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Institutional complexity of public sector reform: conflicts and dynamics in local–regional cooperation

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ABSTRACT

Addressing public service reform through an integrated theoretical framework of institutional complexity, this article derives from the PAM literature related to conflicts in multi-level governance. Institutional complexity is employed to explore the dynamics of cooperation and the unintended and adverse consequences these dynamics have on the Finnish welfare service reform. A diverse set of data on local – regional cooperation between Finnish municipalities and well-being services counties (WSCs) was analysed using conflicts as an analytical tool. The results highlight context-sensitive dynamics that shape local – regional cooperation within multi-level governance systems and show how these dynamics influence the cooperating actors' ability to foster value creation for local communities and their citizens.

ABSTRAKTI

Tämän artikkelin keskiössä ovat julkiset palvelureformit, joita tarkastellaan institutionaalisen kompleksisuuden teoreettisen viitekehyksen kautta. Tämä integroiva viitekehys kokoaa yhteen julkisen johtamisen ja hallinnan tieteenalan konflikteihin monitasoisissa palvelujärjestelmissä liittyvää tutkimusta. Tarkastelemme sote-uudistuksessa yhteistyötä tekevien toimijoiden välisen yhteistyön taustalla vaikuttavaa dynamiikkaa ja sen tahattomia seurauksia paikallisyhteisöille. Tutkimuksen aineistona on suomalaisten kuntien sekä hyvinvointialueiden välistä yhteistyötä käsittelevä monipuolinen haastattelu- sekä kyselyaineisto, joka on analysoitu käyttäen konflikteja analyttisenä työkaluna. Tulokset paljastavat paikallisten (kunnat) ja alueellisten (hyvinvointialueet) toimijoiden yhteistyön dynamiikan monitasoisissa hallintojärjestelmissä tuottaen uutta tietoa siitä, miten tämä dynamiikka vaikuttaa yhteistyössä toimivien toimijoiden mahdollisuuksiin edistää yhteisöpohjaisia tuloksia paikallisyhteisöille ja niiden kansalaisille luotuna arvona. Lopuksi tarkastelemme tuloksia institutionaalisen kompleksisuuden viitekehyksen kautta.

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Introduction

In this article, addressing Finnish welfare service reform launched in 2023, we derive theoretical insights from public administration and management (PAM) literature of conflicts in multi-level governance settings (Rossi and Skarli 2025; Rossi and Tuurnas 2021; Skålén, Engen, and Jenhaug 2024; Torfing et al. 2025), integrated through a theoretical framework of institutional complexity (e.g. Greenwood et al. 2011; Rønshaugen, Sønderskov, and Magnussen 2024). While the reform seeks to address challenges such as population ageing, workforce shortages, rising costs, and the need for service integration and improved accessibility (Tynkkynen et al. 2025; Finnish Government 2021), it simultaneously generates tensions between competing institutional logics across levels of governance. In particular, the increasing reliance on cross-sectoral and inter-organizational cooperation as a key mechanism for value creation (Bel, Bühler, and Pano 2025; Castelnovo and Sorrentino 2024; Siciliano et al. 2022) places actors in situations where centralized steering often collide with local needs and expectations.

As Torfing et al. (2025) note, vast amount of PAM studies entail an underlying assumption of cooperation as a prominent way of addressing complex governance challenges, yet these studies often fail to recognize how conflicts affect the effectiveness of cooperation – especially related to multi-dimensional issues cutting across different levels of governance. We address this gap through a research question of *what underlying dynamics of cooperation conflicts reveal in multi-level governance settings*. By underlying dynamics, we refer to the patterned and often latent configurations of institutional, relational, and governance conditions that shape how cooperation unfolds in multi-level reform settings.

Our empirical focus is on local – regional cooperation between the actors implementing Finnish welfare service reform, specifically municipalities and *well-being services counties* (WSCs). As underlined by Castelnovo and Sorrentino (2024), reform outcomes such as improved quality of services or local community viability are often achieved through inter-municipal cooperation. Indeed, value created for the local communities ‘are increasingly recognized as relevant indicators of the effectiveness and sustainability of particular service provision programmes such as health and social services’ (Bel, Bühler, and Pano 2025, 2). These kinds of broader outcomes, contrasted with those achieved by a service or to a person receiving the service, provide both a need and an incentive for cooperation. However, we argue that such reform aims as well as outcomes that appear efficient from the perspective of higher-level governance may undermine value creation for local communities, an illustration of mixed and unintended consequences of reform efforts.

Drawing from the community-based outcomes literature, such broader impact of reform efforts can be understood as, for example, aggregate outcomes for the population (Provan and Brinton Milward 2001), value provided to the area and its citizens through improved access to services, enhancing the solutions to complex social problems (Provan and Brinton Milward 2001; Siciliano, Carr, and Hugg 2021), or as cross-boundary social impacts (Kim and Sullivan 2023). Although cooperation is often foregrounded, only a few empirical studies examine the effects that local-regional cooperation has on communities (Bel, Bühler, and Pano 2025). Therefore, in this study, we also address how the underlying dynamics of cooperation in public sector reform implementation influence reform outcomes from the perspective of local communities.

This study contributes to the PAM literature by highlighting how conflicts in local-regional cooperation enhance our understanding of the *complexities of public sector reform* (e.g. Castelnovo and Sorrentino 2018; 2024; Cloutier et al. 2016; Fossetøl et al. 2015; Hwang 2019). Analysing local – regional cooperation between municipalities and WSCs, our approach offers explanatory power on the complexities by illustrating how context-specific dynamics trigger actors to take contradictory actions and decisions (Rossi and Tuurnas 2021; Skálén, Engen, and Jenhaug 2024). Second, through an integrative theoretical framework of institutional complexity, we contribute by reflecting how these dynamics of local-regional cooperation influence the implementation of public sector reform and, eventually, contribute to the emergence of its mixed and unintended outcomes.

Turning the focus of public sector reforms from cooperation to conflicts

Conflicts in multi-level governance settings of public sector reform

Although public sector reform is typically designed to develop structures, processes, and organizational cultures to enhance overall functionality (Pollitt and Bouckaert 2017), research consistently highlights that outcomes of reform efforts can be mixed or unintended (Cloutier et al. 2016). Conflicts, as Rossi and Skarli (2025, 4) suggest, are ‘contradictory institutional arrangements that direct collaborating actors to take contradictory lines of action and decision-making’, providing different pathways for outcomes of the cooperation. Therefore, addressing conflicts provides a possibility to understand the success and failure of public sector reform.

This study employs the concept of conflicts (Rossi and Skarli 2025) to better understand the complexities and dynamics of public sector reform (Castelnovo and Sorrentino 2024; Fossetøl et al. 2015; Hwang 2019), and the interrelated aspects of cooperation and its outcomes (Siciliano et al. 2022).

