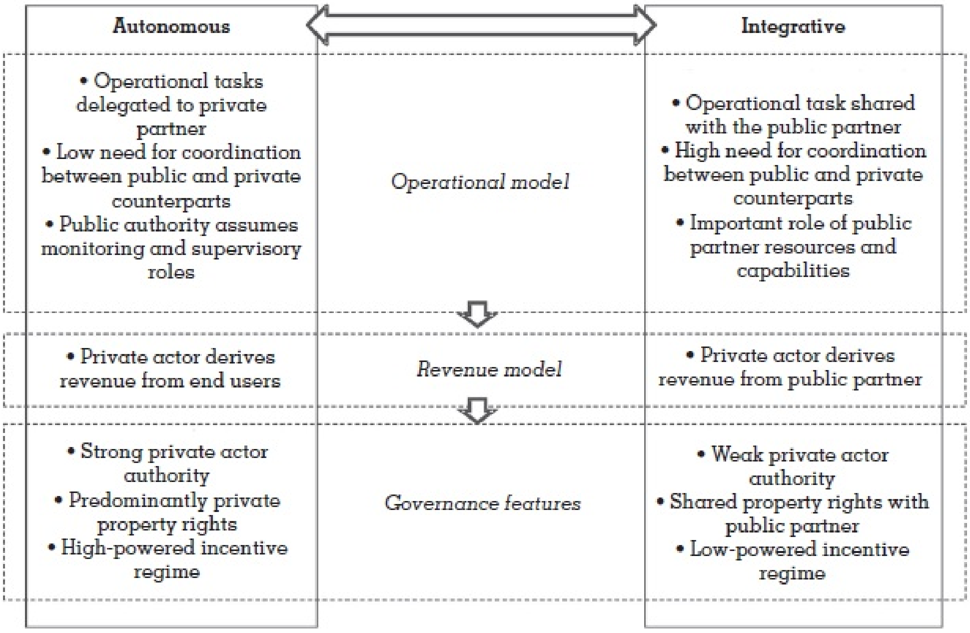

Figure 1 - A typology of Public-Private Governance Forms (Kivleniece & Quelin, 2012)

Another important defining characteristic of integrative partnerships is that due to the tight collaboration of the partners in their joint value creation, tasks and outcomes in integrative partnerships are highly interdependent. Consequently, stakeholders' individual contributions to the collective outcome cannot be separated from the contributions of others. This is the reason why, in situations of high task and outcome interdependence, stakeholders face a social dilemma[2]: while contributing to joint value creation is optimal from the collective point of view, stakeholders focused on their material self-interest will tend not to contribute fully (Kollock, 1998). This dilemma can easily be applied to the team production setting. Team production "is production in which (1) several types of resources are used and (2) the product is not a sum of separable outputs of each cooperating resource" (Alchian and Demsetz, 1972, p. 779). The "team production problem", a specific type of social dilemma, refers to the idea that team members have an incentive to shirk (i.e. to withhold their inputs from the team) when the joint output is shared among the team and the marginal product of individual team members is not observable. The existence of this problem undermines the role of the market in maximizing social welfare. In situations of high task and outcome interdependence, the market will not align individual interests with the collective interest (Alchian & Demsetz, 1972) and therefore, without further measures, integrative partnerships will most likely result in collective losses. The main question is what can be done to resolve the team production problem in the context of integrative partnerships. We will elaborate on the drivers of partners' contribution to joint value creation in a later section of this report.

[2] A **social dilemma** is a situation in which (1) the whole group can benefit from contributing for a common good and (2) where individual members can profit from selfish behavior. However, the dilemma lies in the fact that individual selfish behavior only leads to individual gain if enough others members contribute to the common good. When everyone chooses the selfish alternative, the whole group loses.

In short, integrative partnerships will deliver value when the welfare gains stemming from positive externalities and resource synergies exceed the costs of contracting and coordination among the partners, as well as any potential efficiency loss due to lower tendency of the partners to contribute.

