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## Collaboration, (Dis)trust and Control in Brazilian Manufactured Public/Non-profit Partnerships

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## **Collaboration (Dis)trust and Control in Public/Non-profit Partnerships**

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# **Collaboration, (Dis)trust and Control in Brazilian *Manufactured* Public/Non-profit Partnerships**

## **ABSTRACT**

This study seeks to evaluate whether interorganisational and interpersonal trust influences the nature of State control in Brazilian public/non-profit partnerships (PNPs), considering the Social Organization- SO- model, a non-profit partner which did not evolve organically from civil society as an equal and interdependent partner, but instead was engineered by the State. We conducted a qualitative research in two PNPs, analyzing their historical trajectory through participant observation, documentary analysis and semi-structured interviews with State and non-profit partners and other actors involved indirectly in the PNPs. Our findings called into question the assumption of the current research that trust tends to be built over time, and revealed that PNPs are more vulnerable to the effects of interpersonal trust. Such vulnerability influences volatile patterns of PNP's trajectories and strong informal State partner control, reflected in PNP's disruptions and lower levels of interorganisational trust.

## **Keywords:**

public non-profit partnerships, interpersonal trust, interorganisational trust, control, Brazil

## **Collaboration and (Dis)trust In Brazilian *Manufactured* Public/Non-Profit Partnerships**

The number of public/non-profit partnerships (PNPs) is growing considerably worldwide, which speaks to the non-profit sector's important roles in both delivering public goods and addressing societal problems (Brinkerhoff, 2002; Brinkerhoff & Brinkerhoff, 2002, 2011; Bryson, Crosby, & Stone, 2006; Cornforth, Hayes, & Vangen, 2014; Costin, 2005). On public service delivery, several models can be differentiated among countries, ranging from volunteer and private funding, to government grants and contracts. Despite of countries specificities, a growing number of studies have been capturing the convergence over quasi markets models (Harlock, 2014; Smith, 2014, Van Slyke, 2007; Stace & Cumming, 2006). The management and performance of these collaborative arrangements are influenced by a variety of factors, with trust being one of the most crucial (Alexander & Nank, 2009; Bungler, 2013; Emerson, Nabatchi, & Balogh, 2012; Gazley, 2008; Kapucu, 2006; Lee et al., 2012; Romzek et al., 2014; Van Slyke, 2007).

However, trust is a difficult concept in PNP research because it can be either an outcome or an ingredient of collaborative efforts among partners (Bunger, 2013; Gazley, 2010; 2008; Kapucu, 2006; Van Slyke, 2007). Trust is rarely treated as a multi-dimensional concept, highlighting individual, dyadic (interpersonal) or interorganisational constructs (Ferrin, Bligh, & Kohles, 2008; Zaheer, Mcevily, & Perrone, 1998) that, although related, may affect collaboration between partners in unique ways. Our study aims to “unlock” the effects of these different dimensions of trust in PNPs by analysing whether interpersonal and interorganisational dimensions of trust affect the nature of State partner control in Brazilian PNPs. Generally, trust is regarded as a substitute for control (Dasgupta, 1988; Inkpen & Curral 2004; Ring & Van de Ven, 1994; Zaheer, Mcevily, & Perrone, 1998), and, theoretically, it is expected that trust in PNPs will lead to lower degrees of State partner control, creating a confident and stable atmosphere for

collaborations. We pose the following questions: Do interpersonal and interorganisational trust influence State partner control differently? Does the relationship between these two dimensions of trust and State partner control change over the trajectory of the partnerships?

The type of Brazilian PNPs focused on in this study is unique: unlike their American and French counterparts (Brinkerhoff & Brinkerhoff, 2002), these PNPs are governed by the Social Organisation Act (No. 9637/98), which was passed in 1998 in the context of the public management reforms, aiming to leverage non-profit organizations – NPO- that could potentially deliver services previously delivered by the State with more efficiency and flexibility (Alcoforado, 2010). The State continues to promote public service with funding and exercising strategic control over them through a contract that details goals and results to be achieved by the NPO partner.

Nevertheless, between 2007 and 2010, allegations emerged involving PNP at the federal government. Three different Congressional Inquiry Committee were established to investigate the issue in 1993, 2002, and 2008, and a summarized document was produced recommending improvements on regulation (Brazil, 2010). In this context, and pressured by media coverage, President Dilma Rousseff even frozen all funds transfers involving PNPs for a short period during 2010.

It had become clear afterwards that these scandals involved few organizations, none of them with significant representativeness on NPO sector, but these events produced a widespread scenario of mistrust that culminated in the criminalization of NPOs. Faced with this situation, both the Federal Government and NPOs mobilized to improve regulation on PNPs. Although similar complaints also appear in other countries (Bloodgood *et al.*, 2013), there are other elements that permeate the organizational culture and public management in Brazil that enhance these facts and contribute to the environment of mistrust that has been established.

Research has already examined the influence of institutional differences among partnering institutions on PNP management and performance (Ingold & Leifeld, 2014; Klijn & Teisman, 2000). There are important points raised about the role of the State partner in creating, funding, and sustaining the non-profit partner and its effects on the collaboration. For some, partnerships initiated by the State instead of NPO increasingly incorporate governmental values into their *modus operandi* rather than promoting civic virtue and social capital, undermining the expected benefits of the partnerships (Bidet, 2012; Dagnino, 2003; Hodgson, 2004; Skelcher, Mathur, & Smith, 2005).

