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Public Management Reform and Public-Private Partnership in the United States: An Evolving Management Paradigm

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Abstract

Political and intellectual climate in decades before and after the WWII promoted the role and the size of public sector in most countries. However, buoyed by such factors as unsustainable financial burden of the welfare state, technological and financial globalisation, rising conservative ideology, and high growth rate of East Asia's more open economies in the last two decades, the new millennium opened with a fairly universal trend in the opposite direction. While the change reflected a strong emphasis on 'managerialism' in Europe, it underscored the focus on downsizing and privatisation in the U.S. Among other factors, the shift in American attitude was influenced also by its conservative political ethos and a declining confidence in its public institutions. Despite differences in circumstances and relative importance of the driving forces, a greater emphasis on private markets to deliver public goods and services has meant greater reliance on public-private partnerships on both sides of the Atlantic. Using several brief case studies of PPPs with a wide variety of missions—ranging from broadly defined and politically contentious to narrowly focused on functionalism with an emphasis on entrepreneurship—the paper examines the changing nature and the key success factors of public-private partnership in the United States. It concludes that, by successfully integrating governance issues and management practices, PPPs in the U.S. are tending to move up in the evolutionary ladder to higher levels of maturity and greater efficiency. Such a trend has wider implications for both public sector management and public-private partnerships.

Introduction

Economists generally agree that firms operating in competitive markets deliver goods and services more efficiently and at lower costs than those in regulated markets. Therefore, government regulation and control are usually justified only where market distortions or externalities exist, or where considerations of equity and social desirability outweigh those of cost or efficiency. Yet, in a political and intellectual climate shaped by the Great Depression, the Keynesian revolution, and major public sector initiatives like the New Deal and the Marshall Plan, the post-WWII period witnessed a significant increase in state control and ownership of production in most countries. For reasons of state-centered political ideology, resource constraints and other bottlenecks in production and distribution, such a trend has been more pronounced and universal in newly independent Third World countries. Mostly prompted democratic populism, and concern for monopolistic exploitation and non-contractible quality of essential services -- the fear that a hospital or school that is free to employ less qualified professionals as a cost-saving measure would do so -- many developed Western countries like United States, Canada, Austria, Belgium, France, Italy, New Zealand, and U. K, also followed a similar path during much of the same period. However, the new Millennium opened with the pendulum swinging clearly in the opposite direction. Buoyed by such factors as fall of the Soviet Union, rapid growth of Asia's relatively more open and market-oriented economies, unsustainable financial burden of the welfare state in many European countries, technological and financial globalisation, and probably a universally deepening conservative political culture led by many industrial countries including the United States, an increasing number of governments throughout the world have been adopting privatisation and greater reliance on market forces as preferred approaches to solve public sector problems. Clearly, with some countries and regions embracing the paradigm shift more enthusiastically than others, the reversal has not been universal or uniform. For example, of the estimated \$155 billion in global revenue generated from privatisation

between 1990 and 1996 -- a quantum jump from the estimated mid teens in the previous decade -- the Middle East and North Africa accounted for a mere 2%, Sub-Saharan Africa 3 per cent, and Latin America and the Caribbean a whopping 53% (Babu and Das:267).

Public Management Reform in the United States – Post-Viet Nam Era

Compared to most European parliamentary democracies, the United States is a latecomer to public management reforms, and it has also taken a slightly different path. Probably because the public sector in most European countries assume a greater role in promoting social welfare, and account for relatively larger share of GDP, public management reform in those countries represented a more serious attempt to improve the public sector's efficiency, and not necessarily reduce its relative size. By providing managers with greater flexibility of operation within their budgets, and holding them accountable for results, European reforms focused mostly on fundamental management principles and practices. Therefore, those reform measures consisted mostly of 'managerial tools' like output based performance contracts and other bureaucratic incentives, greater operational autonomy and customer focus, and better management training. On the other hand, with largely episodic attempts at qualitative initiatives like Total Quality Management, American public management reforms were more incremental, sweeping, and politically controversial. With 'down sizing' rather than structural and process issues driving the debate' (Kettl 2000: 16), they 'touched more parts of government more quickly than the reforms elsewhere' and were "focused on changing bureaucrats' behavior rather than transforming the fundamental fiber of government's structure and processes" (Kettl 2000: 15).

