

**Development of Public-Private Partnerships: Formation, Strategic Processes, and  
Legitimacy Building**

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The faculty accepted this thesis on the 24. February 2022 at the request of the reviewers Prof. Dr. Fritz Sager, Prof. Dr. Céline Mavrot and Prof. Dr. Oliver Neumann as dissertation, without wishing to comment on the views expressed therein.

*Die Fakultät hat diese Arbeit am 24. Februar 2022 auf Antrag der Gutachter Prof. Dr. Fritz Sager, Prof. Dr. Céline Mavrot und Prof. Dr. Oliver Neumann als Dissertation angenommen, ohne damit zu den darin ausgesprochenen Auffassungen Stellung nehmen zu wollen*

## **Preface and Acknowledgements**

This dissertation explores the development of a public-private partnership (PPP), namely, the Swiss Institute for Translational and Entrepreneurial Medicine (sitem-insel) in Bern. This work is especially enriching for me personally because I have been involved in its establishment since 2014 as the assistant to the former CEO. In 2017, I was given the great opportunity to scientifically analyze this project as a PhD project at the Center for Public Management (KPM). I believe this thesis provides an enriching contribution that goes beyond its theoretical value to also sharing practical knowledge and new experiences about PPPs. Although, I already learned a great deal about the processes required for establishing PPPs through my position at sitem-insel, the scientific discussion as part of my thesis made me realize how many factors interact and the roles individual actors play in the establishment of PPPs. Even more impressive has been the tremendous pace of progress of sitem-insel's development from the initial idea behind it to its implementation.

It would not have been possible for me to write this thesis without the support of several people from the KPM, sitem-insel, and the interviewees. First, I would like to thank my supervisor, Prof. Dr. Fritz Sager, who supported me and motivated me during the writing of this thesis. Further thanks go to the entire KPM team, especially Prof. Dr. Claus Jacobs, Stefan, Susanne, Bettina, Johanna, Céline, Markus, Lisa, Konstanze, Lize, and Kosta.

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## List of Abbreviations

CEO	Chef Executive Officer
EAER	Federal Department of Economic Affairs, Education and Research
ETH	Swiss Federal Institute of Technology
MSF	Multiple streams framework
PFI	Private Finance Initiative
PIET	Purpose, inclusion, expertise, time
PPP	Public-private partnership
RIPA	Federal Act on the Promotion of Research and Innovation
SERI	State Secretary for Education, Research and Innovation
sitem-insel	Swiss Institute for Translational and Entrepreneurial Medicine
SME	Small and medium-sized enterprises

## Introduction

Public-private partnerships (PPPs), and hybrid organizations in general, attract theoretical and practical interest worldwide because of the challenges governments face to fulfil their complex obligations and tasks (Lienhard, 2018; Wang, Xiong, Wu, & Zhu, 2017). Typical challenges include public health, sustainable development, poverty, gender equality, among others (Head & Alford, 2014). A single actor, a single sectoral logic, or a single governance mechanism is often insufficient for addressing these problems (Hartley, Sørensen, & Torfing, 2013). PPPs, defined as a collaborative, typically long-term arrangement between a public and a private entity, have therefore been established to fulfil a public service, to address an issue of public concern (Bovaird, 2004; Roehrich, Lewis, & George, 2014; Torchia, Calabrò, & Morner, 2013) or to support the public sector in overcoming such challenges. On the other hand, PPPs have their own organizational and strategic complexity because they have to align the interests of various stakeholders from the public and private sectors (Hodge, Greve, & Biygautane, 2018; Warsen, Nederhand, Klijn, Grotenbreg, & Koppenjan, 2018).

This thesis focuses on the challenges PPPs face during their early establishment by analyzing the incentives of the actors involved as well as the processes set in motion to align their interests, and gain legitimacy. The cumulative dissertation consists of three papers that address PPPs focussing on innovation rather than on PPPs focussing on infrastructure or services. Each paper analyzes one of three stages that occur as part of the establishment of PPPs: input, throughput and output. The first paper focuses on an organization's input and examines the incentives behind choosing a PPP as an organizational form. The second paper analyzes the throughput stage, which includes the strategic processes that occur during the establishment of a PPP. In the third paper, my co-authors, Dr. Christian Rosser, Prof. Dr. Fritz Sager, and I address output in terms of legitimacy an organization has to build to be considered successful. Paper 1 is published in *European Policy Analysis* and paper 3 is accepted for publication in *Administration & Society*. The second paper is ready for submission. Table 1 provides an

overview of the three papers.

	<b>Paper 1</b>	<b>Paper 2</b>	<b>Paper 3</b>
<b>Title</b>	One for the Money, Two for the Show: What are the Actor-Based Incentives for Public-Private Partnerships for Innovation?	Please meet PIET – Is Open Strategy Suitable for the Goal Alignment in Emerging Public-Private Partnerships?	The Iterative Process of Legitimacy-Building in Hybrid Organizations
<b>Authorship</b>	Sabrina Ilgenstein	Sabrina Ilgenstein	Christian Rosser, Sabrina Ilgenstein, Fritz Sager (equal contributions)
<b>Focus</b>	Input: Incentives for choosing a PPP as an organizational form	Throughput: Involvement of stakeholders in the strategy process	Output: Challenge of building legitimacy

*Table 1: Overview Cumulative Dissertation.*

In the first paper, I identify the processes that lead to the establishment of PPPs with a focus on actor preferences. Despite growing interest in the organizational form of PPPs, the literature often only mentions the preconditions and basic requirements for establishing them without clearly specifying the initial actor-based incentives. However, entering into cooperation between the public and the private sector through a PPP can stem from various incentives from the public and private sectors. This has yielded the research question: *what incentives lead to the establishment of a PPP and, more specifically, are actors of PPPs for innovation motivated due to financial incentives or can they be policy-driven?*

In the second paper, I examine whether an open strategy is a suitable solution for PPPs to align the interests of their stakeholders. Strategy building, which has traditionally been considered a secret, top management-only activity and outcome (Whittington, Cailluet, & Yakis-Douglas, 2011), has recently been expanded with the perspective of open strategy. An open strategy explores how strategy work can become more transparent and inclusive of stakeholders (Hautz, Seidl, & Whittington, 2017; Whittington et al., 2011). It requires specific practices for including internal and external actors and for supporting transparency beyond

organizational boundaries (Hautz, 2017). Therefore, I establish an analytical framework, the PIET framework that analyzes the four recurring tensions of purpose, inclusion, expertise and time, which PPP management should address to advance a joint strategy. By applying the PIET framework to a case study, I answer the research question: *is the systematic application of open strategy suitable for aligning the goals of emerging PPPs?*

Finally, in the third paper, Dr. Christian Rosser, Prof. Dr. Fritz Sager, and I outline the challenge of building legitimacy in PPPs. Research shows that organizations with greater legitimacy achieve better organizational results and that resources can therefore more easily and sustainably be transferred into the organizational system (Díez-Martín, Prado-Roman, & Blanco-González, 2013; Dowling & Pfeffer, 1975; Zimmerman & Zeitz, 2002). Building legitimacy is a tricky challenge per se, and it becomes even trickier for hybrid organizations that mix institutional elements, as well as organizational identities, forms, and action logics, from the public and the private sectors (Battilana & Lee, 2014; Johanson & Vakkuri, 2017; Nederhand & Klijn, 2019). To answer the research question, *how do hybrid organizations build legitimacy?* we apply an analytical framework to the data based on an organizational logic of legitimacy building.

### ***Theoretical approach***

In this thesis, three different analytical frameworks, based on the multiple streams framework (MSF), open strategy, and the organizational logic of legitimacy are applied to fully understand the dynamic process of establishing a PPP. In the first paper, I apply Kingdon's (1984) MSF, originally developed as a theory of agenda-setting and then further developed to explore policy formulation (Ackrill, Kay, & Zahariadis, 2013; Herweg, 2013; Kingdon, 1984). Policy formulation occurs when the specific actors of the problem, policy, and politics streams interact during a window of opportunity. It further shows that a solution for a given problem will emerge if the actors of these streams interact while a policy entrepreneur is promoting a new policy



(Kingdon, 1984). Moreover, identifying sequential windows of opportunity and policy entrepreneurs reveals the multiple coupling of the three streams (Herweg, Huß, & Zohlnhöfer, 2015) and allows for the identification of the specific intentions behind each of the strategic decisions.

In the second paper, I explore how an open strategy may help different stakeholders within a PPP accept their different goals while aligning with a joint strategy. By combining the current PPP and open strategy literature, I establish the PIET framework to address the four tensions that may arise when a PPP employs an open strategy: What is the *raison d'être* of the PPP (purpose tension)? Who are the strategic actors within the PPP (inclusion tension)? What type of expertise does the PPP need to be successful (expertise tension)? What is the planning horizon of the PPP strategy (time tension)? With the help of the PIET framework, it is possible to identify and analyze the specific practices that are necessary for keeping these tensions in balance and for aligning a joint strategy for PPPs.

The third paper applies an analytical framework that focuses on the organizational logic of pragmatic, moral, and cognitive legitimacy (Suchman, 1995). These three types of legitimacy depend on a generalized perception on the desirability, correctness, and appropriateness of a socially constructed system of norms, values, beliefs, and definitions. Pragmatic legitimacy is based on reason and self-interest and depends on its audiences' perception of the organization's instrumental value. An organization can thus build pragmatic legitimacy by representing its audience's interest. Moral and cognitive legitimacy refer to organizational processes and structures that affect the organization's output and how the organization's audience perceives it. By applying this analytical framework of the organizational logic of legitimacy to our data, this paper provides new insights into how emerging hybrid organizations build legitimacy.

### ***Empirical and methodological approach***

The empirical and methodological approach is based on a qualitative analysis of extensive case data from a recently established PPP in Bern, Switzerland. The PPP, the Swiss Institute for Translational and Entrepreneurial Medicine (sitem-insel) has the goal of promoting the local medical sector and fostering translational medicine (the transitioning of a product to its application on a patient) (Frey, 2017), in other words, an innovation process in health care (Pozen & Kline, 2011). Because this PPP has the objective of encouraging innovation, there is no need for a specific contract that defines an infrastructure or services that must be provided to achieve this goal. Therefore, the public and private sectors jointly develop strategies that promote innovation, including planning, financing and, where appropriate, construction and operation. In the case of sitem-insel, several public and private stakeholders are involved, including the University Hospital of Bern, the University of Bern and several industry partners. The capital market, shareholders, and subsidies from the Swiss Confederation and the canton of Bern fund the establishment of sitem-insel. Its goals, stakeholders, and its long-time orientation as a PPP, as well as the richness and availability of the data, make sitem-insel a suitable case for this thesis.

The body of sources consists of a total of 3'166 documents from the investigation period from 2008 until 2020, as well as 18 semi-structured expert interviews, observations of meetings and formal and informal conversations. To analyze the data, I defined categories based on the theories applied in each paper. I then operationalized the categories and searched the data for applicable statements or text passages with MAXQDA 12 software ([www.maxqda.de](http://www.maxqda.de)).

### ***Findings***

In the first paper, *One for the Money, Two for the Show: What Are the Actor-Based Incentives for Public-Private Partnerships for Innovation?*, I show how the individual factors leading up to the emergence of a PPP can be divided into the different streams of the MSF with different

driving actors. By identifying and discussing the incentives of the policy entrepreneurs and other involved actors, it is possible to answer whether the actors involved in PPPs for innovation are motivated by financial incentives or if they can be policy-driven. The analysis shows that the PPP's initiation, the project's completion and the windows of opportunity occurred due to financial reasons. However, a comparison of the incentives driving PPPs and the incentives within the MSF shows that the actors involved may have nevertheless been politically motivated. Furthermore, as expected based on PPPs characteristics and the MSF framework, the sequential coupling of streams in the overall process is evident because of the presence of multiple windows of opportunity and policy entrepreneurs from both sectors.

In the second paper, *Please meet PIET – Is Open Strategy Suitable for the Goal Alignment in Emerging Public-Private Partnerships?*, the results reveal specific practices that occur in PPPs and their resulting consequences when focusing on including stakeholders and ensuring transparency. In other words, the PIET framework helps assess what PPPs can do to address the tensions of purpose, inclusion, expertise, and time by involving stakeholders in their strategy work. The main purpose of the identified practices is to keep these tensions in balance, as a unilateral solution is hardly possible in PPPs. In this way, these practices maintain the balance of tensions and enable joint strategy work in a PPP. With the policy advice derived from the framework, I answer the question on whether and how PPPs can handle these tensions with the help of open strategy. The case shows that including stakeholders is not necessarily more advantageous than traditional strategy development and the resulting tensions seem to be similar to challenges that occur in purely private organizations. The tensions and practices of private companies or PPPs mainly differ because of the different origins of the organizations. PPPs, like all multi-sectoral organisations, are usually established on the basis of cooperation rather than competition (Pittz & Adler, 2016). Despite this basis of cooperation, there are several large and diverse risks that emerge due to the large number of contracts with different stakeholders and their fragmentation (Reeves, 2008).

Finally, by applying an analytical framework on the organizational logic of legitimacy to the case of sitem-insel, the third paper, *The Iterative Process of Legitimacy-Building in Hybrid Organizations*, provides new insights into how emerging hybrid organizations build legitimacy. The main findings are twofold: On the one hand, the paper suggests that building legitimacy is a manageable process that requires a strong initial focus on stakeholder inclusion. On the other hand, hybrids are considerably more concerned with the political aspects of legitimacy building than private organizations. The findings suggest that pragmatic legitimacy (i.e., establishing an instrumental value) has to be secured before moral (i.e., fostering normative evaluation) and cognitive legitimacy (i.e., creating comprehensibility) can be achieved followed by an iterative process of mutual influence between the legitimacy forms.

### ***Contribution***

By addressing the challenges of the formation, strategic processes, and legitimacy building of PPPs, this thesis contributes to various gaps in the literature and helps to shed light on the complex processes that occur during the establishment of PPPs. Its theoretical contribution mainly serves to fill the gap caused by the fact that the PPP literature mainly stems from a management perspective, with the public administration perspective lagging behind. Furthermore, the current PPP literature focuses on PPPs for infrastructure or public service projects. This thesis provides a practical contribution of new knowledge for managers and practitioners of PPPs.

More specifically, the findings of the first paper provide new insights into the discussion on PPPs in the public administration literature by applying the MSF to a single case study in the context of PPPs. I derive new insights into PPPs for innovation and add new theoretical and practical knowledge to the discussion on the role of individual actors in PPPs. I show that the PPP literature underscores the preconditions and requirements of establishing PPPs while overlooking actors' underlying incentives for adopting PPPs in the first place. Finally, its

findings counter the frequent criticism of PPPs that argue that the main motivation for their establishment is financial.

The second paper extends knowledge on open strategy by providing a first investigation into the strategic processes of PPPs and the challenges that this setting engenders. It also examines whether and how the intended goals of PPPs can be achieved through open strategy. To answer this question, I established the analytical PIET framework based on open strategy and PPP literature. The paper fills the gap caused by a lack of rigorous empirical studies on PPPs and provides a practical contribution to strategy work in PPPs by presenting key tensions and practices that align the interests of various stakeholders from the public and the private sectors.

By considering different strategies for legitimacy building in hybrid organizations, the third paper contributes to an otherwise primarily managerial discussion of PPPs by adding aspects of legitimacy building that are essential from a public administration perspective. In a nutshell, we illustrate that because of the different stakeholder interests in hybrids, the preliminary focus of legitimacy building must be on integrating stakeholder interests. Stakeholder inclusion, to a certain extent, depends on the democratic justification of the hybrid's public purpose or social mission and, at the same time, the stakeholders' willingness to support this mission. Only when heterogeneous actors from both the public and the private sector estimate the advantage of joint activities within the same organization can the hybrid organization provide services that benefit all actors and therefore allow future resources to be transferred to the organization. In other words, stakeholder inclusion is a key criterion of pragmatic legitimacy that must be met before moral and cognitive legitimacy can be managed. Once all three forms of legitimacy occur, an iterative process of mutual influence between them may ultimately lead to maintaining organizational legitimacy.

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## **Paper 1**

### **One for the Money, Two for the Show: What Are the Actor-Based Incentives for Public-Private Partnerships for Innovation?**

Published in: *European Policy Analysis*.



# One for the money, two for the show: What are the actor-based incentives for public-private partnerships for innovation?

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## Abstract

This paper aims to identify the processes that lead to the establishment of public-private partnerships (PPPs) with a focus on the financial and policy incentives of the actors involved. To this end, it applies the Multiple Streams Framework to a qualitative case study to answer the following research question: are actors of PPPs for innovation motivated due to financial incentives or can they be policy driven? Although the fiscal context plays an important role in our case, the study shows that policy goals, such as providing infrastructure or public services and promoting innovation can be the main drivers for establishing a PPP. These findings offer a theoretical and practical contribution to analyze PPPs as a phenomenon. First, we establish a theoretical framework of possible incentives for actors in PPPs and, secondly, provide new insights into the PPP discussion in the public administration literature.

## KEYWORDS

innovation, public-private partnership

## 摘要

本文旨在识别一系列导致政府和社会资本合作 (PPPs) 建立的过程，聚焦于相关行动者的财政激励和政策激励。为此，本文对一项定性案例研究应用多源流框架，以期回答下列研究问题：PPPs创新行动者是因财政激

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励而被鼓舞, 还是说, 其能被政策驱动? 尽管财政情境在本案例中发挥了重要作用, 但研究表明, 政策目标, 例如提供基础设施或公共服务并推动创新, 能成为PPP建立的主要驱动因素。这些研究发现为分析PPPs这一现象提供了理论贡献和实证贡献。第一, 我们针对PPPs中行动者的潜在激励建立一项理论框架, 第二, 我们为公共行政文献中关于PPP的探讨提供了新的见解。

## 关键词

政府和社会资本合作, 创新, 多源流框架, 激励

### RESUMEN

Este documento tiene como objetivo identificar los procesos que conducen al establecimiento de asociaciones público-privadas (APP) con un enfoque en los incentivos financieros y políticos de los actores involucrados. Con este fin, aplica el Marco de Flujos Múltiples a un estudio de caso cualitativo para responder a la siguiente pregunta de investigación: ¿los actores de las APP para la innovación están motivados debido a incentivos financieros o pueden ser impulsados por políticas? Si bien el contexto fiscal juega un papel importante en nuestro caso, el estudio muestra que los objetivos de política, como proporcionar infraestructura o servicios públicos y promover la innovación, pueden ser los principales impulsores para establecer una APP. Estos hallazgos ofrecen una contribución teórica y práctica para analizar las APP como fenómeno. En primer lugar, establecemos un marco teórico de posibles incentivos para los actores de las APP y, en segundo lugar, proporcionamos nuevos conocimientos sobre la discusión de las APP en la literatura sobre administración pública.

### PALABRAS CLAVE

asociación público-privada, innovación, marco de múltiples corrientes, incentivo

## 1 | INTRODUCTION

This paper aims to identify the processes that lead to the establishment of public-private partnerships (PPP) with a focus on the preferences of the involved actors. More specifically, we analyze financial and policy incentives to answer the research question: are actors of PPPs for innovation motivated

due to financial incentives or can they be policy driven? Despite growing practical and theoretical interest in the organizational form of PPPs, the literature often only mentions their preconditions and basic requirements without clearly specifying the initial actor-based incentives for establishing a PPP. With this research, we respond to three gaps in the PPP literature. First, the literature focuses mainly on infrastructure projects and public services. Only recently, public-private innovation partnerships became apparent mostly in the management literature (Brogaard, 2019). Second, the role of social actors in PPP implementation is largely ignored (Biygautane et al., 2019) and, third, the main motivation behind PPP projects are claimed to be financially driven such as lower costs and risks because of shared responsibilities (Wang et al., 2017; Willems & van Dooren, 2014).

To fully understand the dynamic process of establishing a PPP, we apply Kingdon's (1984) multiple stream framework (MSF), originally developed as a theory of agenda setting and further developed to explore policy formulation (Ackrill et al., 2013; Herweg, 2013; Kingdon, 1984). Accordingly, policy formulation occurs when the specific actors of the problem, policy, and politics streams interact during a window of opportunity. It further claims that when this happens while a policy entrepreneur is promoting a new policy, a solution for the problem will occur (Kingdon, 1984). Moreover, identifying sequential windows of opportunity and policy entrepreneurs reveals the multiple coupling of the three streams (Herweg et al., 2015) and allows the identification of the specific intentions behind each of the strategic decisions. This theoretical framework is particularly suitable because it helps to provide an understanding of how a process appears at a specific point in time, based on the combination of explanatory factors that occur as part of a political process. The MSF takes into account the role of individual stakeholders, with ambiguous interests and policy beliefs, and can determine under what circumstances a PPP can emerge without related coalition building but with the individual effort of policy entrepreneurs (Roland, 2020). Furthermore, it helps us to establish a timeline by identifying and assessing context information to the streams of the MSF in order to visualize the interaction and preferences of involved actors.

We use extensive case data to identify the process of establishing a PPP, recently developed in Bern, Switzerland. The Swiss Institute of Translational and Entrepreneurial Medicine (sitem-insel) has the goal to promote the local medical sector, and foster translational medicine which is the transition of a product to its application on a patient (Frey, 2017). The literature often defines this process as an innovation process in health care (Pozen & Kline, 2011). Because the objective of the PPP is innovation, there is no need for a specific contract that defines an infrastructure or services that must be provided to achieve this goal. Therefore, the public and private sectors jointly develop strategies that promote innovation, including planning, financing, and, where appropriate, construction and operation. In the case of sitem-insel, several public and private stakeholders, such as the University Hospital of Bern, the University of Bern and several industry partners are involved. The organization is financed through the capital market, shareholders, and subsidies by the Swiss Confederation and the canton of Bern. Its goals, stakeholders, and long-time orientation as a PPP as well as the richness of the data, make sitem-insel a suitable case for our research. In analyzing sitem-insel, we were able to classify the problem, policy, and politics streams, as well as identify three windows of opportunity and corresponding policy entrepreneurs. It became apparent that the beginning of the process, as well as all windows of opportunity occurred due to financial reasons. However, a comparison of the involved actors show that their establishment may nevertheless be politically motivated.

