Understanding Risk in the Theory of Collaborative Advantage

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Abstract
Collaborative service delivery is assumed to create value in public services, otherwise there is little sense in engaging in such a resource intensive task. However, it is relatively easy to destroy value, by not appropriately governing relevant risks in a collaboration. Risk is a concept that has not been well-researched in a collaborative context: much of risk research has focused on public-private partnerships, but not a wider collaborative spectrum, and extant research has not focused on improving the conceptual understanding of risk in collaboration. The Theory of Collaborative Advantage (TCA, Huxham & Vangen, 2005) has identified a number of themes – issues – that can create tension and inertia in collaborations, of which risk is one. Though risk has received very little attention in the current theorising on the TCA. This conceptual paper considers the risk theme further. It also discusses the limitations of the theory, aiming to advance the TCA in terms of improving the understanding of risk in collaboration. The paper offers a tentative hypothesis in relation to a contradiction involving risk and trust: the risk-trust paradox. Furthermore, a modification is proposed to the TCA, integrating risk into the wider conceptualisation, rather than as a theme of its own.

Introduction
Collaborative service delivery is assumed to create value in public services, otherwise there is little sense in engaging in such a resource intensive task. However, it is relatively easy to destroy value, by not appropriately governing relevant risks in a collaboration. Trust is a critical part in the collaborative risk governance process. The Theory of Collaborative Advantage (TCA, Huxham & Vangen, 2005) suggests that as trust develops it becomes a way of dealing with risk. Risk management implies that certain aspects of the collaboration are discussed and negotiated from the start of the collaboration, including aims and expectations of partners (Vangen & Huxham, 2003a), and it would be beneficial for partners to discuss issues, challenges and concerns prior to starting a collaboration, though in reality these seem difficult to achieve (Bailey et al., 2011; CIPFA, 2010; Dickinson & Glasby, 2010; Fone & Young, 2005; Hallikas et al., 2004; McQuaid, 2009; Vangen, 1998). If there are tensions in terms of trust, it is likely that risk management also fails. The TCA so far has noted risk as a theme that can create tension and inertia in collaborations and highlighted it as an issue that needs to be managed (Huxham & Vangen, 2005). Literature on risk in the TCA has not advanced beyond these propositions. Overall, risk is a concept that has not been well-researched in a collaborative context: much of risk research has focused on public-private partnerships, but not a wider collaborative spectrum (until a thesis by Karlsson, pending), and extant research has not focused on improving the conceptual understanding of risk in collaboration.

This conceptual paper considers the risk theme further in the TCA, and discusses the limitations of the theory, aiming to advance the TCA in terms of improving the understanding of risk in
collaboration. The paper is structured in the following way: first, the present literature on the TCA is discussed to explain the theoretical underpinning of the conceptual contributions; second, the paper narrows its focus on the concepts of trust and risk; finally, the paper provides a discussion section focused on theorizing risk in the TCA, before providing the key conclusions to the paper.

What we know about the Theory of Collaborative Advantage

The TCA is a practice-based theory about the management of collaboration, which has been derived from matters that are of concern to practitioners involved in collaborative arrangements. Huxham and Vangen (2005) pursued a theory that would provide practical support to those who seek collaborative advantage. The TCA aims to understand and capture the complexity involved in collaborating in a way that would seem real and to empower those involved in collaborations. Essentially, “its role is to provide handles for reflective practice through offering a structure for sense-making and consideration of alternatives” (p. 40).

The TCA illustrates the complexities and challenges involved in collaborative working. Simultaneously, it describes the issues that need to be managed in collaborations (although no precise actions for management are given). Conceptualisations and frameworks are provided, which can be used in aid of such collaborative situations that need thorough consideration and management. These conceptualisations and frameworks concern the issues, tensions and challenges that often lead to collaborative inertia. Particular considerations are given for how these can evolve into collaborative advantage (Huxham & Vangen, 2005; Vangen & Huxham, 2010).

