

Ellingsen & Peters: **Building Capability for Regional Collaboration: A success story from South Australia supported by Norwegian evidence**

‘Rethinking the Region and Regionalism in Australasia: Challenges and Opportunities for the 21st Century’

Stream: Governance and the Regions

Local municipalities are facing challenges of funding, increasing service expectations. A common response is to build regional collaborations that deliver savings and new opportunities. However many such collaborations founder due to low levels of trust between participating organisations.

This paper will explore a relational perspective on regional collaboration using trust strategies as a theoretical framework (Ellingsen, 2015a). The trust strategies were generated through grounded theory based on exploration of cluster processes in marine biotechnology and winter tourism in Troms County, Northern Norway. These processes have much in common with a collaborative local government alliance in South Australia.

Specifically, the paper will examine how the 'leap of faith' (that is, shifting from potential to actual trusting state) between potential partners is generated by tacit social contract based on a social platform of mutual understanding through precontractual, relational and structural trust elements (Ellingsen 2015). The paper considers how trust affects three attitudinal typographies: dynamic, developmental and steady; and poses a model to support durable and effective regional innovation clusters.

Background

Cluster formation is a popular approach to stimulation of collaboration and innovation (Cooke, 2008; Depret & Hamdouch, 2010). The two regions, South Australia and Northern Norway, share similar structural features and face many of the same issues of cluster development.

In rural areas in Northern Norway, collaboration is hindered by long distances, scattered population and many small municipalities; the population is ageing, there are few new industries, it is difficult to attract competent labour and there is outward migration, particularly of young people. The Eastern Region Alliance in metropolitan Adelaide is a more populous region, with fewer barriers - however local government in South Australia remains locally aligned due to historical affiliations, and neighbouring councils are often regarded as the 'untrustworthy other'.

Methodology

The empirical background for the analyses presented in this paper is based on studies into collaboration in two Norwegian cluster programmes in Troms County: Arena Bitotech North

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and Arena LønnsommeVinteropplevelser (tourism); and the local government Eastern Region Alliance in South Australia.

The Norwegian data was collected in 2010-2013 through interviews with members of two above-mentioned cluster programmes (Ellingsen, 2013; 2015a). Data was interpreted and analysed applying a Grounded Theory methodology (Glaser & Strauss, 1967; Charmaz, 2006). Quite early in the analysis of the two Norwegian clusters, a pattern that was called *collaboration strategies* emerged, which indicated that trust practice and attitude influenced not only cooperation and networking, but also risk taking, transfer of knowledge, innovation and development strategies.

In Adelaide, Peters was engaged by the Eastern Region Alliance to develop a strategic plan for the next stage of development. This was a collaborative and iterative process that took place over several months. One of the aims was to assist ERA members (CEOs and mayors) to understand why the Alliance has been successful. Following Research was used because the outcome was unknown at the outset, and the results were interdependent with the level of participant learning: the greater the learning by participants, the more ambitious the resulting strategy.

Trust – mutual understanding and dynamic trust bases

The study of Northern Norwegian clusters discovered that it is not enough to be co-located to co-operate: there has to be something relevant to co-operate about, and trust.

Co-operation requires effort, and this means that people have to find participation attractive enough to dedicate time and resources. For firms, collaboration in a cluster means taking the risk of sharing knowledge and information with potential competitors, without knowing whether this will provide future benefits. For politicians and public administrators, there is surrender of control of processes and direction, a difficult balance when local government policy is determined by each council's elected councillors, and there is no legal or regulatory framework to compel adherence to cross-regional agreements.

Trust requires actors to make a leap of faith and surrender one's vulnerability to the trustee (Giddens, 1993; Möllering, 2006). The leap of faith is a suspension of doubt and perceived risk and makes us act as if the risk is solved or manageable (Möllering, 2006). Analytically the social platform for developing mutual understanding can be divided into *pre-contractual*, *relational* and *structural* bases, with corresponding forms of trust providing a common ground for social action and expectation (Ellingsen, 2015).

The habitual, taken-for-granted assumptions about common norms, and rules of action and interaction, in which social construction is rooted (Berger & Luckmann, 1991) is the *pre-*

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contractual basis for trust. *Relational trust* is founded on familiarity, personal relationships, reciprocity, and shared rules and norms (Giddens, 1993; Luhmann, 1979; Misztal, 1996). *Structural trust* is related to non-personal and generalised trust bases such as contracts and legislation (Zucker, 1986).

The authors posit that the three types of trust are essential to successful collaborations, but that entrepreneurial characteristics (also related to trust) need to be considered in cluster formation.