Even without the European precedence, American public management scene in the 1980s was probably ripe for change. Compared to its counterparts in Europe, political and policy leadership in the U.S. has historically been biased against large-scale public ownership of production and distribution. Such a view is moored, at least partly, in a fairly pervasive assumption of the unaccountable government employee with 'weak incentives' for 'cost reduction and quality innovation...' (Shleifer:138), and in the American ethos that admires an independent and resourceful private entrepreneur (in a competitive market) as the essential causal agent for economic development and progress. The assumptions of dangers of politicized decision-making, and inefficiency inherent in public bureaucracies were further reinforced by unsettling national and global events of the 1970s. Events such as U.S military defeat in Viet Nam, OPEC oil embargos and subsequent stagflations, dethronement of U.S. dollar as the world reserve currency, collapse of the Brettenwood financial system, and the Savings and Loans crisis, probably served to undermine America's confidence in its public institutions and leadership. In the backdrop of such rising public cynicism of government and its ability to manage the economy and its institutions, the demand for a leaner and competitive public sector was too strong to ignore. The result was an increased willingness to apply competitive market remedies even to intractable social problems like failing public schools and worsening urban blights that eluded any feasible solution for decades. (An early example is the bold attempt by the Community School District 4 in East Harlem, in mid-1970s, to improve its quality of education by giving its pupils freedom to choose among different public junior high schools in the district (Osborne and Gaebler: 5-8)). By late 1970s, the general national consensus appeared to support public regulation and control of an activity only if it met one or more of the following conditions: (a) cost reduction will lead to significant reduction of non-contractible quality, (b) innovation is unlikely or unimportant, (c) large spill-over

costs precludes a market determination of price, and (d) natural monopoly is clearly present. The result was a significant increase in opportunities for privatisation and competitive government activities throughout the American public sector.

Developments in social science theory also provided further guidance to America's public management reforms. More than any other intellectual force, two major theoretical developments in economics that spilled over from academic discussions in to the popular press (Osborne and Gaebler, 1992; Osborne, 1992) and politics (Gore, 1993) in the 1990s shaped the paradigmatic framework of these reforms.ⁱ One is the increasing acceptance of public choice theory in explaining the behavior of all players -- voters, bureaucrats, and elected officials -- in public decision-making. By applying "economic logic- -methodological individualism and rational, self-interested decision making - - to questions and issues that had traditionally been the concern of political scientists and public administrationists" (Jones and Thompson: 13), it has actually changed the way American public policy makers view the working and the role of public sector. The other is the new economics of organization which focuses on "incentive and control structures and on the allocation of property rights and asset ownership so as to minimize intra-organizational externalities or spillovers" (Jones and Thompson: 13). By explicitly recognizing practical implications of such conceptual issues as moral hazard and adverse selection, transaction costs, agency problem, incomplete contracts, incentive contracts, incentive compatibility, team behavior etc in its analytical models, it "provides the new public management with the solid analytical foundation needed to understand how, when, and where to delegate authority, replace rules and regulations with incentives, develop budgets based upon results, expose operation to competition, search for market rather than administrative solutions or use quasi-markets and contracting out to foster competition" (Jones and Thompson: 13).

As noted earlier, the fundamental philosophical moorings of American public management reforms have been shaped by a political culture that has grown relatively more conservative and market oriented in the last quarter of the 20th century. This is not to argue that 'managerialism'-- the idea that effective management practices can solve much of society's economic and social problems -- had no influence on American reforms, but only to suggest that its influence was not as critical as it was in Europe.ⁱⁱ Clearly, measures like the Federal Acquisition Streamlining Act of 1994 provided the U.S the public sector with greatly needed flexibility in procurement and budgeting, and thus helped to streamline the federal bureaucracy. But, the primary impact of managerialism on American reform movement, especially in its early years, was to provide a strong push toward decentralization, competitive markets, and privatisation. As a result, American public management reforms in the 1990s involved mostly a devolution of federal administrative and policy-making responsibilities to the states and the private sector. Although such devolution seldom involved changes in management structures or processes, by bringing government decision-making closer to regional and local issues like pollution, crime, and medical and welfare needs, it helped the government to be more responsive to such problems, and enabled it to design and manage more effective solutions. However, with decreasing tax revenue stemming from both the anti-tax movement (Propositions 13 and 2 1/2) that began in California in the mid-1970s and reincarnated nationally as the supply-side economics in the 80s, and the national recessions of 1970s and early 80s, more responsibilities for states also meant more acute financial crises for them. This has left many states with the only alternative of relying increasingly on "private and nonprofit contractors in programs ranging from welfare to prisons as they struggled to make their operations cheaper and more effective".(Kettl 2000:28). Therefore, with the possible exception of large-scale privatisation of defense supply and maintenance work, there were more privatisation initiatives at the state level (such as the massive privatisation of public services in Indianapolis) than at any time in recent history. Although the decade-long economic

growth and resulting revenue surpluses during the 1990s probably slowed this trend temporarily, with rapid dissipation of government surpluses, and a widely anticipated downturn in the national economy and tax revenue in 2002, privatisation is likely to gain further momentum.

