



Interplay of relational and contractual governance in public-private partnerships: The mediating role of relational norms, trust and partners' contribution

Camilo Benítez-Ávila^{a,*}, Andreas Hartmann^a, Geert Dewulf^a, Jörg Henseler^b

^a Department of Civil Engineering, University of Twente, The Netherlands

^b Department of Design, Production and Management, University of Twente, The Netherlands

Received 8 December 2016; received in revised form 8 December 2017; accepted 22 December 2017
Available online xxxx

Abstract

Defining the nature of the relationship between contractual and relational governance is critical for understanding how to maintain commitment and coordination between private and public organizations in long-term partnerships. In this study, a theoretical model explains Public-Private Partnership (PPP) project performance as the result of a mediation process. Contractual and relational governance elements operate sequentially with relational elements (relational norms and trust), playing a mediating role between contractual elements, project actors' behaviour and final performance. Based on the analysis of a survey of PPP practitioners in The Netherlands, and using Consistent Partial Least Squares Modeling, the study provides empirical support for these mediating effects. The findings are aligned with the idea that both economic incentives and hierarchical relationships formalized in contract agreements require being internalized in working practices by means of informal and socially based mechanisms. The enabling and compensating mechanisms underlying the mediation role of relational governance elements are discussed. Managers can particularly find in relational norms a leverage point for designing collaborative day-to-day practices aimed at reinforcing trust and long-term contractual obligations.

© 2018 Elsevier Ltd. APM and IPMA. All rights reserved.

Keywords: Public-private partnerships; Contractual governance; Relational governance; Project governance; Trust; Relational norms; Partners' contribution

1. Introduction

Public-Private Partnership (PPP) projects have gained increasing popularity for organizing the economic transaction between public and private organizations in the provision of public infrastructure and other public assets (Boardman et al., 2015; OECD, 2012, p. 194). Nevertheless, existing literature suggests that establishing innovative contractual forms of economic

exchange between public and private sector does not automatically lead to improved performance. There is mixed evidence of the performance of PPPs in terms of delivering infrastructure on time and budget (Hodge and Greve, 2007, 2010, 2017; Van den Hurk and Verhoest, 2015), satisfying the needs of taxpayers and end-users (Hodge and Greve, 2010), providing flexibility along the project cycle (Blanken, 2008; Cruz and Marques, 2013), and providing satisfactory outcomes according to the perception of public and private managers (Verweij, 2015). PPP is not a magical contractual recipe to overcome typical governance problems of projects such as displaced agency, and their one-off, uncertain and highly asset-specific nature (Levitt et al., 2009). Furthermore, diverse levels of performance within similar contractual arrangements have brought up the relevance of idiosyncratic practices

* Corresponding author.

E-mail addresses: c.a.benitezavila@utwente.nl (C. Benítez-Ávila), a.hartmann@utwente.nl (A. Hartmann), g.p.m.r.dewulf@utwente.nl (G. Dewulf), j.henseler@utwente.nl (J. Henseler).

that are difficult to imitate between PPP projects, given their dependence on social, personal and informal relations (Bresnen and Marshall, 2002; Gibbons, 2010).

Contractual and relational governance are considered as different governance mechanism for triggering cooperative efforts to array project processes leading to performance and value for stakeholders (Levitt et al., 2014; Roehrich, 2009; Zheng et al., 2008). It is particularly the interplay between contractual and relational governance that has gained much attention and discussion in the study of inter-organizational arrangements (Cao and Lumineau, 2015; Poppo and Zenger, 2002). The original terms of the debate were defined by Poppo and Zenger (2002), who framed the contractual and relational governance interplay as a dichotomy between complementarity and substitution. Since then, scholars have researched the interplay to understand whether complementarity or substitution impacts on inter-organizational performance. The outcomes of these studies are not conclusive. For example in project management studies assessing “technical” and “Edgeworth” definitions of complementarity (Cao and Lumineau, 2015),¹ “Edgeworth” complementarity has been supported for R&D projects (Arranz and Arroyabe, 2012), software development projects (Gopal and Koka, 2012), and construction projects (Ke et al., 2015; Lu et al., 2015), and “technical” complementarity has been found in R&D projects (Ryall and Sampson, 2009) and construction projects (Lu et al., 2015). However, there is also evidence for “Edgeworth” substitution in the exploration phase of R&D projects (Olander et al., 2010) and non-equity project alliances (Lui and Ngo, 2004). Given the existence of these inconsistent findings, it has been suggested that a more fruitful endeavor is the investigation of “how” and “when” relational and contractual governance interact in relation to project performance rather than striving for a definitive answer to “what” is the interplay (Cao and Lumineau, 2015).