The theory discusses the tension between collaborative advantage and collaborative inertia, where the former refers to the synergy argument, while the latter refers to the slow and conflict-ridden process of producing outcomes. It is structured around overlapping themes, including practitioner based, cross-cutting, policy generated, and research driven themes (Huxham, 2003; Vangen & Huxham, 2013). These themes (see Figure 1, below) are in a constant flux, with new themes being added when appropriate.
It is clear from Figure 1 that the themes are interlinked in many ways, and therefore the ‘risk’ theme cannot be considered in isolation. The figure is illustrative of there being links between themes, but it is not to be taken as though a theme only links with the themes it touches in the figure. For example, ‘resources’ can be equally linked to ‘accountability’ (on the opposite side of the figure) as it is to ‘commitment and determination’.

Though the developers of the TCA have not explicitly noted the link between risk and all of the themes (only trust), they can all have risk implications, as the collaborative inertia arising from any one of these may inhibit the achievement of the collaborative objectives, in essence constituting a risk. After all, risk is the chance of something happening, which has an impact on objectives, and the consequences can be both positive and negative (Drennan et al., 2015).

Huxham and Vangen (2005) argued that issues such as risk and vulnerability, power imbalance, complexity and dynamics of collaborative structures, and identification of partners, need to be managed simultaneously and continuously due to the dynamic nature of collaboration. Failing to do this may negatively impact trust, meaning that collaborative advantage cannot be achieved. Thus, it is imperative to nurture a collaborative relationship, throughout. For example, ‘membership structures’ can cause problems for partners, as these tend to be ambiguous, complex and dynamic (Huxham, 2003). It can sometimes be unclear which party is part of a collaboration, and for instance, one local authority may be a part of variety of different collaborations which all operate at different strategic and operational levels, for instance Scottish local authorities being involved in both Community Planning Partnerships and Alcohol and Drugs Partnerships. In some collaborations members (organisations and individuals) come and go. Likewise, changes in public service policies may be of particular concern due to the influence these may have over a collaboration. Transformations occurring
in partner organisation can have a strong influence on the collaboration process (Huxham, 2003). Also, ‘leadership’ can be problematic in practice, because structures and processes of a collaboration can be externally imposed via policies (such as in the Scottish Community Planning Partnerships) and funding bodies. Alternatively, they may be a result of a past collaboration and therefore the current members do not necessarily have a say in designing these. Furthermore, people out with a partnership, from external agencies with strong influence over the territory of a partnership, may be influential to the extent that they take leadership roles even though they are not in fact participants of the partnership (Huxham, 2003).

In terms of ‘power’, Huxham and Vangen (2005) highlighted that those who do not control financial resources are typically assumed to have limited power. In reality though, all parties have at least the power of exit, which in essence can mean that any partner has the power to block the progress of a collaboration. Notably, Page (2003) argued that the risk of one partner exiting is a unique challenge to collaborative relationships, and it is a constant threat with immediate effect. It can result in the loss of critical financial, human and intellectual resources. There are different points of power, where for example the naming of the collaboration is raised as one such point, as well as the power associated with invitations to join a collaboration. In terms of points of power, it is clear that they are not static: power continually shifts. Likewise, if collaborations lack a formal hierarchy, it can be difficult to assess what the various sources of power are and who holds the power (Huxham & Vangen, 2005).

Not all of the themes identified in Figure 1 have been discussed in detail in the scientific literature. The risk theme in the TCA – although having been recognised by the theory – has not been addressed empirically in scholarly literature apart from in a recent thesis by Karlsson (pending). Trust has been addressed to some extent, offering a way into exploring risk. These are discussed next.

**Trust and risk**

‘Trust’ has been raised as a precondition for successful collaboration (Huxham & Vangen, 2005; O’Leary & Vij, 2012). ‘Risk’ is often discussed in the context of trust, and risk associated with the collaboration must be managed as part of building trust (Breakwell, 2014; Engdahl & Lidskog, 2014; Huxham, 2003; Klijn & Eshuis, 2013; Vangen & Huxham, 2003a; 2013), yet as became clear from Figure 1, risk also appears as a theme on its own with the potential to lead to collaborative advantage or collaborative inertia (Vangen & Huxham, 2010).
It is argued that partners need to trust each other enough to be willing to take such a risk as to begin a collaboration, since trusting each other means accepting the risk of a partner acting in a way that may jeopardise the collaboration and also potentially impact negatively on each partner’s objectives (Huxham, 2003; Huxham & Vangen, 2005; Klijn & Eshuis, 2013; Mayer & Kenter, 2015; Van Slyke, 2007). Trust is asymmetrical and there is a degree of dependence involved in any relationship based on trust, with the trust-giver accepting dependency on the recipient of trust (Engdahl & Lidskog, 2014). In other words, if there is no interdependence, with actors being fully autonomous, there is no vulnerability in the relationship and no risk is posed by another party, consequently there is no need for trust between parties (Klijn & Eshuis, 2013).