Studying the effects of trust on State partner control in contracting PNPs is particularly interesting, once increasing levels of scepticism on NPO have been documented overall, regarding their efficiency and effectiveness; legitimacy and democratic values- specially in post-communist countries- and ethical behaviour (Edwards & Hulme, 2006; Charity Watch, 2014; Rhode & Packel, 2009; Horton, 2016; Ekiert, & Kubik, 2014).

State responses to these challenges increased focus on control over partnerships and NPOs, both introducing new regulations and monitoring and evaluation tools in order to guarantee more transparency and accountability. Consequences for NPO have been documented and characterized as “manufacturing civil society” (Brandsen, Trommel & Verschuere, 2015; Hodgson, 2004; Peci, Figale, & Sobral, 2011).

Overall NPOs have been constant providers of public services in the PNPs throughout history, however there is still in the Brazilian context little information about NPOs themselves and their activities, as well as little practice regarding the use of the different models of PNPs. The regulation of PNPs in Brazil also leaves room for divergent interpretations between

executing agencies and control bodies, such as the Public Ministry and other internal control agencies. Brazilian public management is also permeated by features of personalism and clientelism, present in the imaginary of society, public managers and controllers. Finally, the Brazilian public administration is still excessively bureaucratic, despite of different reform movements through which it has passed. The PNPs require a look beyond the logic of public bureaucracy, and the public manager must strengthen their capacity for formulation and monitoring the work with partners (Mendonça & Falcão, 2016; Pannunzio, 2014).

This research aims to analyse whether interpersonal and interorganisational dimensions of trust affect the nature of State partner control in managing and operating cultural-sector social organisations (SOs) in the state of São Paulo, Brazil. Considering the imperative of differentiating interpersonal versus interorganisational trust from a longitudinal perspective, we designed and conducted two qualitative case studies that focused on the historical trajectory of two partnerships, the Guri Project (AAPG) and the Symphonic Orchestra of the State of São Paulo (OSESF), and gathered data based on participant observation, documentary analysis and interviews.

Our results indicate counterintuitive findings regarding trust, calling into question the dominant assumption that trust is built along PNPs' trajectories. Indeed, the prominent role of interpersonal trust in State-centralised partnerships, such as manufactured PNPs, influenced the strong patterns of formal State-partner control, eclipsing informal accountability mechanisms that characterise organic collaborative arrangements.



## **Theoretical Background**

### **SOs as a distinct partnership model**

A PNP is defined as a formalized, joint-working arrangement between organizations that remain legally autonomous while engaging in ongoing, coordinated collective action to achieve common outcomes (Cornforth, Hayes & Vangen, 2014; Sullivan & Skelcher, 2003).

The differences in PNPs' sizes, scopes and purposes, together with the difficulties in managing such diverse collaborative efforts, have been a recurring research obstacle (Brinkerhoff & Brinkerhoff, 2002, 2011; Bryson, Crosby, & Stone, 2006; Hustinx, Verschuere and De Corte, 2014; Romzek, LeRoux, & Blackmar, 2012).

This research focuses in the Social Organization- SO- model that have developed in Brazil in the context of public management reforms during the late 90's (Bresser-Pereira, 1998, p. 206). The SOs model has been created based on the combination of the flexibility and increased government accountability in public management, through the use of a contractual instrument called "management agreement". This contract contains the duties and obligations of both parties, as well as the work plans drawn up by the board of the SOs. Under this model, the state would transfer to NPOs qualified as SOs the provision of liberalized services. It would be up to the state machine to regulate and fund this process.

Despite of being regulated at first by the federal government, this model did not proliferate at federal level, being rapidly adopted by other subnational entities, notably by state administration in areas such as culture and health (Sano & Abrucio, 2008). SOs of culture began to be implemented in São Paulo from 2004 on, six years after its regulation by the federal government.

The implementation of the SOs model in the area of culture was intended to deal with more flexible forms of hiring and managing personnel and management large cultural facilities. As

cultural organizations frequently rely on diverse types of capacities and specific demands of projects. This were incompatible with the rigid form of public administration, generating constant enquiries and contestation by the controlling agencies. This also represents a form of allocating management risks related with personal to the SOs. In managing facilities SOs are supposed to be more responsive and flexible for outsourcing non finalistic activities (Constin, 2005).

Afterwards others management contracts were signed, as new SOs were being created and the state budget to culture were growing. Culture SOs in the state of São Paulo nowadays absolves more than 70% of the total budget of the area (Secretaria da Cultura, 2017), denoting the widespread of the PNP model.

Research has already demonstrated that institutional differences between partnering institutions are important for PNP management and performance (Klijn & Teisman, 2000). Powerful partners have an impact on the decision-making and implementation processes and therefore significantly shape partnerships' outputs and service delivery (Gazley, 2008; Ingold & Leifeld, 2014). Others have cautioned that the public sector's dominance may undermine the expected benefits of partnerships (Brinkerhoff & Brinkerhoff, 2011), and considering that manufactured PNPs are increasing, their institutional designs may have an effect on civil society (Bode & Brandsen 2014; Brandsen, Trommel & Verschuere, 2015; Hodgson, 2004).