A second type of partnership distinction is made by Dahan et al. (2010). In their study, they investigate the business model formation of partnerships between multinational enterprises (MNEs) and non-profit nongovernmental organizations (NGOs). They make a distinction between three ‘scenarios’ in the evolution of how corporate-NGO collaborations restructure, redefine or develop business models. The three scenarios are presented in Figure 2. The first situation (case 1) represents the situation where the corporation and the NGO each have a complete business model that they can fully carry out alone, obviating the need for any collaboration. In case 2, one or both parties possess preexisting business models that are incomplete – since the business models rely on resources and skills the own organization does not possess or fully control – and can only be realized by accessing the capabilities of the other partner. By providing each other with access to rare resources, the parties can make each other’s (separate) business models viable. In this case, each business model remains distinct – but both depend on the organizations acting complementarily, as neither could succeed without the input of the other. In the third case, there is no prior business model, and a common one – based on resource contributions of both partners – is developed for a joint project which is carried out by the two together. This joint business model is developed with the understanding that each partner derives a distinct benefit from the collaboration, leading to financial earnings for the firm, and enabling the NGO to deliver impactful social value. Thus, a joint project’s business model delivers both economic and social value concurrently.

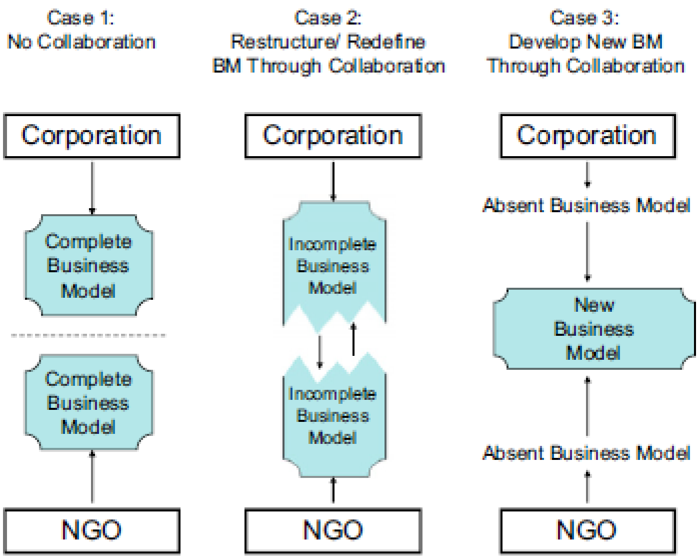

Figure 2 - Business Model Development Scenarios of Corporation-NGO Collaborations

A third distinction is made by Austin (2000) and is called the Collaboration Continuum, shown in Table 1. It identifies three distinct stages in the evolutionary path of cross-sector alliances, namely the philanthropic, transactional and integrative stage. In the philanthropic stage, the relationship is one between donor and recipient. It is of modest strategic value and characterized by low engagement, peripheral importance to the firm’s mission, small amount of resource investment, narrow scope of activities performed together, infrequent interactions and simplicity. In the transactional stage, the relationship moves beyond the purely philanthropic level and takes a more transactional form (e.g. cause related marketing, sponsorships, etc.). This stage is characterized by moderate levels of engagement, investment of resources, interactions, scope and strategic value. In the integrative stage, the partnership becomes of clear strategic value to the partners and is characterized by higher levels of engagement, increased investment of resources, broadened scope of activities and increased complexity (Austin, 2000). As a relationship moves from the first, to the second and the third stage, it strengthens and becomes a genuine full-fledged partnership, and has better chances of long-term viability (Jamali & Keshishian, 2008).

Relationship Stage	Philanthropic	Transactional	Integrative
Level of engagement	Low	→ → → → → → → → → → →	High
Importance to mission	Peripheral	→ → → → → → → → → → →	Strategic
Magnitude of resources	Small	→ → → → → → → → → → →	Big
Scope of activities	Narrow	→ → → → → → → → → → →	Broad
Interaction level	Infrequent	→ → → → → → → → → → →	Intensive
Managerial complexity	Simple	→ → → → → → → → → → →	Complex
Strategic value	Modest	→ → → → → → → → → → →	Major

Tabel 1 - The Collaboration Continuum

1.3. Sources of Value Creation by PPPs

The main motivation between any type of partnership, whether defined from a public policy or from a private interest perspective, is the search for value creation. The value created by a partnership in classic interfirm settings is conceived as the sum of benefits obtainable from the exchange between the partners, “regardless of whether it is the firm, the customer, or any other participant in the transaction who appropriates that value (Amit and Zott, 2001). For partnerships between public and private actors, the definition of value is broader and wider, since it also entails public benefits and costs to the society at large, in other words, benefits obtained from the exchange between partners appropriable by parties outside of the transaction are also included in the total value creation of the partnership (Brinkerhoff & Brinkerhoff, 2011).