The findings of this paper provide new insights into the discussion on PPPs in the public administration literature by applying the MSF to a single case study in the context of PPPs. Moreover, it has a practical implication for practitioners, researchers, and policy-makers because it identifies the specific processes in the establishment of new PPP projects that achieve policy goals in a political system as well as focusing on the question about the incentives driving the establishment of PPPs. The paper

makes a relevant empirical contribution and focuses on the preferences of the actors involved beyond infrastructure projects and public services.

The paper is structured as follows: First, we present previous research and the current information available on PPPs, which inspired our research question. Second, we describe the theoretical framework, followed by the research design. The fourth section presents the findings by applying the theoretical framework to the case. Finally, we discuss specific incentives of actors to answer the research question and derive theoretical and practical implications for future PPP research.

## 2 | DEVELOPMENT OF PUBLIC-PRIVATE PARTNERSHIPS

The popularity of PPPs has grown worldwide since the first joint public-private projects that occurred as part of U.S. urban development and inner city regeneration projects in 1960 and later with the adoption of the Private Finance Initiative (PFI) policy in the United Kingdom in 1997 (Hodge et al., 2017; Torchia et al., 2013). Nowadays, the popularity of PPPs stems from the challenges that governments face to fulfill their obligations due to the growing complexity and often conflicting demands of their public tasks (Lienhard, 2018) and the difficulties they experience investing in new and innovative ideas (Villani et al., 2017).

Additionally, growing interest in PPPs is evident in the literature from disciplines such as economics, management science, and public administration (Wang et al., 2017). The majority of articles in the public administration literature addresses the issues of efficiency and the effectiveness of PPP infrastructure projects and analyzes questions about concepts, risk sharing among participants, drivers of adoption, and performance (Xiong et al., 2018). The focus on PPPs for innovation form a gap in the current PPP literature (Brogaard, 2016). Furthermore, the literature usually includes mainly exogenous factors affecting PPPs exploring “what factors are needed for PPPs, instead of exploring how such factors can be elicited” (Biygautane et al., 2019, p. 193). The how question extends the exogenous view of necessary factors to the institutional perspective of social, political, and organizational factors (Biesenthal et al., 2018; Biygautane et al., 2019). With regard to the health care sector, Torchia et al. (2013, p. 240) state, “however, it is evident that despite the tremendous enthusiasm internationally for the use of the PPP model to improve health care, there is no common understanding as to what precisely constitutes a PPP (Barr, 2007), and which are the main drivers and characteristics that lead to PPP success.”

### 2.1 | Requirements, conditions, and incentives for PPPs

The decision to form a PPP is particularly relevant prior to the actual implementation phase of PPPs, when the issue becomes part of the political agenda. Therefore, this section describes the requirements, conditions, and different incentives that comprise the predecision process for establishing PPPs.

Public-private partnerships are known for their support of the public sector in the fulfillment of complex and sometimes conflicting public tasks through the sharing of risks, costs, benefits, resources, and responsibilities with the private sector (Klijn & Teisman, 2003; Koppenjan, 2005). Unlike privatizations or outsourcing of certain services, the private actor must be involved in the project throughout the process or in certain phases, such as the design, construction, operation, and maintenance. Other basic requirements for PPPs are long-term cooperation of 25–30 years and high financial investments for often complex processes that take place within a constantly changing political and economic

context. It is, therefore, required that the partners involved must pursue common goals and both sides are expected to benefit.

In addition to these basic requirements, the national context and governmental support are considered important factors for the development of PPPs (Karré, 2021; Petersen, 2010; Verhoest et al., 2015). The United Kingdom, for example, is the leader in PPP constructions with 700 projects up to 2017, followed by the United States, the Netherlands, Canada, and Australia (Hodge et al., 2017; Wang et al., 2017). This suggests that developed countries have specific conditions that render PPPs more likely when compared to developing countries. In developed countries, PPPs may thrive due to their “mature systems of government regulation, as well as normalization market rules” (Wang et al., 2017, p. 4). Nevertheless, Switzerland has one of the lowest numbers of existing PPPs and is thus far behind in comparison to other developed countries (Athias et al., 2019; Lienhard, 2006). Possible reasons for the low number of PPPs are the absence of advocacy and a preference for private financing to avoid public debt and constraints on the political system (Athias et al., 2019). Hofmeister and Borchert (2016) state that Switzerland should overcome their traditional dogmas and paradigms, and realign the public-private governance by fostering cooperation to further benefit from PPPs. However, comparing the correlation between different countries’ PPP development with their policies, political support, legal and regulatory frameworks, and PPP-supporting institutions, it appears that governmental support is necessary but not sufficient (Verhoest et al., 2015). Factors beyond the traditional drivers for PPPs, such as the influence of the stakeholders involved should be considered as well. However, the role of social actors in the implementation of PPPs and their incentives depending on their cultural and institutional preferences form a gap in the current literature (Biygautane et al., 2019). The literature mainly claims financial incentives behind PPP projects, such as lower costs and risks, because of shared responsibilities (Wang et al., 2017; Willems & van Dooren, 2014). This includes the intention of lowering pressure on the public sector and preventing a rise in the tax level. Additionally, private actors seek to lower associated costs, increase profits, or improve the performance of their companies (Torchia et al., 2013; Wall & Connolly, 2009). Overall, taxpayers’ value for money is expected to be higher than when the project would be run entirely by public organizations (Willems & van Dooren, 2014). Furthermore, supporters of PPPs claim that the private actor involvement may encourage the project to finish on time and on budget (Hodge et al., 2018). On the other hand, opponents of PPPs criticize private stakeholders of failing to complete PPP projects, of using public money for their own interests, or privatizing projects as soon as they become successful (Bubalo & Daduna, 2011). The contradictory views of supporters and opponents of PPPs point to a gap in the literature and underline the need to investigate the practical experiences that drive the incentives in the process of establishing PPPs.

Further incentives may be the need for technical expertise, a lack of capacity within the public sector, knowledge transfer, or fostering innovation. Such incentives include, for example, providing much-needed infrastructure and public services as well as fostering innovation and achieving greater long-term life-cycle benefits (Torchia et al., 2013; Wall & Connolly, 2009) or address a lack of technical expertise in certain technology-intensive sectors such as water desalination and power generation (Biygautane et al., 2019). So far, providing infrastructure is the main mission of partnerships between public and private actors. Although the public infrastructure is often the responsibility of the government, the expertise of constructing and operating the infrastructure usually lies in the private sector. PPPs for innovation are less common and became apparent only recently and mostly in the management literature (Brogaard, 2019). Brogaard (2019) identifies several factors influencing innovation taking into account the interaction of involved actors and their ability to drive the innovation process forward but is not considering specifically the drivers

or motivation for the actors and how such partnerships evolve in the first step. Further studies analyze the impact of innovation training on the outcome of a PPP (Brogaard, 2016) or specific characteristics of infrastructure PPPs that can foster innovation such as “design freedom, collaborative working, risk transfer and long-term commitment” (Carbonara & Pellegrino, 2020, p. 3). It is evident that a higher degree of private involvement, higher market concentration as well as performance-based contracts favor innovation through infrastructure projects (Carbonara & Pellegrino, 2020). On the other hand, government support and a high number of sponsors could have a negative impact and should therefore only be used when the risk for the private sector is high (Carbonara & Pellegrino, 2020).

In summary, the basic requirements and prerequisites for PPPs can be clearly identified and documented, while the initial actor-based incentive for establishing a PPP is often not clear. The research question “are actors of PPPs for innovation motivated due to financial incentives or can they be policy driven?” is, therefore, particularly relevant for practitioners, researchers, and policy-makers and confronts three gaps in the PPP literature. First, the current literature focuses mainly on infrastructure projects and public services, whereas, public-private innovation partnerships became apparent only recently (Brogaard, 2019). Secondly, the role of social actors in PPP implementation is largely ignored (Biygautane et al., 2019) and, thirdly, the main motivation behind PPP projects are claimed to be financially driven, such as lower costs and risks because of shared responsibilities (Wang et al., 2017; Willems & van Dooren, 2014).

### 3 | MULTIPLE STREAMS AS AN ADEQUATE FRAMEWORK FOR THE STUDY OF THE FORMATION OF PPPS

The paper applies Kingdon’s (1984, 2014) multiple streams framework (MSF) to analyze the process in which a new policy, in our case a PPP, is implemented. We chose the process-oriented MSF because it takes into account the multicausal relationships of the complex and real-world context of our single case. In the PPP context, there are only a few papers using the MSF addressing different PPP policies and regulations in Denmark and Ireland (Petersen, 2010), prerequisites of the Finnish health care system for PPPs in the field of ophthalmology (Tynkkynen & Lehto, 2009) and more generally, why PPPs appeared in public policy-making worldwide (Greve, 2006). We are using the MSF, that was originally focusing on agenda setting and its further development, to analyze the policy formulation occurring in the establishment of a PPP for innovation (Ackrill et al., 2013; Herweg, 2013; Kingdon, 2014). Accordingly, policy formulation occurs when the specific actors of the problem, policy, and politics stream interact during a window of opportunity. The framework claims that when these three streams meet during one or more windows of opportunity, and while a policy entrepreneur is promoting a new policy, a solution for the problem can successfully occur (Herweg, 2013; Kingdon, 1984). Thus, the MSF allows us to reconstruct the processes that make up an individual case from different perspectives and to identify the constellations and dependences that result in the policy formulation for a new solution (Zohlnhöfer, 2016; Zohlnhöfer et al., 2015). In our case, using the theoretical framework helps to understand how a process evolved within the streams and how the organization has developed at a particular point in time, although the context may have existed for a longer period of time. The MSF takes into account the importance and role of the individual actors, who have ambivalent interests and policy beliefs due to their commitment to the public or private sector and were influencing the process with their individual effort (Roland, 2020).



### 3.1 | When is the right time for a new policy?

The decision to introduce a new policy results from a combination of different factors such as time, involved actors, or political context. Only when several conditions related to these factors are met will the issue be addressed, a decision taken, and finally, the new policy implemented (Kingdon, 2014). Many studies deal with the question of who and how decisions are made in favor of or against a particular policy; however, only a few examine the process that puts PPPs on the political agenda. The MSF is particularly well suited to investigate this puzzle in the predecision phase because its interest does not lay in analyzing governmental decisions but rather in investigating how the government decided to address the issue in the first place and to ultimately develop a new policy: “We want to understand not only why the agenda is composed as it is at any one point in time, but how and why it changes from one time to another” (Kingdon, 2014, p. 3).

The components of agenda setting can be divided into two categories of factors related to time, actors involved and political context. First, the active participation of governmental and nongovernmental actors with different ideas, control options, and ideologies. Second, the processes related to the issue, which is placed on the political agenda and the alternatives available to it. These processes are either related to a specific problem or to a politics or policy area, which are described in the following part as the first three streams of the MSF. Furthermore, the two factors, actors and time, are addressed in the next two streams, namely the policy entrepreneur and window of opportunity.

The *problem stream* relates to the construction and expectations of a problem in a political system as a phenomenon. Such events lead the government to address a problem by placing it on the political agenda, thus representing the first stream in the MSF. A problem is difficult to operationalize because of its lack of recognition; it is often not enough for a problem to simply exist for it to appear on the political agenda (Kingdon, 2014). For a problem to receive agenda status, the participants involved in the government must be convinced that there is an actual problem and that a new policy would precisely address the issue. The *policy stream* is located on the solution level and describes the establishment of a new policy as a solution for the phenomenon of the problem stream. The proposal for a new policy can result from the accumulation of knowledge from a community of specialists in the affected policy area. The specialists usually know each other and the problems in their specific area. As a result, a large number of proposals of varying scope and relevance emerge, while only those proposals that meet certain criteria can be further developed during the agenda-setting process. The *politics stream* describes the context of the policy formulation and focuses on political interests, and the conflicts or collaborations between actors to find and support the new policy. Constellations of actors within the politics stream can be composed of political actors or actors from the public administration with various degrees of power and influence (Ackrill et al., 2013; Sager & Thomann, 2017). The actors and their activities are independent of the problem and policy stream, but they provide the context for the events. Thus, their judgment is decisive for continuing the process.

The fourth stream involves the so-called *policy entrepreneur*, who plays an important role in coupling the three streams by fostering the implementation of the new policy and solving the problem. In his book, Kingdon (2014) analyzes the importance and the role of participants in the decision making process of new policies. He distinguishes between governmental and nongovernmental participants. The former include administration, civil servants, and congress. The second group consists of interest groups, academics, media, and the public opinion. Participants have the incentive to engage in the agenda-setting process because they have legislative goals, such as obtaining publicity and possibly achieving higher offices through fostering new policies. These actors want to be taken seriously in their role inside the government and try to, “achieve the member's conception of good public policy [...]. They want to affect the shape of public policy; they

are ideologues of the left or right, or they simply have an interest in the substance of an issue.” (Kingdon, 2014, pp. 39–40). These actors are policy entrepreneurs and not just generally involved actors because of their exceptional commitment to the new policy. They achieve this commitment by not only investing their own resources, such as time, work, energy, reputation, or money but by also experiencing satisfaction through their participation or personal gain in the form of job security or a career promotion. Policy entrepreneurs can distinguish themselves through their individual efforts or as a whole group or organization (Roland, 2020). Furthermore, Deruelle (2016) specifies the role of the policy entrepreneur as solution driven, because he finds a problem for an existing solution. Therefore, he adds another actor to the MSF: the problem-driven bricoleur, who searches for a suitable solution to an existing problem (Deruelle, 2016). With this extension he opens the discussion why the bricoleur tends to implement certain solutions and not others. He shows that the bricoleur chooses the solution that is more likely to be accepted, on one hand, by the policy-makers because of the ripe of the new policy (Herweg et al., 2015), and, on the other hand, by the policy community due to the time and effort already invested (Deruelle, 2016). Finally, time plays an important role in the creation of a new policy. The *window of opportunity*, is a specific point in time that links the actors of the three streams together and creates the opportunity to change the policy by bringing the problem onto the political agenda. The window of opportunity appears either in the problem stream, when a problem requires a solution, or in the policy stream, when there is an existing solution but not yet a problem that puts the issue on the political agenda (Copeland & James, 2014).

Herweg et al. (2015) address a central criticism of the need to distinguish the phases of agenda setting and the rest of the policy process. They suggest multiple couplings of the streams as soon as a proposed solution reaches agenda status (Kuenzler, 2018; Sager et al., 2019; Sager & Thomann, 2017). These sequential windows of opportunity open automatically after the previous window is closed and an additional coupling of streams can occur. We address further criticism of the independence of the streams (Herweg, 2013) by considering and disclosing possible overlaps in the analysis of the data. In the author's spirit of not regarding the theory as a rigid framework (Olsen, 2001), we use these theoretical extensions to counter these criticisms and limitations of the MSF. Our intention is not to test or extend theory, but to use it as a framework for analyzing our case and answer our research question.

Figure 1 demonstrates the theoretical framework established through the combination of the MSF and PPP literature, showing how the MSF can inform actors' incentives in PPPs. Typical financial incentives for actors inside a PPP are lower associated costs, higher efficiency, effectiveness and equity, and the preference to avoid borrowing from the public sector. Policy incentives include the provision of infrastructure and/or public services, less regulation, and the promotion of innovation. The theoretical framework also indicates the incentives of policy entrepreneurs and other involved actors. First, the policy entrepreneur distinguishes himself through their willingness to invest resources, the satisfaction they derive from participation, and their personal gain from participation. General incentives of the actors involved within the MSF are legislative goals, enhancing reputation, and creating good public policy.

The use of this framework allows us to formulate expectations for cases and, in the case analysis, examine the incentives by applying codes to the case data. Based on the consideration of various actors with different interests within a PPP, it may be unclear who is responsible for the idea or the development of the organization. Often, several actors feel responsible, whereby the different goals and logics do not necessarily lead to coalitions, but individual efforts of the policy entrepreneurs come into play. We use the MSF to identify the policy entrepreneurs and analyze their specific incentives. In addition, contextual information may play a role that was not known to be directly related to the establishment of the PPP at this time. By assigning this contextual information to the streams of the



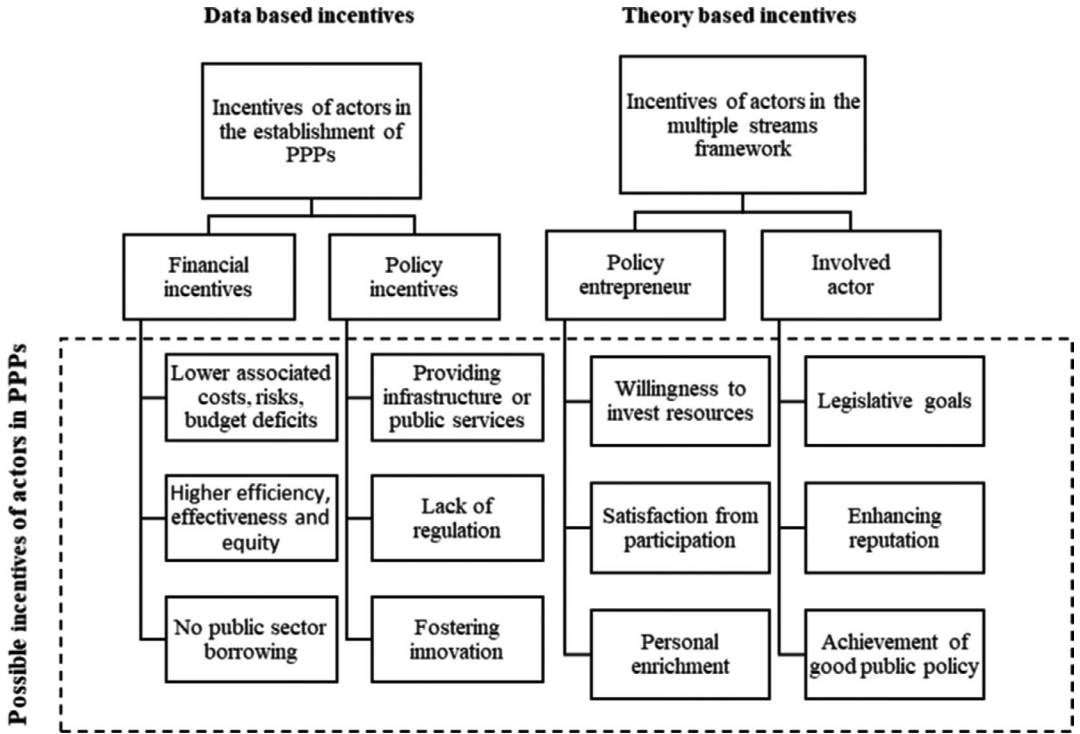


FIGURE 1 Possible incentives of actors in PPPs

MSF, a timeline can be identified and provide an indication of how a window of opportunity occurred at the specific point in time and, ultimately, led to the creation of the PPP.

Due to the complicated process of establishing a PPP and the involvement of various stakeholders, we expect that multiple windows of opportunity and policy entrepreneurs are necessary to achieve the goal of establishing the PPP. Moreover, we expect that policy entrepreneurs are located in both the private and public sectors because they have to align the interests of both sectors. Finally, we expect that the actor-specific incentives of the policy entrepreneurs and other involved actors, identified with the help of the MSF, are mainly financial driven.

4 | RESEARCH DESIGN

In light of the research question, we draw on a qualitative case study of a recently established PPP in Switzerland (Blatter et al., 2007). This method enables us to obtain new insights into the incentives in the predecision process of establishing PPPs to verify the congruence between theoretical expectations and empirical information.

Using semistructured expert interviews as a primary source of data and their verification by documents and observations, allows us to analyze the understudied phenomenon of PPPs for innovation in detail and identify patterns in their establishment (Blatter et al., 2007). The complexity of the organizational form and the involvement of multiple stakeholders with various interests make PPPs a suitable object for our research. Our intention is to illustrate a complex case in detail to understand the specifications of PPPs' formation and to elaborate a chronological process to make specific predictions for the establishment of PPPs in general (Stake, 2010). This detailed explanation and understanding of

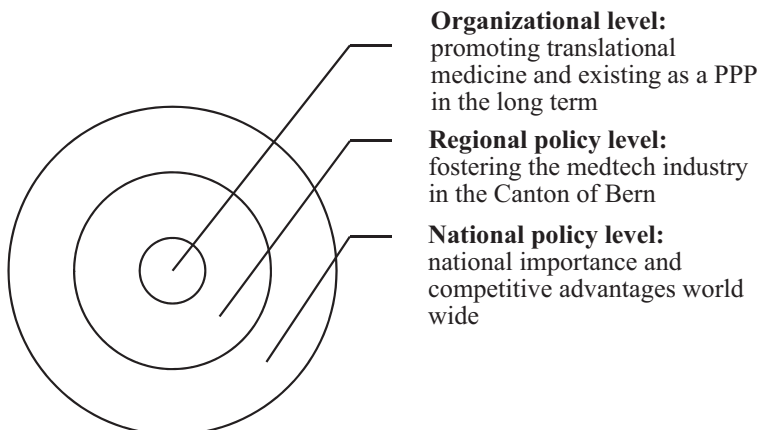
the particular case provides a rich and accurate picture of a single case with the limitation of generalization. Nevertheless, a single case study is useful for our investigation because the research field of PPPs for innovation and the focus on actor preference is not yet advanced (Blatter et al., 2007).

## 4.1 | Case selection

The recently established Swiss Institute for Translational and Entrepreneurial Medicine (sitem-insel) provides a relevant, indicative case for the research on the development of PPPs. The case was selected because of its potential to exist as a long-term PPP, its goal to foster innovation, and the richness of the data available. These conditions make it an ideal and most likely case for the purpose of the study.

Sitem-insel is a not-for-profit PPP, which includes several public and private stakeholders, such as the University Hospital of Bern, the University of Bern, and several industry partners. The organization is financed through the capital market, shareholders, and subsidies by the Swiss Confederation and the canton of Bern. Its organizational goal is to promote the process of translational medicine in Switzerland, specifically in the canton of Bern, and to maintain its hybrid form of a PPP in the long term. The policy goals of sitem-insel vary between the regional and national level. Regionally, the aim is to foster the medtech industry in the canton of Bern and the national aim is to achieve national importance and a competitive advantage worldwide. Figure 2 provides an overview of the regional, national, and organizational levels, forming the overarching policy goals of sitem-insel. As a project that does not specify the provision of particular services or infrastructure, sitem-insel takes the form of a PPP for innovation at all three policy levels. The main indicator of sitem-insel's role as an innovation-centered PPP is its stated main objective of translational medicine which is the transition of a product to its application on a patient (Frey, 2017). The literature often defines this process as an innovation process in health care (Pozen & Kline, 2011). The second goal driving its organization as a PPP in the long term is a basic requirement of PPPs as described above.