Especially in addressing complex governance problems, cooperation between various actors is intensively foregrounded in various streams of PAM literature, also recognizing the challenges of cooperation. Such challenges include, for example, power dynamics and imbalances (Bianchi, Nasi, and Rivenbark 2021), lack of shared vision as well as limits to commitment, coordination and regulatory mechanisms (Sentanu et al. 2023), difficulties in addressing the differing interests and perspectives of cooperating actors (Waardenburg et al. 2020), and lack of trust (Margerum, Robinson, and Genskow 2016).

The theoretical approaches of PAM studies utilizing the concept of conflict derive from value creation and destruction in public service ecosystems (PSEs) (see Cui and Osborne 2022; Rossi and Tuurnas 2021; Skålén, Engen, and Jenhaug 2024; Skarli 2021). Complementing these previous studies we, first, utilize theoretical insights from the literature of multi-level governance. This is because our empirical focus on Finnish welfare service reform foregrounds conflicts particularly in cooperation between two administrative levels of Finnish administrative system, namely municipalities and WSCs.

Second, we build on previous research on conflicts in value creation and destruction processes interlinked with especially the PAM scholars' theorizations of public value (e.g. Skålén, Engen, and Jenhaug 2024). Therefore, potential outcomes of cooperation are here understood as and related to long-term (public) value to local communities and their residents, such as local community viability or cross-boundary social impact as well-being of local citizens (Kim and Sullivan 2023; Provan and Brinton Milward 2001; Siciliano, Carr, and Hugg 2021).

The integrative theoretical framework of institutional complexity

Connecting the theoretical and conceptual approaches of conflicts and multi-level governance deriving from PAM literature, the integrative theoretical framework of institutional complexity is used here for its ability to illuminate the dynamics and complexities of public sector reform (Castelnuovo and Sorrentino 2024; Fossetøl et al. 2015; Gear, Eppel, and Koziol-Mclain 2018; Hwang 2019). For example, Rønshaugen, Sønderskov, and Magnussen (2024) have recently explored how institutional complexity influences the potential for co-creation in multi-actor collaborative settings.

Related to institutional complexity, multi-level governance refers to the nested nature of governance systems. Governance is thus conducted through continuous negotiations among actors at local, regional, national, and supranational levels (Marks 1993, 392), which in the context of Finnish welfare service reform refers particularly to the cooperation between municipalities (local) and WSCs (regional) actors. In multi-level governance, the primary focus has been on the relationship between

the supranational dimension and other governance levels (Schakel 2020; Tortola 2017), yet it has been criticized particularly for its conceptual ambiguity.

Importantly, multi-level governance is inherently prone to conflicts, which have largely been viewed as coordination problems between different governance systems (Maggetti and Trein 2019). Expanding this view, institutional complexity offers a prominent integrative framework for addressing and understanding conflicts and conflicts' effects to in multi-level governance systems. Thus, institutional complexity, characterized by conflicting institutional logics of actors between and across the multi-level (local, sub-national, and national) governance systems, shifts the attention from intra- and even interorganizational focus to dynamics of cooperation in multi-level, multi-logic and multi-actor governance settings (Osborne et al. 2022; Rossi and Tuurnas 2021; Rossi, Tuurnas, and Stenvall 2024).

Friedland and Alford (1991) explained these dynamics using the concept of institutional logics, referring to practices, structures, and values that guide the behaviour and decision-making of actors. As socially constructed practices, institutional logic determines which types of behaviour and outcomes are desirable and undesirable in a specific context (P. Thornton, Ocasio, and Lounsbury 2012, 2). Institutional logics, therefore, offer multiple frameworks to guide the cooperating actors'—here, actors in municipalities and WSCs—decision-making and behaviour, which, in turn and depending on the followed institutional logic, provide pathways towards diverse outcomes of local-regional cooperation.

Indeed, building on observations of numerous studies of public sector reform (D'Aunno, Sutton, and Price 1991; Denis, Ferlie, and van Gestel 2015; Elsbach and Sutton 1992; Kraatz and Block 2008), reforms are implemented in institutional environments, which are often conflicting, vague, and in flux. This implies that implementation involves active institutional work by constrained local agencies, exerting disciplinary effects on a limited group of actors (Van Gestel, Waldorff, and Denis 2020). Thus, public sector reforms are established at the intersections of conflicting institutional values, demands, interests and expectations cutting across multiple governance levels, therefore prone—especially in their early phases—to fundamental conflicts (Torfing et al. 2025).

Consequently, public sector reform both creates and is influenced by institutional complexity, which is characterized by the plurality and incompatibility of institutional logics (Greenwood et al. 2011). Institutional complexity can be enduring, particularly in healthcare and education sectors where established professions are motivated and conditioned by different logics (e.g. P. H. Thornton, Jones, and Kury (2005); Dunn and Jones (2010)). These sectors do not usually progress towards stability and alignment around a single dominant logic but instead often remain arenas of ongoing conflict

between institutional logics available for the actors (Dunn and Jones 2010; Lounsbury 2007; Meyer and Höllerer 2016; Reay and Hinings 2009).

In public sector reforms, and intertwined with the concept of conflicts, *incompatibility of institutional logics* as dynamic of institutional complexity occurs when inconsistent interests, expectations, values, aims, beliefs, and practices of actors underlying their decisions and actions emerge (Andersen and Breidahl 2025; Galwa and Vogel 2023; Rossi and Tuurnas 2021; Rossi, Rannisto, and Stenvall 2016) and when the prescribed and proscribed behaviours of different logics cannot be easily integrated or followed in practice (Besharov and Smith 2014; Greenwood et al. 2011). Incompatibility may happen, for example, when there is a jurisdictional overlap of the institutional logics, and their prioritization has not been settled (Raynard 2016).

Occasionally, incompatibility results from conflicts of the ideological levels of goals, challenging ‘the core system of values and references of organizational constituencies’ (Pache and Santos 2010, 460; see also Torfing et al. 2025). The implication is that institutional complexity is shaped by the field’s structure (see Scott 1995) within which the reform implementers are located. Raynard (2016) also contends that the relative power of the advocates behind those demands matters. Similarly, Torfing et al. (2025), Skålén, Engen, and Jenhaug (2024), Rossi and Tuurnas (2021) and Bianchi, Nasi, and Rivenbark (2021) stress that the power relations and imbalances are crucial dynamics affecting and challenging the outcomes of cooperation.

