Partnership, a Major Trend in New Forms of Governance in an Era of Globalization: Issues and Challenges for Publicly Owned Companies and the Social Economy

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TABLE OF CONTENTS

GRAPHS....................................................................................................................................vii

INTRODUCTION ................................................................................................................................1

1. THE PARTNERSHIP AS A MECHANISM FOR COORDINATING ECONOMIC ACTIVITY ................................................................. 3

2. THE PARTNERSHIP AS AN ELEMENT OF A NEW DEVELOPMENT MODEL....................................................................................... 7

CONCLUSION....................................................................................................................................11

BIBLIOGRAPHY................................................................................................................................13
GRAPH 1  Forms of Coordination and Governance ..............................................4
INTRODUCTION

In this short presentation, I would like to take a quick look at the timely theme of this, our 23rd Congress, entitled "Social Economy and Public Economy: New Forms of Cooperation in an Era of Globalization". With the advent of globalization, the rediscovery of civil society and the growing importance of the knowledge-based economy, governments are increasingly relying on partnerships, strategies alliances, system linkages and networking. It must be remembered that the theme of this congress refers less to the dominant actors and neo-corporatism of the 1960s and 1970s, than to the new forms for coordinating economic activity and relationships among private firms and between these firms and other institutions, such as universities and unions. The existence of these partnerships demonstrates that, irrespective of geographical location (1) there are limits to competition, and (2) there is a need for cooperation in an economy that is more than ever making use of public property (Streeck, 1992). That said, it appears that the role and importance of partnerships vary considerably by enterprise, country and region, and this prompts us to account for the variety of approaches adopted on a national level and by various regional blocs. I believe that partnership will be a leading theme in the next few years, since it is likely to characterize both the new world that is emerging (Castelis, 1999) and the new "spirit of capitalism", a form of capitalism that is project-based (Boltanski et Chiapello, 1999).

This presentation has three parts. In Part One, I will provide a broad outline of various approaches to the coordination of economic activity; this will allow us to clearly distinguish between, on one hand, new forms of cooperation involving partnerships and networks and, on the other hand, organizational forms such as holdings or cartels. In Part Two, I will situate the new forms of inter-organizational cooperation within what I think is likely to be a new development model, but what others call the new spirit of capitalism. In the Conclusion, I will identify the issues and challenges raised by these new forms of economic coordination, and that organizations of the public economy and the social economy will have to confront. Of course, at present there are more questions than answers, though the objective of this 23rd CIRIEC Congress is, indeed, to explore possible solutions during the discussions on each of the subtopics.
1. THE PARTNERSHIP AS A MECHANISM FOR COORDINATING ECONOMIC ACTIVITY

The new forms of cooperation between enterprises have many designations: partnership, alliance agreement, coalition, consortium, two-way agreement, interface, network, relationship, joint venture, linkage, quasi-firm and others. Although the terms should not be employed interchangeably, they generally refer to contractual agreements among enterprises and organizations for the purposes of carrying out joint projects, even though each party keeps its own identity and autonomy. These forms of cooperation are growing in popularity. For example, according to a Columbia University study, joint ventures and alliances grew by 20% in the second half of the 1980s, compared to 5% in the first half (Wikstrom and Norman, 1994: 41). The most successful American businesses were involved in at least three agreements to cooperate with other enterprises and other organizations, including universities (Hage et Alter, 1997: 96). An OECD symposium of government officials and corporate managers reported that the profusion of collaborative alliances and relationships among firms was regarded by some participants as one of the most distinctive features of globalization, and as a new and prominent trait in the corporate strategies of several industries (OECD, 1994 cited by Grant, 1997: 329). Partnership is associated with local development and the concept of proximity (Dommergues, 1988; Storper, 1993; Piore et Sabel, 1984) in the same way that globalization goes hand in hand with the revival of local initiatives and decentralisation (Castells, 1999: 422).