At the regional level, the goal of promoting innovation in a specific sector is a typical objective. In this case, the canton of Bern has the regional advantage of being a central location for the medtech sector, as well as optimal conditions such as a large number of patients and the proximity of industry and academia. Finally, Bern has the urgency of improving its economic situation and reputation. Even in the case of achieving national and international advantages in the Medtech sector, the process



**FIGURE 2** Goals of sitem-insel on the organizational, regional, and national policy level

guidelines are very broadly defined. The absence of precise specifications, as would normally be the case with the construction of infrastructure or predetermined public services, points to the promotion of innovation.

The goals of sitem-insel can only be achieved if a large number of actors from different areas and sectors can align their various interests. This means that the incentives for the individual actors have to be considered individually in order to find out why sitem-insel was founded as a PPP and thus has to satisfy as many interests as possible. Sitem-insel as a case is particularly well suited for this investigation because it is organized as a PPP and the actors are identifiable and can be assigned to the different agencies. Therefore, the context and problems resulting from the cooperation between private and public actors during the establishment of sitem-insel can serve further research on PPPs.

## 4.2 | Data collection and analysis

The data sources include strategy and policy documents from sitem-insel and its stakeholders, semi-structured interviews with sitem-insel's strategy practitioners, observations of meetings and events, and informal conversations over the course of the investigation. The tables in the Appendix S1 and S2 provide a detailed overview of the specifications and objectives of the data collected and the interview guideline.

Documentation on sitem-insel began in 2008 and lasted until December 2019. The collection of documents analyzed includes public and confidential documents related to the strategy work of internal and external stakeholders. Public documents include newspaper articles, public governmental documents, homepages, newsletters, television and radio reports, and press releases. Confidential documents comprise strategy documents, protocols and minutes of meetings, emails, agreements, and contracts with public and private stakeholders, as well as governmental documents.

We conducted interviews with strategy practitioners from sitem-insel, key stakeholders involved in the development and operation of sitem-insel as well as the local and national government (see Appendix S1 for the anonymous list of interviewees). The identification and selection of the interviewees is based on their direct involvement in the strategic process of establishing sitem-insel, which was possible because of the detailed documentation and early stage of the organization. The 18 semi-structured interviews lasted about 1 h and were audio recorded and transcribed. In addition, observations of events and presentations from or about the organization were recorded and analyzed.

The retrospective nature of the case prohibited observations from the 2008–2014 period. Nevertheless, observations of current events and meetings as well as informal conversations from 2017 until 2020 gave insights into the strategy work of the case's early years. Observations were either audio recorded or documented with materials and detailed fieldnotes. The limitations of the observations stem from the informal way of holding meetings from 2017 until 2020. On the one hand, there were very few formal invitations to internal strategy meetings and, on the other hand, it is possible that informal strategy meetings were held without the knowledge of the author.

## 4.3 | Data analysis

To analyze the data, we defined and operationalized codes based on the actor-based incentives for PPPs and the MSF. In further steps, we linked the codes to specific statements and text passages in the data, using MAXQDA 12 (see Table 1 for an overview of the codes, definitions, examples, and coding rules).

TABLE 1 Codes and their application in the data

Code	Definition	Example	Coding rule
Financial incentives	Financial incentives indicate that the actor is motivated and encouraged by monetary benefits.	"Of course, it was also a financial interest for us, since we were paid for it, but there is much more behind this exciting project." (Int.16)	The code points to one of the following PPP criteria: <ul style="list-style-type: none"> <li>• Lower associated costs, risks, budget deficits</li> <li>• Higher efficiency, effectiveness, and equity</li> <li>• No public sector borrowing</li> </ul>
Policy incentives	Policy incentives indicate that the actor is motivated and encouraged by providing or fostering infrastructure, public services, and innovation or point to a lack of regulation.	The condition for providing subsidies for the elaborated idea of a center for translational medicine was that the center is of national importance (RIPA, 2012).	The code points to one of the following PPP criteria: <ul style="list-style-type: none"> <li>• Providing infrastructure or public services</li> <li>• Lack of regulation</li> <li>• Fostering innovation</li> </ul>
Policy entrepreneur	The policy entrepreneur plays an important role in coupling the three streams by fostering the implementation of the new policy and solving the problem.	"We are lucky to have him, without whom it would never have been possible. If he had not made it his own concern and pushed and fought for it with all ruthlessness and also given it a clear drive and direction, it would not be where it is now." (Int. 3)	The code points to one of the following MSF criteria: <ul style="list-style-type: none"> <li>• Willingness to invest resources</li> <li>• Satisfaction from participation</li> <li>• Personal enrichment</li> </ul>
Involved actors	Involved actors are part of the process and generally interested but without an exceptional commitment to the new policy.	"He was very important, especially at the beginning of the project. In fact, he was probably the one who came up with the initial idea of translational medicine but he was not able to pursue the project because of other work related responsibilities." (Int. 14)	The code points to one of the following MSF criteria: <ul style="list-style-type: none"> <li>• Legislative goals</li> <li>• Enhancing reputation</li> <li>• Achievement of good public policy</li> </ul>
Problem stream	The problem stream relates to the construction and expectations of a problem in a political system as a phenomenon.	The fiscal equalization scheme "was not recognized by the public and not discussed in the media because the compensations were linked to specific actions per canton and not as a total amount for each canton." (Int. 17)	The code points to one of the following MSF criteria: <ul style="list-style-type: none"> <li>• Construction and expectations of a problem</li> <li>• Actors are convinced of the problem</li> <li>• A problem that can be addressed by a new policy</li> </ul>

(Continues)

TABLE 1 (Continued)

Code	Definition	Example	Coding rule
Politics stream	The politics stream describes the context of the policy formulation and focuses on political interests, and the conflicts or collaborations between actors to find and support the new policy.	“The Federal Council realized that there was a need to revise the act and support research facilities. On the contrary, the University of Bern saw an opportunity to receive subsidies for existing or new facilities for innovation in the medical sector.” (Int. 14)	The code points to one of the following MSF criteria: <ul style="list-style-type: none"><li>• Context of the policy formulation</li><li>• Focuses on political interests, and the conflicts or collaborations between actors to find and support the new policy</li></ul>
Policy stream	The policy stream is located on the solution level and describes the establishment of a new policy as a solution for the phenomenon of the problem stream.	In addition to the merger of the hospitals and the establishment of the Medical Cluster Bern, the Federal Act on the Promotion of Research and Innovation (RIPA), sought to foster innovation. Specifically, article 15 of the new RIPA sought to support research facilities of national importance by providing funding through federal subsidies (RIPA, 2012).	The code points to one of the following MSF criteria: <ul style="list-style-type: none"><li>• Establishment of a new policy as a solution</li><li>• A proposal for a new policy resulting from the accumulation of knowledge from a community of specialists</li></ul>
Window of opportunity	The window of opportunity is a specific point in time that links the actors of the three streams together and creates the opportunity to change the policy by bringing the problem onto the political agenda.	“This commitment [providing subsidies of 25 million Swiss Francs each] of the national and local government made it possible to legally establish sitem-insel in November 2014.” (Int. 5)	The code points to one of the following MSF criteria: <ul style="list-style-type: none"><li>• A link of the actors of the three streams</li><li>• Specific point in time that creates the opportunity to change the policy</li><li>• An opportunity when a problem requires a solution,</li><li>• An opportunity when there is an existing solution but not yet a problem that puts the issue on the political agenda</li></ul>

First, we used confidential and publicly available documents to gain insights in the strategy processes and identify the strategy practitioners of sitem-insel. In a second step, we conducted semistructured expert interviews and various informal conversations with members or stakeholders of the organization. The first round of 11 interviews were used to obtain a broad overview of the strategy work in the organization and to confirm and further identify the key actors and milestones found in the data analysis. The second round of seven interviews occurred in 2018 and 2019 to further specify the information combined from the document analysis and the first round interviews. The interviewees were provided with an initial timeline of sitem-insel's establishment and were asked to describe the storyline from their own perspective, focusing on critical events and important stakeholders. In an iterative process, the newly obtained data were included in the timeline until saturation was reached. To prevent one-sided perspectives, the interviewees were chosen from internal and external stakeholders and from the public and the private sector.

## 5 | CASE ANALYSIS: APPLYING THE MSF TO SITEM-INSEL

In the case of sitem-insel, the local government's overarching aim was to promote the medtech industry in the canton of Bern (see Figure 2) and this aim set the PPP process in motion. The proposed solution for this goal was the establishment of sitem-insel as a PPP for translational and entrepreneurial medicine. How and why did this solution occur in relation to the problem, politics, and policy streams? Figure 3 demonstrates the storyline of sitem-insel's establishment by applying the MSF and highlighting the coupling of the three streams as well as the windows of opportunity and policy entrepreneurs.

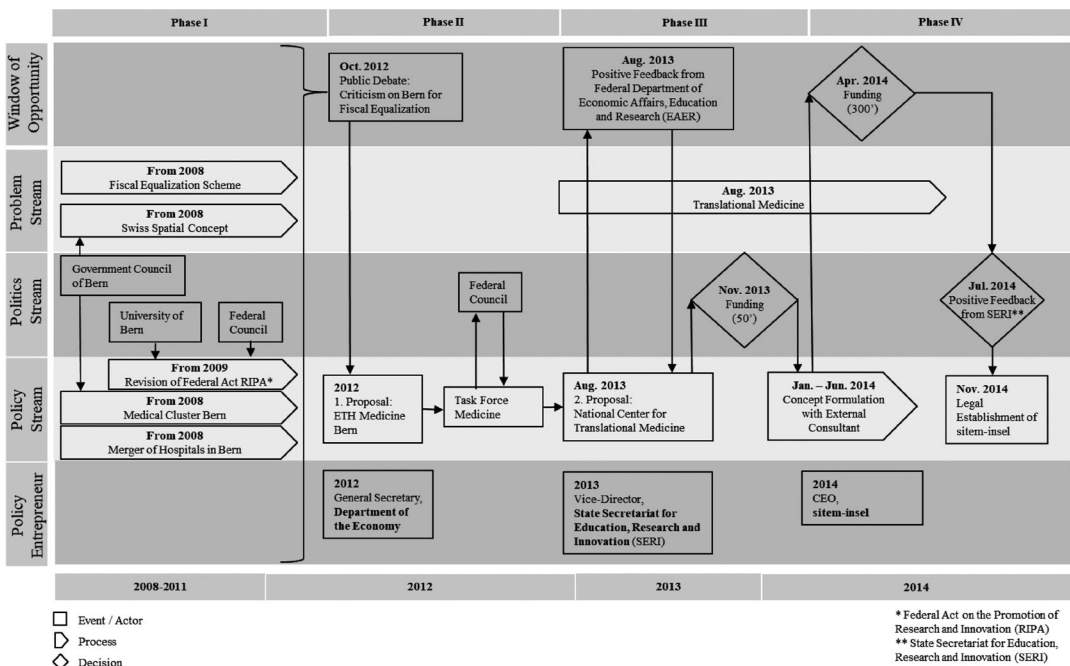


FIGURE 3 Application of the multiple streams framework on the establishment of sitem-insel

## 5.1 | Before the coupling (Phase I)

The *problem stream* starts with the endorsement of the national fiscal equalization scheme between the Swiss cantons.<sup>1</sup> As a result of this scheme, in 2008, the canton of Bern received one billion Swiss Francs financial compensation from other cantons such as Zurich, Zug, and Geneva. Bern, together with the cantons of Valais and Freiburg, were the highest “receiver-cantons” (Federal Finance Administration, 2008). The national fiscal equalization scheme already existed prior to 2008; however, “it was not recognized by the public and not discussed in the media because the compensations were linked to specific actions per canton and not as a total amount for each canton,” as representative of the local government stated (Int. 17).

Another important factor influencing the problem stream was the new Swiss Spatial Concept (i.e., Raumkonzept Schweiz). Unlike the cantons of Zurich, Basel, and Geneva, Bern was only described as a network of regions, instead of a metropolitan area (Schweizerischer Bundesrat, 2012). Other political contexts, such as the worldwide financial crisis or political party majorities in local government, did not directly impact this case (Int. 17).

The *policy stream* started in 2008 and 2009, when two major projects began to contribute to the medical sector in Bern. On one hand, there was a merger of the University Hospital and other public hospitals in the canton, which resulted in a network of hospitals with the highest number of patients in Switzerland. On the other hand, the University Hospital implemented a masterplan that would optimize the campus area by reorganizing and constructing new buildings from 2008 until 2025 thereby building the Medical Cluster Bern (i.e., Medizinalstandort Bern).

In addition to the merger of the hospitals and the establishment of the Medical Cluster Bern, the Federal Act on the Promotion of Research and Innovation (RIPA), which sought to foster innovation is part of the policy stream. Specifically, article 15 of the new RIPA sought to support research facilities of national importance by providing funding through federal subsidies (Federal Act on the Promotion of Research and Innovation, RIPA, 2012).

The actors involved in the decision making process constitute the *politics stream*. These actors include the Government Council of Bern, the University of Bern, and the Federal Council. The Government Council played an important role because of its involvement and interest in the Swiss Spatial Concept as well as the establishment of the Medical Cluster Bern and the merger of the Hospitals. The Federal Council and the University of Bern were both involved in the revision of the RIPA.

The Federal Council realized that there was a need to revise the act and support research facilities. On the contrary, the University of Bern saw an opportunity to receive subsidies for existing or new facilities for innovation in the medical sector.

(Int. 14)

## 5.2 | Windows of Opportunity and their Entrepreneurs (Phase II–IV)

A public debate on national television on 26 October 2012 marks the first *window of opportunity* (Schweizer Radio und Fernsehen, 2012). During the debate, the state councilor from the canton of Bern was attacked because of Bern's status as one of the highest receiver-cantons of the national fiscal equalization scheme. The councilor's counter argument was that



Cantons like Zurich and Lausanne are giver-cantons because of the high amounts of subsidies they receive for their Swiss Federal Institutes of Technology (ETHs), which create new jobs and attract new industries.

(Int. 17)

In line with this argument, the councilor suggested that the canton of Bern receives subsidies from the national government to establish its own ETH in medicine (i.e., policy stream). National subsidies and, thus, an ETH in Medicine in Bern could influence the national fiscal equalization program, promote Bern within the Swiss Spatial Concept (problem stream), and foster the Medical Cluster Bern (policy stream).

Because the ETH in Medicine was not approved by the federal council nor the University of Bern [politics stream], the Government Council of Bern established the Task Force Medicine [policy stream] to propose an alternative solution to the problem.

(Int. 10)

A second *window of opportunity* that affected the development and availability of a solution was the positive feedback received from the Federal Department of Economic Affairs, Education and Research (EAER) in August 2013 on the second proposal for a national center for translational medicine (policy stream), an alternative solution to the ETH. This positive feedback from the EAER resulted in a first round of funding of 50 thousand Swiss Francs from the local government to start the conceptual work for *sitem-insel* in conjunction with an external consultant firm in January 2014. This opportunity was followed by the third *window of opportunity*, the local government's release of 300 thousand Swiss Francs in April 2014 for the implementation of the concept, which resulted in the positive feedback from the canton of Bern and the State Secretary for Education, Research and Innovation (SERI) for providing subsidies of 25 million Swiss Francs each. One of the interviewees states that "this commitment of the national and local government made it possible to legally establish *sitem-insel* in November 2014." (Int. 5).

We identified a *policy entrepreneur* in each of these three windows of opportunity as someone who played an important role in the coupling of the three streams: the general secretary of the Department of the Economy after the first window of opportunity opened up, the vice-director of the SERI after the second window of opportunity and the CEO of *sitem-insel* after the third window of opportunity. Each of the entrepreneurs were identified as policy entrepreneurs because of their individual and personal motivation and their impact on *sitem-insel*'s establishment. They all acted as individual policy entrepreneurs rather than as a part of a whole group. The role of the general secretary of the Department of the Economy was essential for connecting the partners affected by the three streams and consolidating their participation into the Task Force for Medicine:

Then came the time when the general secretary of the Department of the Economy was the most important. He pulled the strings to make the law and contact the necessary persons. That was quite essential and he was always around, at the meetings, events and many more.

(Int. 13)

The commitment of the vice-director of SERI resulted in the second window of opportunity, when the federal department, EAER, approved the second proposal for a national center for translational medicine. On the operational level, we identified the later CEO of *sitem-insel* as a policy



entrepreneur because of his personal motivation in the formulation of a concept and his push to legally establish sitem-insel. To the question of what his personal reason to work for sitem-insel is, he answered:

I have put my heart and soul into the University Hospital for years and now I can do something to help and make sure that there are jobs around and it goes on.

(Int. 1)

Another interviewee said:

We are lucky to have him, without whom it would never have been possible. If he had not made it his own concern and pushed and fought for it with all ruthlessness and also given it a clear drive and direction, it would not be where it is now.

(Int. 3)

Other involved actors, for example, stated that their commitment was because of curiosity, interest, or loyalty towards other people (Int. 2, 3), being part of sitem-insel and helping the patients, or being convinced by the idea of fostering translational medicine (Int. 10) but were not able to pursue the project because of other responsibilities (Int. 14).

## 6 | DISCUSSION

The description of the case using the MSF shows how the individual factors leading up to the emergence of a PPP can be divided into the different streams with different driving actors and including the participation of other actors who partake in the emergence of the PPP. We now examine the incentives of the policy entrepreneurs and other involved actors (cf. Figure 1) in each window of opportunity in order to answer our research question: are actors of PPPs for innovation motivated due to financial incentives or can they be policy driven? We do so by creating a typology of the involved actors within the MSF to examine and understand their incentives for the establishment of sitem-insel. These actors include the Government Council of Bern, the Federal Council, and a private consulting firm as well as their three corresponding policy entrepreneurs. Other actors involved are the University of Bern and the Task Force Medicine from the politics respectively policy stream.

### 6.1 | Government council of Bern

The initial incentive for the PPP came from the public sector. This motivation suggests that the perspective often claimed in the media that PPPs are driven by the private sector's interest in public money for fostering their own interests can be ruled out for the original idea. On the other hand, the problem stream that led to the establishment of sitem-insel appears to be partially money driven because of the reduction of the budget deficit due to the fiscal equalization scheme. However, the Government Council of Bern's main interest was not to receive funding from the Federal Council as compensation as part of the fiscal equalization scheme per se or any other fiscal incentives, such as lower associated costs and risks or to avoid public sector borrowing. Its intention was to find a solution for the 2012 media attack due to Bern's status in the fiscal equalization scheme and to improve its bad reputation. If the budget deficit was the main incentive, the process for finding a solution should

have begun in 2008, when the deficit came to its knowledge. Therefore, from this perspective, the reason for establishing a PPP was policy driven rather than financially driven.

The solution to the second phenomenon in the problem stream, that is, the Swiss Spatial Concept, is the policy goal of establishing the Medical Cluster Bern and the merger between the hospitals in Bern. During the first window of opportunity, the general secretary from the cantonal Department of the Economy meets the criteria of a policy entrepreneur. The specific incentives for establishing PPPs do not apply in his case because at that time it was not yet known that the final project would be organized as a PPP. Moreover, it appears as though financial incentives were only secondary given his position in the cantonal government. As a member of the cantonal government, he sought to find a solution that would not place any financial burden on the canton while also promoting innovation.

## 6.2 | Federal council

The second window of opportunity opened up because of the positive feedback from the federal department, EAER, and the revision of the federal act RIPA. The condition for providing subsidies for the elaborated idea of a center for translational medicine was that the center is of national importance (Federal Act on the Promotion of Research and Innovation, RIPA, 2012). The above circumstances suggest that the federal council and its policy entrepreneurs were also politically motivated, particularly through their promotion of public services. Therefore, the initial actors that established the PPP were policy driven, the context was mainly in the public interest and the policy entrepreneurs came from the public sector.

## 6.3 | Private consulting firm

It is of particular interest, that the incentives for establishing the PPP changed once the federal government committed the initial funding and a private consulting firm was hired to develop a concept in collaboration with the eventual CEO of *sitem-insel*, the policy entrepreneur of this window of opportunity. Given that the consulting firm followed a specific mandate with detailed intentions and objectives that were independent of personal incentives for or against PPPs, its incentives were not further considered in the analysis. Regarding the CEO, financial compensation in the form of a wage was a possible incentive, however, the data show that the policy entrepreneur was mostly driven by the unsatisfying conditions for innovation offered by the local medical industry and the absence of cooperation between existing businesses, despite the optimal geographical location, and a large number of hospitals and patients in Bern. The eventual CEO was personally motivated to overcome these problematic conditions, indicating that his incentives were policy driven, like those of the aforementioned policy entrepreneurs from the public sector.

Following Deruelle (2016), the later CEO can be distinguished from the other two policy entrepreneurs according to their solution or problem drive. During the time of the first entrepreneur, the solution of receiving subsidies for an ETH already existed but gets rejected. The situation for the second entrepreneur is similar: the solution to receive subsidies for a center of national importance is known and this time they are able to identify translational medicine as a problem. The third policy entrepreneur, the CEO, recognizes the acceptance of the new policy (i.e., national center for translational

medicine) by the policy-makers and the policy community and pursues this solution in the further development of the concept.

## 6.4 | Other actors involved

Two other groups of actors include the Task Force Medicine, commissioned by the local government to develop an alternative proposal to the ETH of medicine, and the University of Bern, who had been involved in the problem stream leading to the first window of opportunity. The University of Bern's involvement was limited to the period before the PPP was initiated and only played an important role again once *sitem-insel* was established. This participation suggests that the University of Bern's preferences did not significantly influence the emergence of the PPP. As with the consulting firm, the Task Force Medicine received a mandate to promote the medical location, which is why the Task Force's participants were consistently politically motivated and financial aspects were only taken into account with regard to the restrictions in accordance with the law.

## 6.5 | Sequential coupling

During the analysis of the incentives of the actors involved in the process, it became apparent that sequential coupling of the MSF streams played an important role in the emergence of the PPP. Accordingly, a one-time coupling would not have resulted in a long-term solution. This is in line with Zohlhöfer et al. (2015) describing two couplings, where one was for the agenda setting and the other one for decision making. In our case, the first window was responsible for the agenda setting, followed by a window of opportunity for decision making supported by a public policy entrepreneur and a second one supported by a private policy entrepreneur. We show that the inclusion of actors from several sectors in this hybrid organization made multiple coupling necessary.