Although institutional complexity is often addressed through the incompatibility of institutional logics, power relations draw attention to the *centrality of institutional logics*—how meaningful logic is to an actor in relation to other logics – and its relational and relative aspects in understanding institutional complexity (Stevenson, Honingh, and Brandsen 2024). For example, addressing the degree of centrality can provide explanatory power when addressing institutional complexity and incompatibility of institutional logics. As an illustration of the dynamics of centrality, if actors are intensively centralizing their own institutional logics, they might not even recognize nor pay attention to the incompatibilities of the different logics, or a powerful actor can prioritize their own logic and ignore others (Stevenson, Honingh, and Brandsen 2024).

When viewed from a top-down perspective, failures of public sector reform are typically explained by inadequate design, insufficient preparation, and ineffective communication (May and Winter 2009). From the bottom-up perspective, the success and failure are attributed to the mismatch between the initiative and local needs, insufficient resources, or entrenched routines (Matland 1995). Coping with institutional complexity becomes then a question of which demands to satisfy and which to neglect (Bertels and Lawrence 2016; Greenwood et al. 2011; Meyer and Höllerer 2016; Misangyi 2016; Pache and Santos 2010; Raynard 2016).

To summarize, addressing institutional complexity through the dynamics of incompatible and centralized institutional logics derives from public sector reforms being inherently linked to distinct institutional environments, composed of a complex blend of conflicts of institutional logics (Rossi 2024; Scott 1995; Torfing et al. 2025). Largely due to this institutional complexity of public sector reform implementation, ‘the reasons behind the uneven results of efforts to translate political intentions into local action’ (Castelnovo and Sorrentino 2024, 165), reform efforts can lead to mixed, unintended and sometimes negative outcomes (Carey, Buick, and Malbon 2018; Ghobadian, Viney, and Redwood 2009; Margetts, Perri, and Hood 2010).

Next, we turn the empirical focus on conflicts in cooperation between municipalities and WSCs in the early phases of Finnish welfare service reform to explore the dynamics of institutional complexity. Understanding these dynamics and how they are addressed is crucial, as they can have major implications for the social legitimacy of public sector reform.

Data and methods

Context of the study

As a conflictual setting, adopting the terms of Moore (1987), the Finnish reform has demonstrated a ‘slippage between policy intents and policy actions’. In 2023 after decades of reform attempts, the social and healthcare services were centralized under regional WSCs, shifting the responsibility of organizing social welfare, health, and rescue services from 309 municipalities and joint municipal authorities to the 21 WSCs. The reform efforts have sought to address the ageing population, the shortage of social and healthcare workers, cost growth, service integration, and the improvement of the quality, accessibility, and availability of services (Finnish Government 2021).

Indeed, Finnish welfare service reform offers an intriguing reform case, intense with what Torfing et al. (2025) call fundamental conflicts, often emerging at the initial stages of decision-making and due to the differing world views – here, institutional logics – of the cooperating actors. At the local governance level, municipalities, familiar with local conditions and needs of the citizens, have been responsible for organizing a broad variety of public services, e.g. social and healthcare services. Thus, they have (had) a significant role in promoting, for example, the well-being of their residents and the viability of the municipality, emphasizing the local needs and priorities in their decision-making and operations (Vakkala, Jäntti, and Sinervo 2021).

However, inequalities in service availability and demands for cost-efficiency created an incentive to reform the social and healthcare service system in Finland by merging the responsibility for service provision under

WSCs operating at the regional governance level. Following the social and healthcare services multi-level governance system model in many European countries (Jäntti, Sinervo, and Vakkala 2019; Sandberg 2016), the welfare service reform transformed the Finnish public administration system from one level of sub-national government into a multi-level system.

Overall, this shift from a decentralized, municipality-based approach to a more centralized model, with the state playing a stronger role in financing and managing the WSCs, has been at the core of the reform. Thus, the Finnish reform is significant because of its scale and, importantly, its transformative introduction of a second autonomous, self-governmental level to the Finnish administrative system, which affected public cooperation as a mechanism through which public service reform reaches its objectives (Paananen et al. 2024). In practice, these objectives foreground the structural and functional improvement of welfare services.

The decision-making and operations of WSCs focus on providing social, healthcare and rescue services and are directed more on achieving short-term outcomes of cost-efficiency. This is mainly due to WSCs resource dependency on the state that provides their funding. This has led, for example, to WSCs' cutting back on the service network. At the local level, this is perceived as an erosion of municipal viability, as reductions in the service network and the closure of local social and healthcare centres have fundamental implications for the local community and the well-being of the residents (Paananen et al. 2024). Thus, decisions seen as efficient operations from the perspective of WSCs can be perceived as detrimental to the viability and well-being of local communities – an illustration of the mixed, unexpected, or unintended outcomes of the reform efforts (Cairney 2020; Cloutier et al. 2016).

The Finnish municipalities are responsible for tailoring policies to meet local needs and priorities when providing public services, and they retain strong autonomy and self-government, including the right to levy taxes (Jäntti, Sinervo, and Vakkala 2019; Laitinen, Stenvall, and Kuoppakangas 2023). Municipalities take care of education services, libraries, land use, housing and transport, and basic infrastructure, such as street maintenance and waste management. In addition, municipalities may voluntarily take on additional tasks, and most municipalities offer their residents a wide range of services in addition to their statutory responsibilities.

Although Finnish legislation defines WSCs as self-governing regions, their latitude is rather restricted; they are state-directed organizations with mainly regulated and standardized tasks (Paananen et al. 2024). WSCs are funded by the central government and thus have limited financial autonomy with no right to raise funds through taxation, and they need central government permission to take investment loans. Consequently, the WSCs' aims of cooperation exclude more long-term outcome incentives because WSCs

must meet the central government's objectives with scarce resources, which further hinders their opportunities to take the viability of local communities into account. Whereas municipalities' actions and decisions rely on locality, WSCs are guided by sector specificity.

Data collection and analysis

In this study we employed a mixed methods study design (Hendren, Luo, and Pandey 2018) to acquire a comprehensive understanding of relatively recent and complex Finnish welfare service reform. To enhance validity of the study compared to solely relying on data from one influential informant group (Natow 2020), the multifaceted data set was collected from three groups of participants representing different viewpoints and varying positions of power in Finnish reform context (Table 1). The data comprise qualitative semi-structured interviews of county chief executives of the WSCs ($n = 17$, covering 81% of all WSCs), a national survey of county councillors ($n = 352$, response rate 25,5%; 69.8% of respondents are elected politicians at the municipal level), and a national survey targeting all municipal chief executives (or mayors) in mainland Finland ($n = 77$, response rate 26,3%).

The data gathering proceeded iteratively. First, we conducted qualitative semi-structured interviews with county chief executives of the WSCs ($n = 17$). An inductive thematic analysis of these interviews indicated conflicts in the cooperation between the WSCs and municipalities. Second, the findings from the qualitative analysis together with insights from previous research prompted us to design a national survey for county councillors. These survey results strengthened the findings of the inductive thematic analysis and showed their prevalence. Moreover, responses to open questions in the survey clarified the nature of the identified conflicts.

