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Public private partnerships and value creation: the role of relationship dynamics

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Abstract

Purpose – The purpose of this study is to investigate on what is value and value creation in Public-private partnerships (PPPs)? How coordination and trust among project partners is created in PPPs? In which way coordination and trust among project partners are related to organizational governance and success? How risk management is related to the success or failure of PPP project implementation? How organizational attributes can influence the PPP project implementation?

Design/methodology/approach – This study was conducted using qualitative research method. In all, 3 Indian PPPs were selected in the first phase, and then, 26 respondents were randomly chosen from the selected PPPs. One-to-one personal discussion was conducted with each respondents using predetermined set of questions. The responses were transcribed, and similar ideas were clustered together across the thematic research questions and themes. Subsequently, interlinking of themes and ideas was done through inductive reasoning and represented in the form of a causal relationship.

Findings – The study found that the importance of trust and confidence among project partners; organizational attributes (system, structure and style, process) of partner organizations; and the risk reduction and control in the PPP project company have influenced the relationship dynamics among project partners.

Originality/value – This study encourages future researchers to empirically test the possibility of existence of mediating and moderating effects in the link between value creation and contract management in PPPs. A structural framework was derived, which is expected to provide momentum for theoretical exploration and empirical verification.

Keywords Public-private partnership, Value creation, Relationship dynamics

Paper type Research paper

Introduction

Public-private partnership (PPP) has occupied a prominent place in political economy and social welfare (Boardman and Vining, 2012). The existing body of literature defines PPP as a cooperative and collaborative contract partnership between public sector organization/s and private sector organization/s to share resources, risks and costs to perform certain tasks with responsibilities to achieve a common goal (Domberger and Fernandez, 1999; Domberger and Jensen, 1997; Entwistle and Martin, 2005; Babatunde *et al.*, 2012; Chinyere, 2013). One of the major dimensions of PPP is its effectiveness. There are evidences of impediments in equitable risk sharing, effective performance guarantees and transparency in contracts (Bloomfield, 2006). Hence, the effectiveness of PPPs has been questioned in the past (Hodge and Greve, 2007). With respect to the equity and effectiveness, Andrews and Entwistle (2010) noticed that PPPs were positively associated with effectiveness, while negatively associated with equity.



Koppenjan (2005) noticed the influence of the generic factors associated with private sector organizations and public sector organizations failing to develop mutual trust among the PPP partners. Recent studies found good governance and commitment and responsibility of the public and private organizations as the critical success factors for PPP implementations (Ismail, 2013; Cheung *et al.*, 2012).

General management literature gives a broader view on how the public and private organizations are increasingly collaborating to pool their capabilities to address the needs of the society. Although past studies have glorified the PPP effectiveness, the impact of the PPP on public and public value creation is often questioned (Reynaers, 2013). The joint efforts between private organization and public organization increase the project efficiency and service quality (Sekhir *et al.*, 2011), which lead to superior value creation (Dobrzykowski *et al.*, 2010).

Strategic context of negotiation between public organization and private organization is held fundamental to the sustainability of a PPP (Ghere, 2001). Private organizations may be different from public organization with respect to the degree of emphasis on flexibility and adaptation, the degree of emphasis on rules and regulations, the degree of emphasis on hierarchy and role specialization, and the degree of work-group discontinuity/change (Zeffane, 1995). So the relationship between partner organizations has a considerable impact on the stability and outcome of the PPP (Nachiappan Subbiah, 2009).

A deep scanning of the existing list of literature traced out some research gap in the field of PPP. First, there is deficiency of investigations on the linkage between hybrid structure and value creation and the factors which influence the strength of partnership-based governance structure. Also, there is a need for studies in public management, especially with respect to organizational behavior orientation (Ashworth *et al.*, 2013). Second, there is a dearth of studies focusing on the institutional development of PPP, especially the development, progress and institutionalization of system, structure, process and routines of an organization. Third, one of the critical factors in the PPP success is the organizational design and hybrid structure. But very less attention is paid to understand the complexity associated with multi-stakeholder hybrid organizations and their inter-organizational environments (Arellano-Gault *et al.*, 2013). Fourth, questions like how PPP as an organization evolves, how do organizational attributes influence the PPP success and how governance in PPP influences its success and value creation.

Literature

What is value creation? How value is created in organizational partnership?

Value creations have a long root in the body of economics and management literature. Past studies identified the value creation in organizational partnership with the perspective of partnership theories:

- users' perceived value of the perspective of co-creation or co-production (Ramaswamy, 2009; Dobrzykowski *et al.*, 2010; Ojasolo, 2010; Krisjanous and Maude, 2014; Lempinen and Rajala, 2014);
- value creation through shared value creation (Pirson, 2012);
- value creation through knowledge value creation (Vorakulpipat and Rezgui, 2008);

- value creation through cross-sector partnerships (Le Ber and Branzeio, 2010); and
- value creation through resource dependency and complementary relationships (Zhang and Keh, 2009).