The discussion of the incentives of the policy entrepreneurs and other involved actors allows us to answer our research question. The analysis shows that the starting point, the project's completion, and the windows of opportunity were due to financial reasons. However, a comparison of the incentives driving PPPs and the incentives within the MSF shows that the actors involved may have nevertheless been politically motivated. Furthermore, as expected from the PPP and MSF context, the sequential coupling of streams in the overall process is evident as multiple windows of opportunity and policy entrepreneurs from both sectors are present.

The theoretical contribution of our research is not grounded in theory testing or extension, but in the use of the MSF framework in combination with a single case study of PPPs. This combination allowed us to establish the theoretical framework of possible incentives for actors in PPPs (see Figure 1), based on the theoretical and empirical literature. By answering our research question with the fact that PPPs can also be politically motivated, we contribute threefold to the PPP literature. First, we derive new insights for PPPs for innovation and, second, add new knowledge to the discussion on the role of individual actors in PPPs. We show that the PPP literature underscores the preconditions and requirements of PPPs and overlooks the underlying incentives for adopting PPPs in the first place. Third, we are able to counter the frequent criticism of PPPs that the main motivation for establishing PPPs is financial. Thus, the detailed analysis of the case showed us that the actors in a PPP can also be driven by policy incentives, even if the reason for the PPP to appear on the political agenda was originally financial.

## 7 | CONCLUSION

Entering into a cooperation between the public and the private sector in the form of a PPP can stem from various incentives from both the public and the private perspective. Despite the positive consequences of a cooperation, such as support for the public sector in complex and conflicting public tasks (Lienhard, 2006, 2018), Switzerland prefers private financing and has, therefore, only established less than 10 successful PPPs. This limited number has led to the question: what incentives lead to the establishment of a PPP and, more specifically, are actors of PPPs for innovation motivated due to financial incentives or can they be policy driven? To answer this question, the MSF was applied to a single case study, the Swiss Institute for Translational and Entrepreneurial Medicine (sitem-insel), a newly established PPP in the health care sector. The MSF allowed a dynamic and contextual analysis of the specific components and correlations leading up to the establishment of the PPP while considering the complex conditions and structure of this form of organization. Using this framework, we were able to understand how public and private actors relate to financial and policy incentives in the establishment of PPPs.

The review of the case study of the sitem-insel PPP revealed that the establishment of a PPP can be divided into several phases, each beginning with a window of opportunity and each containing a policy entrepreneur who drives the process forward. Classifying the incentives of these entrepreneurs and of the other actors involved, formed the second step. We created a framework of incentives in PPPs and in the MSF drawing from the literature and categorized them to examine if they were financially motivated. Due to different contexts of the individual phases and the entrepreneurs, it was likely that incentives would change over time. However, in this case, we were able to constantly attribute the driving incentives of each actor to policy incentives such as the provision of infrastructure or public services and the promotion of innovation. We, therefore, answer our research question by showing that the incentives for the development of this PPP were consistently policy driven, regardless of the public or private affiliation of the policy entrepreneur and the context. Despite the methodological limitation of single case study to draw generalizable conclusions, this result has the practical implication of providing a better understanding of the process and actor-based incentives behind a PPP for innovation and demonstrates that despite a possible preference for the use of private financing, it is possible to establish a PPP that is driven by policy incentives. In our case, Switzerland serves as a suitable setting for the emergence of PPPs and is, therefore, all the more interesting because it has nevertheless implemented only a few cases. The findings from our study, therefore, can inform both countries with similar prerequisites for PPPs and also those that have little or no experience with PPPs.

From a theoretical perspective, the result contributes to the MSF in general and to the debate about the extensions of the MSF to the policy formulation process and other institutions in particular (Ackrill et al., 2013; Deruelle, 2016; Herweg et al., 2015; Zohlhöfer et al., 2015). This theoretical contribution is due to the combination of the MSF and a single case study of a PPP and the resulting the framework of possible incentives of actors in PPPs. In future research, it would be interesting to apply the same theoretical framework in a failed PPP project to compare the results and analyze whether there is a higher risk of not reaching the set goals if are certain incentives are given. This could provide researchers and practitioners with important information for the establishment of new PPPs or point out certain risk factors for PPPs that are already in the implementation phase. Moreover, due to the collaboration of actors from different sectors, hybrid organizations such as PPPs provide an exceptional basis to, furthermore, study the influence of researchers in political-strategic decision making (Blum, 2018). Lastly, our study provides a new study of a PPP to the public policy literature and confronts the critique of PPPs to be mainly driven by the incentive to invest outside the own budget instead of the incentive to use the innovative

potential of cross-sectoral collaboration. In answering our research question, we were able to counter this criticism and show that the financial consideration does not have to be a decisive factor in the establishment of PPPs.

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## ENDNOTE

- <sup>1</sup> The National fiscal equalization compensates differences in the financial capacity of the Swiss cantons (Federal Department of Finance, 2018). In 2008, the total amount of the fiscal compensation was 2.7 billion Swiss Francs, from which the canton of Bern received 0.88 billion Swiss Francs, followed by the canton of Valais and Fribourg with 0.44 and 0.38 billion Swiss Francs respectively (Federal Finance Administration, 2008).

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## SUPPORTING INFORMATION

Additional supporting information may be found in the online version of the article at the publisher's website.

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## **Paper 2**

### **Please meet PIET – Is Open Strategy Suitable for the Goal Alignment in Emerging Public-Private Partnerships?**

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## **Please meet PIET – Is Open Strategy Suitable for the Goal Alignment in Emerging Public-Private Partnerships?**

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### **Abstract**

Public-private partnerships (PPP) face the challenge of aligning and integrating different rationalities, interests, and goals of stakeholders into a single purpose strategy. In this paper, we establish an analytical framework to analyze whether the systematic application of open strategy is suitable for aligning the goals of emerging PPPs. By establishing and applying the PIET framework to a qualitative case study, we derive policy advice by identifying four critical tensions and corresponding strategic practices in the establishment of a PPP. Thus, the study contributes to new empirical and theoretical findings on how strategy is implemented in particularly demanding PPP contexts and for the application of open strategy.

*Keywords: open strategy; stakeholder inclusion; transparency; public-private partnership*

## Introduction

Public-private partnerships (PPP)—defined as collaborative long-term arrangements between a public and a private entity established to fulfill a public service or satisfy a public concern (Bovaird, 2004; Roehrich, Lewis, & George, 2014; Torchia, Calabrò, & Morner, 2013)—face the challenge of aligning and integrating different rationalities, interests, and goals of stakeholders into a single purpose strategy (Ilgenstein, 2021; Rosser et al., 2021; Stein et al., 2011). Traditionally, strategy work has been considered a secret and top management-only activity (Whittington, Cailluet, & Yakis-Douglas, 2011), which is why transparency and stakeholder inclusion were not systematically included or prioritized in strategy work. Only recently has the emergent perspective of open strategy started to explore how strategy work can become more transparent and include stakeholders (Hautz, Seidl, & Whittington, 2017; Whittington et al., 2011). Open strategy requires specific practices to include internal and external actors and support transparency beyond organizational boundaries (Hautz, 2017). These considerations suggest that open strategy should contribute to solving the PPP-specific puzzle of aligning and integrating multiple stakeholder rationalities, interests, and goals. Accordingly, we explore the following research question: is the systematic application of open strategy suitable for aligning the goals of emerging PPPs?

Little is known as to whether open strategy helps to address specific challenges of strategy work in PPPs. In fact, studies on open strategy have thus far largely neglected the public sector, focussing on private organizations in general, and strategizing in IT platforms in particular (Tavakoli, Schlagwein, & Schoder, 2017; Whittington et al., 2011). We therefore derive our analytical framework ‘PIET’ from the open strategy as well as the PPP literature. PIET stands as acronym for the four key analytical dimensions of ‘purpose’, ‘inclusion’, ‘expertise’, and ‘time’. More specifically, these dimensions refer to four tensions that PPPs must cope with when employing open strategy practices: 1) What is the *raison d'être* of the PPP (purpose tension)? Who are the strategic actors within the PPP (inclusion tension)? What type of

expertise does the PPP need to be successful (expertise tension)? What is the planning horizon of the PPP strategy (time tension)? PIET suggests that the management of these four tensions shapes the strategy process of an emerging PPP in terms of necessary and sufficient conditions for the goal alignment.

To explore the conditions of open strategy in a PPP, we draw on an a qualitative case study (Mayring, 2019) of a PPP in the health care sector in Switzerland, namely the Swiss Institute for Translational and Entrepreneurial Medicine (sitem-insel). This PPP is characterized by the ambitious public goal of fostering innovation in the medical field (Torchia et al., 2013). In contrast to the more common examples of PPPs for public services or infrastructure projects, our empirical case offers additional potential for strategy work because it is located in the field of innovation policy.

The paper is structured into six sections. The first section presents the concept of open strategy in the context of PPPs. Secondly, we establish the PIET framework, before we present our methodological approach including our case and data selection in the third section. In the fourth section, we apply our analytical framework to our empirical case. We in the fifth section discuss our findings before concluding with the implications of our contribution for the use of open strategy in PPPs from both a theoretical and practical perspective.

### **Open Strategy and PPPs Might Be the Perfect Match**

The collaboration of actors from the public and private sectors in a PPP can help deal with wicked problems in the fields of public health, sustainable development, poverty, or gender inequality (Head & Alford, 2014). In fact, due to their complexity, such issues can often not be resolved by a single actor, a single-sector logic or a single governance mechanism (Hartley, Sørensen, & Torfing, 2013). While PPPs are suggested to support the public sector in these challenges, they come with organizational and strategic complexity (Hodge, Greve, & Biygautane, 2018; Warsen, Nederhand, Klijn, Grotenbreg, & Koppenjan, 2018). Not only do

different stakeholders within a PPP have to understand and accept their different goal sets, but they also have to synchronize and integrate a joint strategy. It is the complexity of cross-sectoral cooperation that offers an opportunity for employing open strategy practices (Pittz & Adler, 2016). However, studies exploring the conditions of the establishment of PPPs from a strategic perspective are rare (Noble & Jones, 2006; Roehrich et al., 2014).

In order to establish a successful collaboration of actors in a PPP and to master challenging tasks in the interest of both public and private stakeholders, the management should think beyond the traditional way of strategizing. Traditionally, strategy has been associated with secrecy and exclusivity of the top management (Whittington, 2019). However, when employing an open strategy approach, strategy work becomes more transparent and involves other stakeholders with the aim of benefiting from richer and more creative ideas to a new strategy. In other words, open strategy refers to a “dynamic bundle of practices that affords internal and external actors, greater strategic transparency and/or inclusion, the balance and extent of which respond to evolving contingencies derived from both within and without organizational boundaries” (Hautz et al., 2017, pp. 298–299; our emphasis).

In view of the focus on organizational practices, strategic decisions are not always identified as such by the practitioners of strategy work. As postulated by this practice-based view (Jarzabkowski, Lê, & van de Ven, 2013), managers may not include different activities as strategic work or employees may not be aware that they are involved in the strategy process. In order to identify the dynamic bundle of practices of open strategy, the practice-based view refers to strategy very broadly as different activities of people within the social context of an organization, which goes beyond the management level and is consequential for the organization (Jarzabkowski et al., 2007; Johnson, 2007; Vaara & Whittington, 2012).

### ***What Open Strategy Can Contribute to Traditional Strategizing***

The current literature differentiates between five distinct outcomes of open strategy: collective and creative contributions, individual motivation and commitment, organizational identity, information overload, and frustration (Luedicke, Husemann, Furnari, & Ladstaetter, 2017, pp. 373–374). Opening up the process of strategy generation and implementation beyond the management level provides new insights from a larger and heterogenous group of stakeholders interested in the organization or its strategy, such as in-house strategic planners, external consultants (Whittington et al., 2011), and customers (Luedicke et al., 2017). Multiple resources can result in collective and creative contributions for generating new strategies (Whittington et al., 2011) and strategy developed in collaboration can then result in individual motivation and commitment of the participants (Dobusch, Dobusch, & Müller-Seitz, 2018; Whittington et al., 2011). Furthermore, the inclusion of stakeholders can also improve the organizational identity from an internal and external perspective through the personal participation of employees and customers (Dobusch et al., 2018; Mantere & Vaara, 2008; Whittington et al., 2011). On the downside, opening up strategy may also result in an information overload of intended or unintended participants as well as frustration if their contribution is not taken account of as their own idea or if the project is being stopped (Dobusch et al., 2018; Luedicke et al., 2017).

In summary, open strategy can lead to more flexibility and empowering of employees, while at the same time having distinctive consequences for the organizational boundaries and control (Puranam, Alexy, & Reitzig, 2014). Organizations have to meet additional challenges, depending on how open they define the strategy work. Are only employees included or external stakeholders as well? At the end, who decides which strategies will be implemented? The management should contemplate these considerations and compare them with the specific conditions for PPPs in order to achieve success.

## **Establishing the PIET Framework**

In the following, we establish the PIET framework to assess whether, and under what conditions, open strategy is helping PPPs to align and integrate different rationalities, interests, and goals of stakeholders. The PIET framework consists of four tensions that might arise when stakeholders are included in strategy work during the establishment of a PPP: What is the *raison d'être* of the PPP (purpose tension)? Who are the strategic actors within the PPP (inclusion tension)? What type of expertise does the PPP need to be successful (expertise tension)? What is the planning horizon of the PPP strategy (time tension)?

### ***The Purpose of the Common Good***

PPPs are neither public, nor private, which can result in misunderstandings in internal and external perception. In order to avoid confusion about the organizational form and gain legitimacy, the management needs to clarify the objectives and the purpose of the organization even more than in purely private or public organizations (Ilgenstein, 2021; Rosser et al., 2021).

Typically, PPP scholarship focuses on the conditions to establish a successful PPP and on performance as the key category for its success (Jeffares, Sullivan, & Bovaird, 2013; Klijn & Koppenjan, 2016; Nederhand & Klijn, 2019; Warsen, Klijn, & Koppenjan, 2019). From this perspective, contractual arrangements, incentives and sanctions play an important role but they are unlikely to be the only factor for the success of a project (Klijn & Koppenjan, 2016). Warsen et al. (2019) have analyzed the combination of contractual conditions, i.e. the use of sanctions and risk allocation and relational conditions, i.e. trust and conflict management. They suggest that relational conditions are necessary for a successful PPP, where they either complement the contractual conditions or independently ensure the performance of the organization. Sanctions and risk distribution are contractually defined so that the contractor can adhere to the specifications and opportunistic behaviour can be avoided. At the same time, relational conditions ensure that the project objectives are achieved even with incomplete contracts, which

is usually the case due to the complexity and uncertainty of PPP projects (Warsen et al., 2018; Warsen et al., 2019).

In order to avoid misunderstanding of the purpose of an organization, the management should therefore clearly define the goals and communicate them unambiguously. They are well advised to do so through contracts and investing some effort in the relationship between the organization and its stakeholders.

### ***Inclusion of Stakeholders Leads to Agreement***

Including different stakeholders into the process of strategy work does not mean that an organization has to work completely openly and transparently. An initial major challenge is thus the questions of how large the network of stakeholders involved should be and who the strategic actors are. To avoid conflicts, it should be determined which stakeholders will be involved and at what level decisions will be made to implement ideas before opening the strategy process (Luedicke et al., 2017).

Nederhand and Klijn (2019) find that the involvement of stakeholders in PPP infrastructure projects leads to innovation rather than better performance. Furthermore, opposition of important stakeholders is seen as the main reason for failed or problematic PPPs in infrastructure projects (El-Gohary, Osman, & El-Diraby, 2006; Roehrich et al., 2014) and in the healthcare sector (Roehrich et al., 2014; Rosser et al., 2021; Rosser, Sager, & Leib, 2020). Involving and nurturing stakeholder relations by building trust and preventing disputes through predictable risk management can therefore be seen as crucial to align and integrate different goal sets into a consistent strategy.

Stakeholder involvement and innovation are most obvious corresponding well with the outcomes of open strategy such as collective and creative contributions and individual motivation and commitment. In addition, stakeholder involvement supports the development of an organizational identity. Negative outcomes such as information overload and frustration can

be prevented through an effective conflict management, trust, risk management or the use of sanctions. Therefore, to benefit from positive outcomes, the management should determine in advance which stakeholders should be involved and what influence they should be given.

### ***Organizational and Thematic Expertise is Necessary***

Before involving additional stakeholders in the strategy process, the management should consider whether they need further expertise. When it comes to finding out what type of expertise and knowledge is needed in the organization, it becomes apparent that the expertise tension overlaps with the tension of stakeholder inclusion as well as the purpose-related tension. If the management is able to clarify the need of their organization in terms of knowledge and expertise, they have the advantage of specifying the most important stakeholders. However, if they cannot clearly define the expertise, the group of stakeholders to be included will most likely be larger and the transparency of their strategy work will be greater in order to take advantage of open strategy.

### ***The Timeframe Needs to Be Clearly Defined***

Ultimately, the amount of time available to the project determines whether the management should apply open strategy. It cannot be ruled out that open strategy leads to increased time consumption and can therefore be disadvantageous for time-critical projects. It implies efforts for various meetings, communication, mediation and possible opposition. Conversely, including multiple opinions during the establishment of an organization could benefit the collection of possible ideas or contributions, and the establishment of legitimacy (Rosser et al., 2021; Whittington, 2019). Specifically for PPPs, the temporal factor can be critical if public funds are involved in the organization. For instance, timeframes are often defined by political election cycles or performance agreements with a clearly distinct term.



In summary, the comparison of the outcome of open strategy (i.e. collective and creative contributions; individual motivation and commitment; organizational identity; information overload; and frustration) and PPP-specific conditions indicate that PPP organizations might be well advised to conduct open strategy. PPP-specific conditions are contractual conditions (i.e. the use of sanctions and risk allocation), relational conditions (i.e. trust and conflict management), as well as stakeholder involvement and innovation. To further elaborate on this assumption, we apply the PIET framework to our case study after presenting the research design in the following part.

## **Research Design**

The research design is based on a qualitative case study (Mayring, 2019) of the establishment of a PPP in Switzerland. Our data set covering the establishment process between 2008 and 2020, we focus on individual actors as well as on the different practices of strategy work. The PPP is a revelatory case for the PPP phenomenon under investigation because it offers additional potential for strategy work compared to PPPs for public services or infrastructure projects. It differs from regular infrastructure projects in that it has innovation as its goal and does so in the additionally demanding context of health care (Frey, 2017; Torchia et al., 2013). Finally, the practice-based view of strategy in general, and the open strategy approach in particular, are well-suited for researching strategy work of collaborations and partnerships (Bryson, Crosby, & Stone, 2015; Koschmann, Kuhn, & Pfarrer, 2012; Pittz & Adler, 2016), such as PPPs because they structurally require to some degree stakeholder inclusion and transparency (Whittington et al., 2011).

We establish our analytical framework, combining PPPs and open strategy (Whittington et al., 2011; Whittington, 2019). The specific focus lies on the in-house strategic planners as well as external strategy consultants in the whole process from generating ideas to implementation in the organization (Jarzabkowski, Lê, & van de Ven, 2013). Although the

generalizability of a single case study is limited, due to the long-time span of the study and amount of data available, our study addresses the research objective and provides a comprehensive description that is applicable to further studies.

### ***Empirical Context***

The Swiss Institute for Translational and Entrepreneurial Medicine (sitem-insel) (sitem-insel ltd, 2014) is a not-for-profit PPP and provides a revelatory empirical context for our inquiry. Translational and entrepreneurial medicine refers to the ambitious goal of innovation in medical technology, an industry that inherently involved public and private actors (Frey, 2017). In our case, the several public and private stakeholders, such as the University Hospital of Bern, the University of Bern and several industry partners are involved and the Swiss Confederation as well as the Canton of Bern (member state) provide subsidies. The PPPs goal and mandate is "the establishment, operation and development of a center for transnational medicine and entrepreneurship in the Canton of Bern" (sitem-insel ltd, 2018), and to maintain its form of a PPP in the long term.

Table 1 shows the timeline of key events and key actors of the establishment of sitem-insel from 2008 until the legal establishment in 2014. At the outset, a political dispute regarding the financial situation of the canton of Bern triggered the debate (Ilgenstein, 2021). The cantonal government decided to establish a task force to evaluate whether promoting Bern as an innovation hub for medicine and medical technology was viable. This task force suggested a national center for translational medicine to accelerate the translation process from invention to clinical application of new products. The cantonal trade councilor mandated and sponsored a detailed concept by external consultants. After the concept's approval, sitem-insel was legally established only 15 months after the presentation of the initial idea by the task force. Cantonal and federal government each contributed 25 million Swiss Francs to the budget and within less than two years, a new building was created on the campus of the University Hospital.

To support the process of developing a new diagnostic or therapeutic product until its application on the patient (i.e. translational medicine), sitem-insel operates in three units: “1) The sitem-insel School offers university-level continuing professional development courses taught by university and private-sector lecturers. 2) The sitem-insel Enabling Facilities provide infrastructure to foster cooperation between industrial partners, basic scientists and clinicians on the campus of the University Hospital of Bern (Inselspital) with the ultimate goal to bring novel diagnostic and therapeutic products towards clinical application. 3) The sitem-insel Promoting Services aim to optimize the administrative-regulatory effort along the route from laboratory bench to commercial products.” (Frey, 2017).

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[Insert Table 1 about here]

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### ***Data sources***

The data sources include 3’166 strategy and policy documents from sitem-insel as well as its stakeholders and 18 semi-structured interviews with sitem-insel’s strategic actors, field notes and recordings of observations of meetings, events and informal conversations over the course of our investigation. Data coverage begins in 2008 and continues through December 2020, examining the period from 2008 until the legal establishment of the organization in 2014. The following table 2 summarizes a detailed overview of the used empirical data with specifications of the type and objective of the data.

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[Insert Table 2 about here]

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*Documents.* The collection of documents include publicly available and confidential documents in connection to strategy work of internal and external stakeholders. These include 66 available newspaper articles from 13 different sources, public documents (governmental documents, annual reports, online magazines and public speeches), websites (sitem-insel.ch; sbfi.admin.ch; vol.be.ch; s. table 2 for more), newsletters (sitem-insel, Canton of Bern, Confederation and University of Bern), television and radio reports (14 reports from five

different sources) and press releases (from sitem-insel, Canton of Bern, Confederation and various partners from sitem-insel). Confidential documents comprise numerous strategy documents, protocols and minutes of meetings, emails, agreements and contracts with public and private stakeholders, and governmental documents.

