**Analyzing the Organizational Form in Public-Private Partnerships in relation with network forms of organisation**

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**Introduction**

The 1990’s has seen the establishment of Public –Private Partnerships as a new key tool for implementing public policies ranging from social to economic policies (Osborne). Traditionally, Governments by themselves found finances, built infrastructures (roads, school etc) and provided services (health care, transportation). In providing such services, they faced various problems ranging from their budget deficit to the increase of the populations’ needs. Aware of their financial limits and the increase of the demand, they involved themselves more and more in partnership. In countries like United Kingdom, PPPs are a cornerstone of the developing stakeholder society of the new labor government and an essential tool to implement significant social policies such as the regeneration of urban areas and the struggle to combat youth unemployment (Falconer and Ross 1998).

In Hungary, PPPs are being seen as a means through which both to restructure the provisions of public services to meet social needs and to develop a civil society in the aftermath of the communists regions (Osborne and Kaposvari 1997, 1998).

Now, the PPPs are part of the New Public Management and used as a tool of management and governance. Why is a concept barely mentioned two decades ago now attracting such interest? Many researches explored the field and mostly they are oriented to the financial aspect relating to the risks and profits only very few oriented their investigations in the type of organization the PPPs are indeed. The relationships between the actors are very often overlooked. Consequently, the purpose of this paper is to address the network of relations that occurs in PPPs. First the paper will review both the concepts of PPPs and Network form of organization. Second, the network in the PPPs will be analyzed based upon the relations, the advantages the actors and in relation with the network form of organization. And third, the paper will attempt to outline the differences and convergences between the PPPs and the NWO.

**The concept of PPPs**

The PPPs are a perfect area for researchers interested in the network forms of organizations because of its specificity. Its broad concept has led to a variety of definitions. Each definition attempts to help understand the concept of PPPs. In a public policy oriented definition, partnership involves cooperation i.e. to work or act together and can be defined as cooperation between people or organization in the public or private sector for mutual benefit (see Holland 1984). In the same vein ( Harding 1990) defines the PPPs as any action which relies on the agreement of actors in the public and private sectors and which contributes in the way to improving the urban economy and the quality of life. Bailey (1994) provides a working definition of PPPs in urban regeneration as the mobilization of a coalition of interests drawn from more than one sector in order to prepare and oversee an agreed strategy for regeneration of a defined area. Taking the economic development perspective, Sellegren(1990) defines partnership as a scheme with involvement or funding from more than one agency. Whatever the definition and the form the ppps take, it comes out of the definitions that cooperation, collaboration agreement and involvement are necessary in partnership. The given definitions so far have been interested in public and private sectors but a definition from Commonwealth states of Massachussets involves other actors in the partnership and show the wide scope of ppp. According to CSM a partnership is collaboration among business, non profit organization and government in which risks and skills are shared in project that benefits each partner as well as the community (Stratton 1989). This definition broadens the scope and the contributions of the partnership.

The actors involved in the partnership have different interests but are bound to be together because neither of them can fulfill the assignment alone. As reported by Adelokundo Lucas, a chief factor encouraging for public-private partnership is that neither side can achieve its special goals alone; collaboration is unavoidable. In the same vein Ronald W. McQuaid said it in other words “the sum is greater than the parts”.

Mostly, in PPPs; some partners are more central and powerful than others and according to MichaelR.Reich Partnership involved both ‘big P’Partners who assume core responsible for the joint enterprise, and a ‘little p’partners whose participation is necessary for successful implementation. Bennett and Mc Coshan (1993) support the idea and argue that partnerships between agents may be unequal as it may be more important for one partner than the other(s) or one partner can coerce or mandate the others (e.g. through providing or with-holding finance). In the case of PPPs the public party and the private party are the main actors and the power is shared between them. Many actors can be involved in partnership such as group of people, non-profit organizations, private sectors, governments. The need for establishing a partnership between public and private sector results from the option of the public sector to transfer the design and the implementation of public policies to the private sector. This new public management is due to the incapacity of governments to fulfill the public needs of the people. Governments realize that they need funds, expertise and efficiency of the private sector for provision of services and building infrastructures. Partnership between public and private sectors can be settled under many forms. But the most common are the institutional form and the concession like BOT Build Operate and Transfer. This partnership is very common in the infrastructures PPPs.

PPPs have a lot of advantages that range from experience sharing to economic development. Through PPPs government workers learn a lot from the expertise of the private sector because of the flow of information channeled through the partnership. PPPs are considered as a tool of development regarding the services they provide.The building of infrastructures might be paramount for the circulation of people and goods and are incentives to investment.

**The concept of network form of Organization**

Some researchers have explored the network forms of organization and the findings are interesting. ( Powell, Granovettor Williamsons)

Many questions such as who are involved in network? Why are they involved in network? Today these questions have been clearly answered in the remarkable but conflictual studies.