Theories in resource-based view explained that the value creation is dependent upon distinct resources and capabilities of collaborating organizations (Othman and Sheehan, 2011), while studies in line with transaction cost theory and externalities theory noticed complementary capabilities and leveraging skill sets among the organizations creating value (Menard, 2004; Rangan *et al.*, 2006). Value creation is noticed as an outcome of communications among project stakeholders in partnerships (Wilson *et al.*, 2010). Ferguson *et al.* (2005) observed that value creation is an outcome of communication and relational governance. Steijn *et al.* (2011) noted value addition through organizational collaboration and management:

- P1. Co-production, knowledge creation, complementary relationships and leveraging resource and skill sets are value creation in organizational partnership.
- P2. Value creation in organizational partnership is done through appropriate communication and good relationships.

How do hybrid organizations evolve? How organizational attributes and governance influence value creation in hybrid organizations?

The theories of value creation and stability mechanism in hybrid structure (Borys and Jemison, 1989) invited attention to probe complexity in the organizational value creation and partnership arrangements in multi-partner-based organizational design with heterogeneous organizations (Menard, 2004). Organizational alliance and hybrid structures are subjected to complex interplay between interdependencies and governance structure, where the organizational coordination derived from different level of interdependencies (Aggarwal *et al.*, 2010). The evolution of a hybrid organization can be seen from various management theories, for example:

- stakeholder theory, for example, stakeholders must have sufficient *trust* among themselves to make the partnership work (Kochan and Rubinstein, 2000; Chia-Hui, 2007);
- agency theory, that is, incentives and risks, outcome uncertainty and information systems (Eisenhardt, 1989) and relationship between welfare loss and risk aversion nature of the agent (Grossman and Hart, 1983); and
- institutional theory, that is, development, progress and institutionalization of organizational attributes (Meyer and Rowan, 1977; DiMaggio and Powell, 1983).

The basic indicators in the partnership success are partnership attributes (commitment, coordination, interdependence and trust), communication (quality, information sharing and participation) and conflict resolution techniques (Mohr and Spekman, 1994). The role of organizational process and governance systems is to complement the contribution of the stakeholders (Kochan and Rubinstein, 2000). According to Chia-Hui (2007), organizational partnerships are dynamic collaborative mechanisms created by networks, shared values and trust. Trust has an implication in the inter-organizational alliance (Li, 2008). Trust is one of the important predictors of institutional environment and transorganizational relationship (Bachmann, 2001). Shadow of the past also

influences the partnership outcomes (Pettigrew, 2003). In PPP literature, there were two schools of thoughts with respect to trust-based governance. Ruffin and Rivera-Santos (2012) emphasized PPP as different entities than corporate alliances with respect to complexity in alliance contracts and scope of activities, and they observed that trust-based governance mechanism plays a minimal role in PPP governance. But some studies noticed good governance and governance strategy are the critical success factors in PPP (Ismail, 2013; Collin and Smith, 2008). Entwistle and Martin (2005) observed that high inter-organizational trust is crucial in a PPP to progress from competition to cooperation:

- P3. Governance structure and organizational attribute related to value creation and trust play important roles in organizational alliance.

Contract management influences success in the organizational partnership?

The success or failure of a partnership can be linked to the institutional mechanism for monitoring and enforcing the contractual relationships between managers and stakeholders (Hill and Jones, 1992). Managerial direction is a predominant factor in the organizational contract (Dessein, 2014), especially contracts with heterogeneity among organizational forms (Legros and Newman, 2014). In a principal-agent-based partnership (a principal-agent setup in line with agency theory of Ross (1973), Eisenhardt (1989) and Grossman and Hart (1983)), there are enough chances of the presence of adverse selection and moral hazard issues (Trailer *et al.*, 2004). Hence, the design and implementation of contract play vital roles in partnerships. The success of the partnership depends upon the contract between the parties stating all terms and condition, undertakings and liability, evaluation of risks, payment mechanisms and dispute settlement methods (Meidute and Paliulis, 2011):

- P4. Contract management in hybrid organizations influences partnership success.

Methods

From the literature review, three propositions on organizational collaborations/alliances/partnership have been designed. PPP are different than corporate alliances with respect to complexity in alliance contracts and scope of activities (Ruffin and Rivera-Santos, 2012). So the propositions need to be tested in the PPP context. The propositions were converted into research questions and applied in the PPP context for an inquiry. The propositions and questions are given below:

- P1. Co-production, knowledge creation, complementary relationships and leveraging resource and skill sets are value creation in organizational partnership.
- Q1. What is value creation in PPP?
- P2. Value creation in organizational partnership is done through appropriate communication and good relationships.
- Q2. How value is created in PPP?
- P3. Governance structure and organizational attribute related to value creation and trust play important roles in organizational alliance.

Q3. How PPP as an organization evolves? How organizational attributes and governance influence value creation in PPPs?

P4. Contract management in hybrid organizations influences partnership success.

Q4. How contract management influence success in PPP?