In other words, in case of state dominance, such as SOs models in Brazil, what is being labelled as a PNP is often merely a relationship in which the PNP is submissive or an extension of the State (Brandsen et al., 2015; Hodgson, 2004; Teodósio, 2002). It is common in those types of relationships, a high degree of dependence on State funding, dislocation of NPO mission and goals, sometimes resembling more to a merely outsourcing model (Dagnino, 2003).

Hodgson (2004, p.157) notes that in practice, these entities are “a means of controlling what happens within the community and civil society more broadly”—that is, they are merely “an extension of state power via a range of social actors.”

Such outcomes can increase levels of frustration and a heightened sense of distrust between the State and NPOs (Brandsen et al., 2015; Hodgson, 2004; Peci et al., 2011; Skelcher, Mathur, & Smith, 2005). For these organisations, “state-NGO [non-governmental organisation] relationships are more often seen to be characterised by mistrust and rivalry rather than co-operation” (McLoughlin, 2011, p. 242). Because trust is one of the key factors in achieving sustainable collaboration (Alexander & Nank, 2009; Huxham, 2003; Kapucu, 2006; Lee et al., 2012; McLoughlin, 2011; Romzek, LeRoux, & Blackmar, 2012), in this research, we aim to advance our comprehension of whether interpersonal and interorganizational trust can affect the nature of State partner control over *SOs*.

### **Trust, State Partner Control and PNPs**

Trust is the most critical factor in the success of interorganizational partnerships (Alexander & Nank, 2009; Van Slyke, 2007). Indeed, trust is an important dimension in PNPs and deeply influences both their dynamics and their performance (Kapucu, 2006; Lee et al., 2012; McLoughlin, 2011; Romzek, LeRoux, & Blackmar, 2012). Trust leads to both co-ordination and improved collaboration because of facilitated information and resource sharing (Bunger, 2013; Kapucu, 2006; Van Slyke, 2007), and it may also help build social capital between partners (Goldsmith, 2002; Suseno & Ratten, 2007).

Trust can be an element existent before any partnership is formalized, and also to develop along a PNP’s trajectory, suggesting that trust is built over time and is an important dimension of PNP’s informal accountability (Brown & Ashman, 1996; Kapucu, 2006; Lee et al., 2012; Romzek, LeRoux, & Blackmar, 2012; Van Slyke, 2007).

Indeed, most research mention distrust, instead of trust, as a prevailing as starting point in most partnerships (Alexander & Nank, 2009; Huxham, 2003; Van Slyke, 2007). According to several researchers, the evolution from distrust to trust is also a consequence of collaboration, achieved through shared information, integrated responsibilities and authority and collaborative decision making developed on repeated interactions over time (Van Slyke, 2007; Alexander & Nank, 2009; Bunker, 2013; Emerson, Nabatchi, & Balogh, 2012; Gazley, 2010). The other way around is also possible and has been repeatedly identified on literature: a PNP starts a trustful relationship, where trust is constantly undermined when the relationship gets over bureaucratized (Milbourne & Cushman, 2013; Harlock, 2014).

Nevertheless, distrust will have impacts in the management of partnerships, requiring the creation of specific mechanisms to prevent or to deal with it. Recent literature on this have pointed out the emphasis on regulatory and control system mechanisms, such as frequent reports and interactions among managers, in site visits, performance indicators, mandating users surveys, performance and financial audits conducted by a third party (Brown & Ashman, 1996; Breen, Dunn e Sidel, 2016; Van Slyke, 2007).

Indeed, trust is a multi-dimensional concept, and the effects of different types of trust along a PNP's trajectory may be volatile. Ferrin, Bligh, & Kohles (2008, p.174) have observed that trust has been treated as "a family of constructs, both in theory and measurement," recurring in individual, dyadic or interorganisational dimensions of trust. In our research, we focus on interpersonal and interorganisational trust, which, although related, are different constructs and affect collaboration between partners in unique ways.

Interpersonal trust is a dyadic-level phenomenon (Kong, Dirks, & Ferrin, 2014) that differs from an individual-level definition of trust as "the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another" (Rousseau, Sitkin, Burt, &

Camerer, 1998, p.395) or as the “dispositional attribute of a trustor that influences the likelihood that he or she is likely to trust other people” (Lee et al., 2012). Indeed, interpersonal trust is defined as an individual’s belief that another individual attempts to fulfil commitments, is honest in negotiations, will not take advantage of him or her and is concerned with his or her well-being. In partnerships, interpersonal trust refers to one organisation member’s trust in his or her counterpart in the partnering organisation (Zaheer, Mcevily & Perrone, 1998).

Interpersonal trust encourages a focus on interpersonal interactions within PNPs, with an eye towards the informal mechanisms that facilitate collaboration, and research has recognised its importance for partnerships’ informal accountability, or “how individuals and organisations hold one another accountable for service delivery operations and objectives, *informally*” (Romzek et al., 2014). Research has already noted that trust between the people who compose an organisation is more variable than collective trust in institutional structures, rules and practices: in other words, the interorganisational trust is more constant than interpersonal trust (Zaheer, Mcevily & Perrone, 1998).

Regarding the Brazilian context, it is possible to elaborate a hypothesis that consider the higher incidence of interpersonal trust over interorganizational trust. Various authors highlight the importance of interpersonal relationships to trust in Brazil (Costa, 2006; Freitas, 1997; Sobral, Carvalhal, & Almeida, 2007). Furthermore, *personalismo*, the tendency to have close and affectionate interpersonal relationships, is said to influence organisational negotiations (Sobral et al., 2007) and to be the basis of Brazilian society in general (Freitas, 1997).