In this context, the objective of this paper is providing a more fine-grained analysis of the interaction between contractual and relational governance in Public-Private Partnership (PPP) projects. More specifically, the paper intends to propose and test a theoretical model that explains PPP project performance as the result of a mediation process. There, contractual and relational governance elements operate sequentially with relational elements (relational norms and trust) playing a mediating role between contractual elements, project actors’ behaviour and final performance. This consistent model is based on an overlooked proposition from seminal neoinstitutional theory (Zenger et al., 2000), according to which “formal institutions define the normative system designed by management or the blueprint for behaviour, [while] informal institutions define the actual behaviour of players” (Zenger et al., 2000, p. 5).

The paper contributes to the ongoing debate on contractual/relational interplay by redirecting the discussion from the prevalent substitution/complementarity dichotomy to a sequential

conceptualization along chains of mediated causality. Additionally, it also provides quantitative supporting evidence for PPP projects, where previous research has mainly used qualitative research strategies for addressing the contractual/relational interplay in PPPs (Bygballe et al., 2015; Hartmann et al., 2010; Rufin and Rivera-Santos, 2012; Strong and Chhun, 2014; Zheng et al., 2008) with few exceptions (Zhang et al., 2009). The proposed theoretical model is empirically validated by means of Consistent Partial Least Squares Structural Equation Modeling (PLSc-SEM), assessing the overall fit of the model for estimating measurement and structural model misspecification (Henseler et al., 2016). This validation is absent in the current literature examining the interplay of contractual and relational governance elements by means of SEM-PLS (Goo et al., 2009; Lu et al., 2015) making these studies and the obtained results rather exploratory in nature. However, the scope of the paper is limited to the interplay of governance elements at PPP project level excluding the wider institutional, cultural and policy context that may affect governance approaches. Furthermore, the empirical evidence is cross-sectional which cannot account for any feedbacks overtime between the different elements studied.

The paper is organized into four main sections. It starts off with the conceptual background, the introduction of the theoretical model and the related research hypotheses. In the second section, the research design is presented. It consists of a survey of private and public managers involved in PPP projects in the Netherlands as data collection approach, and PLSc-SEM as data analysis method. The third section presents the results of the data analysis, which support the mediating role of relational governance elements in PPP projects. In the fourth section the findings are discussed reframing the substitution/complementarity debate in the light of mediation analysis and process mechanisms (enabling/compensating). This section also includes managerial implications and limitations of the study. The paper ends with some concluding remarks.

2. Contractual and relational governance in PPP projects

The World Bank defines PPP as a “long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management, and payment is linked to performance” (World-Bank, 2014, p. 19). This conceptualization ascribes to PPPs a particular set of formal rules with the capacity to ensure the delivery of public goods and services by defining obligations, roles and mission of a temporal coalition (Bygballe et al., 2013). However, contracts are only binding promises to act in the future under the expectation of value creation (Scott and Triantis, 2005), while the final project performance depends on the effective alignment of idiosyncratic public and private resources and activities towards the mission of the project (Kivleniec and Quelin, 2012). From a traditional governance perspective it is argued that an appropriate alignment of the formal rules to exchange condition is a sufficient behavioural driver for guaranteeing partners’ contribution towards project performance (Chang, 2013).

However, practice and recent governance research indicate that relational governance elements are also crucial to the success of

¹ While technical definition focuses on the mutual relation between two variables (e.g. the increase of trust encourages the increase of contractual governance), Edgeworth focuses on the joint impacts of two variables in a third one (e.g. raising trust increases the returns to raising contractual governance for increasing project performance).

Download English Version:

<https://daneshyari.com/en/article/6748029>

Download Persian Version:

<https://daneshyari.com/article/6748029>

[Daneshyari.com](https://daneshyari.com)