Sampling

This study was conducted on the basis of the qualitative approach to derive a connection between data and theory following [Baxter and Jack \(2008\)](#); [Gibbert and Ruigrok \(2010\)](#); [Bansal and Corley \(2011, 2012\)](#) and [Gephart \(2004\)](#). The sampling process involved two stages, that is:

- (1) selection of PPPs; and
- (2) selection of respondents for personal discussions from PPPs.

In the first stage, three different Indian PPPs (one large urban infrastructure project, one metro railway project and one airport project) were identified. The PPP selection was purposive considering the accessibility of the researcher to the PPP stakeholders. A random selection of respondents was done in the second stage for one-to-one interview. A PPP has three major constituents, that is, public agency (steering committee/board of directors from the public agency nominated for the PPP), private agency (steering committee/board of directors from the private agency nominated for the PPP) and project company (which implements the PPP). The steering committee was the policymaker, and the project company was the implementer of the PPP project. In the second phase of sampling, two key people from the public agency from each PPP (steering committee/board of directors), four key members from the project company from each PPP and three key members from the private agency each from the two PPPs and two key members from the private agency from one PPP were selected for personal discussion. Finally, there were 26 respondents set for the personal discussion. This method maintained the triangulation, plurality of data representation and internal validation by neutralizing the influences of organizational politics and endogenous philosophies ([Amis and Silk, 2008](#)).

Data collection

The essence and sanctity of data, data accuracy and data validation were maintained following the suggestions of [Bryman and Cassell \(2006\)](#) and [Learmonth \(2006\)](#). On an average, each personal discussion lasted for about one and half an hour. The predefined thematic questions were asked to the respondents in the discussion. Also, some probing questions were designed to probe more to get an in-depth understanding (e.g. what is value creation, what do you mean by value, why do you say it value creation, etc.). During the discussion, the responses of the respondents were transcribed. The length and width of the responses varied from one respondent to another, as the questions were open-ended. The responses were in different forms like short stories, narrations, short answers and one-liners. Whatever forms the answers were in, care was taken to transcribe it properly.

Data analysis

In the first *stage* of the data analysis, responses of all 26 respondents against each thematic question were read (e.g. first all responses for Question 1, then all responses for Question 2, etc.). From each question, similar ideas were clustered together (which signified an acceptable representation of an outcome/event/idea) (Johnson *et al.*, 2007). For example, how respondents viewed value creation. In the second stage, it was found that some responses which were answered by the respondent for one thematic question but that response was pertinent to another thematic question. So all the responses of each respondent were read one by one and, then, identified responses/ideas/reactions and thereafter assigned those responses/ideas/reactions against applicable thematic question/theme. Following Smith *et al.* (2008), the pluralism was maintained with an objective to strengthen the methodological rigor. This study was conducted with a premise that the value creation is the outcome of all possible causes (variables), and there may be multiple relationships among the causes (variables). In the third stage, an attempt was made to interlink the ideas/outcomes/reactions to theorize the relationships among various variable, and put them in a diagrammatic representation of the causal relationship on the basis of an inductive reasoning (Gioia *et al.*, 2013).

Causal relationships are found in quantitative studies with a dependent variable and independent variable/s with statistical analysis. Often traditional researchers reject the representation of causal relationships in qualitative studies (Maxwell, 2004a). But causal relationship studies can also be conducted in qualitative studies, and the legitimacy of causal studies in qualitative studies is well established (Maxwell, 2004b; Golden-Biddle and Locke, 2007; Shadish *et al.*, 2002). This study follows a causal map analysis with inductive reasoning which was imported from studies in cognitive science. The five-step procedure was followed to design causal mapping from interviews following Golden-Biddle and Locke (2007).

Findings and analysis

Respondents' common responses against each thematic question have been arranged. Thereafter, responses against five themes were categorized again, that is: value creation, contract management, relationship dynamics, trust and confidence and organizational attributes. Then, these important interrelated concepts were interlinked, and ideas under these concepts, and attempted to present them as a relationship in Figure 1, assuming that the *value and value creation* are the effect of various reasons. Various relationships among the concepts were found (which were presented in Figure 1).

Value and value creation

Five measures of value and value creation in PPP were found, that is:

- (1) utilization of underutilized resources;
- (2) customers perceived value of money;
- (3) ensured quality standards;
- (4) least price for product/service to customers; and
- (5) low risks and damages associated with the service produced.

Similarly, respondents felt that the success of a project is the evidence of value creation, and value is created by all parties together. Lack of trust and confidence among project