*Interviews.* Interviews were conducted with strategic actors involved in the establishment of sitem-insel, key stakeholders involved in the development and operation of sitem-insel as well as with members of the cantonal and federal government. We ensured that all interviewees relevant to answering the research questions were interviewed at least once during the investigation. The semi-structured interviews lasted one hour on average and were audio recorded and transcribed. The first round of 11 interviews in 2017 were used to receive a broad overview of the strategy work in the organization and to identify the key actors and key milestones. The second round of seven interviews were conducted in 2018 and 2019 to specify the information combined from the documentations and first round interviews. The interviewees were provided with a timeline of the establishment of sitem-insel and were asked to describe the storyline from their own perspective, focusing on critical events and important stakeholders.

Arguably, the retrospective nature of the sitem-insel case precluded us from first-hand observations in the period of 2008 until 2014. Nevertheless, real-time observations of events and meetings as well as informal conversations from 2017 until 2019 in conjunction with the original documents from this period, gave insights about the strategy work of the early years. Restrictions concerning the conducted observations are due to the informal way of holding meetings during the years 2017 until 2019. On one hand, there were very few formal invitations to internal strategy meetings and, on the other hand, there is the possibility that informal strategy meetings were held without the knowledge of the authors.

## *Data analysis*

First, the authors analyzed the available documents to gain insights in the strategy practices of sitem-insel. In a second step, we conducted semi-structured expert interviews and various informal conversations with members or stakeholders of the organization. In addition, observations of events and presentations from or about the organization were recorded and analyzed.

We used MAXQDA 12 for coding documents, field notes and interviews. For this purpose, we defined codes based on strategy work and stakeholders, such as use of sanction, risk allocation, trust, conflict management, stakeholder involvement, innovation, collective and creative contributions, individual motivation and commitment, organizational identity, information overload, and frustration. We derived the codes from the PPP (Jeffares, Sullivan, & Bovaird, 2013; Klijn & Koppenjan, 2016; Nederhand & Klijn, 2017; Warsen et al., 2019) and open strategy literature (Luedicke et al., 2017) described above. In further steps, we operationalized the codes and linked them to specific practices with regard to the key tensions of open strategy work during the establishment of the PPP (see table 3). In order to investigate indications of causal relation of stakeholder involvement on the establishment of the PPP, we then linked the tensions to the timeline and assessed for each milestone whether the organization had included or excluded stakeholders in its strategy work.

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[Insert Table 3 about here]

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Table 3 contains the codes and their operationalization in the first column, and the respective practices we found by applying the codes in our data in the second column. The third column contains the corresponding tensions and their leading question. The fourth column serves to explain how the codes and identified practices correspond with the four key tensions. It is evident that we have assigned the practices to multiple codes, which is reflected in the overlap of the practices within each tension. This means that the practices that keep the tensions in balance intersect and can affect multiple tensions at once.

## **Field Analysis: Open Strategy, Tensions and Coping Practices**

In order to answer our research question whether the systematic application of open strategy is suitable for aligning the goals of emerging PPPs, we apply the PIET framework to our case study and identify, and descriptively represent the practices within the four tensions. In a second step, we present indications of causal relation of an open strategy on the establishment of the PPP.

### ***Purpose tension: What is the raison d'être of the PPP?***

During the early establishment of sitem-insel, the management chose organizational flexibility over standardization with the consequence of flexible structures and processes as well as uncertainties about specific aims and goals. As a result, the organization was able to expand its objectives and adapt them to the key players without involving them directly in the strategy processes. However, this was the reason for one major incident in sitem-insel about the question whether the purpose of sitem-insel relates to research or profit. Sitem-insel aims to educate scientists in entrepreneurship and provide various services for translational medicine, while at the same time, earning money or depending on industry could harm innovation and researchers:

*Translational medicine and entrepreneurship together was revolutionary. Medical scientists should learn entrepreneurship – lots of them thought, this is not necessary. However, it is research and innovation together. The original idea was to give the doctors the possibility to educate themselves without depending on the industry (Top management level: interview round 2).*

Simultaneously, there are financial interests and insecurities about the future of the organization whether they are earning money:

*This is one of my biggest fears. The whole project is very expensive. We were searching anxiously for collaborating organizations and shareholders. I feared that no one really*

*wanted to become a shareholder when there is nothing to earn* (Board of directors: interview round 1).

The fact that the discussion about the purpose of sitem-insel developed quite late in the process demonstrates a challenge of organizational flexibility in PPPs due to different and sometimes conflicting interests. In this specific incident, extensive discussions and changes on the top management level were the result:

*I was shocked, when someone on the management level proposed that whenever novel equipment will be acquired, sitem-insel should immediately make money with this. This would never had worked because we did not know if this was ever going to make money. This is the risk of innovation and such a research organization* (Top management level: interview round 2).

This example demonstrates how important the definition of the purpose is to avoid questions about main goals of the organization, which lead to opposition and may put the whole organization in a critical situation.

### ***Inclusion tension: Who are the strategic actors within the PPP?***

In the case of sitem-insel, the management decided to establish a network of handpicked entrepreneurs instead of opening up to various interested stakeholders, as an interviewee from the top management level stated:

*Private companies had to be contacted individually and some of them were interested from the very beginning [...]. I knew where to go and who to ask* (Top management level: interview round 2).

This example illustrates that in our case, personal contact with selected entrepreneurs was more valuable than providing comprehensive information to any potential stakeholder. Instead of involving different actors, it was crucial to connect the entrepreneurs and make them feel that they are an important part of the organizational identity. In our case, this resulted in the

participants demonstrating individual motivation and commitment and ultimately forming a network of a few but important entrepreneurs. These few important entrepreneurs were meant to bring their own projects and industry partner into the network themselves, willing to share the risks. To attract such key stakeholders the sitem-insel management focused on the quality of the meetings, which means that the CEO or the head of the board of directors themselves initiated the contacts and convinced them of the possibilities in the organization. This strategy aims to create legitimacy and attract public and private organizations, while saving time and money usually spent on meetings and consultations.

One of the main challenges is to identify entrepreneurs with corresponding values and make them believe in the organization's idea. In our case, a CEO was hired with the medical knowledge as well as knowing the important players in the medical sector. He invited other entrepreneurs with their own network in the private industry and the public sector. Hence, they facilitated a handpicked group of entrepreneurs with the necessary commitment and motivation for the project, as the following statement shows:

*Usually, we plan meetings at the beginning of the year until the end of the year. This is not going to work in this case. They say: "we are holding a meeting, when it is necessary". You leave – so to say – the workshop and prepare a doodle right away and within one day, every single one has responded. Even the busiest ones. For me, this was very impressive. You really felt that everyone wanted this* (Internal strategy practitioner: interview round 2).

The interviewees mostly described it as positive that not every interested stakeholder was included at this stage of the process because in such small groups, they had to face almost no opposition and external burdens. On the other hand, they forego advantages such as the inclusion of unknown stakeholders and their collective and creative contributions as well as exclude possible stakeholders interested in the project. This is surprising, as they could benefit both from the industry as well as from the public sector due to their organizational structure.



***Expertise tension: What type of expertise does the PPP need to be successful?***

A significant advantage of sitem-insel is that the management was able to identify a revolutionary idea supported by private and public stakeholders. Therefore, the collection of innovative ideas or creative contributions were not necessary to any further extent. Instead, the focus was lying on expertise and exchanging knowledge to face the high administrative burden of establishing a PPP, receive subsidies to be able to establish the organization entirely and start the operational work. In other words, sitem-insel was aware during the process what kind of knowledge they had to draw on.

After receiving prefunding in November 2013 (s. Table 1), the initial project team hired an external consultant to organize and support the formation of an extensive concept. Opening up their strategic work to an external consultant helped to benefit from his specific expertise in the public administration and lead to legitimacy and more subsidies in April 2014. Subsequently, the external consultant opened up the network to another entrepreneur with high commitment, who was appointed CEO, when sitem-insel was legally established. The CEO pursued the same intention until the establishment of sitem-insel and kept the strategy work closed for further participants.

***Time tension: What is the planning horizon of the PPP?***

Our data indicates that sitem-insel was under a lot of time pressure due to the high expectations from the public and received subsidies. Therefore, informal meetings and reserved communications were preferred. In their opinion, sharing information and considering feedback would be very time consuming and could harm the organization:

*I had the job to find a solution for the problem and we did this by ourselves, which was good because we did not have to consolidate so much. If we had to discuss in detail - at this point - and had to think about how big, how far, how expensive this project is, it would have led nowhere (Top management level: interview round 2).*

This closed strategy distinguishes itself for example in informal meetings, oral agreements, very little resources for communication media like newsletters, homepage or social media. This obviously led to individual motivation and commitment for the small number of involved entrepreneurs but at the same time to frustration for excluded stakeholders and employees.

### ***Indications of causal relation of the four tensions on the establishment***

Finally, to investigate indications of causal relation of stakeholder inclusion on the establishment of the PPP, we transferred the identified tensions to the same timeline used in the methods section (s. table 1). For each key event and actor, we examined whether stakeholders were involved or excluded or in other words, open strategy was conducted or not. Table 1 indicates the result, which shows that stakeholders were involved in certain practices until the last milestone before the legal foundation. In fact, from a membership perspective, the inclusion of various stakeholders was only waived when the future CEO was hired by the consulting firm. At that point, the purpose had already been defined for some time and therefore no further stakeholders were involved in this issue. The PPP focused on its public element and aimed to establish a research organization. It was only when problems arose at management level at a later stage due to the more flexible organizational form that it became clear how important it was to define the objectives precisely. Due to the continuous public pressure of the project, the organization avoided the consolidation of the stakeholders in terms of time and the focus was completely on the speed of the project. Finally, we investigated the influence on expertise in relation to creativity over time. When the public became aware of the problem during a political debate in television, it was mainly the regional councillor who addressed the issue. The inclusion of various actors then took place until the in-depth concept development began. We therefore assume that the focus on entrepreneurs, research, speed and expertise was fundamental to the establishment of sitem-insel.

## Discussion

The results reveal specific practices and their resulting consequences in the establishment of *sitem-insel*, when focusing on the inclusion of stakeholders and transparency (see figure 1). The main purpose of the practices is to keep these tensions in balance, as a unilateral solution is hardly possible in PPPs. In this way, these practices maintain the balance of tensions and enable joint strategy work in a PPP. With the following policy advises developed from the PIET framework, we answer our research question of whether the systematic application of open strategy is suitable for aligning the goals of emerging PPPs.

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[Insert Figure 1 about here]

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The determination of the *purpose* of the organization, whether they want to make a profit or do research is particularly important for PPPs, as they should cover the interests of both the public and private sectors. The flexibility of the structures and processes, but also the organizational flexibility over goal clarity, depends on this. It goes without saying that a flexible organization is more likely to involve stakeholders, whereas a deep stakeholder involvement is less likely in the case of predefined processes and goals. In the case of *inclusion tension*, an organization should decide whether its members are rather a small number of handpicked entrepreneurs - i.e. not an open strategy - or a group of different stakeholders - i.e. open strategy. The former requires that the people involved are known and that they are committed to participate in this project. Personal contact with stakeholders by crucial individuals from the organization (e.g. CEO and board members) is very important and the key stakeholders should be involved in the organizational identity to avoid their opposition.

Concerning generating various types of *expertise* within the organization, involvement of stakeholders should mainly be considered if creativity is required and if the project lacks expertise in terms of content and finance. Otherwise, the involvement of stakeholders could lead to frustration because there is no need for their input or because existing know-how in the project is wasted. The situation is similar with regard to the purpose of the organization:

depending on the degree of desired flexibility of structures and processes, open strategy can have a positive or negative impact on PPP performance. Clear and defined objectives require less additional transparency and the involvement of additional interested parties. However, it is important that there should be clear internal and external communication to prevent misunderstandings. Furthermore, flexible organizations can react to unexpected events or new, innovative ideas and may benefit from open strategy. Especially if there is an additional communication problem and it is difficult to understand or accept the purpose of the organization.

In our case, *time tension* is one of the most decisive factors, which has a major influence on whether and how many stakeholders can be involved in strategy development and how they are able to participate in the process. If the development is under great time pressure, as in our case, the disadvantages prevail with regard to the involvement of many stakeholders and their consolidation. However, if consolidation is valued more highly than the speed of the project, for example to gain legitimacy, then stakeholder involvement can be beneficial. In this case, the organization should adjust its budget for various communication channels and social media.

Our case shows that, the open strategy does not necessarily have advantages over traditional strategy development and the resulting tensions seem to be similar to challenges in purely private organizations. The main difference of the tensions and their practices compared to private companies is due to the origin of PPPs. The difference to strategy formation lies in its origin: PPPs, like all multi-sectoral organisations, are usually established on the basis of cooperation rather than competition (Pittz & Adler, 2016). Despite the cooperation as a basis, there are greater and more diverse risks due to the large number of contracts with different stakeholders and their fragmentation (Reeves, 2008).

## Conclusion

The aim of this paper has been to explore whether stakeholder inclusion and transparency supports the management of PPPs to develop and implement an accepted strategy to ultimately establish a successful organization. To this end, we have developed an analytical framework that provides both a contribution to the literature and practical recommendations by analyzing tensions and their resulting practices. Despite the promising outcome of an open strategy, the analysis reveals several challenges arising from stakeholder inclusion and provides policy advice under which conditions opening up the strategy process can help to align the various interests during the establishment of a PPP.

Based on the PPP and open strategy literature, we established the PIET framework to identify strategic practices to cope with four critical tensions resulting from stakeholder inclusion in the establishment of PPPs. First, the purpose of the PPP is disputed and needs to be continuously justified since the criteria of goodness or success within one sector does not fully resonate with those of another. Secondly, who are the actors involved in the strategy process, and how is their participation constituted and maintained. In turn, such actors involved can provide legitimacy, knowledge, expertise, innovation or creativity to the strategy process as a legitimate strategic actor. Thirdly, agreement on the type of expertise seems also to critically inform the strategy formation of the PPP. Whether the organization requires narrow, convergent analytical content expertise, or rather broad, divergent synthetic creative thinking again shapes very much how the joint strategy work is carried out. Fourthly, the strategic time horizon of the joint endeavor proved to be decisive in determining whether the involvement and consolidation of a large number of actors would be allowed or not.

The application of PIET suggests that conducting open strategy work in PPPs is difficult but feasible. Through our analysis of strategy work during the establishment of a PPP in the health care sector, we identified strategic practices to cope with these aforementioned tensions. Their main purpose and function are to keep these tensions in balance since a unilateral, simple

resolution is inherently impossible. Accordingly, while maintaining the rather delicate balance in each of the four tensions, the practices of open strategy render joint strategy work in a PPP possible. This framework allows assessing the challenges of establishing a PPP and considering the necessary practices to achieve a stable balance in the development of a common strategy.

Our study advances knowledge on open strategy by providing a first investigation into the specifics of a PPP and the challenges that such setting engenders. In turn, this then begs the question whether and how the intended goals of PPPs can be achieved through open strategy. Luedicke et al.'s (2017) set of five outcomes of open strategy is informed by our findings in that they correspond well with the idea of a PPP. However, our case suggests that the openness of strategy work in PPPs is depending on certain conditions of purpose, desired actors included, expertise and time.

Analogous to an intra-organizational open strategy approach, a PPP open strategy involves not only members from various levels but more importantly, from both, the private and the public sector. The complexity consists in the incommensurability of the specific objectives of each sector, or sub-sector such as medicine, or medical technology for that matter. In other words, the various interests are distinctively different and thus need special attention in order to make strategy work possible.

Besides the different interests of the actors involved, the key tensions and resulting practices seem surprisingly similar to the ones in organizations from single sectors. The differences remain mostly in the alignment of the specific practices to the interests of stakeholders from different sectors. Future research could therefore conduct a comparative case study with further PPPs and private or public organizations to address differences in the strategy work in private, public, and public-private organizations in greater detail.

Finally, the analytical framework provides new empirical knowledge for the research area of strategy work in PPPs (Noble & Jones, 2006; Roehrich et al., 2014; Wang, Xiong, Wu, & Zhu, 2017). For instance, it informs and fills the lack of rigorous empirical studies on PPPs and

provides a practical contribution to strategy work in PPPs by presenting key tensions and practices to comply with their obligations. Our contribution may lead into more studies about the application of open strategy under different social and cultural conditions (Whittington et al., 2011), different dimensions of openness (Luedicke et al., 2017) and different outcomes of open strategy (Gegenhuber & Dobusch, 2017).

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### **Paper 3**

#### **The Iterative Process of Legitimacy-Building in Hybrid Organizations**

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## The Iterative Process of Legitimacy-Building in Hybrid Organizations

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### Abstract

Hybrid organizations face the fundamental challenge of building legitimacy. To deal with this challenge in administrative theory and practice, we apply an analytical framework following an organizational logic of legitimacy building to an exemplary case of hybridity— the Swiss Institute for Translational and Entrepreneurial Medicine. Our framework application illustrates that pragmatic legitimacy (i.e. establishing instrumental value) must be built before moral legitimacy (i.e. fostering normative evaluation) and cognitive legitimacy (i.e. creating comprehensibility), followed by an iterative process of mutual influence between the legitimacy forms. Originating in the management literature, the framework promises new insights for public administration research on hybrids.

### Keywords

organizational legitimacy, hybrid organizations, public private partnership, innovation, stakeholder inclusion

## Introduction

Legitimacy is the property that is most important to the sustainable success and existence of a hybrid organization (Gulbrandsen 2011). Research shows that organizations with greater legitimacy achieve better organizational results and that resources can be more easily transferred into the organizational system in a sustainable way (Díez *et al.* 2013; Dowling & Pfeffer 1975; Zimmerman & Zeitz 2002). This paper addresses the challenge of building legitimacy in contemporary hybrid organizations, in which structures and processes of policy making and implementation cut across public and private boundaries (Thomann *et al.* 2016). Specifically, we aim to answer the following research question: how do hybrid organizations build legitimacy?

In order to address this question, we apply an analytical framework consisting of the organizational logic of pragmatic, moral, and cognitive legitimacy (Suchman 1995) to the real-world single case of the Swiss Institute for Translational and Entrepreneurial Medicine (sitem-insel) (Rosser *et al.*, 2020). The sitem-insel, which has been established in 2019 on the campus of the University Hospital in Bern, Switzerland, serves as our exemplary case where the relevant object of investigation—the need for legitimacy building in a hybrid organization—is visible in a particularly pronounced way (Gerring 2006). As regards method, the paper builds on a qualitative content analysis (Mayring 2004; Sager & Rosser 2015) of documents and expert interviews from the investigation period between 2008 and 2020.

Instead of the primacy of the state in public service delivery, a broad principle of subsidiarity applies today (Koppenjan *et al.* 2019; Rosser 2017). This principle extends, for instance, through public-private partnerships beyond the state administration to privately organized service providers (Torchia *et al.* 2015). While the latter mainly need to ensure that services be delivered effectively and efficiently, public organizations must also do justice to the democratic principles of popular control and participation (Klijn & Edelenbos 2013). Accordingly, building legitimacy is a tricky challenge per se, which becomes even trickier for hybrid organizations mixing institutional elements as well as organizational identities, forms, and action logics of

both the public and the private sectors (Battilana & Lee 2014; Johanson & Vakkuri 2017; Nederhand & Klijn 2019). This is no trivial fact as studies on hybrid organizations and organizational legitimacy originate largely from the field of organization studies whose “theoretical works [...] usually lack attention to the crucial role of politics in designing and implementing change and creating hybridity in public services organizations” (Denis et al. 2015, 285).

By considering different strategies of legitimacy building in hybrid organizations, we contribute to the mainly managerial discussion by adding aspects of legitimacy building that are essential from a public administration perspective. In a nutshell, we illustrate that due to the different stakeholder interests in hybrids, the preliminary focus of legitimacy building must be on integrating stakeholder<sup>1</sup> interests. Stakeholder inclusion to a certain extent depends on the democratic justification of the hybrid’s public purpose or social mission and, at the same time, the stakeholders’ willingness to support this mission. Only when the heterogeneous actors from both the public and the private sector estimate the advantage of joint activities within the same organization, can the hybrid organization provide services that benefit all actors and therefore allow future resources to be transferred to the organization. Or to put it in Suchman’s (1995) terms, only after stakeholder inclusion as key criterion of pragmatic legitimacy has been met can moral and cognitive legitimacy be managed. Once all forms of legitimacy have been formed, an iterative process of mutual influence between the three forms of legitimacy may ultimately lead to keeping organizational legitimacy.

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<sup>1</sup> Stakeholders are defined as “persons or groups with legitimate interests in procedural and/or substantive aspects of corporate [i.e. organizational] activity. Stakeholders are identified by their interests in the corporation [i.e. organization], whether the corporation has any corresponding functional interest in them” (Donaldson & Preston 1995, 66).

The paper is structured as follows: we start with a discussion of the theoretical background of our research before we turn to our research design, demonstrating our case selection, data collection, and data analysis. Subsequently, the actual case analysis is performed by applying the analytical framework to the sitem-insel. To make our case more applicable to the study of legitimacy of hybrid organizations in general, we then discuss our findings in relation to secondary literature. The paper concludes with practical and theoretical implications of our findings.

### **Theorizing Legitimacy**

“Legitimacy has emerged as a pivotal but often confusing construct in management theory” (Suddaby *et al.* 2017, 451). One of the most influential definitions of legitimacy stems from Mark Suchman (1995, 574), according to whom “legitimacy is a generalized perception or assumption, that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, beliefs, and definitions.” This implies that legitimacy is possessed objectively while at the same time being constructed based on subjective evaluations (Deephouse & Suchman 2008, 54; Tost 2011; Zimmerman & Zeitz 2002, 416). We use Suchman’s (1995) definition of legitimacy for two reasons: On one hand, his relational concept is commonly accepted in the literature (for an overview, see Díez *et al.* 2021; Bitektine 2011; Suddaby *et al.* 2017, 458; Tost 2011, 688). On the other hand, the definition is wide-ranging enough to apply to organizations in general, disregarding their public, private, or hybrid nature.