While it would be ideal to have a trusting relationship, the reality often is one where uncertainties and suspicion is the starting point of a collaborative relationship. For example, sometimes it is a necessity to partner, regardless of whether there is a trusting relationship, which is demonstrated for instance by some collaborations in Scotland which are implemented due to a statutory duty. Some organisations may not have the option to not partner as they are required to take part in a specific partnership (Karlsson, Valkama, Asenova, 2015). On the other hand, some organisations are set up to provide services for local authorities, and therefore do not have the option to select their partners (Karlsson, pending).

While literature suggests that risk issues should be discussed at the start of collaborations (Bailey et al., 2011; Hallikas et al., 2004; McQuaid, 2009), it is not so easy in practice. For example, recent research (Karlsson, pending) indicates that some collaborative partners do not want to start a relationship focusing on negative issues (as this could lead to no collaboration), whereas some collaborative partners do not want to discuss their fears or potential risks due to competition between partners. This is where the presence of trust is critical, as without it, the necessary discussions may not take place. Though, trust can only be developed once a relationship develops, thus there is a paradox. Vangen (2017a) has recently proposed that a paradox lens should be applied to enhance theory development for collaborative practice. The argument she puts forward is that collaborations are inherently paradoxical:

*The paradoxical nature arises because gaining advantage requires the simultaneous protection and integration of partners’ uniquely different resources, experiences, and expertise in complex, dynamic organizing contexts* (Vangen, 2017a, p. 263).
It is important to consider how trust can be built between partners (Huxham & Vangen, 2005; Klijn & Eshuis, 2013; Mayer & Kenter, 2015; McGuire, 2006; O’Leary & Vij, 2012; Rodríguez et al., 2007). While trust develops, it becomes a way of dealing with risk. Some have even argued the concept of trust to be synonymous to risk-taking. In the collaborative context, risk can be associated with opportunistic behaviour and vulnerability, as members may fear other partners will take advantage of the collaborative efforts (Klijn & Eshuis, 2013; Vangen & Huxham, 2013). Yet, when trust is to be built, risk management cannot be used to guard against such behaviours, by for instance involving contractual agreements that have sanctions for non-compliance. Instead it should be concerned with ensuring that a future collaborative advantage can be foreseen and shared, with risks being managed via trust-based governance (Milbourne, 2013; Vangen & Huxham, 2013). For example, a partnership agreement could contain the risk management measures utilised in a collaboration, whereas the use of a contract should be limited to the transaction side of the relationship.

Building and maintaining trust is cyclical (Brown, Potoski & Van Slyke, 2007; Bryson, Crosby & Stone, 2006; Huxham & Vangen, 2005), with positive outcomes helping to develop trust. As trust increases between partners, the perception of risk for future joint action is reduced. For example, if expected outcomes are modest and the level of risk is relatively low, there is a greater chance for expectations to be met, suggesting that collaboration should be initiated through modest, low risk initiatives. When trust develops, more ambitious initiatives can be pursued. Also, increased equality of partners could increase trust, consequently reducing financial concerns for the future, which could limit the steps some organisations may resort to in protecting themselves. Given that risk management is a cyclical process (identification, analysis, control and monitoring), the evaluation of trust can be included within the regular monitoring of risk. If levels of trust appear to diminish, or are becoming damaged for some reason, this could be picked up when risks and their management are being reviewed. Issues such as power imbalance and the dynamic nature of collaborations mean that the developed trust can disappear very fast. Though, power imbalance is frequently exaggerated (Huxham & Vangen, 2005). Some organisations (for example small organisations) may perceive themselves vulnerable and take steps to control this vulnerability and protect their own agenda. Such actions may be counterproductive to developing trust.