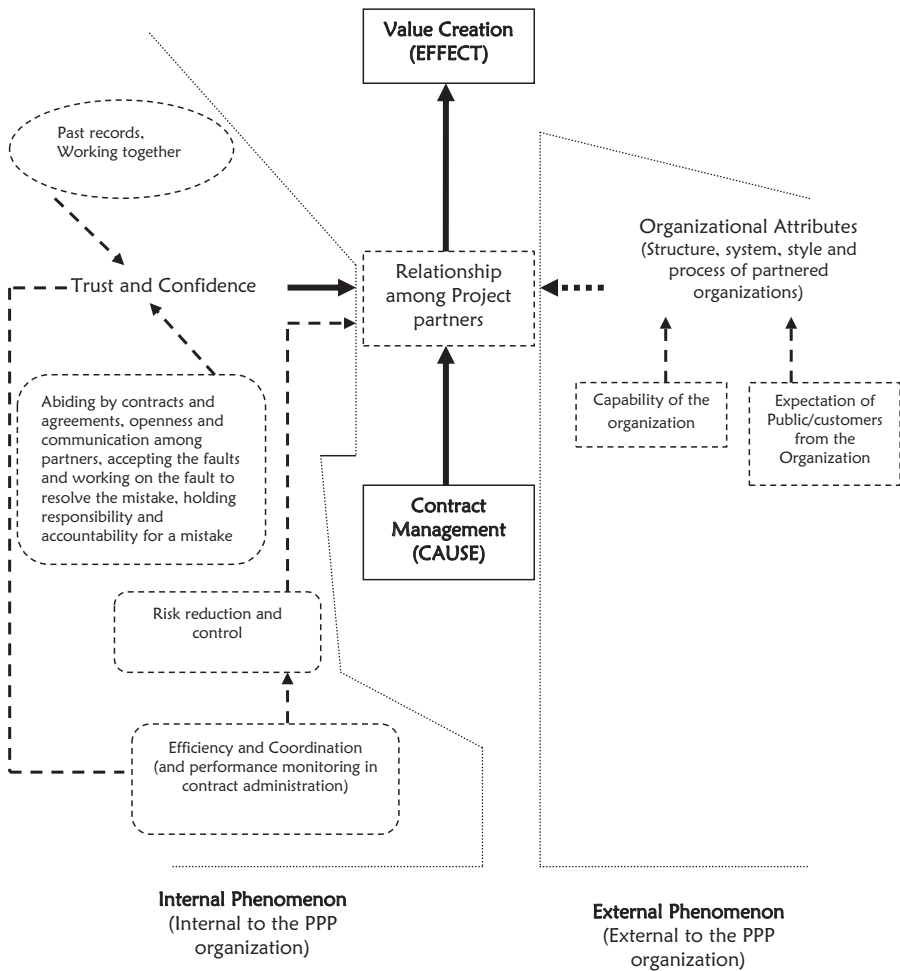


Figure 1.
Structural relationship between value creation and contract management with causal factors

partners would lead to the destruction of value. Long-term trust and confidence among project partners lead to value creation (Table I).

Contract management and value creation

The important part of a PPP project is *contract management*. The vital part in the *contract management* is the *relationship management* when the multi-disciplinary project team members are derived from government and various implementing private organizations. The respondents have mentioned that “efficiency and coordination” among contract management staff ensured *project successes*.

Contract management, value creation and relationship dynamics

According to the respondents, value was created by all organizations jointly, and good relationship among project partners leads to value creation. So *contract management*

Thematic questions/topics	Categories
What is value and value creation in PPPs?	To utilize our underutilized resources and capabilities Customers get value for money Ensured quality of the services Least price possible for the services Low risks and damages associated with the services
How value is created in PPPs?	Project success is value creation Value creation is done by all parties together Lack of trust and confidence among project partners would lead to value destroying Long-term trust and confidence among project partners lead to value creation We are not capable of delivering the project on our own Private parties are more efficient than public parties
Why you have entered into PPP?	We (private parties and public party) complement our capabilities, that is, our experience and wisdom and their scale, efficiency and expertise Public parties good at office administration than private parties Private parties are good at project administration than public parties
What are the antecedents of formation of PPP organization?	To utilize our underutilized resources and capabilities High business and political networking High experience and expertise High reputation Large amount of resources

(continued)

Table I.

Thematic questions/topics	Categories
How PPP as an organization evolves? How organizational attributes does influences in PPP success? How governance in PPP influence its success and value creation?	<p data-bbox="448 948 469 1148"><i>Trust and confidence:</i></p> <p data-bbox="472 256 523 1148">I trust on an individual does not ensure my confidence on the organization (and my confidence on the organization does not mean that I trust on an individual)</p> <p data-bbox="526 229 550 1148">My confidence on the organization ensures the trustworthiness of the individual in that organization</p> <p data-bbox="552 520 576 1148">Trust and confidence comes from working together and past records</p> <p data-bbox="579 298 602 1148">Confidence on an organization in a PPP is different from trust on an organization in isolation</p> <p data-bbox="605 447 629 1148">Trust and confidence should be mutual not unidirectional for project success</p> <p data-bbox="631 596 655 1148">Lack of trust and confidence would lead to value destroying</p> <p data-bbox="658 596 681 1148">Long-term trust and confidence would lead to value creation</p> <p data-bbox="684 680 708 1148">Trust and confidence speed up the activity process</p> <p data-bbox="710 778 734 1148">Confidence reduces conservative actions</p> <p data-bbox="736 280 760 1148">Trust and confidence means abiding by contracts and agreements (both written and unwritten)</p> <p data-bbox="763 911 786 1148"><i>Organizational attributes:</i></p> <p data-bbox="789 229 840 1148">Expectation of people and partner organizations come from structure style, system and processes in which the activity is conducted</p> <p data-bbox="843 316 893 1148">Expectations of partners come from structure style, system and processes in which partner organization perform their own business</p> <p data-bbox="896 247 947 1148">Public sector is the ultimate responsible for the ownership of the delivery. Hence, it needs to be the dominant party</p> <p data-bbox="950 280 1001 1148">Customers and other stakeholders will question public sector for the service delivery. So public sector should have a higher say</p> <p data-bbox="1004 484 1027 1148">Public sector is very particular in enforcing law, regulations and policies</p>

