

# **POLYCENTRIC GOVERNANCE, STAKEHOLDER ENGAGEMENT AND JOINT VALUE CREATION IN INTERORGANIZATIONAL PROJECTS**

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## **Introduction and Problem**

It has been known for a long time that inter-organisational cooperation often takes place in the form of meta-organisations whereby multiple actors cooperate on joint outcomes (Gulati et al., 2012) in structures with distinct features of temporary organising (Bakker et al., 2016; Bakker, 2010). Also known as interorganisational projects, such temporary meta-organisations are characterised by the delivery of a distinct goal through cooperative structures that enable project actors to benefit from the effort of its production (Zerjav, 2021). A project brings together a changing and temporary constellation of different stakeholders with their diverse backgrounds and objectives that are constantly shaping the overall goals and outcomes of the project (Aaltonen & Kujala, 2010). Meeting their expectations and reconciling their needs is therefore a central concern of project management practices (Project Management Institute, 2017).

From a stakeholder perspective, the area of inter-organisational projects has mainly captured attention of project scholars with the focus on the networks (Ahola, 2018; Manning, 2017) and project governance literature (Derakhshan et al., 2019a; Brunet, 2019; Müller et al., 2016). Within the project governance discourse, recent research focused on the stakeholders that need to be incorporated into the project to allow this cooperative organisational structure to achieve its goals through mechanisms of governance, values, and dynamism (Lehtinen & Aaltonen, 2020). In this respect, the emerging principle of ‘inclusive governance’ through which project organizations build their long-term strategies towards a set of ethical practices and societal wider inclusion in decision-making can be an effective project management tool

in leaving a positive project legacy for future generations (e.g. Dawkins, 2015; Derakhshan et al., 2019b; Zeemering, 2018).

Nonetheless, joint value creation increasingly involves stakeholders outside the boundaries of the firm as traditionally understood. Therefore, in motivating stakeholders to cooperate in the face of collective action problems, there is increasing evidence that value creation through stakeholder management requires more advanced practices of stakeholder engagement so that they are involved in the design and planning of the project so that stakeholder knowledge and interests are incorporated into the project design. Such *stakeholder engagement* practices can produce desired outcomes such as creativity and innovation (Wohlgemuth et al., 2019), efficiency and efficacy (Scherer & Vögtlin, 2020), value creation (Harrison et al., 2010; Harrison & Wicks, 2013; Parmar et al., 2010), and a social license to operate (e.g., Scherer et al., 2014; Scherer et al., 2015). Yet, mainstream management research continues to reproduce a managerialist bias by implicitly foregrounding organizational elites as decision-makers who act in the best interest of all stakeholders (Scherer & Palazzo, 2007; Miles, 2017), without challenging the limits of this taken-for-granted assumption.

Stakeholder theorists have only recently explicitly recognized that stakeholders engaged in joint value creation face collective action problems: situations in which stakeholders may be tempted to pursue their own interest at the expenses of maximizing joint value creation (Bridoux & Stoelhorst, 2022). This nascent area of study at the intersection between stakeholder governance theory and joint value creation indicates a strong need for future research to address the nuances of how stakeholders are engaged in the cooperative structures of the project organization and its enabling mechanisms. In particular, we are interested in understanding the governance dynamics of the stakeholder engagement in the multiorganizational project settings.

Located at the interface of literatures on stakeholder governance, engagement and value creation of infrastructure projects, this paper seeks to problematise the central position of stakeholders perceived through the need to align their goals with the organization (instrumental stance) and rely on the normative approach whereby project actors are brought together to create ‘better’ projects.

We therefore seek to answer the following research question:

*How does a shared form of governance create joint value for participants in interorganizational projects?*

## **Methodology**

We used a qualitative embedded single case study research design. We selected an illustrative project carried out by Rijkswaterstaat (RWS), the executive body of the Dutch Ministry of Infrastructure and the Environment, responsible for the design, construction, management and maintenance of road and water infrastructure to facilitate and promote safety and mobility in the Netherlands. By focusing on the *Room for River Programme*, because of their unique approach to integrating and working with local communities in the design and delivery of infrastructure projects, a first exploratory stage was conducted including 16 interviews at RWS. The semi-structured interviews were analysed through Atlas.ti and an inductive thematic analysis was performed (Gioia et al., 2013). The emerged themes will provide the coding structure for the subsequent content analysis of secondary data available within the project organization and archival data.

