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Interorganisational project conflict: relational and formal governance reframed by shared intentionality

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INTERORGANISATIONAL PROJECT CONFLICT: RELATIONAL AND
FORMAL GOVERNANCE REFRAMED BY SHARED INTENTIONALITY

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Summary Shared intentionality (Tomasello *et al.*, 2005), goal incoherence (Coleman, Deutsch and Marcus, 2014), and goal systems (Ajzen and Kruglanski, 2019) are introduced here. These social psychological theories are argued to present one possible means to simplify priority of Interorganisational Project (IOP) governance to reduce future threat of conflict. Ontological distinction between trust and trade relations are highlighted. This distinction making plain a question of governance priority. The IOP/Construction interface is introduced as a goal conflict and governance problem that can be better understood by this reframing.

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Interorganisational projects (IOPs) are a means to direct diverse industries and institutions toward specific outcomes; coordinated as a temporary organisation, temporary coalition, temporary system, or temporary network (Packendorff, 1995; Engwall, 2003; Winch, 2014; Pinto and Winch, 2016; Oliveira and Lumineau, 2017). In the construction industry, these temporary relationships are typically governed by commercial contracts (Hobday, 2000; Davies, Brady and Hobday, 2007; Winch, 2010, 2014; Smyth, 2018; Ning and Zwikael, 2022). IOPs governing a construction interface are typically met with two peculiarities: high likelihood of dispute; and the contract as both dispute cause and dispute solution (Fenn, Lowe and Speck, 1997; Cheung and Yiu, 2006; Love *et al.*, 2011). In 2022, the average cost per disputed construction claim was between USD52.6 million (Arcadis, 2022) and USD88.3 million (HKA Global Limited, 2022), with the highest single claim value of USD2 billion (Arcadis, 2022). The average Extension of Time claim, 68.6% beyond the original completion date (HKA Global Limited, 2022). On the one hand, dispute is caused by contracts being erroneously drafted, misunderstood, or not complied with correctly (Arcadis, 2022). Contracts are also mismanaged in change of scope, interpretation, or in handling of the supply chain interface overall (HKA Global Limited, 2022). On the other hand, the contract is the means to prevent dispute. Latham (1994), for example, advocated reform of the UK construction industry by improving design and build contractual arrangements (cf. Latham, 1994), yet this same procurement norm leads construction scholars to declare dispute an inevitability (Cheung and Yiu, 2006). Nevertheless, UK government continues to mandate particular contract forms govern all ongoing procurement via this same IOP construction norm (Infrastructure and Projects Authority, 2018; Cabinet Office, 2022).

1.1 Relating in trust or trade

IOP/construction scholars differ on what governance strategy aims to govern. Construction scholarship is directed solely toward economic outcome (Williamson, 1979, 2014; Fenn, Lowe and Speck, 1997; Love *et al.*, 2011; Winch, 2014; Ning and Zwikael, 2022). Interorganisational governance scholars define this contractual approach as *formal governance* (Cao and Lumineau, 2015). Formal governance ontologically assumes individuals tend toward *opportunism*: which Transaction Cost Economics describes as an economically rational assumption that parties will satisfy self-interest whenever they can (Williamson, 1979; Winch, 2014; Ning and Zwikael, 2022). As a result, knowledge is directed toward the best means to ensure an unambiguous conclusion to that economic exchange (Bachmann and Zaheer, 2008 citing Williamson 1985; Coleman 1990). Critics of mere economic rationalism, point to it missing “social and relational aspects of exchange” (Carson, 2006, p. 1058); leading to the Transaction Cost Economics claim, “there is no place for trust” (Bachmann and Zaheer, 2008, p. 534). It is however this trusted exchange that informs *relational governance* (Cao and Lumineau, 2015). Firstly, trust is the initial belief between parties that an exchange is possible - Social Exchange Theory (SET); and, secondly trust is the ongoing belief that a social exchange can be governed by normative rules - Relational Exchange Theory (RET) (Carson, 2006; Bachmann and Zaheer, 2008; Cao and Lumineau, 2015). Opportunism becomes the ontological priority when governing a *professional relationship*, i.e., one that is derived from distinct goals and time limits that enable a clear transactional exchange (Lewicki, Weiss and Lewin, 1992). Whereas trust is the ontological priority in a *personal relationship* where ongoing task to task cooperation is merely reinforcing the integrity of that relationship (Lewicki, Weiss and Lewin, 1992). The appropriateness of governance strategy can therefore be restated in these same ontological terms i.e., as to whether or not the IOP and the construction interface prioritises this