Prior studies (Rangan et al., 2006; Kivleniece & Quelin, 2012) point to three principal sources of value creation. Firstly, PPPs can create value by offering a resolution for the social dilemma, or in this case the more specific public goods dilemma. The nature of a public good (i.e. non-excludable and non-rivalrous), the output of a typical PPP, dictates that, once established, no contributions to maintain it can be efficiently provided because no party can be excluded from sharing the benefits, irrespective of its contribution. Then, market or price-based mechanisms are not efficient, and a recourse to other forms of collective action and hybrid arrangements is required, the creation of PPPs is one of them. Secondly, PPPs can create value by allowing for complementarity and recombinations between the resources possessed by the different partners in the partnership. Thirdly, the value created by partnership can also lie in the efficiency gains and cost minimization realized by uniting the forces between the partners.

1.4. Translating literature on PPPs to partnerships in healthcare economy

The findings in prior literature with relation to PPPs can be translated to partnerships in the healthcare economy. The partnerships aimed for in the healthcare economy are partnerships in which for-profit and not-for-profit partners jointly share the responsibilities for the development, management and/or delivery of a certain good or service and where for-profit and not-for-profit partners are considered equal partners (cfr. integrative partnership as defined by Kivleniece & Quelin, 2012). The partnerships are also supposed to build a joint business model (cfr. Case 3, Dahan et al., 2010) and be of clear strategic value to the partners and characterized by high levels of engagement, investment of resources, broad scope of activities and high complexity (cfr. integrative stage of the collaboration continuum as defined by Austin, 2000).

The three sources of value creation in PPPs are also applicable in the context of partnerships in the healthcare sector: (1) a resolution for the social dilemma, (2) complementarity and recombination of resources, and (3) efficiency gains and cost minimization.

1.5. Drivers of partners' contribution to joint value creation

Partnerships are formed with the specific aim to create value. However, value will only be created when the partners really contribute. Bridoux and Stoelhorst (2016) argue that individual stakeholders' contributions to joint value creation are shaped by stakeholders' mental representations of their relationships with the other stakeholders in the value creation. They assume that not all behavior is exclusively motivated by self-interest, but that people (unconsciously) use relational models "to plan and generate their own action, to understand, remember and anticipate others' action, to coordinate the joint production of collective action and institutions, and to evaluate their own and others' actions" (Fiske, 2004). Relational models theory holds that four models suffice to generate the very high diversity in social relationships observed in practice. These models are called Communal Sharing (CS), Authority Ranking (AR), Equality matching (EM) and Market Pricing (MP), the key features of which are depicted in Table 2.

Feature	Communal Sharing	Authority Ranking		Equality Matching	Market Pricing
Level of self-concept	Community	Interpersonal		Interpersonal	Personal
Representation of self and other	Community member	Superior (other: subordinate)	Subordinate (other: superior)	Equal partner	Individual
Needs fulfilled by the relationship	Need for affiliation, to belong to a community	Need for dominance	Need for deference and security	Need for equality	Need for achievement
Motivation	Altruism toward ingroup	Power	Conformity	Reciprocity	Self-interest
Appropriate behavior in relation to cooperation	Pitch in whenever needed	Use legitimate power to coordinate subordinates' actions	Obey superior's orders	Reciprocate other's cooperative behavior (and punish other's noncooperative behavior)	Contribute in proportion to rewards, be efficient
Fairness principle for distribution of resources	Need	Status		Equality	Equity
Decision making	Consensus	Directives		Equal say	Individual decisions mediated by the market

Tabel 2 - Key Features of the Four Relational Models

The two extremes in the relational models spectrum are the CS and the MP model. Whereas stakeholders consider themselves and others as community members and are motivated by altruism in the CS model, stakeholders in the MP model still consider themselves as individuals and are mainly motivated by self-interest.

Bridoux & Stoelhorst (2016) expect contributions to joint value creation to be highest if stakeholders adopt a CS model, since then they perceive the participants as a community and see themselves as members of this community. This way, the individual interest is automatically aligned with the collective interests, which implies the absence of a team production problem. In contrast, the authors expect contributions to joint value creation to be lowest if stakeholders adopt an MP model, since then the self is represented at the individual level, meaning that stakeholders are focused on their personal pay-offs and motivated by self-interest. In that case, the appropriate behavior is to conduct a cost-benefit analysis to obtain the highest payoffs in return for the lowest contributions (Fiske, 1991). In an MP model, stakeholders are only induced to contribute if they are likely to be personally rewarded for doing so or sanctioned for failing to do so (Ellemers et al., 2004; Halsam & Ellemers, 2005). Since, in joint value creation, stakeholders' individual contributions to the collective outcome cannot be separated from the contributions of others, stakeholders will have low incentive to contribute, implying the presence of a team production problem.