However, the PNP literature is dominated by a broader conception of trust that generally refers to its organisational-level dimension. Interorganisational trust is not an additive construct composed of interpersonal trust. Instead, it relies on all of a given organisation’s members, their norms and processes and the institutions to which they belong. According to Zaheer, Mcevily &

Perrone. (1998, p.143), interorganisational trust is “the extent to which organisational members have a collectively-held trust orientation towards the partner firm.”

Elements of Interorganizational trust are usually connected to high levels of goal alignment and transparent communications process and achievement of shared meanings on nature and activities of the PNP, which are usually reached and maintained through shared information and joint planning activities. Reputation is another important dimension of interorganizational trust, being related to previous experiences and the recognition of competencies and expertise of the partner (Saab *et al.*, 2013; Milbourne & Cushman; 2013; Brown & Ashman, 1996; Van Slyke, 2007)

Milbourne & Cushman (2013) made the important observation regarding power relations affecting both dimensions of trust. Power imbalance can create serious threatens for trust building in a PNP, guiding the partnership to a more hierarchical process, emphasizing direct control via the use of bureaucratic rewards and sanctions (Aulakh, Kotabe & Sahay, 1997; Zaheer & Venkatraman, 1995). This is such a case of the SO model analysed in this study, and in PNPs where State partner holds a more powerful position in the partnerships, or even in the creation and sustainability of the NPO.

The conceptual framework of our research is summed up in Table 1. High levels of interpersonal trust are reflected in informal mechanisms of collaboration, whereas high levels of interorganisational trust are traduced in formal mechanisms of collaboration. We expect to find changing patterns of State control due to the volatile characteristics of interpersonal trust, that we suspect to be central in *manufactured* PNPs.

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Insert Table I here

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## Methodology

This study employed the case study approach, which is a “preferred strategy when ‘how’ or ‘why’ questions are being posed, when the investigator has little control over events, and when the focus is on a contemporary phenomenon within some real-life context” (Yin, 2005, p. 9). Our support for the qualitative case-study method was based on the difficulty of differentiating, in real-life contexts, between the dimensions of interpersonal and interorganisational trust and the need to explore these differences and their effects on State partner control from a longitudinal perspective. We built upon existing theory while questioning whether existing research on trust applied to Brazilian manufactured PNPs, as in the SO model. This approach is especially useful in both new research areas and areas for which existing theory is deemed inadequate (Eisenhardt, 1989; Kenis & Provan, 2009), given that we are challenging the assumption of a developing trust-building trend in PNPs.

To achieve a better understanding of PNPs, this study focused on the historical trajectory of two public-SO partnerships in São Paulo, Brazil: Projeto Guri (AAPG) and The Symphonic Orchestra of the State of São Paulo (OSESF). Although São Paulo’s SO legislation governs both the health and cultural sectors, this study analyses cases in the cultural sector from a comparative approach, based on the “most similar cases” rationale (Peters 1998), reducing sectorial idiosyncrasies.

Two cases are appropriate because “the goal of theoretical sampling is to choose cases which are likely to replicate or extend the emergent theory;” it is not statistical in nature (Eisenhardt, 1989, p. 537), allowing a comparative analysis of PNP’ trajectories. There are many cultural SOs in the state of São Paulo, but these two cases were selected because they were among the first partnerships to be implemented, having a long trajectory of partnership and becoming a privileged site of observing changes in types of trust and government control.

Since 1995, São Paulo has experienced a period of relative political stability under one party. Both of the cases are immersed in political, institutional and sectorial environments that are relatively stable, allowing us to focus on the dynamics of the collaboration from a longitudinal perspective comparative perspective. We studied the historical trajectory of AAPG and OSESP by analysing documents; newspaper articles; partner websites; previous and current contracts; participant observations and the transcripts of 22 semi-structured interviews with current and previous members of the non-profit (SOs) and State partners (Department of Culture) and other actors involved in SO model formulation and implementation. The interviewees were obtained using the snowball sampling heuristic proposed by Noy (2008). During the interviews, the subjects were asked to name people with whom they collaborate and who are and/or were the decision makers in their organisations.

As suggested by Bardin (1977), an interview script was used, and the interviews were recorded and encrypted for analytical purposes. Interview questions related to interorganisational and interpersonal trust were adapted from Zaheer, McEvily & Perrone (1998), and questions about SO evolution were adapted from Teodósio (2002). The interviews covered topics including partnership evolution; trust between partners and partnership-related expectations, obstacles and related achievements; and patterns of State partner control. Based on previous documentary and media research, important events involving trust disruptions and State partners interventions were selected, and the interviewees' opinions on these events sought.

We searched for cross-case patterns, that is, similarities and differences in the transcribed interviews. Following Bardin's (1977) guidelines, once transcribed, all of the interviews were analysed and coded. The interviews were analysed in their original language using Atlas TI Software, and all of the interviews contributed to the formulation of our findings. A categorisation technique was used to classify portions of the interviews into mutually exclusive



generic titles that were then used to compare the interviewed subjects' personal accounts of working in partnerships. Distortions due to coder bias were minimised by both performing independent double coding and relying on the well-defined categories proposed by Bardin (1977): interpersonal trust, interorganisational trust and the State's informal and formal control.