(continued)

Thematic questions/topics	Categories
How contract management influence organizational attributes, governance structure and value creation in PPP?	<p data-bbox="228 939 250 1148"><i>Relationship dynamics:</i></p> <p data-bbox="255 256 331 1148">The strength of the relationship depends upon the system and style of the partner organizations The strength of the relationship is depends upon the individual traits of the people who represent their organizations in the PPP</p> <p data-bbox="336 256 386 1148">Openness and regular communication among people involved in the project is the key to success Accepting the faults and working on the fault to resolve the mistake is necessary</p> <p data-bbox="392 566 413 1148">One should hold responsibility and accountability for a mistake</p> <p data-bbox="418 311 439 1148">The expectations from parties in the PPP are related to the job description in the agreement</p> <p data-bbox="444 629 465 1148">Bad relationship leads to delay in project activity system</p> <p data-bbox="471 283 521 1148">Bad relationship among the partners would either increase the service cost for the customer or decrease the service quality</p> <p data-bbox="526 666 547 1148">In a bad relationship, partners will play blame game</p> <p data-bbox="552 274 602 1148">The good relationship among parties should be by default. The PPP designed on assumption of good relationship</p> <p data-bbox="607 465 629 1148">The customers would get the right service with the right price and quality</p> <p data-bbox="634 293 684 1148">Good relationship will ensure the quality of the services as planned. But bad relationship will definitely decrease the quality of the project activities/quality of services</p> <p data-bbox="689 702 710 1148">Unnecessary poking by public sector is common</p> <p data-bbox="715 620 736 1148">Project risks and good relationship are negatively related</p> <p data-bbox="742 738 763 1148">Performance monitoring controls deviations</p> <p data-bbox="768 320 789 1148">Any deviation in project weakens the relationship bond and create disbelief among parties</p> <p data-bbox="794 293 844 1148">Efficiency of contract management team has a bearing with PPP project risks and deviations Deviation is a cost</p> <p data-bbox="850 675 871 1148">Lack of control is lead to inferior quality of services</p> <p data-bbox="876 602 897 1148">The strength of relationship depends upon the risks in PPP</p> <p data-bbox="902 338 923 1148">Efficiency and coordination among contract administration staff ensures project success</p> <p data-bbox="929 429 950 1148">Legal and regulatory functions have paramount importance in project success</p> <p data-bbox="955 447 976 1148">Inefficient variation administration leads to conflicts among project partners</p> <p data-bbox="981 247 1002 1148">Coordination among contract administration staff depends upon their level of trust on one another</p>

Table I.

was interconnected to *value creation* (probably influenced value creation) through the *relationships* among project partners (good relationship, bad relationship, etc.) (Contract management influences value creation, and value creation is high if relationship among partners is good and vice-versa. So the contract management team is instrumental in relationship building among partners.) So it can be assumed that *relationship* (relationship among the project partners) is a latent factor between the contract management and value creation. In other words, in a relationship, *value* was the outcome, and *contract management* was the influencer. [Note that contract management included a set of activities, that is, contract administration, service delivery management and relationship management. *Contract administration* included key activities like managing variation, maintaining integrity of the contracts and managing finance. *Service delivery management* takes care of responsibilities like risk management and performance management.]

Relationship dynamics and organizational attributes

The relationship among project partners in the process of value creation depended upon the organizational attributes. Respondents stated that the success or failure of partners' relationship in PPP is predicted by the system, structure, style and process of the partner organizations. Hence, interrelationship among project partners was an outcome of organizational attributes (structure, system, style and process) of partnered organizations. Interestingly, few respondents said that good relationship among project partners leads to value creation and bad relationship leads to value destruction. There were two important views regarding the public sector, that is:

- (1) unnecessary poking by public sector; and
- (2) public sector is very particular in enforcing law, regulations and policies.

This behavior of the public sector was probably guided by their unique organizational attributes. Organizational attributes of individual organizations were external to the PPP project system, but the organizational attributes (structure, system, style and process) of the project company was derived from the amalgamation of the organizational attributes of the partner organizations. Every partner organization wanted to put their organizational attributes in the hybrid PPP, which was the primary source of conflict. Lesser are the conflicts in the PPP, higher is the value creation. It was the contract management team which was primarily held responsible for the conflict resolution in the PPP. So it can be said that organizational attributes (i.e. structure, system, style and process) of the partner organizations act as an influencer on the *relationship among the project partners*. In other words, organizational attributes of partner organization affect the association (linkage) between value creation and contract management.