Bridoux & Stoelhorst (2016) propose that the relationship model adopted by different partners in a partnership is not necessarily stable over time. They propose that stakeholders who perceive the partner's behavior as a transgression of the relational model they have adopted, will tend to switch to the relational model congruent with the partner's behavior, or will end the relationship with the partner. More specifically, stakeholders who frame their relationships with the other participants in joint value creation as CS, EM or AR will switch to MP if they interpret the partner's behavior as revealing the use of an MP model.

Since the success of relationship between the partners thus partly depends on the relational models used by the partners, we start by classifying all the individual SHINE project partners into one of the four relational models. To do this, we use a nine-item decomposed game measure of social value orientation, an easy-to-administer instrument that was adopted from prior research (e.g. Van Lange et al., 1997; Van Lange & Kuhlman, 1994). The appendix presents this decomposed game measure.

1.6. Ingredients for successful partnerships

The scheme presented earlier in Figure 2, shows that organizations can collaborate in different ways to attain a specific end goal. What's more, the end goal can be exactly the same in both cases 2 and 3. However, whereas in case 2 both organizations are no more that providers of the missing resource in each other's business model, in case 3 both organizations get much more intertwined. More specifically, in case 2, the collaboration between the two organizations is no more than a so-called arm's length transaction, wherein one party provides a product or a service to another party in return for a certain compensation (e.g. payment of money, a discount, etc…). Since this form of collaboration is, in essence, no more than a business transaction, it requires less of both organizations to finally attain the end goal. In contrast to for the arms's length transaction, the simple possession of complementary resources or capabilities by the different organizations is not a sufficient condition for an integrated partnership to be successful. Even when partnerships appear to be ideal marriages on paper, things can go wrong (Dahan et al., 2010). The literature reveals several crucial ingredients for ‘case 3’ partnerships to be successful. In what follows, we will give a short overview of these ingredients.

1.6.1. Interdependence / Resource Dependency

The raison d’être of a partnership lies in the recognition by the partners of the resource dependency as elaborated by Pfeffer and Salancik (2003): what can be achieved together cannot be achieved alone (Jamali & Keshishian, 2009; Kanter, 1994; Samii et al., 2002). The track record of collaboration with other organizations is a valid indication of the importance each partner attaches to cooperation and cross-organizational learning (Samii et al., 2002). However, prior case studies showed that even when there is a track record of past cooperation with each other or with other organizations, partnership may still fail when some of the partners lose sight of the value of a holistic approach and collective action (Samii et al., 2002).

1.6.2. Commitment & Common Goal Symmetry

Similar to any time of intra or interfirm collaboration, commitment at the highest level of the partners’ organizations sets the stage for the collaboration. For the agreement to come alive, the same level of commitment is expected from the operational staff involved in the implementation of the initiative (Samii et al., 2002). Equal commitment by the partners, confirmed through adequate allocation of time and/or resources, will guarantee reciprocal appreciation, create opportunities for synergies among the partners and increase the joint action and continuities within interorganizational relationships (Hagen, 2002; Monczka et al., 1998; Jamali & Keshishian, 2009). Asymmetries in commitment probably result in unsatisfactory relationships because the more committed party is vulnerable to opportunism by the less committed party and the less committed party is more willing to abandon the relationship and is less willing to to reciprocate sacrifices made by the more committed party (Anderson & Weitz, 1992).

Apart from equal commitment, partners should also agree on a common, overall partnership program objective (Jamali & Keshishian, 2009). However, the existence of a common goal (i.e. the overall partnership program objective), does not imply the prohibition of individual partners to also have individual goals next to a common overall goal. A necessary condition to be fulfilled to ensure the achievement of the partnership’s objective, is that the individual goals are an output or a subset of the overall partnership objective (Samii et al., 2002).