Table 1. Dataset of the study.

	Data collection	Status of informants	Number of informants and organizations
Regional level Well-being services counties	May – June 2023 Thematic interviews	WSC chief executives	17 interviews participation rate 80.95%
	30.10.2023–15.1.2024 National online survey on Lime Survey platform	Elected politicians in WSCs in Finland	352 responses response rate 25.52%
Local level Municipalities	16.1.–7.4.2024, National online survey on Lime Survey platform	Municipal administrative leaders (or mayors) in mainland Finland	77 responses response rate 26.27%

Third, to gain more understanding on the recognized conflicts in cooperation between municipalities and WSCs, we distributed a survey to all chief executives of municipalities in mainland Finland. This second survey further underlined the conflicts in local – regional cooperation. The questions in the surveys were adapted from previous PAM research and guided by the findings based on the analysis of the interview data. The response scale used in the surveys was 5-point Likert, which has been converted to 3-point Likert in reporting the results.

Focusing on qualitative data (semi-structured interviews $n = 17$, complemented with open responses from two national surveys), we conducted a qualitative thematic analysis by using conflicts as an analytical tool (Rossi and Skarli 2025) to reveal the dynamics of local-regional cooperation. The qualitative thematic analysis as an essentialist method unveiled the detailed and complex reality of the interviewees and survey responders (Braun and Clarke 2006). This approach was carried out to identify conflicts between the cooperating actors' goals, practices, interests, assumptions and interpretations, potentially triggering actors to take contradictory lines of actions and decisions and thus resulting in different outcomes of the public sector reform.

When presenting the findings, the findings of the qualitative thematic analysis are complemented with results from the survey data, presented in the tables at the beginning of each section and integrated to the findings. The analysis process illustrated in [Figure 1](#) and described in detail below was characterized by its data-driven and iterative nature.

Accordingly, the following steps were taken in the data analysis process:

- (1) *Familiarization with data.* Initially, re-occurring descriptions of conflicts between WSCs and municipalities were identified from the interview data chief executives ($n = 17$, politicians $n = 13$) leading to four initial themes. Text excerpts ($n = 284$) from the interview data related to these initial themes were identified. These findings led us to conduct a national survey for WSC councillors ($n = 352$, 25,5%). This survey data was added to the data set.
- (2) *Searching verification for initial themes.* The initial main themes identified in step 1 were then conceptualized into 18 sub-themes. A national survey for municipal chief executives ($n = 77$, 26,3%) was conducted and further added to the data set.
- (3) *Reviewing and constructing final themes.* In this step we checked the thematization's form and proportionality with the whole data set to identify and verify the dynamics of local-regional cooperation between municipalities and WSCs, resulting to four (4) main themes and 18 sub-themes.

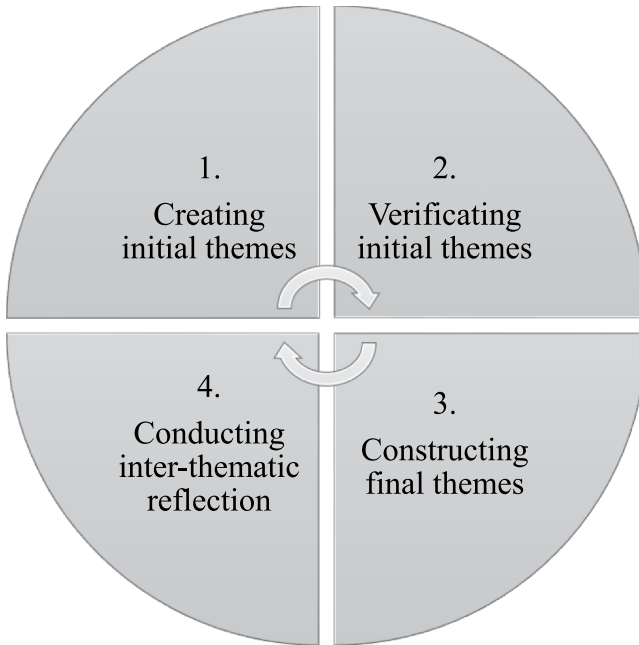


Figure 1. Qualitative thematic analysis process.

- (4) *Inter-thematic reflection*. Linkages between the main themes were examined, and their compatibility with the data set was ensured. Four themes were finally ensured, and the results section presents each theme reflecting the whole data set (Table 2).

Findings

As a result of the data analysis, conflicts in local – regional cooperation between municipalities and WSCs revealed four key findings of neglected cooperation, unbalanced relationships, unclarities in responsibilities, and distrust. Next, we present the findings.

Neglected cooperation between municipalities and WSCs

Table 3 presents the municipal chief executives' responses about the cooperation between the municipalities and WSCs. The results illustrate that, from the municipal perspective, the WSCs convey the cooperation aims to municipalities, the cooperating actors' interests are contradictory, cooperation is not based on trust, and the goals are not negotiated or based on reciprocity or openness.

Table 2. Main themes and sub-themes of the analysis.

Main theme	Sub-themes
Neglected cooperation between municipalities and WSCs	<i>Cooperation not prioritized</i> <i>Economic and financial issues affecting cooperation</i> <i>Underdeveloped joint structures</i> <i>Lack of transparency</i> <i>Poor practical implementation of cooperation</i>
Unbalanced relationships between municipalities and WSCs	<i>Reform needs overshadow cooperation needs</i> <i>Justification of reform by rejecting old models</i> <i>Underlined importance of state financial discipline</i> <i>Dominant position of welfare areas and their ability to dictate terms</i>
Unclarity in responsibilities between municipalities and WSCs	<i>Challenges in health promotion responsibility</i> <i>Issues in division of responsibilities</i> <i>Changes in municipal roles causing confusion</i> <i>Tasks pushed to municipalities</i>
Distrust between municipalities and WSCs	<i>Mutual distrust</i> <i>WSCs problematizing politicians with dual roles</i> <i>Sudden decisions by WSCs</i> <i>Undermined importance of health services for small municipalities</i> <i>Municipalities' role in reforms neglected</i>

Table 3. Municipal chief executives' perspectives on cooperation with WSCs.