professional boundary as a matter of trust or trade, as a “nontriviality of specialized assets and its importance in the governance decision” (Poppo and Zenger, 2002, p. 722). The temporary nature of this relationship perhaps prioritising economic ends (not ongoing trust) which both parties prioritise in the exchange (Bachmann and Zaheer, 2008 citing Granovetter 1985). This simplification towards priority aids a contextual reframing of governance accordingly.

Interorganisational governance scholarship suggests this trust or trade priority of governance need not be an either/or decision, and instead be supported by a compliment of both (Cao and Lumineau, 2015). For example, the initial stages of an IOP/construction interface may justify a governance strategy claim that the contract plays the most important role (Poppo and Zenger, 2002). The pivotal role of the contract, for example, enabling clarity of roles and scope, and orientate all governing attention toward expected behaviour and outcomes (Kirsch, 1997). Over time however, the IOP may opt to strategically prioritise relational governance, “as patterns of cooperative behavior and reputation emerge” (Poppo and Zenger, 2002, p. 722). This change of governing priority a potential strategic redirecting the focus of what is governed in the later stages of the IOP, e.g., by anticipating future training or the instilling of shared values to manage future nuance or outcome uncertainty (Ouchi, 1979). Contract governance may be the right strategic choice, but the compliment of relational governance may present better governance choice if trust (not trade) becomes the later stage project priority.

1.2 Managing trust or settling dispute

IOP/construction scholars also differ in attending to either construction dispute, or organisational conflict. Whilst some literature uses dispute and conflict synonymously, it is more typical to state dispute is resolved, whilst conflict is managed (Wall and Callister, 1995; Love *et al.*, 2011). However, this taxonomic distinction is not definitive. Some scholars use these terms to clarify “whether their interest is (a) in conflict and its management, or (b) in disputes and their resolution...” (Wall and Callister, 1995, p. 514). Conversely, explicit distinction is made by the construction dispute scholar or practitioner, who both deem a dispute to begin once a contractual or formal claim or assertion is made, which is thereafter rejected by the other party in response (Cheung and Yiu, 2006; Arcadis, 2015, 2017, 2018, 2022). This construction dispute clarity can be contrasted with organisational conflict which is said to manifest whenever one party is denying the other their primary concern, goal, aim, or interest; or alternatively where two parties are at odds over perceived differences in expectations or values (Wall and Callister, 1995; Korsgaard *et al.*, 2008). In other words, construction dispute derives meaning from economic certainty (much like formal governance prioritises the clarity of the trade); whereas organisational conflict relates the subjective experience of incompatible or opposing “goals or interests” (Korsgaard *et al.*, 2008, p. 1224).

1.3 Commercial self-interest vs socially embedded trust

A better understanding is needed of how IOP coordination, governance, and conflict, can be related coherently across this construction specific interface. One possibility is to use this ontological simplification (prioritising trust or trade in an exchange) and find one relatable factor coherent with social psychology scholarship, said to reveal the “bald impact of isolated contextual levers” (Johns, 2006, p. 395). One such lever is the fundamental relationship humans have to goals (Tomasello *et al.*, 2012; Ajzen and Kruglanski, 2019). Goals can be shown to both bring parties into projects but equally draw them into conflict (Wall and Callister, 1995;

Coleman, Deutsch and Marcus, 2014; Zerjav, Edkins and Davies, 2018; Stjerne, Söderlund and Minbaeva, 2019; Nwajei, Bølviken and Hellström, 2022). Goals can be related in positive or negative ways between parties (Coleman, Deutsch and Marcus, 2014); and descriptions of goals are made at all scales – from individual goals to goals that define project priority at scale of interorganisational, or even global project scale (Cropper and Palmer, 2008; Ika and Munro, 2022). Comparing the priority of goals introduces an idea that begins with *shared intentionality* (Tomasello *et al.*, 2005), seeks to examine relative coherence or *interrelatedness of goals* (Coleman, Deutsch and Marcus, 2014), and adds the possibility of moderating behaviours via governance scholarship, and thereby attend better to the threat of unwanted conflict.