Like Zaheer, Mcevily & Perrones's (1998) study, our analysis is limited by the reliability of individual biases in our study's interview phase. We sought to remedy this shortcoming by interviewing multiple members (former and current) of each partnership, by deeply analysing secondary data (contracts, documents and newspaper articles) and by interviewing policy-makers, and consultants who have closely or participated in the two PNPs' trajectories and are less biased sources of information.

## **Case Studies and Partner Narratives**

### **AAPG's Historical Context and Narrative**

Since 1995, the Guri Project has provided introductory courses in music theory and instruction to 51,000 students, distributed among 366 centres in 310 municipalities in São Paulo state, focusing on the mission to promote excellence in music education and practice with a focus on teaching at-risk youth. Beth Parro's narrative, founder and former Executive Director of AAPG from 1995 to 2007, provided details of the motives of converting the project into a SO, the conflicts experienced during the trajectory of the partnerships, and the motives of her subsequent replacement with Alessandra Costa.

According to Parro, AAPG existed as a non-profit organization that supported the Guri Project, which was originally a State initiative that was marked by legal and non-regular hiring practices to the public sector. In 2000, the Public Ministry considered illegal the organization's hiring procedures, forcing the Department of Culture to review its status. Collaboration with non-profits emerged out of such managerial and legal problems, aiming to transform the project in a

transparent and, most importantly, law abiding initiative. Consultants hired from the Department of Culture indicated the AAPG as a potential nonprofit partner to for the the emergent model of SO.

This initial experience seems to be a landmark of collaboration between the Department of Culture and the non-profit AAPG. The definition of goals, metrics and hiring norms regarding the management of Project Guri' centers were debated in what Parro described to be a stressful but rewarding experience, resulting in an R\$9,120,955 management contract, signed in 2004 (Costin, 2005). AAPG nonprofit partners were also trained for 18 months on cost and performance monitoring. According to the former Executive Director, the period from contract development to the subsequent 70% growth of the project was a time of strong interorganizational and interpersonal trust, based on collaboration and mutual respect between the State partners and AAPG. As recognized by the former Secretary of Culture, in this moment, the role of the State partner was to promote and fund rather than directly execute the culture sector initiatives (Costin, 2005).

A turning point in the trajectory of the partnership was marked in 2007, when a new Secretary of Culture took office. Despite representing the same political and ideological coalition, such change was reflected in internal modifications within the Department of Culture and resulted in Parro's dismissal as the Executive Director. According to Parro, the new team in the Department of Culture did not respect the norms established in the management contract or trust her competence as a director, indicating lower levels of interpersonal trust. After much debate and resistance, the AAPG Board, dependent on the funds related to a future contract renewal, was pressured into replacing her with a new director.

Alessandra Costa, the current Executive Director, recognizes the partnership changed significantly since she became AAPG's Executive Director, particularly because goals and tasks

were pre-determined by the Department of Culture, instead of being collaboratively negotiated as in the previous stage of the partnership, indicating a stronger position of the State partner. Costa also emphasized that the State partner imposed operational changes to the nonprofit partner, such as changing administrative procedures for hiring personnel. Considering that currently, 97% of AAPG funds are provided by the state, the non-profit partner accepts State control because the partnership provides otherwise unobtainable funds and resources. The current Executive Director also recognized that the interpersonal relations are still of utmost importance in Brazilian organizations, and influence the everyday operation of the partnership “I think that here in Brazil there is still [...] unfortunately [...] Public policies are very much conditioned by the change of people [in the State]. When I came in, there was one [form] of administration in the Department of Culture. Then that administration changed more than once and each change you will of course need some time for the new personnel to get to know the Project” (March, 17, 2012).

### **OSESP Historical Context and Narrative**

OSESP, was a public-sector organization transformed into an SO. Indeed, since its founding in 1954, OSESP has been housed (in one way or another) in the Department of Culture, facing precarious, and irregular hiring practices, as well as other managerial problems due to the legal limitations of the public sector recruitment and hiring, considering artists for an orchestra. Eleazar de Carvalho managed the orchestra for twenty-four years under these conditions which nearly led to the collapse of the orchestra on several occasions. After his passing, Maestro John Neschling assumed the role of art director and with Maestro Roberto Minczuk, expanded the orchestra and began to implement reform proposals that sought to resolve hiring and other managerial concerns (OSESP, 2012).

Under Neschling, OSESP experienced what Dantas & Borges do Amaral (2009) refer to as a rebirth. A SO contract was signed in 2005 to address several of the orchestra’s managerial

issues. After contract implementation, OSESP was able to develop clear business plans, management systems, a systematized budget and marketing and accounting departments.

There was little debate over goals or operations because, as OSESP's Superintendent notes, the goals proposed by the SO were ambitious and led to both growth and higher quality. On OSESP case, no other NPO could replace it on the contract, since similar orchestras did not exist, automatically leaving more power to the SO. Conflict with state partners was mostly about the funding SO received from the Department of Culture. When asked how the relationship between OSESP and the Department of Culture changes with every new secretary, he did concede that the OSESP adapted to public policies proposed by new secretaries of culture given that the contract would ensure the organization's autonomy in managing the orchestra.