Municipal chief executives	Disagree	Neither Agree nor	
		Disagree	Agree
The goals of cooperation come to municipalities from the direction of WSCs	11%	12%	78%
The interests of municipalities and WSCs are contradictory	16%	12%	73%
Cooperation between municipalities and the WSC is based on trust	62%	9%	29%
The goals of cooperation are negotiated	73%	5%	21%
Cooperation between municipalities and the WSC is based on reciprocity	75%	8%	17%
Cooperation between municipalities and the WSC is based on openness	75%	7%	18%

Establishing local – regional cooperation is a complicated and challenging task for WSCs and municipalities. Cooperation requires time, resources, and commitment from both sides. The results illustrate how building and investing in local-regional cooperation in multi-level governance settings was not among the top priorities in the first year following the establishment of the WSCs.

The aim of renewing social and healthcare services and service processes has guided the WSCs' establishment, and this policy goal has adversely affected WSCs' willingness to cooperate with municipalities. According to our findings, the municipalities were framed as an '*old way to organize*

services' by the WSCs actors and blamed for the problems in the service system related, for example, to failures in service integration and the quality, accessibility and availability of services, and the increasing costs.

In the context of the Finnish welfare service reform, it is important to notice that WSCs were founded in a difficult financial situation and lacked adequate resources to provide services. This underfunding has certainly created tensions and disputes in the relationship between WSCs and municipalities. Overall, according to the informants, the lack of cooperation seemed self-evident, and the WSCs had not prioritized the development of cooperation models or practices. In some cases, the management of WSC had even adopted the stance that the municipality did not have partner status.

We have no intrinsic value. Our main task is to provide social and health care services and emergency services to the population of our area. . . . We do not advocate for the interests of any municipality or anyone else, but we pursue, as the law states, the best for our members. (CEO of WSC, interview 33)

The findings indicate several problems related to local-regional cooperation. For instance, the informants stated that the decisions regarding cooperation and services were made hastily and reported a lack of transparency and that decisions were not clearly communicated. Moreover, the municipalities were apparently not consulted sufficiently. In addition, the role of municipalities seemed unclear, and municipalities struggled with defining their roles and responsibilities after the welfare services reform.

From the WSC point of view, some informants speculated that municipalities might not have the time or the desire to focus on cooperation with the WSC. Regardless of whether such speculation is correct, municipalities were not seen as knowledge resources for the WSC in the new welfare system. Informants reported that earlier work done in the municipalities has not benefitted the WSCs, and from the municipalities' perspective, cooperation with the WSCs was mainly assessed as weak.

Thus, several problems in terms of interaction, including a lack of dialogue and an arrogant attitude towards municipalities on the part of the WSCs, were highlighted by the informants. Municipality representatives also pointed out that municipalities and residents were not consulted sufficiently early and may only get an opportunity to comment after decisions have been taken. The WSCs were seen as undermining and even jeopardizing the ability of municipalities to fulfil their duty to promote the well-being of their residents.

From the WSC's side, the cooperation is extremely poor. Services are being closed without dialogue. The municipality is responsible for the well-being of residents, but without sufficient social and healthcare services, well-being is put at risk. Services and residents move to major cities. [. . .] The ability of

WSCs to meet the needs of small municipalities has weakened. (Municipal CEO, answer in open question in survey, ID 44)

To summarize, instead of recognizing or trying to reconcile the incompatible institutional logics (Besharov and Smith 2014; Nederhand, Bekkers, and Voorberg 2016), fostering the local – regional cooperation between municipalities and WSCs was neglected. Yet, understanding the importance and role of cooperation in achieving the intended outcomes of the reform in multi-level governance settings are of importance. Otherwise, there remains a threat that the incompatible and centralized (see, Stevenson, Honingh, and Brandsen 2024) institutional logics guide the actions and decisions of cooperating actors away from creating long-term value for the citizens and communities such as the well-being of the municipal residents or local community viability.

Unbalanced relationships between municipalities and WSCs

The municipal chief executives' assessment of their opportunities to influence WSC issues is presented in Table 4. Overall, those opportunities were seen as weak, thus shifting the operational power to WSCs and undermining the opportunity for balanced cooperation between the municipalities and WSCs.

The unbalanced relationships, especially concerning the position of the municipalities, were characterized by WSCs taking the lead on cooperation. In many regions, the development plans for organizing the service network have set the stage for the relationship between the parties; consequently, the cooperative relationship was tense with conflicts from the outset. Discussions on future service networks have been dictated by the WSCs instead of being a mutual undertaking.

Indeed, the findings illustrate how the local – regional cooperation was characterized by ongoing conflicts of interest, for example, those related to property and rental contracts. From the WSCs' point of view, the property rental arrangements and other legacies of the municipalities created a burden. Previous contracts and working methods inevitably influenced the reform, hindering the opportunities for the WSCs to start anew. The WSCs would prefer to address

Table 4. Municipal chief executives' assessment of influence over WSC issues.

How do you assess your municipality's opportunities to influence the following issues related to the WSC?	Neither Weak nor Strong		
	Weak Opportunities	Strong Opportunities	Strong Opportunities
Scope of the WSC's service network	88%	8%	4%
Location of the WSC's service offerings	90%	4%	7%
Emphasis on cooperation between the municipality and the WSC	64%	20%	17%
Development of cooperation structures between the municipality and the WSC	52%	27%	21%

these legacy issues around municipal decisions by renegotiating the rental agreements and, in some cases, have ended rental contracts for property owned by the municipalities.

This one-way relationship, especially the elements governing renting social and healthcare service facilities, has caused financial problems for municipalities. In addition, under pressure from the Ministry of Finance and because the state fully funds WSCs (Paananen et al. 2024), the WSCs are said to have been forced to convert to digital services, especially in small municipalities.

The division of labour is quite clear, but in our welfare area, it is also seen as a reason not to collaborate. This is evident in how municipalities and residents are bypassed in implementing the new model. For example, functions are moved to municipal properties without informing the landlord, lease agreements are terminated without prior notice, and changes in operations from one municipality to another are not openly communicated to the area's population. The actions are erratic and lack transparency. (WSC politician, answer to open question in survey, 148)

To summarize, although our findings illustrate the subsidiary position of the municipalities in the local-regional cooperation, the WSCs maintained connections with municipalities and communicated that they were open to discussion. Yet, WSCs seemed to dictate the local – regional cooperation, and along with the incompatibility of institutional logics, as Raynard (2016) suggests, this power imbalance strengthened the institutional complexity of Finnish welfare service reform.

When the objectives of the WSCs dominated local – regional cooperation, municipalities' ability to sustain thriving local communities was simultaneously weakened. This erosion of local autonomy and resources further threatens, in particular, the ability of smaller municipalities to attract and retain residents. Relatedly, one possible explanation for the conflictual understanding of the public sector reform and dissatisfaction experienced by the municipalities could be that they were still struggling with the initiated reform because it meant they had lost the power and possibilities to organize the health and social services.