In practice, a number of assumptions seem to be made in collaborations related to risk management, including that lead organisations of a collaboration should deal with risks and that they have a risk register, and that individual organisations are managing risk, and that if
there was a failure their risk management processes would pick this up (Karlsson, pending). Assumptions about risk management practice in collaborations can indicate trusting relationships. Partners may make assumptions about risk management practices, without clear agreement, as they trust their partners. Contrary, risk may be one of those issues that organisations do not want to discuss and share due to a lack of trust as that may create more vulnerability and dependency. Making assumptions (about risks, risk tolerance and risk understanding) is dangerous in collaborative relationships, especially if there are interdependencies between the partners. Assumptions are made from one’s own organisational perspective, which likely means that one does not really understand the requirements facing another sector or organisation.

**Theorizing risk in the TCA**

**Limitations of the TCA**

This section considers the risk theme further, and discusses the limitations of the theory, in order to advance the TCA. The work of Huxham and Vangen concerning collaborative advantage appears often in literature, though the TCA has hardly been used by other authors. Therefore, much work still needs to be done in developing this theory, and arguably more researchers would need to use it, otherwise its value could be questioned.

The lack of consideration for risks at the start of collaborations (Karlsson, pending) highlights some misconceptions about risk and risk management: consequences of risk can be negative and positive – therefore risk can also be an opportunity (BSi, 2008; Drennan et al., 2015). This highlights potential lack of understanding of risk in collaborations investigated by Karlsson (pending). It is important to understand that risks take a broader meaning than simply financial risk and that benefits can be achieved from considering risk strategically rather than merely as something that needs to be minimised (Evans & McCarthy, 2015; Young, 2009). This is perhaps the biggest failure in collaborations where risk has been investigated – the focus is largely on minimising financial risk, with no collaboration having considered risk strategically (Karlsson, pending). Notably, the TCA appears to not have considered the opportunity-side of risks, instead considering risk only as negative. Although, Huxham (2003) and Huxham and Vangen (2005) hinted at potential opportunities when they argued that partners need to trust each other enough to be willing to take the risk of collaborating, and that when trust develops, more ambitious initiatives can be pursued in the collaboration. Yet, risk is not explicitly discussed in a positive light, which may result in further misunderstandings about risk and its
management. The negative aspect of risk (e.g. situations arising that can jeopardise the relationships or outcomes) can create tension, or inertia, in collaborations, whereas the positive aspect of risk (e.g. achieving outcomes otherwise impossible unless in collaboration) presents collaborative advantage. Hence, risk involves an opportunity. Therefore, the theory should consider risk as both positive and negative, and it would be appropriate to make the link between risk and opportunity explicit to facilitate further understanding of the techniques involved in managing risk. This would be particularly pertinent given the practical implications that the theory aims to offer.

However, the TCA fails to provide practical recommendations for how to deal with the issues leading to collaborative inertia, even though Huxham and Vangen (2005) noted that they were pursuing a theory that provides practical support to managers. This limitation of the theory, given the limited practical guidance available for managers involved in collaborative working (Brown & Osborne, 2013; Dickinson & Glasby, 2010; Flemig et al., 2014; 2016), is a shortcoming, especially in relation to risk. It is often unclear how risk management should be implemented, as it can be seen as too complex by managers in some organisations (Drennan et al., 2015; Power, 2009). Given that TCA is a practice-based theory, it should highlight some practical solutions for collaborative managers.

**Hypothesis development: the risk-trust paradox**

As a theory, the TCA is not one that can easily be tested, as it does not provide any specific hypothesis in relation to collaborations: it simply focuses on issues that often cause concern and tensions. However, by combining other relevant risk literature a tentative hypothesis (or proposition) can be created, specifically in relation to risk and trust. Arguably, the following proposition could be applied also to risk and resources, and risk and power, to name a few of the other themes.