Hollingsworth and Boyer (1997: 12) have proposed a typology of mechanisms for economic coordination. This typology reveals the structure of the new forms of cooperation between enterprises and the new forms of governance. They plot the coordinates (see Graph 1: Forms of coordination and governance) of networks, joint ventures, strategy alliances, and other types of agreement between firms, on a quadrilateral in which the two intersecting axes represent, respectively, the division of power and the motive for taking action; on one axis, the two extremities are "the market" and "hierarchy"; on the other axis, the authors pit pursuit of self-interest against the logic of reciprocity and obligation; in sum, the new types of agreement are portrayed as hybrids. This graph provides a very good schematic representation for clearly distinguishing the new forms of cooperation among enterprises (i) from those of the vertically integrated firm where, like any hierarchy, there is an unequal distribution of power, and (ii) from pure competition (without mutual obligations or power relationships among traders). The diagram illustrates the difference between, on one hand, holdings and conglomerates, and on the other hand, new forms of cooperation created by networks, alliances and joint ventures, etc.

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1 The OECD Symposium of Government Officials and Corporate Managers reported that the profusion of collaborative alliances and relationships among firms was regarded by some participants as one of the most distinctive features of globalization and as a new and prominent trait in corporate strategies of several industries (OECD, 1994: 192; Grant: 329.)
GRAPH 1
Forms of Coordination and Governance

No Discrete Organizational Structure

- Pure Competitive Spot Markets, Oligopolistic Markets
- Networks
  - Joint Ventures
- Strategic Alliances, and Other Forms of Interfirm Agreements
- Clubs
- Clans
- Community

Bureaucratic Administrative Control Structure

- Vertically Integrated Firms
- Holding Companies, Conglomerates
- Associations
- Hegemonic and Other Forms of International Regimes
- The State Sponsoring Departments Regulatory Agencies
- Corporatist Business Associations and Private Interest Governments

Individual Actors Shaped by Self-Interest

Individual Actors Constrained and Informed by Obligations

Source: Hollingsworth et Boyer, 1997
The authors reveal that the new forms of cooperation consist of diverse mixtures of pursuit of self-interest and social responsibility displayed by actors who are formally independent and equal (even if the members of some networks do not have equal power and influence). Competition is not eliminated. Rather, it co-habits, so to speak, with forms of cooperation and agreement that emphasize reciprocity and the long term, even if this means overstepping the purely contractual aspects of an agreement. Networks and partnerships depend in part on the market and in part on medium and long-term agreements. The State has a different type of coordinating mechanism: it sanctions and regulates other coordinating mechanisms. It also supplies goods and services and sets up government enterprises to serve the public interest; these enterprises encourage and empower economic actors to cooperate by developing long-term agreements, and discourage the type of economic rationality that avoids long-term considerations.

Each coordinating mechanism has its own rules, methodology, norms, ideology, strengths and weaknesses. The market – as a coordinating mechanism – is better suited to dealing with divisible private property than with public services, such as education, research and innovation, transportation and infrastructure. While the market allows for decentralisation and the independence of traders, it does not promote sustainable relationships or agreements with a long-term horizon. On the other hand, mechanisms that rely on hierarchy, such as large vertically integrated firms, can easily take on a longer-term orientation, but this may involve sacrificing the flexibility and autonomy of their personnel. Partnerships, such as certain types of joint ventures, provide the advantages of mergers while avoiding its disadvantages. In such cases, the partners can benefit from pooling their assets without losing their identity or their control over their own assets. They can even form other partnerships to tap owner products and markets. Indeed, in this way partnerships allow for a contract-based growth that is different from internal growth or growth of an asset base built on financial power (Chevalier, 1999). As Hollingsworth and Boyer state (1997 : 19): "The issue is not to select one coordinating mechanism but to combine both according to the nature of the objectives, the resources, and the characteristics of the goods"2. To find the appropriate balance, different forms of coordination select different models of development.

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2 ‘The issue is not to select one coordinating mechanism but to combine both according to the nature of the objectives, the resources, and the characteristics of the goods’ (Boyer et Hollingsworth, 1997 : 19).
2. **THE PARTNERSHIP AS AN ELEMENT OF A NEW DEVELOPMENT MODEL**

The new forms of economic coordination, such as cooperation and partnership, are consistent with a new, emerging model of development; the type of governance that made use of hierarchy and managed economies was consistent with an old model that many referred to as Fordist or Keynesian (Aglietta, 1976; Beaud and Dostaler, 1993).