The most notable difference between OSESP and AAPG is the Foundation's status as a major Brazilian cultural institution, according to Marcelo Lopes, OSESP's executive director. Because of OSESP's prestige, it has a budget six times that of all of the museums in São Paulo. OSESP's institutional status in São Paulo and its strong board have allowed it to maintain autonomy despite periods of low interpersonal trust.

Indeed, one of the interviewees, the former co-ordinator of the Cultural Diffusion Unit of the Department of Culture, claimed that the maestro's negative relationship with the governor of São Paulo affected the SO. The often-tense relationship between the former governor of SP State, José Serra, and the former maestro, John Neschling, culminated in Neschling's (2011) dismissal after a series of highly publicised disputes (Bergamo, 2009).

### **State Partners' Narratives**

How do State partners perceive their collaborations with SOs? Staff members of the Department of Culture indicate the informal accountability processes of the partnership, such as meetings, phone calls, technical visits, as a positive aspect, but also recognize the need to adapt

the day-to-day operations of the SOs to the new political reformulations originated from Secretaries of Cultures' turnover.

Carlos Pedro Jens, who currently evaluates the performance of SOs for the Department of Culture, believes the implementation of SOs in São Paulo gives non-profits excessive autonomy. For him, because of this autonomy, SOs lose their public focus, replacing it with a more managerial orientation. He noted that before leaving office, then-Secretary Of Culture Andrea Matarazzo delivered a report that demanded increased State access to SO information related to resource allocation and suggested State representation on SO boards, which would tend to increase State partner control over PNPs. Jens also participates in an evaluation committee composed of members of civil society and State partners that analyses how SO accountability reports are evaluated and penalised by the Department of Culture. This accountability process is intended to provide transparent resource allocation by the SO, but indicates growing State partner control of PNPs. Consultants interviewed (originally involved in the elaboration of the SO model) also perceive a growing attempt from the State partners to control the management of SO on a day to day basis, as a consequence of ideological and political resistance to the very model of PNPs based on SOs.

A content analysis of contracts revealed a change in the levels of formal control expressed through the type of indicators included. The documentary analysis also revealed a qualitative change in the type of reports produced by the SOs. AAPG's accountability reports have been transparent since 2008, the year that marked the contract renewal and Parro's dismissal, whereas, although OSESP's accountability reports have been available since 2006, they have been interrupted in recent years. A content analysis of these documents highlights the stronger role of the Secretary of Culture in each report, sometimes even marked by a "personalisation" of the opening notes of the document, indicating a growing trend of State partner interference.

## Research Findings and Discussion

### Interpersonal versus Interorganisational Trust and State Partner Control

The main findings of our research are presented in Table 2, based on a comparative analysis that highlights crucial events that permeated the trajectory of both partnerships, focusing on communalities both PNPs display: a) their origins as public-sector organizations; b) the managerial and legal problems that “SO” solution aimed to overcome; c) the high levels of interorganizational and interpersonal trust in the first years of PNPs; and, d) the moments of disruptions in PNP’s trajectory due to interpersonal trust volatility.

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Insert Table II here

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The manufactured nature of the SO model of PNPs is an important institutional dimension that influences the significant role of interpersonal trust in both our case studies, marking an important difference from more organic collaborative networks, where members of partnering organisations are “cognizant of their interdependence in pursuit of shared goal (s)” (Romzek, LeRoux, & Blackmar, 2012:816). In fact, in these collaborative arrangements, research has already demonstrated the role of trust in terms of informal accountability (Gazley, 2010; Romzek, LeRoux & Blackmar, 2012; Romzek et al., 2014), that continues to play an important role in our case studies, but is overshadowed by strong indicators of growing control of State partners along PNP’ trajectories.

Instead of recognizing interdependence (Cornforth, Hayes & Vangen, 2014), manufactured PNP are characterized by a privileged position of the State partner. In practice, SOs emerge from

previous public-sector organizations or NPO, are “fabricated” to deal with legal and managerial difficulties, and continue to be highly dependent on State funding.

In such PNPs, the informal accountability of organic collaborative arrangements is eclipsed by a strong, although informal and volatile, State partner control. The effects of interpersonal trust on State partner control were particularly evident in the dismissal of both partnerships’ former executives and the confessed “threat” of contract discontinuation observed at the AAPG, corroborating the stories of the pain and grind involved in partnerships (Huxham, 2003). Although the partnerships’ formal arrangements, such as their contract obligations, buffered PNPs’ actual discontinuation, executives in both of the SOs had to resign at some point along their partnerships’ trajectory, or recognize the need to adapt to new policy orientation.

Research findings demystify the assumption that trust tends to grow along the PNPs’ trajectories (Bunger, 2013; Emerson, Nabatchi, & Balogh, 2012; Kapucu, 2006). The volatile nature of interpersonal trust (Zaheer, Mcevily, & Perrone, 1998) and its centrality in Brazilian PNPs influenced unstable trajectories of collaboration and changing degrees of State partner control in both of the PNPs studied. Differently from other studies that consider distrust as the starting point of most PNPs (Alexander & Nank, 2009; Huxham, 2003; Van Slyke, 2007), we perceived higher level of both interorganisational and interpersonal trust at the beginning of the partnerships, when State partners had a positive attitude towards non-profit partners because of the need to face managerial difficulties.