Public-Private Collaborations as a Prelude to Public-Private Partnerships

The public –private collaboration -- combining private and public sector resources to manage public sector assets or deliver public sector output -- is nothing new to the American public sector. It was used at the local level to collect garbage and at the national level to establish railways and other transportation systems. What is new in the anti-tax era of the last quarter of the 20th century is the simultaneity of shrinking public resources and diminished expectations from government. Thus, for many states and municipalities, private sector participation in their activities was not only the only available option, but also the preferred one. For example, St. Paul, Minnesota, revitalized its down town area in late 1970s through partnerships of private developers, Federal Urban Development Action Grants, private banks and non-profit foundations (Osborne 1992). Similar partnerships in 1970s and 80s have completed major public infrastructure projects in many other cities like Orlando (Florida), Springfield (Massachusetts), Phoenix (Arizona) and Baltimore (Maryland). Since the 1980s, such cooperative ventures between public and private sector organizations and agencies have been more commonplace in other areas as well. For example, a Minneapolis firm called Education Alternatives Inc was involved in administering Baltimore public schools in 1992.ⁱⁱⁱ Later, in the interests of academic achievement and fiscal solvency, many public school districts like Hartford and Miami have tried such a model in the management of their schools. Similarly, in some states like New Jersey, Texas, and Georgia, private companies run several of the state prisons. Even some of the small public works programs, considered the direct and exclusive responsibility of city and town governments in the past – such as street cleaning in summer, snow removal in winter, weekly garbage removal, etc – are now being managed mostly by private contractors. More recently, public-private partnership has been proposed in many states as a means to introduce meaningful reforms in the organizational structure and management. For example, the centerpiece of Pennsylvania Governor's reform proposal for Philadelphia public school system was a demand that the city privatize the central management of its school district.^{iv}

Public-Private Partnerships – A Matter of Definition

Public sector-private sector partnerships are neither privatization nor liberalization. The former refers to a change of ownership into private hands, and may involve different public policy initiatives as denationalization (sale of public assets), deregulation (introduction of competition into regulated industries) or contracting out to private sector firms (Babu and Das: 267). Liberalization usually refers to a more competitive market structure. The term 'public-private partnership' in this paper refers only to contractual arrangements between public and private sector organizations "that involve open-ended, joint responsibilities for decision making and implementation" (Berman: 135). In public and non-profit sectors, they are easy to identify, and the typical examples may include those "among government and nonprofit organizations to create a collective food bank, partnerships among local governments to protect area wildlife and their environment, and collaborations among nonprofit organizations to promote their

services" (Berman: 135). The uniqueness of these partnerships lies in the collective decision-making and implementation they practice in both day-to-day management and long-term policy development and coordination. To the extent that contracting for services and privatisation do not involve any joint decision-making, they are not considered partnerships. However, as Berman noted, "a movement exists to establish close linkages with contractors, and, where such relationships exist, they might be called partnerships" (Berman: 136).

The common 'purposes' of a partnership usually include coordination, policy formulation, funding, and joint service delivery (Bergman:136). The breadth and depth of these 'purposes', along with the level of joint decision-making, interdependence, integration of organisational cultures, and the degree of entrepreneurship implicit in a partnership determine its maturity level. Therefore, maturity of public-private partnership may be viewed as a continuum ranging from simple private contracting, with some linkages to the public sector, to large-scale entrepreneurial joint ventures between public and private organisations. Since they combine and integrate management and leadership cultures of distinct organisational systems of public and private sectors, we may view the maturing process of PPPs as essentially involving a gradual paradigm shift -- displacement of distinctive management paradigms with a product of their integration. Clearly, the very same analytical, philosophical (political), and economic forces that promote privatisation and competitiveness in American public sector also influence the character and the speed of this process. Indeed, the significant increase in the number and variety of public-private partnerships (PPP or P3s) in the U.S, and structural and process changes they entail, represent the elements of such an evolving paradigm.

Public-Private Partnerships in the United States: Some Emerging Patterns

The following examples of public-private partnerships may help to explain their structural variety as well as some of the fundamental determinants of their success.

a.)