### ***Legitimacy in Hybrid Organizations***

Within a growing body of literature on hybrid organizations (e.g. Huybrechts *et al.* 2020; Mair *et al.* 2015; Pache & Santos 2013), Battilana and Lee (2014) have introduced the term *hybrid organizing* to describe activities, structures, processes, and meaning of hybrid social enterprises that bring sense into the organization. According to them, three aspects characterize hybrid

organizations. First, they blend multiple organizational identities which are defined as “the central, distinctive, and enduring features of an organization” (Battilana & Lee 2014, 400). Second, hybrid organizations at the same time mix multiple organizational forms, such as network and hierarchy as well as a “form of science-based business that combines aspects of academic research organizations and business organizations” (Battilana & Lee 2014, 401). Third, hybrid organizations combine multiple action logics or, in other words, various beliefs and practices that shape the behavior of actors (Sager et al. 2021; Thomann et al. 2018).

In order to take advantage of both the public and the private world, hybrid organizations are under dual pressure of legitimizing themselves (Huybrechts *et al.* 2020). In contrast to their private counterparts, hybrid organizations must not only be perceived as efficient service providers. Similar to public administration authorities, the legitimacy of hybrid organizations depends on both their administrative effectiveness and democratic quality (Klijn & Edelenbos 2013). Seeking commercial success in the marketplace while at the same having a public purpose or social mission, hybrid organizations need political support. This support stems from the democratic institutions of popular control and participation.

The distinction between popular control and participation, on the one hand, and effective and efficient service delivery, on the other, implies an institutional division of authority and labor between elected and appointed officials. While elected officials are the ‘principal’ enjoying the institutional legitimacy to formulate laws and regulations and to subsequently provide policy leadership and legislative oversight, appointed officials are the ‘agent’ who enjoy institutional legitimacy if they apply the laws and regulations to specific cases in a predictable, dutiful, and proficient manner (Benz 2008, 132). Similar to public organizations, hybrids provide services to citizens, rather than ‘just’ clients. This is why trust in the hybrid organization’s ability to deliver on its public purpose or social mission is an important catalyst for the creation of stable relationships between hybrid organizations and their target populations (Warsen *et al.* 2018; Torchia *et al.* 2015, 249).



In the following, we employ Suchman's organizational approach to inquire legitimacy building of hybrids. We link the findings of our inquiry back to the political concepts of institutional legitimacy in the discussion.

### ***The Organizational Logic of Pragmatic, Moral, and Cognitive Legitimacy***

Drawing an analytical distinction between pragmatic, moral, and cognitive legitimacy, Suchman (1995) formulates several distinct legitimacy types. While all these types depend on a generalized perception regarding the desirability, correctness, and appropriateness of a socially constructed system of norms, values, beliefs, and definitions, they rest on a "somewhat different behavioral dynamic" (Suchman 1995, 575). Obviously, these ideal typical forms of legitimacy "co-exist in most real-world settings" (Suchman 1995, 584); they are mutually overlapping and reinforcing.

*Pragmatic legitimacy* refers to the self-interest dependent evaluation of an organization's instrumental value (Tost 2011, 693). To put it in the words of Díez *et al.* (2021, 5), this form of legitimacy occurs "when stakeholders clearly and precisely perceive benefits from the organization." In a similar vein, Suddaby *et al.* (2017, 454) hold that this kind of legitimacy "arises from an organization's capacity to achieve practical outcomes in its immediate environment." In view of the instrumental value of specific outcomes, Suchman (1995, 578) speaks of exchange legitimacy, because this form of pragmatic legitimacy entails direct situational exchanges between an organization and its audience. At a more general level, an organization enjoys pragmatic legitimacy if the organization is perceived to respond to the larger interest. Suchman (1995, 578) speaks of influence legitimacy here, which "arises when the organization incorporates constituents into its policy-making structures or adopts constituents' standards of performance as its own." The third sub-type of pragmatic legitimacy is called dispositional legitimacy and refers to the personalization of organizations. As organizations are increasingly

identified with personalities possessing characters, styles, and tastes, they must convey an image that is congruent with the collective identity of its audience to enjoy legitimacy.

*Moral legitimacy* is based on normative evaluation, resting on the congruence between collectively held norms and beliefs on the one hand and an organization's achievements, procedures, structures, and leadership on the other. Regarding achievements, the moral legitimacy reflects an organization's consequential effectiveness (Suchman 1995, 580). An organization may also enjoy moral legitimacy if its practices, techniques, and routines are perceived to be sound and professional (Díez *et al.* 2021, 5-6; Levy *et al.* 2009, 360; Suddaby *et al.* 2017, 454, Tost 2011, 694). The legitimacy of an organization is then assessed in view of how results are achieved. Suchman (1995, 581) explains that procedural legitimacy stems from an isolated consideration of organizational procedures, whereas structural legitimacy has its source in the "general organizational features that arise when entire systems of activity recur consistently over time." Structural legitimacy thus asks whether an organization promises to be the 'right organization for the job'. Finally, an organization's moral legitimacy may stem from the charisma, credibility, and appeal of its leaders as "moral entrepreneurs" (Suchman 1995, 581).

*Cognitive legitimacy* depends on the comprehensibility or mere acceptance of an organization's role in the environment; it emphasizes the aspects of "explanation, theorization, and the incomprehensibility of alternatives" (Deephouse & Suchman 2008, 51). Suchman speaks of comprehensibility legitimacy when an organization's pursuit of goals is deemed proper and desirable and if its actions conform to its audience's cognitive scripts and belief systems. Finally, an organization may quite simply be "taken for granted" (Suchman 1995, 582). Since taken-for-granted legitimacy pertains beyond evaluation, it is theoretically the most powerful while at the same time extremely rare form of legitimacy.

## **Empirical Strategy**

We employ the sitem-insel to address the research question of how a hybrid organization builds legitimacy (Rosser et al. 2020). The in-depth qualitative analysis of our single case allows us to substantiate the analytical framework deductively and derive practical implications for the management of emerging hybrid organizations.

### ***Case Selection: A Hybrid Organization in the Field of Medical Innovation***

Innovation in the medical field is synonymous with translational medicine, as the latter deals with the translation of “new findings and products resulting from industrial development and basic research into clinical application” (Frey 2017, 1). Translational medicine has at both a national and international level become increasingly relevant for industry, academic medicine as well as innovation policy, health policy, and economic policy (Collins 2011; Dearing 2007). Translation was traditionally used to refer to the development of new diagnostic or therapeutic products from ‘bench to bedside’. However, this understanding of translation has been called into question, as bench work is mainly considered to be of clinical utility. In contrast, future bedside application is either unlikely or constrained by long development and approval procedures. Focusing exclusively on the bench and the patient neglects several key players involved in translational medicine. Translation therefore needs to be considered as process-oriented discipline including numerous stakeholders from different industries, scientific disciplines, clinics, regulatory agencies, politics, and administration. People from such heterogeneous backgrounds usually have distinct rationalities and interests, which renders their cooperation unlikely.

Different rationalities and interests lead to silo building as key challenge of translational medicine (Bornstein & Licinio 2011). Silos exist between the public and the private sector, where the fragmentation of interests may result, for instance, in an insufficient integration of academic research into private companies’ research and development strategies. What is more, private investors often focus on short-term returns, which is why especially small and medium-sized

enterprises (SME) face difficulties in raising capital for their translational endeavors. In contrast, business knowhow and experience in estimating the market potential of a certain product is often lacking in academia. A key driver of innovation from an industry standpoint may thus not receive enough attention among scientists. Silos also exist between disciplines of translational medicine. Simply put, physicians, chemists, engineers, business economists, regulation experts, and other specialists do not talk together enough—a well-known problem of science in general that is accentuated in translational medicine.

Medical innovation is an important driver of Switzerland's international competitiveness and the medtech and pharmaceutical industries are cornerstones of the Swiss economy. They depend on cooperation with university hospitals for their product development. Large companies operating globally can identify the countries and clinics with the best conditions for their translation. Whereas global companies need thus not attach much relevance to the framework conditions of translational medicine at the national level, startups, SME, and public research institutions very much depend on a healthy and competitive national framework.

Consequently, the federal government puts heavy emphasis on promoting translational medicine. This emphasis is equally pronounced within the canton of Bern's economic strategy 2025 to strengthen Bern's medical location (Kaufmann et al. 2016). As successful translation depends on intensive interaction between public and private actors from various fields, policy makers at the federal and cantonal level are turning away from centrally steered approaches towards bottom-up, network-oriented approaches in promoting innovation (Dearing 2007). Hence, officials of the canton of Bern as well as representatives from industry, universities and the Bernese university hospital have in 2014 joined forces to establish the *sitem-insel* (Frey 2017).

Located in the field of research and innovation policy, the *sitem-insel* qualifies as hybrid organization in terms of organizational identities, forms, and action logics (Ilgenstein 2021). First, regarding identities, the *sitem-insel* is viewed by both public and private actors as part of a long-

term solution to issues affecting society and the economy at large. The sitem-insel embarks on a clear political initiative in Switzerland's capital city. On the legal basis of the Innovation Promotion Acts of the Swiss Confederation and the canton of Bern, the sitem-insel receives subsidies of approximately 62 million Swiss Francs over a period of eight years (2017-2024). As part of its social mission, the sitem-insel is supposed to contribute to the growth of the medtech and biotech industry and to thereby generate jobs. The sitem-insel is also expected to contribute to developing new products and services in favor of patients by institutionalizing and professionalizing the interaction between scientists from the private sector and universities as well as clinicians, regulatory bodies, and investors (Government Council 2015a, 2015b).

Second, in terms of combining organizational forms, the sitem-insel is located in the field of science-based business and includes both organizational features from university and private companies. In contrast to a mere network or partnership of public and private actors, the organization possesses its own legal structure—that of non-profit limited company under private law. The members of the board of directors, management, staff, and advisory board are from both the public and the private sectors. The same applies to the sitem-insel's ownership structure with public and private shareholders holding approximately 30 and 70 percent of the shares respectively (sitem-insel 2020b).

Third, the sitem-insel combines action logics from both public and the private sector. Most importantly, the sitem-insel has a public purpose or social mission as it is entrusted with the promotion of innovation—a service that has traditionally been provided by the public sector. However, having to attain financial sustainability and independence from public subsidies by 2025, the sitem-insel at the same time follows the market logic of private companies. In a nutshell, the combination of social action logic and market action logic identifies the sitem-insel as a social enterprise, making it an exemplary case of hybridity (Battilana & Lee 2014; Gulbrandsen 2011; Mair *et al.* 2015).

## ***Data Collection***

The collected data corresponds with the investigation period from 2008 until 2020, beginning with the conceptual starting point of the *sitem-insel* in 2008 and running through the formal founding of the company in 2014 until the end of 2020. The body of sources for the textual content analysis consists of a total of 3166 documents. The data includes both publicly available and confidential strategy documents, meeting minutes, emails, agreements, and contracts produced by the *sitem-insel* and its governmental and business stakeholders, as well as newspaper articles, television and radio reports, homepages, and newsletters (see table 1 in the appendix for a detailed overview of the empirical data).

Eight-teen semi-structured expert interviews were performed in addition to observations of meetings as well as formal and informal conversations. The first round of interviews was led with interviewees from the top management level (Interview 1 and 2), the board of directors (Interview 3 and 4), internal strategy practitioners (Interview 5), external stakeholders (Interview 6, 7, 8 and 9), and members of the cantonal and national government (Interview 10 and 11). In terms of content, questions regarding the strategy work, important actors, and milestones in the organization's development were addressed. All interviews lasted about one hour and took place either on the premises of the *sitem-insel* or at the interviewee's workplace. The data obtained was then triangulated with document analysis and verified in the second round of semi-structured interviews. The second round consisted of interviews with people from the top management level (Interview 12, 13 and 14), senior staff members (Interview 15, 16 and 17), and a senior civil servant of the cantonal government (Interview 18). All interviews were performed in German; the translations of interviews and primary sources are our own. Finally, we have complemented our findings with secondary literature.

## ***Data Analysis***

The case study builds on a qualitative content analysis of neuralgic documents as well as expert interviews. Considering the number of interviews and their triangulation with other sources, the credibility of information promises valid and objective results (Gray *et al.* 2007). To analyze the documents, field notes and interviews, we defined categories based on Suchman's (1995) types of influence and dispositional legitimacy (i.e. three forms of pragmatic legitimacy); consequential, procedural, structural, and personal legitimacy (i.e. four forms of moral legitimacy) as well as comprehensibility and taken-for-granted legitimacy (i.e. two forms of cognitive legitimacy). We then operationalized the categories and searched the data for applicable statements or text passages with the MAXQDA 12 software ([www.maxqda.de](http://www.maxqda.de)). Table 2 in the appendix contains the categories and their definition as well as examples found in the data and coding rules. As one can imagine, taken-for-granted legitimacy could not be empirically established. It also turned out that quite a few empirical examples could partly be assigned to several legitimacy types, which underlines their overlapping and mutual reinforcement.

## **Legitimacy-Building in the Sitem-Insel**

In this section, we present the process of a hybrid's legitimacy building by applying our analytical framework of pragmatic, moral, and cognitive legitimacy to the case of the sitem-insel.

### ***Gaining Pragmatic Legitimacy***

According to our framework, pragmatic legitimacy is based on reason and self-interest, depending on the evaluation of an organization's instrumental value. An organization can thus build pragmatic legitimacy by representing its audience's interest. The sitem-insel very early aroused the interest of both the public sector and industry because of its social and macroeconomic relevance. It was the promise to help companies to bring their medical products to the market and innovation to patients that allowed the sitem-insel to build pragmatic legitimacy.

When the sitem-insel was started conceptually, strong emphasis was attached to recruiting charismatic personalities into the organization while at the same time knowing the diverse opinion leaders of the sitem-insel's heterogeneous audience (sitem-insel 2014). It was clear that attention must be paid to stakeholders and their perception of the instrumental value the sitem-insel generates in their favor. A major concern was to identify and integrate the key stakeholders without excluding other potentially important partners (sitem-insel 2018a). For instance, one interviewee mentioned that "everyone involved must work together. We should have an interest in really having open doors" (Interview 3). In the context of attracting investors, another expert stated,

"We are striving for a shareholder structure that is mixed. No main shareholder but different shareholders from private industry, from university, from the Inselspital, from private individuals. So as not to say this institute belongs to pharmaceutical company a or b (Interview 13)."

To convince the clinical stakeholders to promote the sitem-insel in its early development phase, a highly respected CEO from the medical field was hired to work out the conceptual details of the endeavor. Not only was this CEO known for having the network and speaking the language of key stakeholders, but he was also persistent in his efforts to reach them (Interview 1; Interview 3; Interview 13; sitem-insel 2018b).

In view of the long-term orientation of the sitem-insel, our interviewees underscored the inclusion of powerful political-administrative stakeholders such as the Federal State Secretariat for Education, Research and Innovation (SERI) and the Canton of Bern at an early stage (Interview 3, Interview 10; Interview 11; Frey 2017). The strong political-administrative support becomes evident when considering that the establishment the sitem-insel has been democratically legitimized at both the federal and cantonal levels. The sitem-insel's public subsidies have been approved by the federal and cantonal parliaments on the legal basis of the Innovation Promotion Acts of the Swiss Confederation and the canton of Bern. No use was made of the



direct-democratic instrument of the referendum, which is customary in the Swiss political system (Sager & Zollinger, 2011). Not only the fact that the federal SERI classifies the sitem-insel as a research institution of national importance with highest priority, but also the speed with which the cantonal parliament has passed the innovation act to fund the sitem-insel and the cantonal government granted its building permit may serve as evidence for the strong political-administrative support (Government Council 2015a, 2018; Governor's office 2017).

Additional political instruments are in place to monitor whether the sitem-insel is able to fulfill its public purpose or social mission. At both the federal and cantonal level, policy leadership and legislative oversight are secured by binding the subsidies to performance agreements and controlling the sitem-insel's compliance with these agreements annually with the help of detailed reporting dossiers. Additional policy leadership is executed through the membership (without vote) of the federal and the cantonal governments in sitem-insel's board of directors. Finally, the use of subsidies is reviewed by the cantonal audit office. Acting on behalf of the cantonal parliament and the government, the audit office is an organizational unit within the cantonal public administration, bound in its activities only by the constitution and the law (Audit Office of the Canton of Bern 2020, 10; Frey 2017, sitem-insel 2020a).

Once the commitment of the federal and cantonal governments was secured, the sitem-insel continued to include resource-rich before less influential stakeholders (Interview 10; Interview 18; sitem-insel 2018c). In terms of early movers, widely known industrial companies could be acquired as shareholders, lending credibility to the sitem-insel. It also made sense to focus on cooperation with local partners such as the Inselspital's heads of clinics as main shareholder and local companies, before extending partnerships to a national and international level. The inclusion of the university hospital's opinion leaders was key for developing the sitem-insel, quite simply because translational medicine does not work without clinical expertise (Interview 1; Interview 3; Interview 6; Interview 17; TMCS 2014). In this context, an interviewee stated,

“You cannot bring a product to the patient if doctors do not cooperate. When they say that they have no interest in this needle, this pacemaker, that these dialysis machines do not interest them, there is nothing the sitem-insel can do” (Interview 13).

Another interviewee explained that the initial focus was on involving the right stakeholders,

“The sitem-insel needs the right know-how. [...] I firmly believe that people are crucial to the success of the project. One can always create structures. But if one has the best structures while having bad people, the whole thing is for nothing” (Interview 7).

In summary, the sitem-insel paid considerable attention to the creation of pragmatic legitimacy during its conceptual phase. It was the socially and macroeconomically relevant purpose of strengthening the medical location that allowed the sitem-insel to respond to a large interest group and convinced public authorities to invest in sitem-insel. By including diverse stakeholders, pragmatic legitimacy was built and thus the momentum for the further development of the sitem-insel was created.

### ***Gaining Moral and Cognitive Legitimacy***

Changing organizational processes and structures had a major impact on the output produced by the sitem-insel and how this output was perceived. Once the sitem-insel had been legally founded, performance agreements were signed with the federal and cantonal governments to assess whether the expected results would be achieved (sitem-insel 2020a; 2018d). These performance agreements and their monitoring through annual reports not only helped the sitem-insel to justify the subsidies it received, but also to systematically increase trust among its stakeholders. At this point, the sitem-insel needed to increasingly pay attention to the normative evaluation of its policies, practices, routines, organizational structure, and leadership to maintain pragmatic legitimacy in the long term.

Once the sitem-insel started operationally, the informal and flexible, iterative decision-making processes were gradually replaced by formalized processes with more binding negotiations

between the parties involved. This streamlining was important for the pursuit of shared goals without creating intra-organizational silos and divergent ideas about the organization's strategic direction. Some stakeholders also argued that formalized processes would increase reliability of expectations and transparency, which in turn would reduce the risk of the project (sitem-insel 2020c). Financial accounting and reporting procedures were progressively strengthened and standardized to complement the medical expertise (Interview 6; Interview 8; Interview 10; sitem-insel 2018a). When asked about the sitem-insel's main challenge after the foundation, an interviewee replied, for instance, that "there will be no straight path to achieving our goals. We increasingly need stability and clarity in order to really manage this project" (Interview 3).

From a structural perspective, the recruitment of staff was decisive. In both the board of directors and the executive management, members with status and seniority allowed the sitem-insel to justify its investments and acquire additional resources (Interview 1; Interview 10; sitem-insel 2018d). Not only the recruitment of staff, but also its turnover was essential for the sitem-insel's further development. The demand for increasingly private and entrepreneurial skills led to the adjustment or replacement of staff members (Interview 3; sitem-insel 2020b; sitem-insel 2020c; Task Force Medicine Bern 2013). Especially at the top of the organization, the sitem-insel hired people with knowhow and experience from the private sector while at the same time being able to understand and represent the publicness of the sitem-insel (Interview 1; Interview 2; Interview 3; sitem-insel 2018b):

"I have the feeling that we probably need to set up a more professional management team now. A management that really has the administrative, economic, and professional skills and a good network. We are still too pioneering. We urgently need to hire a powerful, ordinary, small but efficient administration that knows how to run something like this" (Interview 3).

Moreover, since translational research organizations and leaders with a strong track record in managing such organizations are rare at the regional and national level, the sitem-insel started

looking for international professionals with experience in promoting translational medicine (TMCS 2014; Interview 3).

In addition, more focus was laid on coherent communication and reputation management (Interview 4). For instance, an interviewee stated,

“The question is how to communicate well. The most important thing is to have the right people who are communicative and open, who really do something” (Interview 1).

Another expert added,

“I think that the CEO should personally be responsible for network and communication at the sitem-insel, since communication and the networking are crucial and need to be streamlined” (Interview 15).

As regards branding, the sitem-insel incorporated the term ‘Insel’ into sitem-insel’s name. Since the Inselspital probably has the strongest brand name in the Swiss medical landscape, this elective affinity allowed the sitem-insel to free ride to a certain extent. However, the proximity of the sitem-insel’s location to the university hospital comprising nearly all tertiary medical disciplines represented a major asset beyond branding. It can hardly be overestimated how important it is to be able to meet with clinicians in a subliminal and efficient manner (Interview 2).

In summary, it can be held that the early results achieved—the new building, the strong financial and ideological commitment of the federal and cantonal governments, as well as the support of shareholders, stakeholders, and recognized staff members—were publicly and medially acknowledged and represented by future partners. Only recently, the strategic management of the sitem-insel has emphasized the importance of systematically communicating the great social and economic benefits of the sitem-insel to policymakers and the wider public (sitem-insel 2021). However, when the operational work started, pragmatic legitimacy alone would not suffice to stabilize and further develop the organization. Additional emphasis was therefore placed on building moral and cognitive legitimacy by making procedural, structural,

and personal adjustments to the organization. This emphasis would in turn reinforce the pragmatic legitimacy that had already been built.

## **Discussion**

Despite the publicness and political relevance of hybrids, the question of how such organizations may gain legitimacy has rarely been addressed in the public administration literature (Gulbrandsen 2011). Given the increasing role of hybrids in public service delivery, there is a need to fill this gap. We therefore turn to discussing the implications of our findings for the legitimacy building in hybrid organizations at a more general level. Considering the limited generalizability of a qualitative single case study, we propose learnings for hybrid organizations by discussing our findings against the background of secondary literature on the subject.