Collaboration strategies – ideal types

This section of this paper considers specific entrepreneurial characteristics that affect the development and maintenance of clusters: that is, the *dynamic*, the *developer* and the *steady* organisation (Ellingsen, 2015a).

The *dynamic* organisation is open to collaboration, innovation and growth. It is characterised by high trust and can be a risk seeker. The *developer* organisation is rooted within the region, firms pursuing this strategy articulate local/regional development as a strategic aim. Developers have a pragmatic attitude towards openness and cooperation and medium level trust. The *steady* organisation aims for stability and control of product and enterprise. It has weak growth ambitions, and the focus is on maintaining the product to secure existing markets, rather than innovation. The steady organisation is careful with trust, and knowledge-sharing and co-operation suffer as a result.

In the following sections, these typologies are applied to collaboration processes in the Northern Norwegian Biotechnology and Winter Tourism clusters, and the Eastern Region Alliance.

Collaboration in clusters

Studies of the two Norwegian clusters indicate that trust is a necessary element for viable cluster formation. Both the biotech cluster and tourism cluster in Troms originally had a high proportion of steady firms. In biotech the cluster was stagnant until a few years ago, when dynamics and developers also participated, and the cluster became an arena for networking and collaboration. In tourism many left the cluster and later entrants were developers and dynamic firms, which increased cluster activity, as I biotech.

ERA membership reflected a mix of dynamic, developer and steady members. Dynamic councils constantly push new and more innovative projects. For projects to gain traction, it was necessary to gain the support of the developers, who complete projects and generate

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benefit for the alliance as well as for their own council. Steady members were cautious and driven by the "what's in it for me" principle. However some projects that deliver measurable regional benefit were championed by the steady members, which in turn created a stronger platform for future collaboration. One of the main reasons for the success of ERA is that it recognises the strengths of its dynamic, developer and steady members, ensuring that all members have a role commensurate with their motivation, resourcing and level of trust.

In terms of the trust structures within clusters, dynamic members prepare the ground for the next 'leap of faith'. In social capital terms, they establish the bridges. Developer members consolidate the culture of the group so that it provides a sound framework against which new opportunities, deviation and backsliding can be managed - they are Burt's (2004) 'people who stand near the holes in a social structure', and Peters' (2012) socially embedded leaders - who are at a higher risk of receiving good ideas from bridging members and disseminating these within the group. Steady members provide the litmus test that measures the strength of trust within the collaboration, and indicate to the group where more attention to bonding social capital is needed.

Facilitating a successful cluster therefore demands: 1) overt discussion of the process of developing and sustaining trust, 2) awareness of members' entrepreneurship appetite, and 3) a balance between bridging and bonding social capital.

Conclusion and recommendations

The research into the three clusters has delivered remarkably similar findings, and clear implications for regional development policy.

We have established that the role of trust, typically implicit in regional development policy, needs to be more overt, and that specific attention to the three aspects of trust: structural (legislation and contractual), precontractual (knowledge that tacit social promises are kept), and relational (interpersonal experience) is necessary to support the 'leap of faith' to establish a trust basis for effective collaboration.

In this paper, Ellingsen's work on trust and organisation types within clusters, overlays Peters' conceptualisation of knowledge dissemination within a social capital framework. The message for regional innovation clusters is that membership that is self-identified and haphazard may not deliver the best results, whereas clusters with a structured approach to membership, balancing dynamic/bridging, developer/bonding, and steady/testing are most likely to be effective and enduring.

The practical message is that further research and closer cooperation between industry, support and research systems, and policy makers is required.

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Abstract

Referencing the authors' experience in regional governance and cluster development, the paper will describe and analyse a process of trust development that has been effective in moving actors from a state of competition and mistrust - to strong collaborative endeavour. Two aspects of trust are particularly important for innovation: trust as a strategy for suspending risk; and trust as a precondition for openness. Once developed, a strong trusting relationship will enhance regional absorptive capacity, thus creating a platform for accelerated development.

The processes that contributed to a strong trust relationship in the Eastern Region Alliance will be examined and compared to Norwegian experiences as a potential basis for development of best-practice suggestions for regional collaboration. Strategies for collaboration start with small, discrete projects to develop mutual understanding and trust, creating opportunity for tacit learning. Successful shared experience allows the creation of new and innovative projects that require consideration of structures of cooperation and control, risk attitude, and growth perspectives. Finally in the mature collaboration, the focus shifts to leadership to implement stronger organisational integration that delivers economies of scale and regional growth.

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