The research also indicates that the role of interorganisational trust in manufactured partnerships is less pronounced than that of interpersonal trust. Interorganisational trust, traduced in sustained trust in the norms, rules and regulations of partnering organisations (Bunger, 2013; Zaheer, Mcevily, & Perrone, 1998), seems to be respected only where interpersonal trust exists (Sobral et al., 2007). As highlighted by OSESP’s managers, the orchestra’s international prestige

and cultural significance to Brazil make it a respected institution, suggesting elevated level of interorganisational trust. However, even along OSESP's trajectory, low levels of interpersonal trust between a former maestro and governor led to the maestro's dismissal. This observation is vastly different from the previous findings that suggest that in times of low interpersonal trust, interorganisational trust may lead to stable partner collaboration because the nature of interorganisational trust is more constant than that of interpersonal trust (Zaheer, McEvily, & Perrone, 1998).

As expected, lower levels of trust will translate to stronger State partner control over partnerships and vice versa, corroborating the view that trust is an alternative to control (Alexander & Nank, 2009; Aulakh, Kotabe, & Sahay, 1997; Lee et al., 2012; Ring & Van de Ven, 1994; Zaheer & Venkatraman, 1995). However, our case studies show that a lack of interpersonal trust is closely related to informal State partner interference, such as pressure or psychological threats related to the dismissal of an SO's executive (e.g., Parro's dismissal). Because interpersonal trust also influences the degree of interorganisational trust, we find changing patterns of formal controls, such as the frequency and nature of SOs' accountability reports. For example, during the first years of the AAPG collaboration, neither reports nor data related to the partnership were available, indicating a low level of State partner control. Parro's dismissal was followed by new accountability reports, sometimes even marked by the Secretary of Culture's "personalisation" of those documents' opening notes, indicating greater interference by the State partner. As seen in both cases, the State partner has sometimes taken a more active role in PNP management and at other times merely monitored and funded the partnerships.

There seems to be a disconnection, however, between what State partners view as acceptable State intervention and what SO partners deem as such. From the non-profit perspective, interorganisational trust is essential to the success of the SO model. Non-profit



managers claimed that unless the Secretary of Culture believes in a project, respects the contract and trusts that non-profit managers can achieve the agreed-upon objectives, that is, unless the secretary trusts the organisation as a whole, the model will not function as intended. Interorganisational trust is considered key to achieving a sustainable collaborative partnership.

## **Conclusions**

This research analysed how interpersonal and interorganisational trust affect State control in São Paulo's SOs, considered *manufactured* PNPs because of the dominant position of the State partner, unlike other collaborative arrangements where partners recognise their mutual interdependence in pursuit of shared goals. Manufactured partnerships that are present not only in Brazil but also in other State-centred contexts are generally characterised by an increased level of frustration and distrust between partners (Bidet, 2012; Hodgson, 2004; Skelcher, Mathur, & Smith, 2005).

Our study found that manufactured PNPs are more sensitive to the effects of interpersonal trust. Adopting a multi-dimensional concept of trust was key in comprehending that interpersonal and interorganisational trust have different effects on collaborative processes. We observed that the volatile nature of collaboration and State partner control in such PNPs is related to the centrality of interpersonal trust that is more variable than interorganisational trust. The dominance of interpersonal trust is reflected in partnership disruptions, such as the dismissal of a non-profit executive, calling into question the assumption of the current research that trust tends to be built over time.

Stronger interorganisational trust provides stability to partnerships; however, in the context of our research, there is a general lack of faith in the very model of the State partnering with non-profits. Indeed, the high levels of frustration and distrust in manufactured PNPs reported in previous research are related to low levels of interorganisational trust. In our research,

high levels of interorganisational trust were present only at the beginning of the partnerships, contrary to previous research findings that consider distrust the starting point. In both cases, the initial years of the partnerships were characterised by a lower degree of State interference because the SOs were characterised as an improved managerial solution in the context of deeper administrative reform that aimed to overcome a range of legal and managerial problems that affected the former public-sector organisations. However, such initially favourable trusting environment towards the PNPs gradually gave way to increased control by State partners, which began to feel uncomfortable with the “excessive” autonomy of their non-profit partners, thus leading to more State interference in the partnerships even in the context of a stable political and institutional environment, such as that of São Paulo.

As previous research has recognised, interpersonal trust is key in comprehending PNPs’ informal accountability because it indicates how collaborative efforts are managed in everyday practice (Romzek, LeRoux, & Blackmar, 2012; Romzek et al., 2014). However, in manufactured PNPs, State partner control replaces the informal accountability that emerges from more collaborative arrangements. Again, the centrality of interpersonal trust might be related to the manufactured nature of Brazilian PNPs, with the dominant position of the State partner, which is reinforced by funding dependency and cultural patterns. We suspect that this design may become a trend, especially in countries (such as Brazil) with State-centred traditions and that have recently been influenced by the Anglo-Saxon Third Way (Bidet, 2012; Hodgson, 2004; Nogueira, 2004; Peci et al., 2011; Skelcher, Mathur, & Smith, 2005).