Trust and confidence and value creation

The study identified a tie between *trust* and *value creation*. Trust and confidence speed up the activity process and, hence, result in improved organizational performance in PPPs and vice versa. Two important views of respondents were captured, that is:

- (1) lack of trust and confidence would lead to value destruction; and
- (2) long-term trust and confidence would lead to value creation.

A good relationship among project partners may lead to value creation, and a bad relationship among project partners leads to value destruction (as discussed earlier). Hence, “trust and confidence” was found influencing “organizational relationships”. In other words, “trust and confidence” may act as a factor of “organizational relationships”.

The respondents viewed trust and confidence differently. For example, some respondents said my trust on an individual does not ensure my confidence on the organization (and my confidence on the organization does not mean that I trust an individual. Hence, *trust* on an individual does not ensure *confidence* on the organization from where the individual comes and *confidence* on the organization does not mean *trust* on an individual who represents that organization.

Trust and confidence in the PPP was related to the past records of the participating organizations. *Trust and confidence* resulted from working together. *Trust and confidence* was increased by abiding by contracts and agreements, openness and communication among partners, accepting the faults and working on the faults to resolve the mistake, holding responsibility and accountability for a mistake (e.g. respondents said that trust and confidence means abiding by contracts and agreements in both written and unwritten form; openness and regular communication among people involved in the project lead to an increase in trust and confidence; trust and confidence develop by accepting the faults and working on the faults to resolve the mistake; and trust and confidence develop by holding responsibility and accountability for a mistake). There were two outcomes from the analysis of the statements made by respondents:

- (1) *trust and confidence* were internal to the PPP organization system; and
- (2) *trust and confidence* is not static but a dynamic factor (i.e. trust and confidence may increase to decrease with time in the PPP).

Trust and efficiency and coordination

The study found negative association between *risks* and good *relationship among project partner*. The strength of *relationship* depended upon the *risks* in PPP. Deviation from the planned project is a cost for the PPP, and a lack of control leads to inferior quality of services. Respondents said that the project performance monitoring controls deviations and the efficiency of contract management team determine project risks and deviations. Efficiency and coordination and performance monitoring in contract administration steer risk and variation reduction. Respondents also said that the coordination among contract administration staff depends upon their level of trust on each other. Hence, there is an association between *trust* (among people from involved organizations) and *coordination* (in the project company).

Organizational behaviors in the partnership

The respondents explained the differences among partner organizations with respect to their uniqueness, capabilities and identities. For example, public organizations were good at office administration than private parties, and public organizations were very particular in enforcing law, regulations and policies, whereas private organizations were more efficient than public organizations in carrying out a project. This behavioral outcome of public sector may be caused due to the stakeholders' expectations as:

- public sector is ultimately responsible for the ownership of the delivery; and
- public and other stakeholders will question public sector for the service delivery.

So public sector should have a higher say. Hence, we can assume that the behavior of public organizations was derived from the expectations of customers/public from public sector organizations.

Discussions

Collaborations and partnerships existed because none of the parties were individually able to offer the bundle of resources or capabilities that the collaborated organization offers. Bundling together resources and processing and offering it to people itself is a demonstration of value creation. Hence, the successful execution and implementation of a PPP was the validation of value creation. The respondents under this study also viewed the value creation in the PPP as “value for money”. An additional cost in the PPP may lead to lesser value creation. The importance of mutual interdependencies and contract hazards in hybrid organizations are well explained with respect to transaction cost theory (Menard, 2004); hence, the possibility of contract hazards cannot be ruled out in the PPP context. The collection and integration of heterogeneous organizations with asymmetric power creates even a complex governance issue which is influenced by the group dynamics (Bjerregaard and Jonasson, 2013). The higher is the strategic complexity in the integration of project actors, the more complex is the governance structure of the hybrid organization (Garcia-canal, 1996). Hence, the cost deviation (increasing cost of implementation) in PPP is closely linked with the relationship dynamics among project partners.

The analysis found contract management as a influencer of value creation in the PPP. So contract management (superior/inferior) may cause value creation (superior/inferior) through a phenomenon called *relationship management* or *relationship dynamics*. Previous studies on *contracts management* have noticed a link between effectiveness of contract management and complex sub-contractor relationships (Romzek and Johnston, 2002). That means *relationships among project partners* (better or worse) are a latent outcome in the link between *contract management* and *value creation*. Hence, a relationship among project partners may increase or decrease the strength of the link between *contract management* and *value creation*. It may be assumed that *relationship dynamics* among PPP organizations may have a *mediating effect* in the relationship between *contract management* and *value creation* (Baron and Kenny, 1986).