Unclearities in responsibilities between municipalities and WSCs

The next table illustrates the perspectives of municipal chief executives and WSC politicians on the division of labour (Table 5). Most municipal chief executives agree that the division of labour causes conflict (82%) and point to an unclear division of labour (68%) between the cooperating actors; however, 50% of the WSC politicians disagree about the division of labour causing conflict, and almost 60% state that the division of labour is clear.

These findings illustrate confusion and unclarity about the division of labour and, more particularly, responsibilities and roles in cooperation.

Table 5. Comparative perspectives of municipal chief executives and WSC politicians on the division of labour.

Role	Statement	Neither Agree nor Disagree		
		Disagree	nor Disagree	Agree
Municipal Chief Executives	The division of labour between the WSC and the municipalities causes conflict	14%	4%	82%
	The division of labour between the WSC and the municipalities is clear	68%	8%	25%
Well-being Services County Politicians	The division of labour between the WSC and the municipalities causes conflict	50%	10%	40%
	The division of labour between the WSC and the municipalities is clear	23.5%	17.1%	59.5%

Previously, municipalities were responsible for organizing health and social services, but after the reform, that task was transferred to the WSCs. However, municipalities are still responsible for promoting the well-being of their residents, a task tightly connected to social and health services.

This has led to a situation where practices previously established in the municipalities have disappeared or been replaced with new ones, causing concerns over, for example, how welfare services will be organized in future.

These discussions are related to, for example, the elderly population's access to preventive services, such as who provides the preventive services and who arranges transportation to the service. In some municipalities, it might have been the health sector that arranged the transportation. We've drawn the line that maybe we can't handle it now, but will the municipalities take care of it? Answering these kinds of question surely comes down to who takes care of them and who pays. (CEO of WSC, interview 32)

Indeed, promoting citizen well-being and health is mandatory, and the responsibility for doing so belongs to both WSCs and municipalities. The distribution of responsibilities has become a crucial issue in the relationship between municipalities and WSCs. According to findings, the municipalities' interpretation was that all tasks related to social and health services, such as health promotion of the citizens, are the responsibility of the WSCs, especially in terms of funding, because the state is fully funding WSCs. The findings also indicate that from the municipalities' perspective, their options to address these tasks have been diminished by decisions made by the WSCs.

Moreover, municipality informants suggested the WSCs neglect duties like promoting citizen health and redirect their responsibilities to the municipalities. Pushing the responsibilities back and forth partly results from a lack of financial resources to conduct the obligatory tasks. For example, when offering rehabilitative employment services, the WSCs have a statutory responsibility but no incentive and insufficient funding to undertake the role. Whereas for municipalities, well-functioning employment services are critical in their attempts to promote citizen well-being and community viability.

Accordingly, which responsibilities reside with the municipality and which with the WSCs was unclear. Our findings highlight that this is especially the case with special group services, such as pupil welfare and special education. In practice, school nurses, psychologists, and curators are employed by the WSCs, yet work in municipal schools, which created confusion. After the reform implementation, this ambiguity around the interfaces of shared responsibilities has created issues that hinder operational planning and budgeting on both sides, especially in the municipalities.

The findings illustrate that it is of importance to address the responsibilities of the cooperating actors to ensure efficient operations and intended outcomes. The incompatible institutional logics of WSCs and municipalities in local – regional cooperation triggered actors to take actions and decisions based on conflicting interests and aims, causing unclarities of responsibilities – which and whose institutional logics to follow (Rossi and Tuurnas 2021, 2021). This, in turn, resulted in opposing interests, and within the context of the dominant institutional logic of WSCs, sidelining the community-related aims of the local – regional cooperation.

Distrust between the municipalities and WSCs

The municipal chief executives' perspectives on trust towards the WSC decision-makers and officials illustrate the contradictory starting points of the local-regional cooperation (Table 6). The majority (59%) of the municipal chief executives expressed distrust in WSC political decision-makers and 49% in WSC officials, which created an unsettling basis for cooperation.

The findings partially signal a mutual distrust between the WSCs and municipalities. From the perspective of municipalities, a typical example of an issue causing distrust towards WSCs is when the WSCs make unforeseen decisions directly affecting municipalities. These decisions, such as reducing the number of services or closing a healthcare centre as part of the service network decisions and operations without local-regional cooperation, inevitably have an impact on the municipalities' possibilities to foster the well-being of their residents. Accordingly, the feeling of losing options, position, and power to advance residents' well-being stirred concerns over the declining importance and role of the municipalities.

Furthermore, promoting the community viability is crucial for municipalities. The decrease in the options to ensure viability was especially disturbing to small municipalities. Our findings show how small municipalities

Table 6. Municipal chief executives' trust in WSC decision-makers and officials.

Municipal Chief Executives	Disagree	Neither Agree nor Disagree	Agree
I trust the political decision-makers of our WSC	59%	11%	30%
I trust the officials of our WSC	49%	11%	40%

were uneasy about social and healthcare services being closed and centralized into bigger municipalities, leading residents to move due to insufficient services. From the perspective of WSCs, there were also concerns that municipalities would be willing to outsource and push the responsibilities of citizens' well-being and health promotion onto WSCs, undermining WSCs' trust in the municipalities.

Another trust-related issue was the dual role held by many WSC political decision-makers: Around 70% of the WSCs' council members are also members of municipality councils. This caused tension and distrust around whether these dual role holders promote the municipality's interests or those of the WSC during the council's decision-making processes.

Especially smaller municipalities' [party name] decision-makers tend to be quite strongly attached to their municipal decision-maker role. But for people coming from larger towns, this is easier but also safer because they know that [names of towns] are strong enough for services to remain largely intact. So, they recognize that their position is more secure, making it more understandable that representatives from smaller municipalities are perhaps still more likely to wear the municipal hat. (CEO of WSC, interview 39)

Overall, distrust accurately illustrates the incompatibility of the institutional logics of the municipalities and WSCs (Besharov and Smith 2014; Greenwood et al. 2011). Distrust and disappointment were present in the municipalities, especially owing to the operations of the WSCs to decimate the social and healthcare service network (Paananen et al. 2024).

Such decisions were perceived to weaken services for residents and the viability of the municipality, with municipalities' interests often overlooked in the planning and implementation processes. Conversely, WSCs distrusted the municipalities, viewing their actions during the reform's initial stages as self-serving or obstructive. These conflicts stem from institutional complexity and, more particularly, the incompatible institutional logics of the cooperating actors in a multi-level governance setting (Rønshaugen, Sønderskov, and Magnussen 2024; Rossi 2024)

Discussion

Contributing to a nuanced understanding of complexities of public sector reform, we next discuss our findings through an integrative theoretical framework of institutional complexity (Table 7). The framework pinpoints the underlying dynamics influencing actions and decision-making in context-dependent public policy environments, thus enabling the implementation of more applicable reforms (see Greenwood et al. 2011; May and Winter 2009; Pache and Santos 2010).