1.6.3. Mutual Trust & Integrity

Similar to other contexts with different contracting parties with imperfect information, also in partnerships we assume that, although the intent of the partners is to work together, the potential for opportunistic behavior (defined by Williamson, 1985, as ‘self-interest seeking with guile’) does exist (Jeffries & Reed, 2000). One could try to reduce this risk for opportunistic behavior by trying to draft extensive contracts, trying to foresee every possible scenario and making detailed plans of action for different possible future scenarios the partnership may face. However, transaction cost theory (Williamson, 1985) predicts that in situations of repeat trading, long-term exchange, and increased uncertainty and asset specificity – such as in the case of partnerships and strategic alliances, relational contracting will emerge. Relational contracts are agreements that are intentionally incomplete so that the contracting parties have room for maneuver (Macneil, 1978). Such relational contracts can only work effectively when the parties are not inclined to be too opportunistic in their dealing with one another (Milgrom, 1992). In this sense, trust is the 'binding cement of all relationships' (Davis & Walker, 1997). Trust is the basis for confidence that the obligations and commitments undertaken in incomplete contracts will be met. The presence of trust can promote co-operation and reduced transaction costs in relationships based on long-term of repeated exchange, such as the partnerships we focus on. In other words, the great benefit of trust is that it is efficient, in that the more there is trust, the less necessary it is to engage in detailed contracts and expensive monitoring mechanisms (Walsh, 1995).

1.6.4. Open Communication & Transparency

Information asymmetries between partners might lead to the exploitation of an information advantage of one partner at the expense of the other partner (Reeves, 2008). This opportunistic behavior, stemming from a lack of communication and informational transparency between the partners may endanger the partnership. To avoid this, there is a need for intensive communication and informational transparency between the partners. The partners should communicate in an open way and on a regular basis. With open communication is meant that the partners are willing to share the proprietary information needed to make the partnership work and avoid opportunistic behavior of one of the partners.

1.6.5. Organizational Fit & Cultural Compatibility

Prior research has acknowledged that organizational culture plays a critical role in the success of interorganizational partnerships (Meirovich, 2010). Culture is regarded as one of the major causes of the high failure rate of strategic alliances. There is a general consensus that a cultural fit between partners should exist in order for their collaboration to succeed. However, this does not necessarily imply that cultural fit means being alike. In contrast, it may mean being complementary, i.e. different from each other (Meirovich, 2010).

Ingredient	**Description**
Interdependence / Resource Dependency	Recognition by the partners that what can be achieved together can not be achieved alone.
Commitment Symmetry	Equal commitment from partners confirmed through the allocation of time and resources.
Common Goal Symmetry	Individual goals as output or subset of the overall program objectives.
Interorganizational Trust	The partners expect that the other partner (1) can be relied on to fulfill obligations, (2) will behave in a predictable manner, and (3) will act and negotiate fairly when the possibility for opportunism is present.
Mutual Integrity	Partners behave toward each other in honorable ways that enhance mutual trust without abusing the information they gain, nor undermining each other.
Open Communication & Transparency	Communication is reasonably open. Partners regularly share information required to make the relationship work.
Organizational Fit & Cultural compatibility	The extent to which the partners share beliefs, assumptions, and values about rules of conduct, leadership styles, administrative procedures and customs

Tabel 3 - Ingredients for successful partnerships

2. Case Study

To be better able to interpret the phases our pilot cases are going through when developing their partnership business models, we performed a retrospective case study. In what follows, we start by giving a short description of the case. After that, we analyze the business model of the case introducing the three main building blocks of a business model: value proposition, value delivery and value capturing. Next, we apply the ingredients for successful partnerships to our case. Finally, we will summarize the lessons learned from this case study.

2.1. Description of the Case

For this retrospective case study, we looked back at the development of a care hotel in Flanders, Belgium. Initially, the construction and exploitation of the care hotel was conceived as the outcome of a partnership between a large non-profit organization that provides care, education and work to disabled people (called P1 in what follows) and a non-profit organization consisting of patients and relatives of patients with a particular muscle disease (called P2 in what follows). The care hotel was realized, however, not as the outcome of a partnership between P1 and P2, but rather by P1 in collaboration with a third, purely financial partner P3. To get insight in what happened over the years and what were the possible causes of the original partnership idea being abandoned, we interviewed directors from both P1 and P3. At specific request of the directors of P1, P2 was not contacted.

2.2. The Business Model

To be successful, a partnership – as all other types of organizations - needs to operate according to an effective business model. A business model typically consists of three interlocking elements that, taken together, create and deliver value (Johnson et al., 2008). The first element is the 'value proposition' and describes how a firm will create value for its customers, more specifically, it outlines which fundamental problem in the market it is going to solve and how. When the 'value proposition' is identified, the next step is to figure out how exactly the solution will be delivered to the end user. Which processes are necessary? Which resources are needed? Which role will the different partners play? This second element of the business model is the 'value delivery' part. A third and last element, the 'value capturing' part, describes how the partnership can make money from its value proposition. In this part of the business model, the partners decide on the profit formula that will be used and on how the financial value created will be distributed among the different partners in the partnership. In what follows, we will elaborate on our case using the three business model building blocks as starting point.