The PPP makes stakeholders' environment more complex to manage due to the context and dynamics of the stakeholder (De Schepper *et al.*, 2014), so the PPP organization should be analyzed from the importance of *trust*. *Trust* is specific to a situation in nature, and it is affected by interpersonal and organizational contextual factors like politics, ownership structure and organizational forms (Chan, 1997). *Trust* happens to be one of the success factors in inter-firm cooperation, especially on the basis of knowledge and institution (Dwivedi *et al.*, 2003). *Trust* and *inter-organizational relationship* are very much related (Kroeger, 2011). In this study, the respondents were unable to clearly differentiate between trust and confidence. Respondents perceived trust as one's positive responses/actions as per the expectation of another. An individual/organization's *trust* on another individual/organization means the individual/organization will respond or act according to the expectation of other individual/organization, while *confidence* was perceived as the ability of an individual/organization to respond or act according to the expectation of other individual/organization. *Trust* was sensed as the willingness to positively respond or

act, while *confidence* was understood as the willingness to positively respond or act. That is the reason why respondents said that my trust on an individual does not ensure my confidence on the organization (and my confidence on the organization does not mean that I trust an individual).

The connection between *trust* and *contract* was raised in the past (Eigen, 2012), and scholarly studies on strategic alliances for firms interpreted the connection between *contract* and *coordination* rather than the connection between *contract* and *trust* connect (Reuer and Arino, 2007). *Trust* and *confidence* were two very important dimensions in the *relationship management* in PPP projects (Smyth and Edkins, 2007). *Trust* and *confidence* are different with respect to their fundamental meaning. *Trust* is an interpersonal relationship, that is, trusts among people, but *confidence* is an institutional attitude, that is, attitude towards an institution in positive sense. *Trust* is an explicit expectation that others will behave in a predictable manner. *Trust* and *confidence* among parties in a PPP carries a paramount importance, starting from project bidding to project completion. However, putting *trust* and *confidence* in one basket, it was noticed that *trust* and *confidence* influence the level or strength of the relationships/associations among the project partners. *Trust* and *confidence* can improve or deteriorate the strength of the *relationships/associations* among the project partners, so there are chances that *trust* and *confidence* may moderate the relationships/associations among the project partners. Ng and Chua (2006) in their study noticed the link between trust and cooperation and cited that trust may lead to free ride. So it may be assumed that *trust* and *confidence* may have a moderating effect on the linkage between *value creation* and the *contract management*. There are studies which found *trust* as a moderator (instead of mediator) in different structural relationships. Goodwin (2011) found trust as a moderator between transformational leadership and a variety of follower outcome.

The respondents viewed the organizational attributes (system, structure, style and process) of any partner organization would influence the governance of the hybrid PPP project, as every partner would like to extrapolate their organizational attribute and attempt to put the same in the PPP project. The hybrid structure in the PPP may be able to absorb partially (to a greater extent or lesser extent) the *organizational attributes* of a partner organization. The inducement of *organizational attributes* of partner organizations in the PPP organization has an impact on the *relationship dynamics* among the partners, which is reflected in the governance of the PPP project. Hence, it can be assumed that *organizational attributes* of the partner organizations have moderating effects in the link between *value creation* and *contract management*.

Trust has been closely related to coordination and cooperation (Fink and Kessler, 2009). A link between *contract administration* (efficiency and coordination and performance monitoring) and *trust* and *confidence* was identified. This study was unable to identify a cause and effect relationship between *trust* and *confidence* (among project partners) and *efficiency and coordination* (in contract administration). However, there may be three situations, that is:

- (1) efficiency and coordination is a predictor of trust and confidence;
- (2) trust and confidence is a predictor of efficiency and coordination; and
- (3) reverse causality between trust and confidence and efficiency and coordination.

Again, this study identified the possible causation of trust and confidence among project partners. The activities which influence the trust and confidence were abiding by contracts and agreements by project partners, openness and communication among partners, accepting the faults and working on the fault to resolve the mistake by project partners, holding responsibility and accountability for a mistake by project partners.

Opportunism is associated with a contract, and opportunism has a bearing with external uncertainty and contractual and structural mechanism (Luo, 2006). This study noticed a link between risk reduction and control and contract administration (efficiency and coordination and performance monitoring) in the hybrid PPP project. However, contract administration influences the level of risk reduction and control. Risk reduction and control influence the relationship among project partner (Figure 1). Hence, it can be assumed that the capability of risk reduction and control in the project (by project implementing team) has a *moderating effect* on the linkage between value creation and the contract management in the PPPs.

This study noticed public sector as the one which ultimately responsible for the ownership of the delivery. Forrer *et al.* (2010) noticed similar phenomenon and observed that public sector should play a leadership role in classifying responsibilities in relationships. They identified six dimensions of strengthening PPP accountabilities (i.e. risks, cost and benefits, social and political impacts, expertise, partnership collaboration and performance management) which would strengthen the PPP governance structure. Kort and Klijn (2011) noticed that the performance is not significantly influenced by the governance format, but significantly influenced by the managerial capacities and management strategies. A contradictory observation to that observed in the study by Kort and Klijn (2011) was noticed by Steijn *et al.* (2011). One outcome from this study (public sector is very particular in enforcing law, regulations and policies) corroborates the findings of Lan and Rainey (1992). Also, they found that the public managers are clear on their organizational goals.