Table 7. Incompatible and centralized institutional logics in Finnish welfare service reform.

Main themes	Dynamics of multi-level cooperation	Theoretical implications
Neglected cooperation between municipalities and WSCs	Multi-level cooperation requires organizational and institutional mechanisms, structures, and incentives	Incompatibility and centrality of institutional logics create difficulties in establishing cooperation
Unbalanced relationships between municipalities and WSCs	Power relations and power imbalances of the actors need to be acknowledged	Centralized institutional logics create power imbalances
Unclearities in responsibilities between municipalities and WSCs	Positions, roles and responsibilities of the cooperating actors need to be addressed and clearly defined	Incompatible institutional logics contribute to difficulties in responsibility and resource allocation
Distrust between municipalities and WSCs	Recognizing trust and reasons behind distrust between the actors is needed and institutional, inter-level mechanism of trust needs to be fostered	Incompatible and centralized institutional logics as a source of distrust

We conceptualize the underlying dynamics of cooperation revealed by conflicts as operating at three interrelated levels: institutional dynamics related to incompatible and centralized logics, relational dynamics shaped by power asymmetries and trust, and governance dynamics embedded in roles, responsibilities, and steering arrangements. Together, these dynamics explain why cooperation in multi-level reform settings repeatedly produces contradictory actions and mixed outcomes. Thus, acknowledging, addressing, and finding ways to overcome fundamental conflicts intertwined in multi-level governance cooperation not only enhances the practical implementation of reforms but also contributes to the overall legitimacy and sustainability of public sector initiatives (Castelnuovo and Sorrentino 2024; Torfing et al. 2025).

However, it is noteworthy to acknowledge, first, that context and time play crucial roles in reforms and reform implementation. Thus, instead of suggesting that the Finnish welfare service reform or its implementation was a success or failure, our empirical focus has been on the early phases of the reform, in which the cooperation, as Torfing et al. (2025) note, is particularly prone to fundamental conflicts. Here, the focal point being cooperation in multi-level governance settings between municipalities and WSCs, the contribution of this study lies in employing an approach of conflicts as a prominent way to understand the underlying dynamics of cooperation, contributing to the complexity of public sector reform and its often mixed and unintended outcomes (Castelnuovo and Sorrentino 2024; Cloutier et al. 2016; Fossetøl et al. 2015; Hwang 2019).

Although previous literature identifies several strategies to help cooperating actors cope with institutional complexity in practice, we want to stress that informed usage of any response strategies will remain elusive unless conflicts and the unfolding dynamics of cooperation in multi-level governance settings are recognized and addressed. These strategies typically address which demands and interests to satisfy and which to neglect (Bertels and Lawrence 2016; Meyer and Höllerer 2016; Misangyi 2016; Pache and Santos 2010; Raynard 2016). Assessing such demands and interests, however, neglects the dynamics unfolding from conflicts, integral with any cooperative efforts.

The first theme of the findings, *neglected cooperation between municipalities and WSCs*, indicates that at the early phases of Finnish welfare service reform, fostering cooperation was neglected due to various reasons. These reasons seemed to derive from actors' own institutional logics such as decision-making cultures, roles, and responsibilities (and unclarity of the newly formed ones) within the social and healthcare system, revealing *the dynamics (and lack) of mechanisms, incentives, and structures for multi-level cooperation*. These findings are closely intertwined with Sentanu et al. (2023) suggestions related to challenges in cooperation efforts, such as lack of shared vision and limits to commitment, coordination, and regulatory mechanisms.

It is also noteworthy that the actions and decisions guided by the institutional logics of the government have implications for the implementation and outcomes of the reform in a multi-level governance setting. In our case, Finnish reform model has created structural conditions for the regional-level governance, where the WSCs are dependent on state funding and have scarce resources. The institutional logics at the governmental level, centred around financial model for the WSCs illustrating a strict financial control, are then diffused to the sub-national level of government. This, in turn, strengthens the dominance of the WSCs' institutional logic over municipalities' institutional logic and intensifies the institutional complexity of public sector reform.

To summarize, the incompatible and centralized institutional logics posed challenges on establishing shared vision and cooperation mechanisms in local – regional cooperation between municipalities and WSCs. Evidently, whilst the institutional logics were conflicting and actors foregrounded their own logic to guide their actions and decisions, were intra-level issues prioritized over multi-level governance cooperation. Consequently, inconsistent expectations, actions and outcomes can emerge in practice (Besharov and Smith 2014; Nederhand, Bekkers, and Voorberg 2016).

The second theme of the findings, *unbalanced relationships between municipalities and WSCs*, directs towards understanding how power relations of the multi-level governance actors are reflected in cooperation. In line

with PAM literature related to conflicts (Rossi and Tuurnas 2021; Skälén, Engen, and Jenhaug 2024; Torfing et al. 2025), addressing *the dynamics of power relations and imbalances* especially in multi-level governance settings of public sector reform is crucial for successful cooperation and in achieving the intended outcomes (Bianchi, Nasi, and Rivenbark 2021). In Finnish case, the WSCs held more power in local-regional cooperation, resulting in an unbalanced relationship between the WSCs and municipalities.

This power imbalance illustrates the importance of recognizing the centrality of institutional logics, that is, how meaningful an institutional logic is to an actor in relation to other logics (Stevenson, Honingh, and Brandsen 2024). From the municipal point of view, the actions and decision-making in municipalities were characterized by responsibilities to local communities and a reliance on strong self-government (Jäntti 2016; Sahamies, Haveri, and Anttiroiko 2024), spurring municipalities' attempts to ensure that their actions and decisions sustain the local community's good living conditions (Vakkala, Jäntti, and Sinervo 2021). However, due to the power imbalances, opportunities for municipalities to foster long-term value creation for their residents and local communities were considerably limited by the actions and decisions deriving from the WSCs institutional logic.

Thus, intensifying the institutional complexity of Finnish welfare service reform, the institutional logics of the municipalities and WSCs seemed to be highly centralized by both municipal and WSCs' actors but for different reasons. To municipal actors, their institutional logic invokes a strong historical and value-based standpoint that derives its justification from local communities, whereas to WSC actors, the institutional logic of the WSCs seems to hold more power and government authority as a prop for centralization. Addressing the degree of centrality, therefore, provides explanatory power to the outcomes of cooperation in multi-governance settings. That is, when actors are intensively centralizing their own institutional logics, they might not recognize the incompatibility of different logics, resulting to power imbalances. Alternatively, a powerful reform actor, such as WSCs in our case, can prioritize its own logic and ignore others (Stevenson, Honingh, and Brandsen 2024), resulting to mixed or unintended outcomes of reform efforts.