The limits to Fordism were first pointed out by the counter-cultural movements of the late 1960s, in their questioning of mass consumption, then by the labour movement of the early 1970s, in their opposition to standardized work and the Taylorist division of labour (W.E Upjohn Institute, 1973). From an economic regulation perspective, stagflation (inflation combined with high underemployment) cast doubt on Keynesian assumptions and even the ability of the State to meet the employment challenge in economies that were increasingly opening up to the world. At the same time, large firms involved in mass production demonstrated that they were unable to respond rapidly to new consumer demands or to problems of the environment. (Piore et Sabel, 1984). Stated differently, the 1980s were by and large characterized by a questioning of private hierarchy, as embodied by large firms, and by the public hierarchy of the State. Thus, General Motors (GM) and the USSR failed miserably as a result of their institutional rigidities, which prevented them from innovating and adapting in a context of rapid change. In sum, the dominant forms of governance, based at that time on hierarchy, economic rationality and regulatory control, were unable to take advantage of the potential for flexibility and integration provided by the new information technologies and that required that economies open up to the world.

To meet the new social and economic challenges, innovative firms not only invested in modern technology, but also experimented with new forms of governance and new forms of work organization that emphasized versatility in work tasks, work teams and worker participation (Bélanger, Grant, Lévesque, 1994). Consumer relations became increasingly client-oriented, with the result that in many respects the entire economy became a service economy; from that point forward competition centred as much on quality as on prise (Gadrey, 1996). The large, hierarchical, private firms were transformed, and now promoted smaller factories and outsourcing considered too removed from its principal activities. In the process, it became obvious that the flexibility and integration made possible by the new information technologies could not realize their full potential without the cooperation of the workers and sub-contractors. As Porter (1990) has shown, the quality of the relationships that a firm maintains with its suppliers and clients can provide a competitive edge. Lastly, the opening up of markets pushed firms to focus on their principal activity and to embark on an unprecedented cycle of innovation and research and development. Similarly, the State refocused on its hard-core or principal functions, namely, regulation and redistribution, partially abandoning to the private sector activities involving production and infrastructure management.
Experimentation in State regulation and in the control exercised by firms adopted a new structure; it now involves the market, the State and civil society. As such, the new governance comprised elements from each of the three sectors, bursting the overly rigid boundaries between the social sphere and the economic sphere. This new approach placed the emphasis on non-market interdependence (which was not totally economic in nature); this interdependence exists or can be created between individuals and organizations (trust, social cohesion and proximity reduce transaction costs), between firms in the same sector (industrial clusters and the new linking of values), between firms and their environment (ex. innovative environments, industrial zones that promote training and collective assets) (Julien, 1994; Streeck, 1992; Salais). Thus, alongside the market (competition) and hierarchy (authority), cooperation through association, networks and partnership were virtually automatic requirements when it came to coordinating economic activity, and as a source of value. In this way, firms were invited to take on functions that belonged to the State and that were until then considered exclusively as part of the public domain (Monnier et Thiry, 1997). In a similar way, the local communities that form zones of "citizen solidarity" and the unions that represent the collective interest of the workers become more amenable to dialogue and partnership because it is both in their own interest and in the general interest.

These changes in production may be observed at the global as well as the local level. (Piore et Sabel, 1984; Saxenian, 1994). Although globalization is in certain respects an ideology, it nevertheless embodies real changes that distinguish it from internationalization. With globalization, national boundaries no longer constitute a significant obstacle to the movement of goods and services (Grant, 1997: 319); in addition, globalization is characterized by "a multiplicity of competing innovative methods originating in various locations around the world" (Coriat, 1997: 242). Globalization gives rise to tremendous competitive pressures and a great deal of uncertainty with regard to investment. In order to reduce the uncertainties and share the risks that prevail in this environment, the market-as-coordinating-mechanism must be complemented by forms of collaboration that accentuate trust and the long term. Once this is achieved, the new forms of cooperation reduce competition and transaction costs to a lesser degree than those stemming from innovation and adaptation (Hage et Aller, 1997). In contrast to cartels that focus on prices and quantity, the new forms of agreement provide ways to open up new markets, develop new products and facilitate access to new technologies; they represent a new stage in organizational forms, that is, a new way of thinking about inter-firm relations and the relevance of economic behaviour, including agreements with universities, associations and unions. This openness proves all the more necessary as the economy becomes knowledge based (Rosell, 1999).