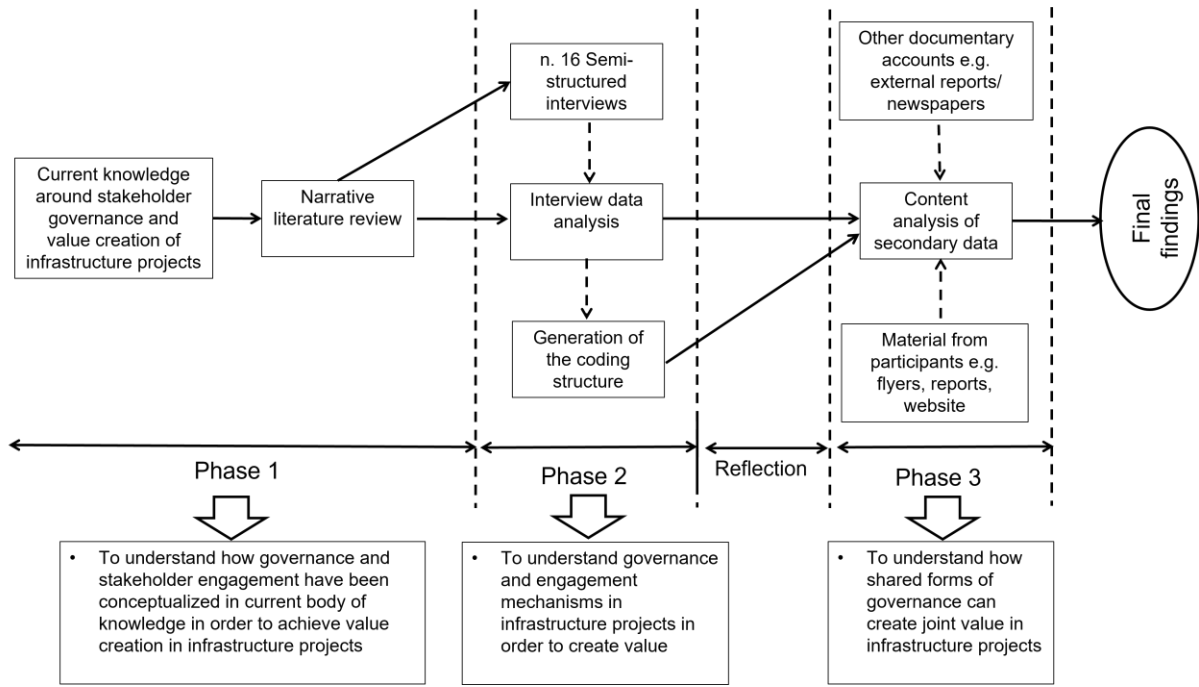


Figure 1: Research Porcess

## Findings and Contribution

Our findings show that in the delivery of the project studied, RWS created new polycentric governance structures that fostered inclusive governance mechanisms and enabled stakeholder engagement. This, in turn, resulted in legitimacy for the project and increased economic and social value for the communities impacted. We find that this is accomplished through a deliberate effort of *polycentric governance* (e.g., Gil & Pinto, 2018; Ostrom, 1990) that allows a shared and inclusive decision making in line with the normative stakeholder engagement approach. Polycentric governance acknowledges that knowledge resides in stakeholders, project carries significant stakeholder externalities that will impact on stakeholder property rights. We further discuss the two building blocks of the polycentric governance that was reported and described by our informants: *stakeholder engagement and value creation*.

Our findings also suggest that most advanced stakeholder engagement practices are moving beyond risk management and seeking to create value by integrating the knowledge of

the stakeholders into the project design and planning and often leveraging stakeholder capabilities in the delivery of the project. This collaboration with stakeholders allows the organisation to create joint value that had not envisioned at the outset and this value is often captured by stakeholders themselves once the project has been delivered. This value creation is based on the ability of the project organization (client) to *incorporate stakeholder knowledge and capabilities* into the project by involving the groups and various actors in co-designing the project. Moreover, social value is created by *empowering the stakeholders and assign shared responsibility* within the boundaries of co-designed spaces and trading platforms. The next value creation mechanism is through the *economies of scope and scale* by incorporating specific stakeholder goals into the project, for example the marginal costs of adding a new project into the programme is relatively low compared to the benefits it can create for the local community stakeholders.

Despite the benefits of shared value that polycentric organizing and governance is reported to create, there are clear challenges that come along with it: the need for compromise and coordination, decisions on which parts of the organisational boundaries to open-up and when, how to keep ‘local’ groups manageable and establishing norms of cooperation. As a result of these tensions, the project organisation needs capabilities to integrate knowledge from heterogeneous sources, mobilise actors with capabilities, resource sharing, shared information infrastructure. We propose that dealing with these challenges requires a specific type of shared and *distributed leadership* (Raelin, 2020) and the ability to engage with stakeholders with the aim of truly understanding their concerns and the willingness to find solutions that create situations with acceptable gains and costs for all involved.

Stakeholder theory has demonstrated that engagement with local communities is critical to ensuring project legitimacy and a “license to operate” (Di Maddaloni & Davis,

2018), nonetheless we find that stakeholder engagement in the early stages of the project can lead to greater economic and social value creation. The continuation of this work will allow us to understand which governance and coordination mechanisms allow to integrate and engage stakeholders into the project organization, under what circumstances, and with which outcomes, how does this engagement enable joint value creation for the organization and for society.

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