Conclusions

The paper attempted to answer the research questions by using qualitative methods which address the need of management researchers (Kelemen and Rumens, 2012) by validation of research design and a mix of exploratory and an inductive reasoning technique. There have been continuing arguments and debate between qualitative approach and quantitative approach of academic investigations. Qualitative studies are as important as quantitative studies with respect to perspectives, subjectivity and objectivity of research inquiries (Johnson *et al.*, 2007). A systematic approach in qualitative research ensures the research rigor, especially in inductive research (Gioia *et al.*, 2013).

The structural model (designed on the basis of building relationship among concepts) depicts the probability of causality of value creation in a PPP. Contract administration may cause value creation through relationship dynamics among project partners. Again, relationship dynamics among project partners was an outcome of two elements, that is:

- (1) trust and confidence among project partners; and
- (2) organizational attributes (structure, system, style and process) of partner organizations.

It was noticed that the trust and confidence among project partners is internal to the PPP project implementation, while style and system of partner organizations are external to the PPP project implementation. It was identified that the trust and confidence among project partners are related (may be influencing or influenced by) to past records of the partner organizations, period of working together among partner organizations, abiding by contracts and agreements, openness and communication among partners, accepting the faults and working on the fault to resolve the mistake by partner organizations, holding responsibility and accountability for a mistake by partner organizations, risk management and control by contract management team and efficiency and coordination and performance monitoring in contract administration. At the same time, style and system of the partner organizations are influenced by the capabilities of the organizations and expectation of public/customers of that organization.

Policy implications

The study identified the possibility of incidence and intensity of conflict among diverse stakeholders. Private sector organizations and public sector organizations possessed different set of resources, skills and competencies. They have different organizational attributes, as in some cases, they were path dependent; hence, the relationships and interactions among public organizations and private sector organizations were self-perpetuating. This resulted in a weaker integration between public-private interactions. Similar results were traced by [Dormois et al. \(2005\)](#) and [Brinkerhoff \(2002\)](#). To make a partnership successful, public sector should be ready to adopt some practices of private sectors ([Cooper, 2004](#)). Also, this study found that the fundamental element in the PPP is trust, and trust is developed over time. There are evidences in transition economies exhibiting unsuccessful PPPs because the public sector and private sector organizations did not have enough time to foster the relationships which were crucial to make partnership based on a joint decision ([Regeczi, 2005](#)). Hence, this study suggests managers in the PPP to enhance their social and interpersonal skills, communication and coordination skills and project management skills for successful management of PPPs.

Limitations and future research

The study identifies relations, actions and interactions among various factors in the process of value creation in a PPP, but it could not test the relations, actions and interactions quantitatively by internal and external validations with controlled biases. This study identifies the possibility of causality among certain outcomes, but it could not measure the strength or level of a particular relationship. The causal relationship presented in the study is inductive in nature and, hence, required further verification. Also, the study assumes the possibility of existence of moderating factors and mediating factors in a relationship between value creation and contract management, but it does not confirm the possibility of existence. So it encourages researchers to conduct empirical quantitative studies for further verifications of the assumptions identified. The outcomes and outcomes to be verified are mentioned below:

- *Outcome*: Relationships among project partners may *strengthen or weaken* the link between value creation and contract management.
- *Outcome to be verified*: Relationships among project partners may have a *mediating effect* in the link between value creation and contract management.

- *Outcome*: Style and system of the partner organizations act as *influencers* on the relationship between value creation and contract management.
- *Outcome to be verified*: Style and system of the partner organizations may act as *moderators* between value creation and contract management.
- *Outcome*: Trust and confidence among project partners act as *influencers* on the relationship between value creation and the contract management.
- *Outcome to be verified*: Trust and confidence may have a *moderating effect* on the connection between value creation and the contract management.
- *Outcome*: There is an interaction between trust and confidence and coordination in the project company.
- *Outcome to be verified*: There may be a *reverse causality* between trust and confidence and coordination in the project company.
- *Outcome*: Risks in PPP implementation is related to relationship dynamics among project partners.
- *Outcome to be verified*: There may be a *reverse causality* between project risks and relationship dynamics among project partners.
- *Outcome*: Style and system of the organizations in the PPP is derived from their capabilities/resources of the partner organizations and expectations from customers/public.
- *Outcome to be verified*: “Capabilities/resources” of the partner organizations is a predictor of style and system of the partner organizations.

This study did not find any connect between *trust and confidence* and *organization attributes* in PPPs. But the existence of relationships between *trust and confidence* and *organization attributes* in organizational context cannot be ruled out (Tzafrir, 2005). There are studies showing the relationship between *trust* and *organizational attributes*, including organizational culture in intra-organizational context (Eberl, 2004; Li *et al.*, 2012). There may be chances that organizational attributes of an organization cultivate personality traits in individual working in that organization. When individuals containing varied personality traits are clubbed together as a team, the team may have a different level of *trust and confidence* as compared to the same in the organizations from which the team members have come. So there may be some relationship between *organizational attributes* and *trust and confidence* in alliance/consortium organization.

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