2.2.1. Value Proposition

The two partners P1 and P2 had difficulties reaching consensus on the value proposition of the care hotel, since took them quite some time to realize that they had very different objectives in mind.

"During this long way, we realized that we were two partners with very different objectives."(Director 1 of P1 about defining the value proposition)

"With relation to value proposition: we (P1 and P2) had different expectations. Maybe not explicitly communicated expectations." (Director 2 of P1 about defining the value proposition)

Both partners were sitting round the table with a different target group in mind: P1 wanted a care hotel for people with a care need (high standards), whereas P2 wanted to focus entirely on people with very high care needs (extremely high standards). Therefore, there was a large discrepancy between the views of the two partners about how far the care hotel should go in tailoring the entire infrastructure to extreme high-need clients.

P1 admitted that the different view of P2 on the case had obliged them to think further than they would have done otherwise. It was considered a useful exercise. However, the communication style during the difficult discussions with relation to the value proposition has cast a cloud upon the relationship between the two partners and is considered as one of the reasons that contributed to the failure of the partnership. Discussions between the two partners lasted for four years, the last two of which were very intensive and in difficult circumstances.

"What we have done together, certainly has its value, unfortunately the communication style of P2 gave rise to agitation. Sometimes they made their point in a really rude way."

Eventually, they came to a point where P1 didn't want to continue the partnership with P2.

"We realized that if this was the way of working together and communicating in the pre-start-up phase of the care hotel, we were not prepared to continue the relationship to have to work together with P2 in day-to-management of the care hotel" (Director 1 of P1 about the end of the partnership)

"At a certain moment, we ('P1') made the very wise decision not to allow P2 to invest even a door knob or a socket in the care hotel and do it all ourselves." (Director 2 of P1 about ending the partnership with P2)

P1 continued on its own and constructed a care hotel which targets clients with a (regular) care need, but has a minority of the rooms especially adapted for clients with extremely high care needs. Apart from providing a holiday accommodation for people with a disability, the care hotel also creates employment for people with a disability. Thus, financial as well as social value is created.

2.2.2. Value Delivery

The construction and exploitation of the care hotel requires various resources, the most important ones being financial resources and cognitive resources (i.e. knowledge and expertise). P1 was prepared to invest knowledge and financial resources. P2 on the other hand, would only invest expertise, but promised to provide free building materials via its network, which could drastically reduce the construction costs.

Originally, P2 believed (and made P1 believe) that it was realistic to obtain external finance via RIZIV (the National Sickness and Invalidity Insurance Institute). In that case, the investment required by P1 would be limited. However, it took them four years to come to the conclusion that the external RIZIV finance was not a realistic path and that the resources should come from elsewhere.

As P2 was not prepared/able to invest financial resources, the chairman of P1 proposed to bring in a third, purely financial partner ('P3') to set up a construction with real estate certificates to finance the operation. This, legally perfectly sense-making, construction made P2 distrustful.

> *"When the tensions were at their climax, they ('P2') demanded an audit. At a certain moment, they ('P2') came here with two financial experts because they didn't understand what we wanted to do and therefore didn't trust us anymore. It felt weird for us that we had to justify ourselves because we wanted to realize their project."*

The distrust of P2 vis-à-vis P1 and their existing communication difficulties made the relationship between the two partners unbearable. After four years of talks, the partnership came to an end. P1 decided to continue on its own. The construction with the real estate certificates was carried on, with the help of P3.

2.2.3. Value Capturing

Value can be created in different forms: the most important ones being financial value (i.e. money) and social value. The two partners in our case study are not equally oriented towards both types of value creation.

> *"We are both very socially oriented organizations. The difference is that for us financial return is important not as goal as such, but as a means to make the project sustainable. In their viewpoint, there was no economic model needed, because they believed that the whole project would be financed by subsidies."*

The economic goal of P1 was to make profits on the hotel part for 'regular care' need patients. The social goal was to be able to create extra employment for the employees working in the hotel part for 'regular care' patients by also making them work in the hotel part for the "high care need" patients. P2, on the other hand, did not have an economic goal, only a social goal. Their social goal consisted of being able to rent the fully adapted rooms to their 'high care' need members. Initially they had no economic goal, meaning that it was not their objective to capture part of the financial value created by the care hotel. This changed however when the construction with the real estate certificates was proposed. Apart from their distrust, it also triggered the desire to capture part of the financial gains. P2 claimed part of the real estate certificates, without financial investment from their part. This has caused severe discussions between P1 and P2, which eventually resulted in the partners splitting up.