**The Sociological View**

The sociological view is opposed to the economic view of organization that considers only two forms of organizations the market and the hierarchy (Joel M.Podolny and Karen L.Page). The network form of organization when considered as a form of governance it can be distinctly characterized (Podolny) and Podolny and Karen define the network form of organization as “any collection of actors (N superior or equal two) that persue repeated, enduring exchange relations with one another and, at the same time, lack a legitimate organizational authority to arbitrate and resolve disputes that may arise during the exchange.” The absence of authority to arbitrate results from the trust underlying the relations between partners,

Sociologists argue that the network form of organization has a number of distinct efficiency advantages not possessed by pure markets or pure hierarchies, and because of these efficiency advantages, network forms are quite prevalent (Bradach&Eccles1989). This view is supported by (Powell 1990) who argues that network forms of organization cannot be considered hybrids of markets or hierarchies; rather, network forms of organization represented a unique alternative possessing its own logic. Network forms of Organizations fosters learning, represent a mechanism for attainment of status or legitimacy, provide a variety of economic benefits, facilitate management of resource dependency and provide considerable autonomy for employees.

Bradach and Podolny both acknowledge the advantages that occur in the network form of organization is different to the market and hierarchy organization. The network form of organization according to them provides new competencies, knowledge and economic benefits. It is important not to overlook the direct economic benefit of this form in terms of cost and quality (podolny) Wlliamson(1991) lays conditions under which network forms of organization lower transactions costs. The functions of the network forms of organizations range from learning to economic benefits. Through the network form of organization one can ensure the capacity building and can encourage innovation and facilitate the transfer of information between two nodes. Hamel (1991) is perhaps the most explicit in examining how inter firm collaboration provide participating firms with opportunities to internalize one another skill. Other functionalities occurred by the network form of organization one can point to legitimation and status. Beaum & Olivier (1992) finds that a tie to a legitimate institutional actor, such as church or governmental entity has a positive effect on the life chance of organization. As an example Podolny and Philips (1996) find that the higher the status of a bank’s management partners in underwriting syndicates at time t, the greater its status growth between t and t+1. This enhanced status according to Podolny in turn, has positive economic advantages for the organization. Some authors have emphasized the ethic principle guiding the economic exchange in network forms of organization. The spirit of “good will” as pointed by Ronald Dore (1983) underlies the relationships. The central elements of a good will are a commitment to use voice rather than exit (cf. Hirschman 1970) to resolve disputes and a higher level of trust between parties. The relations –based trust can lead to the absence of contractual guarantees. And Granovetter mention the moral community as a distinctive feature of groups. He points to the high level of trust and obligation among members of the group. However, two economic actors who wish to enter into an enduring relation and lack a legitimate authority to resolve the dispute may enter into a long term contract in order to place restrictions on the opportunistic behavior (Podolny and Karen).

**Discussions**

The given definitions of PPPs and NFO have at least mentioned terms differently but indeed their meaning remain the same. Rather than network, definitions of PPPs use the term partnership. Further both network theorists and public private theorists use the term alliance, cooperation, and coalition of interest agreement in defining the two concepts. However, the structure of the organization in the partnership seems more précised and more formal. In the PPPs the actors are identified precisely but the majors actors are governments and private sectors and they are partners whereas in the network form of organizations they are nodes. Nodes and partners are two terms referring to the same thing. The NFO depict the commercial ties underlying the transactions between the actors or nodes. The actions take place within a market where each node part seeks to get better outcome. The actors are firms, organizations exchanging between them. The term partnership has never been used in the NFO despite the possibility of partnership between firms and governments. And the question to be asked is why the network theorists hardly talk about partnership between government and firms? Are the relations between governments and private sectors commercial or not?

In the PPPs the partnership can be established for providing services (transportation, water supply), for building infrastructures (toll road, schools), for funding (funding policy projects). All the definitions emphasize the PPPs as a tool of financial, development arrangement and fail to point to the commercial transaction between the partners. What is the private partner seeking in a partnership with a public partner? The private sector is not a philanthropic. Its objectives are to make profit. In the exchange its interests are preserved. Williamson helps understand easily when dealing with the transaction costs that refer to costs associated with exchanges of goods or services and incurred in overcoming markets imperfections. (wikpedia). Before participating in a partnership the private partner mobilize its expertise. This fact is depicted by the performativists that view economic action as a result of calculative process involving the specific technologies and aircrafts that actors employ (Neil Fligstein and Luke Dauter).

The context of the changes in U.S regulatory environment helps understand the two concepts. Those changes facilitate the ability of U.S firms to engage in cooperative activities with their market competitors (Neil Fligstein and Luke Dauter). The phenomenon led to the Privatization in 1980.

Consequently one thing is clear that the network for the network theorists and privatization or PPPs later for PPPs theorists started in the 1980’s. Whatever the concept, the network the partnership, whoever the actors the partners, the nodes, many advantages exist in network or partnership. They present the same features and characteristics. As well in PPPs as in NFO, actors lower transaction costs, facilitate the management of resources dependency acquire knowledge and competencies.

PPPs and NFO share some features. The relationships are characterized by longer term commitment for PPPs and enduring exchange for NFO. The notion of risk is mentioned both by the two organizations. But the difference between the two is that within the NFO, trust is the guiding principle and there be absence of authority to arbitrate disputes and conflicts. In the PPPs there is legal contract binding the two partners. The PPPs seem more formal.