### ***Pragmatic Legitimacy: Process-Oriented Stakeholder Inclusion***

Our study suggests that systematic stakeholder inclusion is key. The underrepresentation of important stakeholders and their lack of joint activities or participation in strategic decision making will lead to the fragmentation of interests, which in turn will lead to the implementation of policies of the lowest common denominator that do not necessarily fit the interest of individual stakeholders (Gulbrandsen *et al.* 2015; Klijn & Koppenjan 2016; Torchia *et al.* 2015). Hybrids may not only increase their efficiency through complementary interaction of the stakeholders involved, but also benefit from a possible redistributive function between the different actors (Van der Heijden 2015). In order to enhance the inclusion of stakeholders, trustful relationships and contracts that allow flexibility are necessary (Nederhand & Klijn, 2019). Leaders of hybrid organizations should therefore cooperate and communicate compassionately, flexibly, and honestly with stakeholders and acknowledge the validity of their diverse interests. More generally, hybrids should respond to stakeholder interests “within a mutually supportive

framework, because that is a requirement for the legitimacy of the management function” (Donaldson & Preston 1995, 87).

The congruence between the identities of the organization and its audience must be high. Gaining pragmatic legitimacy therefore entails a great deal of interaction between a hybrid and its environment. Our case study indicates that political and administrative officials, opinion leaders from private industry, professional experts, and so-called devil’s advocates from civil society should be involved in decision-making and implementation processes. This can contribute to creating reliability of expectations and establishing unambiguous rules for the implementation of policies. As a result, stable relationships between different stakeholders may be established, which in turn contributes to consolidating existing achievements and anticipating future implementation challenges. In this context, transparency ought to be secured by pursuing and communicating unambiguous objectives and a credible long-term commitment to comply with these objectives. These suggestions are in line with Suchman stating that “frequent and intense interaction creates dense webs of meaning that can resist, survive, and repair disruptions in individual strands of understanding” (1995, 596).

Our findings also correspond with Tost’s (2011) analysis combining institutional theory and social psychology. Highlighting the “importance of the relational dimension” of legitimacy building, Tost (2011, 703) states that an audience’s likelihood of attesting legitimacy to an organization is greater if the audience perceives itself as a relatively homogeneous group that consciously or unconsciously pursues similar goals with the help of the organization under consideration. Once a “legitimacy judgement” has thus emerged, it may act “as an anchor that guides interpretations of new legitimacy-relevant experiences such that new information is viewed as consistent with the existing generalized judgment” (Tost 2011, 697).

The complex task of including stakeholders should be oriented from the inside out or, in other words, from the local to the international level. First, the relevant legal bodies and normative authorities must support the organization, as political-administrative support proves to be a key

factor for success. The process may then continue with stakeholders who control resources and continue with less decisive players. Overall, this process-oriented stakeholder inclusion should be oriented towards efforts to obey the “dictates of preexisting audiences within the organization’s current environment” (Suchman 1995, 587). Only later may an organization be able to adopt strategies “to manipulate environmental structure by creating new audiences and new legitimating beliefs” (Suchman 1995, 587).

### ***Moral and Cognitive Legitimacy: Organizational Adjustments***

It is a hybrid’s instrumental performance that leads to support because of the level of reward of the organization’s policies. To ‘monitor’ and potentially increase this level of reward, a hybrid should establish key performance indicators that not only measure the output of the organization’s performance, but also their impact. The higher the quantity and quality of the hybrids’ performance will be perceived by its audience, the more will the organization be considered legitimate from a consequential perspective. For example, in terms of performance management, Pozen & Kline (2011) suggest several measurable aims translational research organizations must achieve to work in compliance with their audience’s expectations. These aims refer to funding and commercial investment, the quantity and quality of the organization’s staff and talent turnover, the quantity and quality of collaborations achieved, the size of pipeline with new projects and efficient progress through this pipeline, the number of patents and high-quality publications, and the dissemination of innovative insights.

Personal legitimacy refers to the support for an organization’s leaders because of their credibility and appeal. As the strategic leaders of a hybrid organization should do justice to its publicness, a hybrid is well-advised to integrate staff at the strategic level from both the public and the private sectors who assume the role of legitimization promoters. Due to their high hierarchical rank and reputation, they can justify innovation processes, acquire the necessary resources, and overcome the resiliency of change (McGivern *et al.* 2015). Especially in health

organizations, “the relationship between medicine and management is subject to specific constraints at the workplace level, thus conditioning the expected outcomes of policy setting” (Correia & Denis 2016, 75).

Hybrid organizational leadership may not only include proactive explanations and apologies, but also more severe strategies such as the replacement of staff and the reconfiguration of organizational structures and processes. Anticipatory and reactive blame avoidance strategies are enlightening in this context. Whereas anticipatory forms of blame avoidance prepare for failures before they happen, reactive forms are short-term responses *ex post* (Hinterleitner & Sager 2017; Hinterleitner 2020). Hybrids should internalize anticipatory forms of blame avoidance to secure resilience for cases of failure. It almost goes without saying that effective crisis leadership largely depends on the existence of a crisis management concept and an unambiguous chain of command.

What is more, in terms of both building personal and procedural legitimacy, a hybrid organization may pursue the strategy of “legitimacy spillovers” (Kostova *et al.* 2008, 1001). This may be done, for instance, by associating the hybrid’s leadership with other reputable organizations and their leadership from a related environment. To put it differently, a hybrid is well advised to draw on the expertise of leaders who have gained a reputation of successful leadership in comparable organizations (Correia & Denis 2016; Levy *et al.* 2009, 358; Tost 2011, 697). As novel solutions are more likely to be accepted if they remind their target populations of successful examples, a hybrid should borrow sound administrative practices and professional routines from the private sector. The right degree of formalization should ensure that compliance rules are administered with long-term consistency and thereby contribute to reducing uncertainty on the part of both the organization’s staff and its audience. Even though it may seem obvious that sound financial reporting and controlling processes and business expertise are crucial for the performance of hybrid organizations, such processes and knowledge are often lacking within entrepreneurial public programs (Vecchi *et al.* 2015, 6).



When it comes to cognitive legitimacy, attention should be drawn to mimetic isomorphism or the tendency of an organization to voluntarily imitate the structures and processes of another organization whose structures and processes are judged to be beneficial (DiMaggio & Powell 1983). Given their novelty, hybrid organizations are in a legitimacy process comparable to that “under conditions of institutional change” (Bitektine & Haack 2015, 52). Hybrids find themselves in a volatile environment, “where multiple sets of norms advanced by their proponents compete for the minds of evaluators” (Bitektine & Haack, 2015, 54). Since hybrid organizations with a similar purpose and successful track record are scarce, potentially conflicting structures and processes may be taken as the established model (Battilana & Lee 2014). In line with what Kostova *et al.* (2008) observe in the context of multinational corporations, this is arguably why mimetic isomorphism may not apply as strategy for legitimacy building in hybrid organizations. Instead, Kostova *et al.* (2008) conclude, the focus is on negotiating the legitimate status of the organization with each stakeholder group. This negotiation resembles a deliberative process that creates a favorable perception of the organization without implementing certain structures and processes in the sense of isomorphism. This conclusion underscores the prominent role of stakeholder inclusion illustrated above.

To facilitate vertical and horizontal intraorganizational exchange, a flat and flexible structure with different interconnected operational units may be adopted. The interorganizational network of this matrix-organization may be expanded using open innovation platforms, making sure that as many participants as possible find better solutions by taking advantage of the knowledge and experience of others (Steijn *et al.* 2011). Such structural measures observed in network organizations may contribute to avoiding inter- and intraorganizational silos.

### ***Temporal Sequences of Legitimacy Building***

Suchman's (1995) work helps us grasp physical properties of legitimacy that may be measured as to how they change "under different degrees of 'fit' with various environmental and contextual conditions" (Suddaby *et al.* 2017, 453). In other words, legitimacy in Suchmanian terms is 'workable' in that it may be achieved, increased, or lost. This makes Suchman's work pragmatic, providing us with concrete directions for practical action while at the same time ensuring certain conceptual rigor. This corresponds with Nagy *et al.*'s (2017, 55-56) work on legitimacy building in an "emerging venture context," which provides "entrepreneurs with the ability to accelerate the pace at which legitimacy is achieved." Their empirical study suggests how and when a private company may do what to build legitimacy, arguing that a private organization's early focus of legitimacy building should be on activities such as "networking and broadcasting its mission" or "obtaining funding and trying to win awards", while later activities should concentrate on "developing a formal information system" or "employee handbooks and directions for task completion", among others (Nagy *et al.* 2017, 55). Although this study concerns only private companies, there seems to be an elective affinity between their and our findings: measures regarding stakeholder inclusion are crucial at an early stage, while subsequent measures tend to relate to organizational structures and processes. The *sitem-insel* may thus seem to be an ideal case of success and legitimacy, since it was evident from the beginning that at least some forms of legitimacy had been built. However, as the data analysis suggests, it was a complex and enduring process of legitimacy building that ultimately led to the success of the *sitem-insel*. It follows that different forms of legitimacy influence each other and must be constantly developed to become sustainable.

Our findings appear to correspond well with the institutional perspective of input, throughput, and output legitimacy (e.g. Scharpf 1971, Schmidt 2013). Input legitimacy (government by and of the people) has to do with the democratic institutions of representative decision making and

participation. It asks how to include the interests of as many stakeholders as possible. In contrast, throughput legitimacy (government with the people) asks what goes on within the ‘black box’ of the organization and entails the efficacy, legal certainty, and predictability of governance structures and procedures as well as the equal and fair treatment of people. Finally, output legitimacy (government for the people) is associated with organizational performance or problem-solving capacity and asks whether an organization’s implementation of policies represents an effective response to societal needs. In a nutshell, our paper suggests that both private and hybrid organizations depend on throughput and output legitimacy. However, what hybrid organizations clearly share with public organizations is the high relevance of input legitimacy.

This link between an organizational and a political perspective on the service provision of hybrids is not a trivial insight, given that research on hybrids and studies on organizational legitimacy come mainly from the field of management, while studies on institutional legitimacy are at home primarily in political science. Accordingly, Public Administration as a research field at the crossroads between organizational studies, management, and political science can benefit from more interdisciplinary work on the normative foundations of hybrid organizations.

## **Conclusion**

By applying an analytical framework of an organizational logic of legitimacy to the single case of the *sitem-insel*, this paper provides new insights into how emerging hybrid organizations build legitimacy. Our main findings are twofold: On the one hand, our paper suggests that building legitimacy is a manageable process requiring a strong initial focus on stakeholder inclusion. On the other hand, hybrids are considerably more concerned with political aspects of legitimacy building than private organizations.

Legitimacy building is a manageable process (Nagy *et al.* 2017). Our findings suggest that pragmatic legitimacy has to be secured before moral and cognitive legitimacy can be achieved.

Especially in a hybrid's formation phase, the focus of legitimacy building must be on integrating stakeholders. Hybrid organizations have to align the interests of their constituencies, members, and target populations before they can achieve results that benefit all actors. Overall, the performance of a hybrid organization can be considered legitimate if the target population perceives the organization's performance as profitable. The more the target population values the organization's performance, the more likely may future resources be transferred to the organization. The individual forms of legitimacy must then reinforce each other in order to stabilize and further develop the organization. This will make the organization sustainable, and the hybrid organization may eventually be taken for granted.

Once multiple identities, rationalities, and objectives have been integrated by focusing on process-oriented stakeholder inclusion, emphasis may be placed on other aspects of legitimacy building. Targeted planning instruments and transparency in cooperation and communication may be equally important as leadership, managerial, financial, and entrepreneurial competence. In addition, efficient processes and structures should be established to implement policies effectively. This may be achieved, for instance, with the help of performance reputation strategy, incorporating expertise in financial management and business administration into the organization, and implementing flat and flexible organizational structures. Especially in this context it makes sense to 'borrow' experience and expertise from the private sector.

When comparing hybrid organizations with private counterparts of similar size and turnover, however, hybrid organizations are much more embedded in a political field in addition to the managerial field. In other words, hybrid organizations are considerably more concerned with political aspects of legitimacy building than private organizations. In this aspect, hybrids remind us of public organizations, whose legitimacy depends on both their democratic quality and administrative effectiveness in service delivery. The same applies to hybrid organizations because they are accountable to both a public and a private authority. Hence, in contrast to their exclusively private counterparts, hybrid organizations need political legitimacy, which mainly

stems from the democratic institutions of representative decision making and participation. It thus follows, for instance, that leaders of hybrid organizations must be aware that the more strategic the decisions to be made, the more politicized the organization they represent becomes. Political intuition and diplomacy thus generally seem to be more important for the leadership of hybrid organizations than for purely private companies.

Further research could provide more applicable insights into how organizational legitimacy can be actively managed in hybrid contexts while at the same time abiding to the rule of law and being accountable to democratic politics in one way or the other. It might be fruitful to compare the process of legitimacy building in hybrids with examples from public administration, where legitimacy is generally conceived to stem from constitutional and legal sources as well as the efficacy, legal certainty, and predictability in administrative procedures. However, knowing that public administration exerts discretionary power in its service delivery, we must assume that hybrid organizations have even more room for maneuver. Deriving legitimacy from the delegation of power and the prevalence of law may thus come to its limits. Accordingly, the decisions of organizations providing public services have to be justified on their own. While there are attempts to address this normative question, for example, in literature on administrative reputation (Bustos 2021; Carpenter & Krause 2012; Kuenzler 2021) and public values (Bryson et al. 2014; Stoker 2006, Rhodes & Wanna 2007), it has not yet been resolved in this context, let alone applied to hybrid organizations. As the strategic management of legitimacy in hybrids raises doubts about their democratic quality, it may be interesting, for instance, to further discuss whether creating an independent legal form for hybrid organizations could be useful (Karré 2021). Given that instead of the primacy of the state, a broad principle of subsidiarity applies today in public service delivery, more research on hybrid organizations will be needed to increase their legitimacy amidst definitional ambiguity and confusion.

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## **Appendices Paper 1-3**

## Online Appendix Paper 1

### Online Appendix 1. Overview of the empirical data.

	Specification	Objective
<b>Documents</b>	<b>Public documents</b> <ul style="list-style-type: none"> <li>- Newspaper articles</li> <li>- Public governmental documents</li> <li>- Homepages</li> <li>- Newsletters</li> <li>- Television and radio reports</li> <li>- Press releases</li> </ul> <b>Confidential documents</b> <ul style="list-style-type: none"> <li>- Strategy documents (plans and reports)</li> <li>- Protocols, agendas, minutes and presentations of meetings</li> <li>- E-mails</li> <li>- Agreements and contracts with public and private stakeholders</li> <li>- Governmental documents (protocols, legislative proposals, invitations)</li> </ul>	<ul style="list-style-type: none"> <li>- Identification of key events and key stakeholders</li> <li>- Establishment of the timeline</li> <li>- Focus on organizational goals</li> </ul>
<b>Interviews</b>	<b>First round interviews</b> <ul style="list-style-type: none"> <li>- 2 Top management level (Int. 1; Int 2)</li> <li>- 2 Board of directors (Int. 3; Int. 4)</li> <li>- 1 Internal strategy practitioners (Int. 5)</li> <li>- 4 External stakeholders (Int. 6 – Int. 9)</li> <li>- 2 Local and national government (Int. 10; Int. 11)</li> </ul> <b>Second round interviews</b> <ul style="list-style-type: none"> <li>- 3 Top management level (Int. 12-14)</li> <li>- 3 Internal strategy practitioners (Int. 15-17)</li> <li>- 1 Local government (Int. 18)</li> </ul>	<ul style="list-style-type: none"> <li>- Identification of key events and key stakeholders</li> <li>- Establishment of the timeline</li> <li>- Verification of data from documents</li> <li>- Identification and analysis of intentions</li> <li>- Focus on decisions and individual motivation</li> </ul>
<b>Observations</b>	<b>Events</b> <ul style="list-style-type: none"> <li>- Public and confidential presentations</li> <li>- Media conferences</li> <li>- Opening Ceremony</li> </ul> <b>Meetings</b> <ul style="list-style-type: none"> <li>- Workshops and meetings of the executive board</li> <li>- Meeting of the support committee</li> <li>- Meetings with Stakeholders</li> </ul> <b>Informal conversations</b>	<ul style="list-style-type: none"> <li>- Verification of data from documents</li> <li>- Identification and analysis of intentions</li> <li>- Focus on decisions and individual motivation</li> </ul>

## Online Appendix 2. Interview guideline translated from German.

Interview Guideline	
Interviewee:	
Position:	
Date/Time:	
Place:	
Introduction	
<ul style="list-style-type: none"> <li>- The person interviewed is asked to explain the process from their own experience and to name important events, milestones and actors involved.</li> <li>- Subsequently, specific questions are asked in relation to list of topics</li> </ul>	
Questions	Topic
Was it crucial for you/your organization that sitem-insel was set up as a PPP? If so, why? If not, why not?	Policy
Why was a PPP chosen as the organizational form of sitem-insel? Were there any projects you were inspired by? Is PPP particularly suitable for promoting innovation? Were there better opportunities for subsidies? Were you/your organization involved in this decision?	Policy
The term "Centre for Translational Medicine" was first used in the Task Force Medicine's sketch of ideas. Can you remember when the PPP as an organizational form was first discussed?	Policy
What were the major challenges due to the organizational form? Where did you encounter resistance?	Policy
In 2012, the problem first appeared on the political agenda of the Government Council. Why not earlier? For example, in 2008 when it became known that Berne would receive 1 billion; or when the capital region of Berne was founded?	Window
The merger to form the Bern hospital network was already initiated in 2009 and 2010, and in 2015 the Inselspital Bern merged with the Bern hospital network. Why did the ETH Medicine Berne project come onto the political agenda in 2012 when the committees were merged? Why was sitem-insel convincing and not ETH BE?	Window
How was the project promoted/hindered by the political situation? Were there power struggles? Did the middle-class majority (i.e., bürgerliche Mehrheit) play a role? To what extent did constellations of different stakeholders contribute? Or the economic situation (financial crisis)?	Politics

Did our political system (e.g., votes, decisions of the Confederation and cantons) contribute more to long-term investment (legitimacy) or was it an obstacle?	Politics
To what extent have the interests of the canton been linked to those of the Confederation (e.g., guideline "Health policy priorities BR" (Jan 2013); "Master plan BR: Measures to strengthen biomedical research and technology" (end 2013)?	Politics
What were the critical turning points, problems (external shocks) of the project? In the beginning, during the process, at the end?	Problem
Why were you convinced of the idea? What motivated you to support the project? How did you come up with this idea?	Entrepreneur
How would you define your role in the process? Did you act on behalf of someone or on your own initiative?	Entrepreneur
How important were other actors involved? Can you name people who have been important in driving the project forward? What role did these people play in the process?	Entrepreneur
How did the actors involved influence sitem-insel? What was their strategy? Were there coalitions (political/hospitals), lobbying, networks, a convincing business case? How did they assert themselves? Through power or arguments?	Entrepreneur



## Appendix Paper 2

### Tables

	2008-2013	Feb. 2013	Aug. 2013	Nov. 2013	Jan–Jun 2014	April 2014	Nov. 2014
<b>Key Events and Key Actors</b>							
<b>Key Events</b>	Political Debate about the Financial Situation in Bern	Establishment of the Task Force Medicine	Project idea: National Center for Translational Medicine	Prefunding from the canton of Bern (50')	Conceptual work by external consultants	Funding from the canton of Bern (300')	Establishment of sitem-insel
<b>Key Actors</b>	Regional Councilor	Members Task Force Medicine	Federal Councilor	Cantonal Trade Councilor	Consultants, Stakeholders	Cantonal Trade Councilor	CEO
<b>2008–2012</b>							
<b>2013</b>							
<b>Inclusion or Exclusion of Stakeholders</b>							
<b>Purpose</b>	inclusion	inclusion	exclusion	exclusion	exclusion	exclusion	exclusion
<b>Inclusion</b>	inclusion	inclusion	inclusion	inclusion	exclusion	exclusion	exclusion
<b>Expertise</b>	exclusion	inclusion	inclusion	inclusion	inclusion	exclusion	exclusion
<b>Time</b>	exclusion	exclusion	exclusion	exclusion	exclusion	exclusion	exclusion

Table 1: Timeline of Key Events, Key Actors and Stakeholder Inclusion in the Establishment of sitem-insel

	<b>Specification</b>	<b>Objective</b>
<b>Publicly available documents</b>	<b>Newspaper articles</b> BZ Berner Zeitung (25 articles); Der Bund (10); NZZ Neue Zürcher Zeitung (10); Medinside (7); Berner Bär (6); Der Beobachter (1); Berncapitalarea (1); Tagesanzeiger Online (1); Jungfrau Zeitung (1); Le Matin(1); Le Nouvelliste (1); Corriere del Ticino (1); Handelszeitung (1).	<ul style="list-style-type: none"> <li>- Identification of key events and key stakeholders</li> <li>- Establishment of the timeline</li> <li>- Focus on strategy work and organizational goals</li> </ul>
	<b>Public documents and publications</b> Annual report and online magazine University of Bern; Annual report Inselspital Bern; Public speeches (e.g. Speech of the cantonal trade councilor for the Grand Council on 12.12.2018); speech of the federal council during the opening ceremony).	
	<b>Websites</b> www.sitem-insel.ch; www.sbf.admin.ch; www.vol.be.ch; www.unibe.ch; www.berninvest.be.ch; www.ppp-schweiz.ch; www.hauptstadtregion.ch; www.swissinfo.ch; www.bluewin.ch; various websites from sitem-insel; Partners or stakeholders (e.g. www.dcberne.com; www.kpm.unibe.ch)	
	<b>Newsletters</b> sitem-insel; Canton of Bern; Confederation; University of Bern	
	<b>Television and radio reports</b> Schweizer Radio und Fernsehen (SRF1) (7); SRF Schweiz Aktuell (1); SRF Regionaljournal Bern (1); Telebärn (4); Santemedia.ch (1)	
	<b>Press releases</b> sitem-insel; Canton of Bern; Confederation; Partners within sitem-insel (e.g. CSL Behring and University of Bern)	
<b>Confidential documents</b>	<ul style="list-style-type: none"> <li>- Strategy documents (plans and reports)</li> <li>- Protocols, agendas, minutes and presentations of meetings</li> <li>- Agreements and contracts with public and private stakeholders</li> <li>- Governmental documents (protocols, legislative proposals, invitations)</li> <li>- E-mails</li> </ul>	
<b>Interviews</b>	<b>First round interviews</b> <ul style="list-style-type: none"> <li>- Top management level (2)</li> <li>- Board of directors (2)</li> <li>- Internal strategy practitioners (1)</li> <li>- External stakeholders (4)</li> <li>- Local and national government (2)</li> </ul> <b>Second round interviews</b> <ul style="list-style-type: none"> <li>- Top management level (3)</li> <li>- Internal strategy practitioners (2)</li> <li>- Local government (1)</li> </ul>	<ul style="list-style-type: none"> <li>- Identification of key events and key stakeholders</li> <li>- Establishment of the timeline</li> <li>- Verification of data from documents</li> <li>- Identification and analysis of tensions</li> <li>- Identification and analysis of practices</li> <li>- Focus on strategy work and individual motivation</li> </ul>
<b>Observations</b>	<b>Events</b> <ul style="list-style-type: none"> <li>- Public and confidential presentations</li> <li>- Media conferences</li> <li>- Opening Ceremony</li> </ul> <b>Meetings</b> <ul style="list-style-type: none"> <li>- Workshops and meetings of the executive board</li> <li>- Meeting of the support committee</li> <li>- Meetings with Stakeholders</li> </ul> <b>Informal conversations</b>	<ul style="list-style-type: none"> <li>- Verification of data from documents</li> <li>- Identification and analysis of tensions</li> <li>- Identification and analysis of practices</li> <li>- Focus on strategy work and individual motivation</li> </ul>

Table 2: Overview of the Empirical Data.