We thus see that this system of governance is generally much more complex than hierarchical coordination since the various parties remain independent and there is wider involvement in the decision-making process (Hage and Alter, 1997: 96). Forms that emphasize cooperation also differ from coordination by the market since they activate decision makers, thereby drawing on a "visible hand", to use an expression employed by Alfred Chandler (1977). Thus, in the partnership type of governance, suppliers are more likely to be chosen as a result of a selection process than on the basis of requests for proposals. After this process, the parties must negotiate the conditions of

3 Stands for Associations, Syndicates, Social Economy and Local Collectivities.
PARTNERSHIP, A MAJOR TREND IN NEW FORMS OF GOVERNANCE IN AN ERA OF GLOBALIZATION

their collaboration and invest in group training. Seen in this way, the "new partnership is a social procedure of building and sharing in long-term relationships [implying the] establishment of routines and multiple procedures [that] have bonded agents together with forms of coordination and arbitration that are essentially non-commercial" (Coriat, 1997 : 259). As a result, governance that emphasizes partnership and cooperation relies increasingly on "a model for interaction that places greater emphasis on factors outside the firm, particularly interaction, training, and the sharing of knowledge and social and institutional infrastructure" (Landry et al, 1999 : 7). In this context, the State tends to play the role of catalyst and broker, promoting agreements among economic and non-economic partners, especially when it comes to conquering external markets.

Paradoxically, the local sphere, too, lends itself increasingly to new forms of collaboration between firms and economically relevant social forces, such as universities, unions and citizen groups. The mobilisation of local actors is two-pronged. First, there are local initiatives that deal with problems that large firms and the State cannot resolve, such as the conversion of certain industrial zones consisting of older industries (Klein and Lévesque, 2000). Second, there are innovative environments and new industrial zones that mobilise local forces to conquer external markets (Piore et Sabel, 1984). In this way, so-called "smart communities" come into being; their aim is to insert cities or towns into the knowledge-based economy. These communities consist of "geographical zones, ranging in size from a few adjacent communities to several municipalities; their residents, organizations and governing institutions benefit by employing information technologies and work in partnership to improve their situation". Here, "cooperation among governing institutions, industries, educators and citizens is preferable to isolated initiatives. The technological changes introduced by the Smart communities are comprehensive rather than incremental". (Smart Communities Guidebook, 1997, cited by Landry et al, 1999 : 52).

Lastly, the upgrading of the local sphere and local forces is consistent with a system of production and firms that stresses flexibility and integration, rapid response to demand organizational culture, zero stock, just-in-time methods, etc. As Hollingsworth and Boyer put it (1997 : 27): "Cooperation among competing producers, a minimum of conflict between employers and their employees, and long-term stable relations with suppliers and customers are prerequisites to the survival of flexible production Systems". In sum, the proximity of suppliers, the involvement of workers and the differentiation of products by quality, now prompts firms, more than ever, to take into account the specifies characteristics of the local sphere. This new vision of the local sphere is accompanied by a re-assessment not only of the relationship between what is economy and what is social, but also of their respective content. Thus, by using proximity-based relations, the upgraded local sphere mobilises social resources. From that point on, it is not enough to simply couple science and the market; firms must also dovetail with the actors in each milieu by creating networks for collaboration and exchange of knowledge that involve clients, suppliers, consultants, government agencies, university-based researchers, researchers in government laboratories, etc. (Landry et al, 1999 : 21)
In sum, the market and other coordinating mechanisms are influenced by social production systems, including the system of industrial relations; training systems; the internal structures of terms; the relations between firms and their suppliers and clients; the importance of publicly owned companies and the social economy relative to the private sector, conceptions of justice and equity involving labour and capital; and customs and national traditions, etc. Forms of governance vary considerably; they depend on the society, and may even vary within a society (by form of local production, for example). A complex system of institutions influences the forms of cooperation; in the United States, networks of universities and private firms are the predominant form; in Germany, firms, associations and the State collaborate in the area of professional and technical training; Italy, particularly the "Third Italy" has its industrial zones (Piore and Sabel, 1984; Benko and Lipietz, 2000).
CONCLUSION

Issues and Challenges for Publicly Owned Companies and the Social Economy

Partnerships, which play a central role in the new forms of governance, are important to firms that wish to capture world markets; many local development initiatives also use them. This is both good and bad news for publicly owned firms and enterprises of the social economy. I do not wish to pass Solomon's judgement on partnerships, but I believe that they pose a threat as well as provide opportunities.