Tomasello *et al* (2005) make plain that humans relate to goals in a uniquely shared and intentional way, i.e., *shared intentionality*. Intentions in this context referring to goals that can be realised via an action plan (Tomasello *et al.*, 2005). Governance notions of the exchange become relatable to what shared intentionality represents, i.e., an “...ability to participate with others in collaborative activities with shared goals and intentions” (Tomasello *et al.*, 2005, p. 675). Interrelatedness of goals between parties can be described in positive or negative terms, which from a conflict perspective can describe intentions of a relationship ranging from cooperative to competitive (Coleman, Deutsch and Marcus, 2014; Johnson *et al.*, 2019). How goals become moderated and what determines whether an action will arise, can be mechanised using the *reasoned action* family of theories (Lim and Weissmann, 2021). To which Ajzen and Kruglanski (2019) introduce a *goal system* which makes plain those goals which manifest into intentions, relates intentions to control, and relates those factors in moderating resulting actions (Ajzen and Madden, 1986; Ajzen and Fishbein, 2008; Ajzen and Kruglanski, 2019; Ajzen, 2020). By comparing goals across this framework, a common language may be availed to better reveal where shared intentionality turns toward possibility of conflicting actions.

A problem of complexity arises if all possible goal systems within a population of actors and potential actions are all assessed as a threat of future conflict. This totality of potential goals at IOP scale (by sheer number of goals or factoring from individual to interorganisational scale) becomes unfathomably large, or *combinatorially explosive* (Juarrero, 2008). A means to limit which goal systems to compare – i.e., to only those relevant and salient to specific threat of goal incoherence – is therefore required (Grossmann *et al.*, 2020). Tomasello *et al* (2005) describe *skills of cultural cognition* which enable humans to share intentions. These skills coherently describe a simplification towards only what is most relevant, as understood by the scholarship of complexity science, and the science of wisdom (Allen, Maguire and McKelvey, 2011; Vervaeke, Lillicrap and Richards, 2012; Grossmann *et al.*, 2020). Complexity science explains this same cultural cognitive simplification as a “...capacity for social collaboration” (Allen, Maguire and McKelvey, 2011, p. 285). The science of wisdom describes this as the means to, “mentally ‘step-back’ to appraise and rework one’s plans” (Grossmann *et al.*, 2020, p. 11). Limiting the exploration of goal systems to only those most relevant could make plain what IOP governance strategy should prioritise as conflict threat.

Relating shared intentionality and governance may therefore simplify threat of conflict to a question of priority. A more detailed examination of Tomasello *et al* (2005) two *skills of cultural cognition* make plain an ontological coherence with interorganisational governance theory. Social Exchange Theory (SET) – i.e., the initial belief that an exchange is possible – is coherent with the first *skill of cultural cognition*: a shared means to “understand intentional action” (Tomasello *et al.*, 2005, p. 676). Other governance scholarship describes a shared understanding of “obligation and reciprocity” in knowing the other party is also “motivated by the returns they are expected to obtain” (Cao and Lumineau, 2015, p. 17). Relational Exchange Theory (RET) – i.e., an ongoing belief that a social exchange will be upheld by normative rules

– is coherent with the second *skill of cultural cognition*: the ability to “participate in activities involving shared intentionality” (Tomasello *et al.*, 2005, p. 676). Other governance scholarship describes a similarly cultural cognitive ability of “cooperative parties”, governed as two parties “expected to behave according to the shared relational norms” (Cao and Lumineau, 2015, p. 18). Furthermore, *opportunism* (Williamson, 1979) can be said to be the ontological opposite of shared intentions i.e., as a self-interest that opposes what may otherwise have been shared. Shared intentionality, goal incoherence, and threat of conflict may therefore present a means to simplify priority of IOP coordination and reframe governance by that concern.

The following research question is therefore to be asked, “how can differences in intentions inform governance frameworks and reduce threat of conflict in inter-organisational projects?”.

Research design will be developed prior to BAM conference discussion. Useful questions to consider:

- what research framework best supports this exploratory question?
- given the multidisciplinary interface with an IOP how will the research scope be manageably defined?
- what practical limitations and challenges need to be prioritised?

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