Closely intertwined with the previous main themes of the findings, the third theme, *unclearities in responsibilities between municipalities and WSCs*, underlines the importance of *dynamics related to the roles and responsibilities of the cooperating actors*. In multi-level governance settings, the cooperating actors' focus on intra-level governance and conflicting institutional logics – local for municipalities and regional for WSCs – inevitably affects the implementation of public sector reform through triggering actors to take contradictory lines of action and

decisions (Rossi and Skarli 2025; Skálén, Engen, and Jenhaug 2024), resulting to differences in outcomes.

This might also be intensified due to difficulties establishing a shared vision (Sentanu et al. 2023) and in defining and distinguishing between operational and strategic decision-making within the multi-level governance system, both accurately illustrating how the incompatible institutional logics result in difficulties in decision-making and responsibility allocation for multi-level governance actors.

To summarize, it is crucial to negotiate the roles and resources between the cooperating actors to reduce the unclarities in actors' responsibilities and to overcome the challenges posed when actors are centralizing their own institutional logic. As our findings illustrate, the responsibilities of the cooperating actors in Finnish welfare service reform as well as the desired outcomes were tightly intertwined. For example, it is in the interest of municipalities to promote the viability of their local communities, an interest that the welfare service reform has strengthened. Yet, the social and health services now being the responsibilities of the WSCs are intricately linked to the viability of local communities, thus playing a multifaceted role in municipalities' attractiveness.

The final theme of the findings, *distrust between municipalities and WSCs*, foregrounds the crucial *dynamics of trust in multi-level governance cooperation* (Margerum, Robinson, and Genskow 2016). Indeed, trust is a prerequisite for successful cooperation because distrust hinders or even prohibits the actors' willingness to acknowledge the institutional logics of others (Stevenson, Honingh, and Brandsen 2024). Incompatible and centralized institutional logics in local-regional cooperation between municipalities and WSCs seemed to intensify distrust, thus underlining the importance of paying attention to the institutional complexity of public sector reforms. We propose that fostering trust as an institutional mechanism is crucial for overcoming the challenges posed by these dynamics and to release the development potential of conflicts (Rossi and Tuurnas 2021; Torfing et al. 2025).

Indeed, trust operates as an institutional mechanism when it is supported by organizational structures that regulate risk and distribute autonomy in ways perceived as legitimate and meaningful (Bentzen 2023). Applying Bentzen (2023) metaphor of 'the tripod of trust' to our findings, distrust between municipalities and WSCs reflects how weakness in one 'leg' of trust destabilizes the entire structure of local-regional cooperation, highlighting the need for institutional mechanisms that support trust across all levels. From this multilevel perspective, institutional arrangements such as formal rules, codes of conduct, and delegated decision-making can reinforce interactional trust and thereby stabilize cooperation across municipalities and WSCs.

Conclusions and future research avenues

Although providing an increased understanding of the conflicts in collaborative governance settings and institutional complexity of public sector reform, this study does not go without limitations. First, the study was conducted a little under two years after the reform was launched. We recognize that these results rely on the first impressions of informants, which has demanded the authors balance the novelty value of the results and the long-term sustainability of the reasoning.

Second, this study focuses exclusively on the two lowest tiers of governance, capturing the early development of a new administrative level and the evolving cooperation processes between local and regional actors, thus failing to provide an overall image of the social and healthcare service ecosystem. This picture will have to be fleshed out and expanded with follow-up and other longitudinal research settings, as suggested also by Torfing et al. (2025).

While this study is conducted within Finnish context, the analytical focus on conflicts and the dynamics of institutional complexity as incompatible and centralized institutional logics are highly relevant to public sector reforms across various governance systems. Similar institutional frictions have been observed in other countries, where central policy priorities conflict with local needs and decision-making structures (Bode, Lange, and Märker 2016; van den Broek, Boselie, and Paauwe 2013).

By demonstrating how the dynamics of institutional complexity, unfolding in processes of cooperation, can lead to unintended consequences such as diminished local accountability or fragmented service coordination, this study provides a transferable, context-sensitive integrative framework for comprehending institutional complexity of public sector reforms. It is our wish that these insights encourage further comparative research into how conflicts influence reform trajectories in different national contexts, particularly in settings where multi-level governance is evolving.

Important to notice, attempts to address institutional complexity solely in practice are insufficient, and institutional solutions will be needed (see Cairney 2020) to ensure successful implementation of public sector reform. Therefore, at the welfare service systems level, institutional solutions are also of importance to reduce variances in local-regional cooperation. Indeed, Finnish municipalities vary significantly in capacity and political strength, which could affect the ways in which they approach cooperation with WSCs, and, in addition, regional variation is to be expected in addressing the dynamics of cooperation between municipalities and WSCs. These variations, practical response strategies and institutional solutions, however, are beyond the scope of this research.

Following Jepperson and Meyer (2011), our findings can be interpreted as evidence that conflicts in multi-level governance and the incompatibility of

institutional logics between municipalities and WSCs reflect dynamics across macro, meso, and micro levels, where structures and rules shape reform outcomes in ways that cannot be explained solely by individual actors' behaviour. This was evident, for example, in the state-defined funding model, which strengthened the decision-making power of WSCs relative to municipalities, thereby relegating municipalities' opportunities to promote the vitality of local communities to a secondary position. Such dynamics highlight why practical solutions alone are insufficient and why institutional solutions are also required to address the unintended consequences of reform. Therefore, we encourage future studies to investigate actors' responses to conflicts and institutional complexity at and across the individual, organizational, and institutional levels of complex governance systems (Rossi and Skarli 2025; Torfing et al. 2025).

Future research should also distinguish between complexity that arises naturally from interdependencies and unpredictability (*complexity by nature*) and complexity that is deliberately created through institutional design choices (*complexity by design*) (Jalonen 2024). Exploring how these two dimensions interact could deepen understanding of why some governance arrangements foster adaptability, while others reproduce conflict, and how such dynamics unfold simultaneously at the micro, meso, and macro levels in multi-level governance settings.

Another future research avenue should address ways of overcoming fundamental conflicts by exploring how actors, particularly in early phases of reform implementation, try to reconcile, adapt, and compromise with the incompatible and centralized institutional logics. This could be addressed, for example, through the framework of institutional work (Lawrence and Suddaby 2006). For example, strategies of selective coupling (Pache and Santos 2013) and loose coupling (Misangyi 2016) can offer valuable insights into developing more nuanced and adaptable strategies for coping with institutional complexity within public sector reform, ultimately enhancing the practical implementation and legitimacy of reforms. These approaches could help address community-specific needs and values adequately, promoting sustainable and inclusive public sector initiatives in practice.

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