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Stakeholder management for public private partnerships

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Abstract

Various problems have been encountered on public private partnership (PPP) initiatives around the world that have eventually led to project failure. Stakeholder opposition has been reported as the main reason for failure in several instances. As such, capturing and addressing of stakeholder inputs is crucial to the success of PPP projects. Stakeholder involvement (SI) is an interdisciplinary domain that spans many disciplines (engineering, sociology, psychology, marketing, etc). The fragmented nature of knowledge in this domain is impeding project managers from leading successful SI programmes. As such, this paper presents a semantic model and taxonomy that represents the key concepts underlying stakeholder involvement in PPP infrastructure projects. The model has the potential to act as a core for knowledge representation, sharing and reuse in the multidisciplinary domain of SI. A portion of the model is implemented in a knowledge-base that can be used to recommend the most suitable set of stakeholder involvement tools to be utilized on a particular project. The recommendations provided by the system can act as a 'short-list' of potential tools to the inexperienced SI coordinator.
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1. Introduction

Public private partnerships (PPP) is not a totally new concept in infrastructure development. In fact, the first PPP in modern history was the concession formed in 1854 to construct and operate the Suez Canal [10]. On the other hand, the concept of involving project stakeholders in the decision-making process has come a long way since then. In retrospect, public pressure for or against any decision related to the Canal was non-existent in the 19th century. Two centuries later, public concerns are a much more decisive factor for PPPs. In fact, the World Bank points out seven major factors that are holding up private investment in infrastructure, the first factor being, "A wider gap between the expectations of the governments and the private sector on what is reasonable and acceptable" [2].

PPP infrastructure projects vary in the level of contention that they raise among stakeholders. Service infrastructure like hospitals and schools where the private entity provides non-technical services to the facility (everything except medical care and teaching), are much less likely to raise opposition among the public if compared to other basic infrastructure like highways or water supply. Moreover, the involvement of the private sector – with its profit-making mindset – usually raises concerns that are not usually likely when the asset is publicly owned (e.g. rate hikes, quality assurance, safety, and transfer agreement).

In general, stakeholders are individuals or organisations that are either affected by or affect the development of the project. Therefore, capturing their input is a crucial component of the project development process. It is important to gauge stakeholder opinion and concerns to better facilitate the development of a project that will meet the needs of

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those stakeholders. A SI programme is one which determines stakeholder concerns and integrates them into the design of a project to achieve collaborative integrated project development. Understanding of the concepts that underlie SI to infrastructure projects is an essential step towards creating a strong involvement to help project proponents and stakeholders communicate effectively. This paper presents a semantic model and taxonomy for SI in infrastructure projects.

2. Importance and relevance of stakeholder involvement in PPP projects

Various problems have been encountered on PPP initiatives around the world that have eventually led to project failure. Public opposition due to various factors has been reported as the main reason for failure in several instances. Major PPP transportation initiatives in the United States have reportedly failed due to stakeholder opposition. These failures were mainly because the public was (a) unaware of the concept of P3, (b) not sufficiently educated about P3 and, (c) denied access to detailed information contained in the consortium's P3 proposals [10]. An important example is Malaysia's unsuccessful initiative to privatise its sewer system. In a 'shady' hand-over, the transfer of the system to the private entity took place without knowledge of the public. The lack of transparency in the award stoked allegations of 'cronyism' among the public in Malaysia. Continued public opposition towards the award process and the financing structure (which was seen as entirely in the favor of the consortium) eventually drove the government to re-purchase the sewer system [1]. Furthermore, SI in hazardous waste disposal projects can be a key factor in their success. Due to the sensitive nature of hazardous waste disposal projects, public opposition has been a main imperative in holding back the construction of new sites. Since 1980, waste sites in the United States have only had a 3% chance of success due to public opposition [9].

3. Stakeholder involvement in infrastructure projects

Stakeholder involvement (SI) in infrastructure projects plays a very important role. 'Stakeholder involvement' has now replaced the more limited term of 'Public involvement' in the context of infrastructure development. Accordingly, a stakeholder refers to any person or organisation that has a legitimate interest in a project. To capture stakeholder input, a thorough stakeholder involvement programme has become an integral part of infrastructure projects. The programme can be administered by the project owner, designer or contractor depending on project specific requirements. SI programmes have been successfully implemented in Transportation, Water Resources, Water Supply, Mining, and Land Development projects. Fig. 1 shows instances where SI programmes were used in infrastructure development projects along with a brief description of the SI programme. The diagram indicates major concerns expressed by stakeholders, and the tools that were utilised to involve stakeholders [3,5–10,12–17,19].

4. Stakeholder involvement in planning and designing

To ensure a true SI programme in these phases, the public has to be taken in full confidence that their involvement will influence the decision making process [18]. Transparency and trust in the SI process is vital to its success. Stakeholders tend to be skeptical about the involvement programme, if they believe that decisions have been made before-hand. This will have a negative effect on the level of participation in the programme; individuals may either tend to participate in an antagonistic way or to refrain from participation altogether.

The public's concerns in these phases will usually focus on long-term issues and can be of any kind depending on local conditions. Two SI programmes on a bridge project in the United States showed very contrasting public concerns. For instance, the public may be interested in preserving the historic value of a bridge and thus will show more emphasis on aesthetics than on new technology [15]. In another case, the main public concern on a bridge construction project was the project's effect on businesses, influence on job market and, usage of local labor and material, rather than the environmental or aesthetic impacts of the project [11]. These differences were mainly due to the socio-economic conditions of the surrounding communities.

5. Stakeholder involvement in the construction phase

During this phase of infrastructure project development all stakeholders are involved, but the way of involvement is different. Local and regional stakeholders are concerned with the influence of construction activities on their daily routine activities and life style [6]. On the other hand, global stakeholders may be interested in monitoring and evaluating project impacts related to their particular field to make sure that the impact is not greater than what was considered in the planning phase.

Although the SI process in general is similar in planning and construction phases, some differences do exist between the two. The most fundamental difference is the purpose of the process itself. The main aim of involving the public in the planning and design phases of the project is to inform stakeholders and obtain their feedback regarding the most suitable design for a project. The process is usually a 2-way process. On the other hand, in the construction phase, the public involvement process is usually a 1-way process. It usually focuses on the dissemination of construction-related information to the public (road closures, construction sequence, etc.) and creating problem solving channels in case construction activities affect the local community in any way.

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