The Audit Commission (2005) has argued that the level of risk goes up as the degree of integration increases, given that, for instance, the lines of accountability become more complex. Therefore, the risk governance arrangements should be more formalised, particularly in more integrated collaborations. However, at the same time when partnering organisations become more integrated the level of trust between partners should increase. As suggested by the TCA (Vangen & Huxham, 2003a), the capability to manage risk increases with the level of trust.
Consequently, it can be hypothesised that while high integration collaborations may be riskier than low integration collaborations, there are mitigating factors in high integration collaborations. Namely, the level of trust that has been developed between partners can improve the capabilities to manage risks, therefore lowering the overall risk for such collaborations. On the other hand, collaborations with low integration may be riskier overall, as they lack trust between partners. Furthermore, it is more likely that there are tensions due to an imbalance in resource dependence, power and equality, affecting such collaborations in a negative way, and limiting further their capabilities to manage risk. This is the risk-trust paradox, as illustrated in Figure 2, below.

As integration and interdependence increases, your partners’ risks increasingly become your risks. Because of increased potential for risk governance, due to higher level of trust, these collaborative risks can be managed jointly. Where a collaboration is less integrated, the capabilities for joint risk governance are lacking. The collaborative risks are fewer as there is less interdependence, yet the individual risks may be higher as there is limited possibility for risk sharing between partners. As Vangen (2017a) noted, a paradox construct can aid understanding and sense making, by reducing anxiety as managers come to realise that no one optimal solution exists in practice in collaborative working. It is argued that this risk-trust paradox can be a useful construct in this regard.

In relation to having more formalised joint risk governance arrangements in collaborations, also organisations in less integrated collaborations should formalise their individual risk management arrangements, while aiming to deepen the trust between partners. As literature
suggests, trust is critical for successful collaboration, and as trust evolves it leads to less control and formal contracting being needed in a collaboration (Brown et al., 2007; Lips et al., 2011). This should help develop joint risk governance capabilities for the achievement of collaborative advantage.

**Reconsidering the place of risk in the TCA**

It is unclear why the TCA identifies risk as its own theme. Risk should certainly be considered as part of the TCA, because risk is inherent in collaboration. However, as risk is defined as the chance of something affecting the objectives in a positive or negative way (Drennan et al., 2015), surely each theme identified in the TCA (see Figure 1) can be subject to risk. This could include that the resources available for a collaboration might suddenly be withdrawn. It could also be that the membership structure may change as a result of a collaboration increasing the number of partners, which may have a positive or negative impact on the collaborative culture; it might also change power balance and leadership of the collaboration, which consequently can affect the trust between the partners. A change in membership structures could also help re-instate the common aims of the collaboration and lead to renewed commitment and determination towards the collaborative objective. All of these events can constitute risk. The TCA has so far linked risk only to trust, but risk could equally apply to all the other themes.

Thus, it could be argued that risk permeates all aspects of the TCA, as risk can lead to a positive outcome (collaborative advantage), or a negative outcome (collaborative inertia). In other words, it is proposed that risk is linked explicitly to the broader discussion of the tensions leading to potential advantage or inertia. This would further help facilitate the understanding of risk as an integral part of any organisation or operation (individual or joint), not as a complex technical element, or simply a financial or health and safety-related issue. It would clearly place risk as a part of *everything we do*, rather than as an additional task.

**Conclusion**

This paper makes two significant contributions to the TCA and more widely to understanding risk in collaboration. These contributions are tentative at this stage, and the conceptual propositions require empirical investigation.

Firstly, a hypothesis was developed specifically in relation to risk and trust (though it could potentially apply to other themes as well). The link between risk and trust requires further analysis and the proposition presented here should be explored empirically. This would
improve the conceptual coherence of the TCA, as well as its usefulness, in that the TCA aims to provide managers with practical support and handles for reflective practice (Huxham & Vangen, 2005). Further exploration of the risk-trust paradox can provide such practical support.

Secondly, the place and role of risk should be reconsidered in the TCA, as it may not be appropriate to consider it a theme of its own. Instead, it should be made a more visible part of the collaborative inertia concept, making it clear to practitioners that risk is part of everyday activities. This should also help draw attention to the opportunity-side of risk, explicitly linking it to the collaborative advantage concept. In other words, it is argued that risk permeates all aspects of the TCA, as risk can lead to a positive outcome (collaborative advantage), or a negative outcome (collaborative inertia). Therefore, it is proposed that risk is linked explicitly to the broader discussion of the tensions leading to potential advantage – which should result in value creation; or inertia – which may result in value destruction.

References