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**TABLE I****Research Conceptual Framework**

<b>Trust dimensions</b>	<b>Analytical focus</b>	<b>Implications for collaborative processes</b>	<b>State partner control</b>	<b>Research assumption</b>
<b>Interpersonal Trust</b> – organisation member's trust in <u>his/her counterpart</u> in the partnering organisation	Interpersonal relations	Informal mechanisms of collaboration;  Volatility	Interference in collaborative processes, informally or formally.	Are there changing patterns of
<b>Interorganisational Trust</b> – the extent to which organisational members have a <u>collectively-held</u> trust orientation towards the partner organisation	Partnering organisations' norms, structures, processes, and status	Formal mechanisms of collaboration;  Stability	Level of formal control, evidenced on the type of indicators.	State partners' control along the partnership trajectories?
<b>Context of Research:</b> <b>Manufactured PNPs characterised by a privileged institutional position of the State partner</b>				

*Source: Elaborated by the authors*

**TABLE II**

**Comparative analysis of PNPs**

Events	Narratives	Implications
SO originated from public-sector based organisations	<p>OSESP was created in 1954 and until 2005 operated within the State of São Paulo, as a public entity (documents).</p> <p><i>OSESP used to be a public department, without accounting or human resources concerns. The State, through the Department of Culture celebrated a individual contract with each musician or temporary artist...the administrative staff was also hired by the Department of Culture and nobody had any notion of costs... How much costs such activity? Nobody knew...(OSESP's Executive Director, February, 17, 2012)</i></p> <p>The Guri Project has provided introductory courses in music theory, choir, wood, wind and percussion instruments to fifty-one thousand students throughout the state of São Paulo since 1995, as a state project within the Department of Culture (documents).</p>	Manufactured nature of the PNP – public organisations' origin and <i>modus operandi</i>
SO emerged as a solution to legal and managerial problems	<p><i>I was hired to(...) improve its[Maestro's] relations with OSESP and formalize its processes and contracts [of collaboration] with a outsourcing organization. The [relations] were very difficult..The cultures [of the organizations] were very different. For a series of issues, and perhaps because of the attitude of the Maestro that also had an executive role at the time... The relationship did not flow..(OSESP's Superintendent, March, 17, 2012)</i></p> <p><i>In 2000, the Public Ministry demanded that the Guri Project and other cultural sector organizations alter common practices such as hiring norms that were illegal inside public sector legal framework (former consultant of the Department of Culture, May, 2, 2012).</i></p> <p><i>Back there, the Secretary of Culture came with the proposal to create SOs...to aggregate the stories of the cultural sector - not</i></p>	Legal and managerial difficulties as the drive to adopt SO as a solution

	<i>just Guri - there were other projects in the same situation...To meet legal standards. We went to study the way to transform this NGO in a SO. (AAPG's former Executive Director, Abril, 7, 2012).</i>	
Begining of the partnership	<p><i>Besides the technical issue of monitoring (the contract), the rest was very friendly. The State had much respect for the Project. You know, respect... I didn't have any problems working with the State. On the contrary. There were some very interesting things... and it was really very agile.(AAPG's former Executive Director, March, 5, 2012)</i></p> <p><i>After contract implementation, OSESP was able to develop clear business plans, management systems, a systematised budget and marketing and accounting departments (former consultant of the Department of Culture, May, 2, 2012).</i></p>	<p>Initially, higher levels of interorganisational and interpersonal trust were reflected on lower levels of State partner's control, generally traduced in funding and monitoring aspects.</p> <p>Low numbers of accountability reports.</p>
Partnerships disruptions	<p><i>When the new secretary of culture takes office... My board didn't yield because in a SO you are nominated by the board, not by the State[...] [the State] broke the rule. [The Secretary of the Department of Culture at the time] called my board various times to negotiate[...] [They would say] 'No, but Beth created [the Guri Project]. ...She is the heart of the project and we have been with her since she created it.' [The Secretary would respond:] 'She is a bad manager, she's incompetent[...] She doesn't know how to manage public money'[...] Until one day I took some time off because I was sick[...] and our work stopped. During this time he didn't allow us to work[...]I couldn't create anything new... Then it was in October 2007 that my 4-year management contract expired. He called my board and said 'You either remove Beth, or I won't renew the contract.' My board called me and I responded 'No, I created it but he can kill it'. (AAPG's former Executive Director, March, 5, 2012)</i></p> <p><i>Since 2005I think we had, at least, 4 different Secretaries of Cuture. Often, such interruptions or this turnover of Secretaries imposes huge difficulties for our processes (OSESP's</i></p>	<p>Lower levels of interpersonal trust traduced in:</p> <ul style="list-style-type: none"> <li>a) Changing trends of State partner intervention;</li> <li>b) Strong informal State partner controls (Ex. executive dismissals);</li> <li>c) Lower levels of interorganisational trust.</li> <li>d) Higher levels of formal control of processes in AAPG case.</li> </ul>

	<p><i>Superintendent, March, 17, 2012)</i></p> <p><i>When Maestro Neschling was in OSESP and Serra became governor(...), there was a certain animosity between Maestro Neschling and the government. It is clear that that climate negatively affected the progress of things. Not that the Maestro was not competent, but there was a negative climate... ended up creating [an atmosphere] of unsatisfied [partners] and additional problems. (Co-ordinator of the Promotion of Cultural Diffusion Unit, Department of Culture, March, 17, 2012)”</i></p> <p><i>Several [people] in the Treasury Department, several people in the Department of Culture... think that the current management contract gives excessive freedom [to the SOs]” (OSESP’s Executive Director, February, 27, 2012) .</i></p>	
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*Source: Elaborated by the authors*