Codes to analyze the data and their operationalization	Identified practices in the data by applying the codes	Assignment of tensions for each practice	Explanation
<b>Use of sanctions</b> Did they impose sanctions? What kind of sanctions? To whom and for what?	<ul style="list-style-type: none"> <li>Flexible structures and processes</li> <li>Aiming at specific entrepreneurs to prevent opposition</li> </ul>	<ul style="list-style-type: none"> <li>Purpose</li> <li>Inclusion</li> </ul>	<p>The focus on the time before the legal establishment means that it was only possible to impose sanctions due to contractual abuse to a limited extent. The management therefore opted for flexible structures and a broad definition of the organizations' purpose. In this way, they were able to attract a few but important entrepreneurs and represent their interests to a large extent with the hope that no sanctions would be necessary.</p>
<b>Risk allocation</b> Did they identify risks and what did they do to minimize or eliminate them?	<ul style="list-style-type: none"> <li>Focusing on how to secure finances</li> <li>Focusing on competencies to face the administrative burden</li> <li>Aiming at specific entrepreneurs to prevent opposition</li> </ul>	<ul style="list-style-type: none"> <li>Knowledge</li> <li>Knowledge</li> <li>Inclusion</li> </ul>	<p>From an early stage, it was evident that securing funding would be one of the biggest challenges. For this reason, the main focus was on how to secure finances and how to overcome the associated high administrative burden. For this reason, for example, consultants and supporters with great knowledge in these areas were involved in the strategy process. In addition, the circle of entrepreneurs involved was restricted so that less internal opposition would arise.</p>
<b>Trust</b> Was trust an important issue in the process? How did this occur and what did they do to secure trust among their stakeholders?	<ul style="list-style-type: none"> <li>Networking with committed entrepreneurs</li> <li>Personal contact through CEO or board member</li> <li>Informal meetings to avoid long processes of consolidation</li> </ul>	<ul style="list-style-type: none"> <li>Inclusion</li> <li>Inclusion</li> <li>Temporal</li> </ul>	<p>Trust was a very important factor in the strategy process. For example, a CEO was hired who was considered to have the access and trust of the relevant stakeholders. Thus, it was possible to involve only committed entrepreneurs. Moreover, these entrepreneurs were contacted by important personalities, such as the CEO or a board member. Nevertheless, many informal meetings were held, as the emergence was also under high time pressure. This sometimes contradictory behavior led to conflicts.</p>
<b>Conflict management</b> How did they prevent conflict? What measures did they take to do so? What conflicts arose and how were they dealt with?	<ul style="list-style-type: none"> <li>Networking with committed entrepreneurs</li> <li>Personal contact through CEO or board member</li> <li>Aiming at specific entrepreneurs to prevent opposition</li> </ul>	<ul style="list-style-type: none"> <li>Inclusion</li> <li>Inclusion</li> <li>Inclusion</li> </ul>	<p>To prevent conflicts, the initial focus was on involving only stakeholders in the strategy process who were already committed and whose interests correlated as closely as possible with those of the management. Delicate stakeholders were contacted and dealt with personally by the CEO or board members.</p>
<b>Stakeholder involvement</b> Which stakeholders were involved and how were they involved? Which stakeholders have been	<ul style="list-style-type: none"> <li>Networking with committed entrepreneurs</li> <li>Personal contact through CEO or board member</li> </ul>	<ul style="list-style-type: none"> <li>Inclusion</li> <li>Inclusion</li> <li>Inclusion</li> </ul>	<p>The data shows that the organization has limited itself to a small network of committed entrepreneurs in the strategy process. This allowed for special treatment by the CEO or board members on the one hand and the possibility for stakeholders to be part of the organizational identity on the other. Due to the time pressure, it</p>

Codes to analyze the data and their operationalization	Identified practices in the data by applying the codes	Assignment of tensions for each practice	Explanation
<p><b>Operationalization</b></p> <p>prioritized and why?</p>	<ul style="list-style-type: none"> <li>• Including entrepreneurs in the organizational identity</li> <li>• Aiming at specific entrepreneurs to prevent opposition</li> <li>• Little resources for communication and media</li> <li>• Focusing on competencies to face the administrative burden</li> </ul>	<ul style="list-style-type: none"> <li>• Inclusion</li> <li>• Temporal</li> <li>• Knowledge</li> </ul>	<p>was not possible to involve many stakeholders, therefore only few resources were invested in communication and media. This was reflected, for example, in a rather rudimentary homepage and irregular information to the outside.</p>
<p><b>Innovation</b></p> <p>Was innovation an important issue and if so, how was it promoted? If no, why not?</p>	<ul style="list-style-type: none"> <li>• Flexible structures and processes</li> <li>• Organizational flexibility over goal clarity</li> <li>• Defining and supporting the original idea</li> </ul>	<ul style="list-style-type: none"> <li>• Purpose</li> <li>• Purpose</li> <li>• Knowledge</li> </ul>	<p>Innovation is the primary goal of translational medicine and therefore of sitem-insel. In this case, innovation requires flexible structures and processes in order to be able to react to new ideas. However, organizational flexibility came with the loss of goal clarity. As innovation is a very broad definition, conflicts arose regarding the purpose of sitem-insel, whether they are more financial or public service oriented.</p>
<p><b>Collective and creative contributions</b></p> <p>What kind of contributions were made? Were they gained collectively or by individual members? Did (and how did) they foster or hinder further contributions?</p>	<ul style="list-style-type: none"> <li>• Networking with committed entrepreneurs</li> <li>• Informal meetings to avoid long processes of consolidations</li> <li>• Reserved communication</li> <li>• Little resources for communication and media</li> </ul>	<ul style="list-style-type: none"> <li>• Inclusion</li> <li>• Temporal</li> <li>• Temporal</li> <li>• Temporal</li> </ul>	<p>sitem-insel pursued a visionary goal from the very beginning. It was therefore only necessary to a limited extent to obtain additional contributions in relation to the strategy work. For this purpose, they involved only a few committed entrepreneurs and held rather informal meetings with them. This saved them long consolidation processes and expenses for communication. This strategy was chosen because of the high time pressure and had a great influence on the time horizon of the foundation.</p>
<p><b>Individual motivation and commitment</b></p> <p>Did (and how did) the management foster individual motivation and commitment? Which stakeholders were considered?</p>	<ul style="list-style-type: none"> <li>• Networking with committed entrepreneurs</li> <li>• Personal contact through CEO or board member</li> </ul>	<ul style="list-style-type: none"> <li>• Inclusion</li> <li>• Inclusion</li> </ul>	<p>Individual motivation and commitment was important for the development of sitem-insel. However, this was intentionally promoted only for the involved entrepreneurs and important supporters. This special treatment was on the one hand motivating for the involved, but on the other hand it was frustrating for the excluded.</p>
<p><b>Organizational identity</b></p> <p>Has an organizational</p>	<ul style="list-style-type: none"> <li>• Networking with committed entrepreneurs</li> </ul>	<ul style="list-style-type: none"> <li>• Inclusion</li> </ul>	<p>As the purpose of the organization was defined rather openly, so was the organizational identity. Although the entrepreneurs</p>

Codes to analyze the data and their operationalization	Identified practices in the data by applying the codes	Assignment of tensions for each practice	Explanation
<p>identity been established? How was this done? Did the people involved adhere to it?</p>	<ul style="list-style-type: none"> <li>• Including entrepreneurs in the organizational identity</li> <li>• Little resources for communication and media</li> <li>• Defining and supporting the original idea</li> </ul>	<ul style="list-style-type: none"> <li>• Inclusion</li> <li>• Temporal</li> <li>• Knowledge</li> </ul>	<p>involved were included in the organizational identity (e.g. in the naming process), this also led to problems due to different interests and expectations.</p>
<p><b>Information overload</b> Were the stakeholders involved overwhelmed with information? How did this show? What was done to prevent this?</p>	<ul style="list-style-type: none"> <li>• Informal meetings to avoid long processes of consolidation</li> <li>• Reserved communication</li> <li>• Little resources for communication and media</li> </ul>	<ul style="list-style-type: none"> <li>• Temporal</li> <li>• Temporal</li> <li>• Temporal</li> </ul>	<p>In our case, rather the opposite of information overload was the case. There were several complaints, both from involved and external stakeholders, that sitem-inseel communicated insufficiently and intrinsically. On the one hand, this strategy led to conflicts, but on the other hand, it was also the reason that many processes were kept much shorter and resources could be saved.</p>
<p><b>Frustration</b> Was there frustration among the stakeholders involved because they were not listened to or their ideas were not implemented? How did the management deal with it?</p>	<ul style="list-style-type: none"> <li>• Informal meetings to avoid long processes of consolidation</li> <li>• Reserved communication</li> <li>• Little resources for communication and media</li> </ul>	<ul style="list-style-type: none"> <li>• Temporal</li> <li>• Temporal</li> <li>• Temporal</li> </ul>	<p>Due to the high time pressure, not all desired stakeholders could be involved in the strategy process. This enabled the enormous speed of the project but also led to frustration among stakeholders who were not integrated or whose input could not be taken into account.</p>

Table 3: The Transition from Data to the Analytical Framework.

Figure

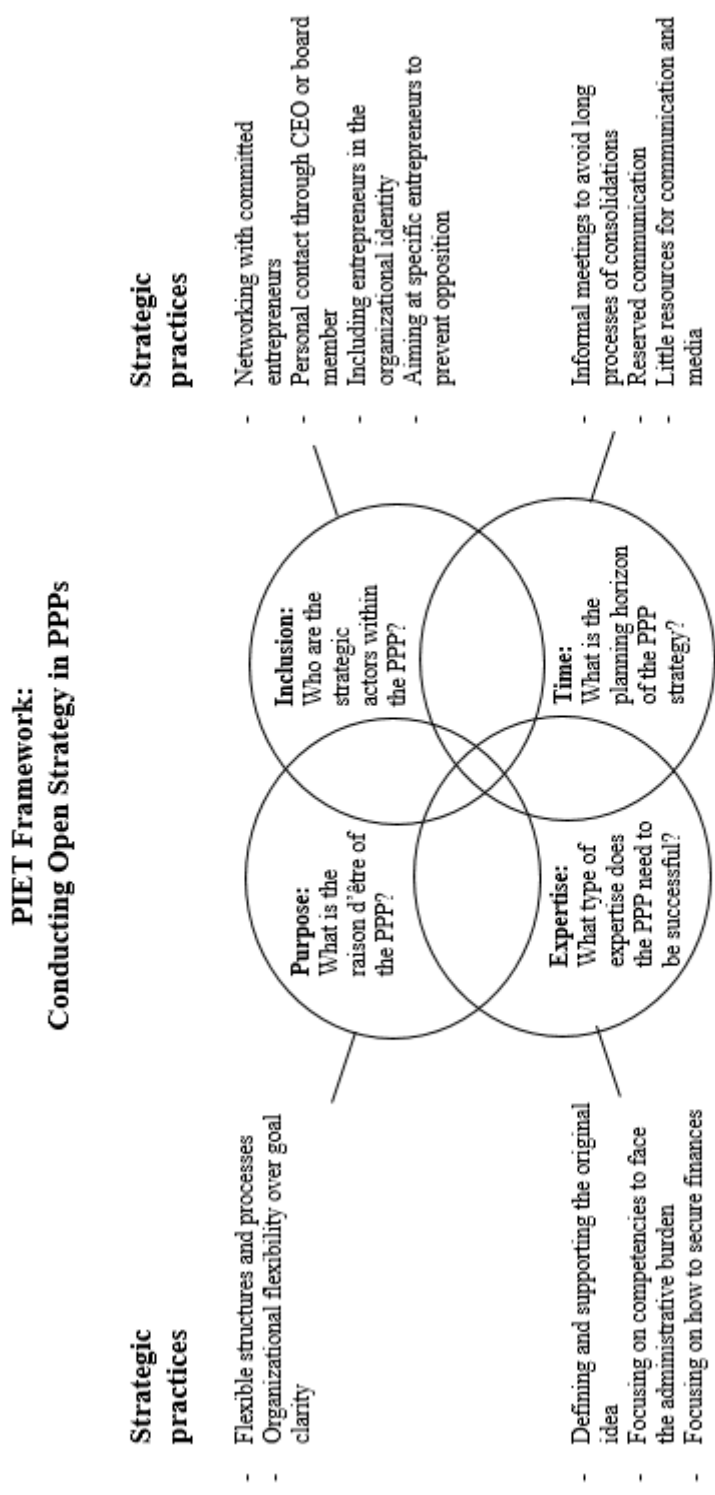


Figure 1: Analytical Framework for Conducting Open Strategy: Key Tensions and Practices in the establishment of PPPs.

### Appendix Paper 3

Data Source	Specification
Publicly available documents	<p><b>Newspaper articles (total 66)</b></p> <p>BZ Berner Zeitung (25 articles); Der Bund (10); NZZ Neue Zürcher Zeitung (10); Medinside (7); Berner Bär (6); Der Beobachter (1); Berncapitalarea (1); Tagesanzeiger Online (1); Jungfrau Zeitung (1); Le Matin (1); Le Nouvelliste (1); Corriere del Ticino (1); Handelszeitung (1).</p>
	<p><b>Public documents and publications (total 23)</b></p> <p>Annual report and online magazine University of Bern (6); Annual report Inselspital Bern (5); Public speeches (e.g. Speech of the cantonal trade councilor for the Grand Council on 12.12.2018; speech of the federal council during the opening ceremony) (12)</p>
	<p><b>Websites</b></p> <p><a href="http://www.sitem-inse1.ch">www.sitem-inse1.ch</a>; <a href="http://www.sbf1.admin.ch">www.sbf1.admin.ch</a>; <a href="http://www.vol.be.ch">www.vol.be.ch</a>; <a href="http://www.unibe.ch">www.unibe.ch</a>; <a href="http://www.berninvest.be.ch">www.berninvest.be.ch</a>; <a href="http://www.ppp-schweiz.ch">www.ppp-schweiz.ch</a>;</p> <p><a href="http://www.hauptstadtregion.ch">www.hauptstadtregion.ch</a>;</p> <p><a href="http://www.swissinfo.ch">www.swissinfo.ch</a>; <a href="http://www.bluewin.ch">www.bluewin.ch</a>; various websites from sitem-inse1; Partners or stakeholders (e.g. <a href="http://www.dcberne.com">www.dcberne.com</a>; <a href="http://www.kpm.unibe.ch">www.kpm.unibe.ch</a>)</p>
	<p><b>Newsletters (total 49)</b></p>

Data Source	Specification
	<p>sitem-insel (32); University of Bern (17)</p> <p><b>Television and radio reports (total 14)</b></p> <p>Schweizer Radio und Fernsehen (SRF1) (7); SRF Schweiz Aktuell (1); SRF Regionaljournal Bern (1); Telebärn (4); Santemedia.ch (1)</p> <p><b>Press releases (total 57)</b></p> <p>sitem-insel (10); Canton of Bern (39); Confederation (1); Partners within sitem-insel (e.g. CSL Behring AG and University of Bern) (7)</p>
<b>Confidential documents</b>	<ul style="list-style-type: none"> <li>- Strategy documents (e.g. internal documents and documentations, working documents, plans, reports, statutes, regulations) (2'267)</li> <li>- Protocols, agendas, minutes, and presentations of meetings (233)</li> <li>- Agreements and contracts with public and private stakeholders (121)</li> <li>- Governmental documents (protocols, legislative proposals, correspondence) (238)</li> <li>- E-mails (98)</li> </ul>
<b>Interviews</b>	<p><b>First round interviews (total 18)</b></p> <p><b>(July 21, 2017 until September 07, 2017 in Bern)</b></p>



Data Source	Specification
	<ul style="list-style-type: none"> <li>- 2 from top management level (Int. 1; Int. 2)</li> <li>- 2 Board of directors (Int. 3; Int. 4)</li> <li>- 1 Internal strategy practitioner (Int. 5)</li> <li>- 4 External stakeholders (Int. 6; Int. 7; Int. 8; Int. 9)</li> <li>- 2 from local and national government (Int. 10; Int. 11)</li> </ul> <p><b>Second round interviews</b></p> <p><b>(May 22, 2018 until November 21, 2019 in Bern)</b></p> <ul style="list-style-type: none"> <li>- 3 from top management level (Int. 12; Int. 13; Int. 14)</li> <li>- 2 internal strategy practitioners (Int. 15; Int. 16; Int. 17)</li> <li>- 1 from Local government (Int. 18)</li> </ul>
<p><b>Observations</b></p>	<p><b>Events (total 26)</b></p> <ul style="list-style-type: none"> <li>- Public and confidential presentations (15)</li> <li>- Media conferences (10)</li> <li>- Opening Ceremony (1)</li> </ul> <p><b>Meetings</b> (108, without workshops and meeting of the executive board)</p>

Data Source	Specification
	<ul style="list-style-type: none"> <li>- Workshops and meetings of the executive board (number is confidential)</li> <li>- Meeting of the support committees (34)</li> <li>- Meetings with Stakeholders (74)</li> </ul>

*Table 1: Empirical data*

Category	Definition	Examples Used in the Analysis	Coding Rules
<b>C1: Exchange legitimacy</b>	Support for an organization because of direct situational exchanges between the organization and its audience.	“everyone involved must work together. We should have an interest in really having open doors” (Interview 3).	The definition points to activities and processes applied in order to receive support through exchanges between actors from the organization with the audience.
<b>C2: Influence legitimacy</b>	Support for an organization in anticipation of its responsiveness to the larger interest.	“You cannot bring a product to the patient if doctors do not cooperate. When they say that they have no interest in this needle, this pacemaker, that these dialysis machines do not interest them, there is nothing the sitem-insel can do” (Interview 13).	The definition points to the activities responding to the large interest, in our case the patients who benefit from the translational process.

Category	Definition	Examples Used in the Analysis	Coding Rules
<b>C3: Dispositional legitimacy</b>	Support for an organization because of its 'personality' or 'good character'.	“The sitem-insel needs the right know-how. [...] I firmly believe that people are crucial to the success of the project. One can always create structures. But if one has the best structures while having bad people, the whole thing is for nothing” (Interview 7).	The definition points to applied activities that focus on how stakeholders perceive the organization and their employees.
<b>C4: Consequential legitimacy</b>	Support for an organization because of the level of reward of its policies.	Once the sitem-insel had been successfully established, performance agreements were signed with the federal and cantonal governments to assess whether the expected results would be achieved (sitem-insel 2020a; 2018d).	The definition points to received rewards with an instrumental value or to efforts made to identify and receive rewards.
<b>C5: Procedural Legitimacy</b>	Support for an organization's sound	For this reason, financial accounting and reporting procedures were progressively	The definition points to activities to establish and foster processes and routines within the

Category	Definition	Examples Used in the Analysis	Coding Rules
	administrative practices and professional routines.	strengthened and standardized to complement the medical expertise (Interview 6; Interview 8; Interview 10).	organization.
<b>C6: Structural Legitimacy</b>	Support for capacity of organizational structure.	The recruitment of staff: in both the board of directors and the executive management, members with status and seniority allowed the sitem-inseel to justify its investments and acquire additional resources (Interview 1; Interview 10).	The definition points to activities to receive support through adapting organizational structures.
<b>C7: Personal Legitimacy</b>	Support for an organization's leaders because of their credibility and appeal.	“I have the feeling that we probably need to set up a more professional management team now. A management that really has the administrative, economic, and professional skills and a	The definition points to activities or decisions concerning the credibility and appeal of the organization's leaders.

Category	Definition	Examples Used in the Analysis	Coding Rules
		good network.” (Interview 3).	
<b>C8: Comprehensibility Legitimacy</b>	Support for an organization’s compliance with cognitive scripts, belief systems, and perceived reality.	Using the name of the successful University Hospital (Inselspital) in its name to imitate a successful hybrid organization (Interview 2).	The definition points to the organizations compliance from an internal and external perspective.
<b>C9: Taken-for-granted Legitimacy</b>	Support for an organization because it is accepted as given.	Not applicable in this case.	This definition points to support justified through the mere existence of the organization.

*Table 2: Deductive category application based on Mayring (2004).*

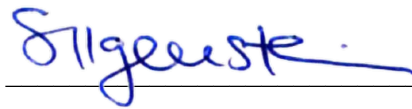
### **Unabhängigkeitserklärung**

„Ich erkläre hiermit, dass ich diese Arbeit selbständig verfasst und keine anderen als die angegebenen Quellen benutzt habe. Alle Ko-Autorenschaften sowie alle Stellen, die wörtlich oder sinngemäss aus Quellen entnommen wurden, habe ich als solche gekennzeichnet. Mir ist bekannt, dass andernfalls der Senat gemäss Artikel 36 Absatz 1 Buchstabe r des Gesetzes vom 5. September 1996 über die Universität zum Entzug des aufgrund dieser Arbeit verliehenen Titels berechtigt ist.“

Bern, 30.11.2021

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Ort, Datum



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Sabrina Ilgenstein