2.3. The Ingredients for Successful Partnerships applied

We ended our literature review with an overview of five crucial ingredients for successful partnerships. Notwithstanding the fact that it was the initial idea that the care hotel in our case study would be established as a partnership, this was eventually not the case. Interviews with some of the stakeholders showed that, from a literature point of view, the failure of this partnership did not happen totally unexpectedly. In what follows, we will go over the five ingredients and apply them to our case.

2.3.1. Independence/Resource Dependency

As argued before, the raison d'être of a partnership lies in the fact that the partners need each other, in that neither can accomplish alone what they both can together. This requirement was not fulfilled in our case, or at least not for both sides. P2 clearly depended on P1 to reach their objective (i.e. the construction of a holiday accommodation for extreme high need clients), since P2 lacked the financial resources and economic mindset to manage a project of that scale. For P1, in contrast, the cooperation with P1 was not of vital importance for the realization of their final objective (i.e. the construction of a holiday accommodation for people with a disability).

> *"We had sold our old holiday house at the sea coast and our plan was to do a copy/paste operation, building a holiday house for people with a disability which was completely up to the modern standards. The concept was ready. The construction plans were finished. We were able to finance the whole project with own means. In short: nice concept, nice building, we were ready to start building."*

Coincidently, P2 showed up when P1 was about to start building its hotel. P2 declared that they were thinking about doing the same thing for clients with extreme care needs. Without much further investigation or getting to know each other, both parties decided to form a partnership with the aim to build one hotel together, instead of two separate hotels.

The risk attached to the lack of mutual interdependence, is that the less dependent party will have a power advantage over the more dependent party. This clearly showed in our case.

> *"After a while, P2 put itself in the underdog position, because they had less financial power. We wanted to proceed, they also wanted to proceed, but on the other hand, they had the feeling that we put ourselves above them." (Director 1 of P1 about the origin of the distrust of P2 vis-à-vis P1)*

And, of course, if P1 was strongly dependent on P2, it could not (so easily) decide to leave the partnership and continue on its own.

> *"At a certain moment, we ('P1') made the very wise decision not to allow P2 to invest even a door knob or a socket in the care hotel and do it all ourselves." (Director 2 of P1 about ending the partnership with P2)*

2.3.2. Commitment & Common Goal Symmetry

Equal commitment by the partners, through equivalent investment of time and/or resources, is necessary requirement in partnerships, because asymmetries in commitment could make the more committed party vulnerable to opportunism by the less committed party and the less committed party more willing to abandon the relationship and less willing to reciprocate sacrifices made by the more committed party.

It is difficult to say anything about commitment symmetry in our case. When the partnership ended, both parties had invested a large amount of time in the project. So, with relation to time investment, there was no such thing as commitment asymmetry. With relation to financial commitment, the commitment asymmetry was not there yet, in the sense that none of the parties had invested any money at that moment yet. However, it was clear that that the willingness and ability of P1 to invest financial resources in the care hotel far exceeded that of P2. The fact that P1 ended the partnership before a actual financial commitment had been made, seems like a wise decision, since based on the commitment symmetry argument, it is P1 (the financially more committed of the two) who would have brought itself in a vulnerable position by staying in the partnership with P2.

Apart from equal commitment, partners should also agree on a common, overall partnership objective. However, the individual partners can still have individual goals next to a common overall goal, as long as the individual goals are an output or a subset of the overall partnership objective. When we apply this idea to our case, the first question is: what was the common goal? From the interviews it was not clear whether both partners have ever formally agreed on this point. In essence, the common goal was to provide a holiday accommodation specifically aimed towards people with care needs. For P1, this this common goal was exactly the same as their own main objective. Apart from the common goal, P1 also had an individual goal, more specifically the creation of employment for people with a disability. This individual goal was indeed an output of the common partnership goal. For P2, the individual goal was to provide a holiday accommodation specifically aimed towards people with extremely high care needs. They however did not consider this as a subset of the common goal, but rather wanted it to be the common goal. P2 never managed to achieve that 'their' goal became the 'common' goal.