1. They are a threat to the extent that, compared to publicly owned companies and to the social economy, private firms seem to enjoy greater flexibility and mobility. The result is that they find it easier to establish their market position, especially outside their home country, and to exercise greater autonomy in their choice of partners. When private firms seek to capture foreign markets and develop partnerships with other firms, one of which is a national, publicly owned firm, this makes the home company seem more relevant in the public eye. There is therefore a danger that the State will limit its role almost exclusively to that of broker for projects of private firms, without raising questions about the content of the development project itself. In addition, some southern nations criticize publicly owned companies of northern nations for acting as agents of privatization (created through partnerships in the country of origin). The danger is even greater, given that globalization was not accompanied by the development of appropriate mechanisms for governance at the supra-national level, at least not within the framework of NAFTA; in addition, publicly owned companies and the social economy received hardly recognition at this level (Grant, 1997 : 319). Lastly, a multinational firm that does not establish real roots in a country where it is conducting business (the stateless firm) constitutes an approach that is entirely alien to publicly owned firms and the social economy.

The fact that enterprises of the social economy have greater difficulty forming partnerships with publicly owned firms than with private firms threatens the future of the social economy. Partnerships with private firms force enterprises that are supposed to act in the general and collective interest to apply standards of profitability employed by the private sector. This is all the more threatening since the coordination methods of the partnership remain ambiguous, given that they fail to put a halt to competition, conflict and opportunistic behaviour. Unless it arises in a favourable institutional context and allows for serious negotiation between the parties, the partnership will probably result in paternalism or become a phoney partnership; this is all the more likely when large private firms – and sometimes even large firms that are publicly owned or that form part of the social economy – form partnerships with small enterprises of the social economy (Kernaghan, 1993 : 65). The dangers are all the more ominous when they involve social development in which the State is the principal partner of small enterprises or of organizations that belong to the social economy (Lamoureux, 1994 : 186).

Thus, to achieve real partnership it is absolutely necessary to recognize that all parties have useful expertise and resources, and that through negotiation there is the possibility for collaboration. If the partnership cannot flourish without agreements and compromises among parties with divergent interests, then it will have to resort to an institutional framework to accommodate the differing
viewpoints and determine what conditions are necessary to carry out a joint project successfully. Once these requirements are met, the partnership will be in a position to create a sort of intangible capital, a company capital consisting of knowledge (Deloncourt, 1993), networks (Putnam, 1993) and the ability to cooperate (Coleman, 1990).

2. In addition, and as I have attempted to demonstrate throughout this presentation, the types of governance based on partnership offer a wide array of opportunities, both locally and globally. Due to their legal status and their objective of acting in the general and collective interest, publicly owned firms and enterprises of the social economy would, for the purposes of partnership and cooperation, provide a more solid foundation than private firms. In the field of cooperation, including development cooperation, there is a long tradition of cooperation, both at the national and international levels. Although these partnerships are generally sector-based, the rediscovery of the local sphere gave rise to numerous intersectorial initiatives for cooperation and partnership; we will, no doubt, have the opportunity to hear about these in the various workshops of this congress.

Partnership could also open up the public economy and the social economy, and extend their influence so as to generate a "new mixed economy", to use an expression employed by Anthony Giddens (1998: 69). This new mixed economy would be different from the one that emerged in the 1950s inasmuch as it would manifest itself more as a plural economy than as an economy of relatively self-sufficient mega projects. In the new mixed economy, firms in the public economy and enterprises of the social economy would have the ability to "contaminate" private firms, so to speak, by making them support objectives that promoted the general interest; these objectives would be based on mechanisms that were relatively binding, such as shareholder agreements.

Lastly, in the new forms of governance, partnerships can mobilise social forces that are growing and diversifying. For example, the participation of unions might be based on the working venture funds and pension funds that they control; community groups (or associations) would participate within the framework of local development projects and universities would get involved on the basis of their expertise with the new economy. These new partners gravitate almost naturally toward a collective interest that is open to the general interest. Moreover, in situations of conflict, participants from civil society prefer discussion and negotiation (voice) to dropping out (exit) (Neuville, 1997: 301). As a result, in more favourable conditions, partnerships could help democratize the economy.
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