> *"For us ('P1') is was a valuable exercise to think about the high care need target population. We also went along with the idea, but only for the 'high care need rooms', not for all the rooms." (Director 1 of P1 about the high demands made by P2 with relation to the rooms)*

Finally, the hotel was built by P1 with 44 rooms, 5 of which were conceived as rooms for people with extremely high care needs. Thus, the individual goal of P2 remained existent in the realized project, as a subset of the main goal.

2.3.3. Mutual Trust and Integrity

A stated before, trust is the 'binding cement of all relationships', since it is the basis for confidence that the obligations and commitments undertaken in incomplete contracts will be met. In other words, the great benefit of trust is that it is efficient, in that the more there is trust, the less necessary it is to engage in detailed contracts and expensive monitoring mechanisms.

In our case, since P1 and P2 did not really know each other, there was no such thing as profound trust in one another.

> *"One important thing I learned from this case, is that one should make sure that there is trust between the partners, really profound trust. Not only at the interpersonal level, but also at the interorganizational level." (Director 1 of P1 on the importance of trust between partners)*

"I would really recommend to gradually build up the relationship. This partnership was too large a step at once. First live together for some time, make love to each other, have some arguments, some fights. And then think about getting married. Because this partnership was a marriage with a very, very expensive wedding party…" (Director 1 of P1 on the importance of common history)

A deep knowledge of each other and, ideally, a common history seems to be an important antecedent for partnership success.

2.3.4. Open Communication & Transparency

Information asymmetries between partners might lead to the exploitation of an information advantage of one partner at the expense of the other partner which can endanger the partnership. To avoid this, there is a need for regular, open and intensive communication and informational transparency between the partners.

"I would recommend future partners to be transparent with one another and to communicate a lot. But, of course, you have to be able to communicate." (Director 1 of P1 on the importance of communication and transparency)

In our case, there certainly was a regular and intensive contact between the parties. It is however not only the frequency and intensity of the communication that plays a role. Also a good communication style is crucial to maintain a healthy and productive relationship between the partners.

"For us, it was valuable to have a partner with different views. Thus, it was not the point they tried to make that was the problem, it was rather the style in which the point was made." (Director 1 of P1 on the importance of communication style)

2.3.5. 2.3.5 Organizational Fit & Cultural Compatibility

Prior research has acknowledged that organizational culture plays a critical role in the success of interorganizational partnerships. There is a general consensus that a cultural fit between partners should exist in order for their collaboration to succeed.

In our case, there was a large difference in organizational structure as well as in organizational culture.

"The basis of the tensions, I believe, is the fact that we are dealing with two completely different types of organizations. We ('P1') have 1500+ employees, a very professional and independent board of directors, we disclose our financial results, etc… Whereas they ('P2') are in essence an organization of 3 people, who also constitute the board of directors, and they are financially very closed." (Director 1 of P1 explaining the differences in organizational structure)

"In the end, we could have solved the financing together. But I believe that because of the completely different organizational cultures, at the end of the day, we didn't find

each other anymore. I presume that the organizational differences were much more essential in explaining the failure of the partnership than the money." (Director 1 of P1 on the role of organizational differences in explaining the failure of the partnership)

There was not only a large disparity between the two organizational structures. The two partners also differed significantly in their way of reasoning. Whereas the culture in P1 was rather to provide "better than average care", P2 only wanted to provide "maximum care" at whatever cost.

"Another important reason for the failure of the partnership, I believe, is that they ('P2') did not understand our economic reasoning. They did not understand our calculations. They believed that the entire operation would be financed by subsidies thus, according to them, it did not have to be economically viable and therefore 'maximum care' had to be the basic principle" (Director 1 of P1 on the difference in economic reasoning)

2.3.6. Conclusion

The interviews with the stakeholders of our care hotel case, clearly confirm the importance of the ingredients for successful partnership proposed by theoretical literature. This strengthens us in our view that it is crucial to follow-up on these factors in the future partnerships under study. Therefore, we decided to develop an instrument for longitudinal follow-up, based on prior literature on the success ingredients.

3. Instrument for longitudinal follow-up

The literature review on PPPs and the lessons learned from the retrospective case study, lead us to the creation of a questionnaire that measures five of the key success parameters for interorganizational partnerships: goal congruence, trust, transparency, communication and cultural compatibility. For the different measures, we relied on measurement instruments created and validated in previous studies. The questionnaire was converted in an online survey, which will be sent to the different project partners every three months. This will allow us to follow-up potential evolutions in the partnerships with relation to the key success factors. The questionnaire can be found in appendix.

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Tables and figures

Tables

Figures

The partners of the SHINE project:

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