Local and regional development efforts usually involve some form of public-private partnership. Its purpose may be clearly and narrowly defined, as in 'cleanup a polluted river' or 'start a rural medical clinic', or broad and somewhat vague, as in 'improve adult literacy', or 'rebuild a downtown'. In most such cases, a non-profit corporation is created for the specific purpose, often with some public financing. Therefore, this type of public-private partnership usually involves governmental agencies, elected officials, for-profit corporations as well as the general public, and it functions in a politically charged, unpredictable, and changing environment. An example is the PPP involved in the waterfront development project in New London, a town of approximately 25000 inhabitants with a city manager-council system of government, on the bank of the Thames River in Connecticut. Although the town council spearheaded the initial planning of the project, much of the strategy, public education, and actual coordination were carried out by the New London Development Corporation (NLDC) formed in 1999 with \$70 million of state funding. Although NLDC was able to promote public visibility of the development effort, its inability to gain the city council's full support for specific aspects of its development plans, political opposition to some of its tactics (like the use of eminent domain to take over private property on waterfront), and stridency of its leadership style played a major role in seriously compromising its effectiveness. Many NLDC meetings that discussed proposed private sector collaborations were not open to the public, and the local newspaper gained access to the minutes of those meetings

only with the aid of Freedom of Information Commission rulings and the state Governor' intervention. In the midst of charges and counter charges between the NLDC, the Town Council, and others, some of the private companies that expressed interest in the project withdrew their intention, several NLDC staff members left the project, the NLDC president resigned, and the project suffered serious setback, both in its momentum and the certainty of its vision.

A single-purpose PPP with a relatively broad mandate may exist also outside the political sphere of the public sector. A successful example of this type is SEMATECH, a consortium of the federal government and private firms in the electronics industry in created in 1987 for the purpose of developing advanced semiconductor manufacturing technology (Berman: 142). It was initially funded equally between the U.S. Department of Defense and member firms of SEMATECH, with each contributing \$100 million per year. With clear identity of interests of all stakeholders, and active participation of members, SEMATECH represented all 'purposes' of partnership mentioned earlier (Berman: 136-39). By retaining broad discretionary power to define appropriate technology projects, and to overrule individual members, SEMATECH avoided a disruptive and unproductive organisational environment, and created a win-win situation for all participants. In addition to ensuring the U.S. Defense Department's access to superior microelectronics technology, it improved U.S firms' manufacturing capability in advanced microelectronics, and provided lagging producers an opportunity to catch up with the most successful ones (Berman: 142). The considerable increase in the U.S. share of worldwide semiconductors, at least in part, is due to the technological achievements of SEAMATECH. Indeed, having been reached the major technological goals, the public participation is being currently phased out to make the consortium a private partnership.

These two cases represent PPPs with broadly defined missions. In the first case, the mission is loosely defined in the context of local and state politics and all the 'governance' issues it entails. In the second case, the broad mission has greater clarity due to its technological focus, and the identity of its partners' self-interests. In both cases, the future direction of the PPP is mostly undetermined at the outset, and its success depended more on 'leadership' factors than management. More specifically, the fate of the individual PPP was determined largely by its personal leadership style (directive vs. consensus building), identity of its stakeholder interests (dispersed, and occasionally contradictory and unclear vs. focused, interdependent, and clear), organisational discipline (competing interests and power-centers vs. identity of interests and clear line of authority), and susceptibility to political forces (highly political vs. highly technical and largely non-political).

b.)

The most common type of private sector involvement in the delivery public sector goods and services in the United States is through contracting and outsourcing. Although generally not considered partnerships, depending on the nature of linkages and purposes shared by the contracting firms, these activities too can be partnerships. This is true especially when the contracting partners are involved in joint decision-making on policy and projects even after the formation of the partnership or signing of the contract. An example of this type of privatisation with partnership overtones is the 10-year contract, implemented in 1998, between the Milwaukee Metropolitan Sewerage District (MMSD) and the United Water Services. It is the largest wastewater public-private partnership agreement in the United States, and by all indications, highly successful. The MMSD is a state- chartered government agency, providing wastewater services for twenty-eight municipalities, serving about 1.2 million residents. It is well-capitalized, and has 'substantially outperformed its permit requirements through most of its recent history...' (Kass). Thus, the MMSD Commission's decision to seek a

partnership was borne not out of any operational or financial failure, but a desire to improve its efficiency further. The United Water Services is a private company with substantial experience in operating wastewater treatment plants and regional sewage systems. The partnership contract between the two was the culmination of a two-year study-and-negotiation process that included a detailed competitive contracting study by MMSD, and its discussion with six other companies interested in the partnership. The contract required that UWS “equal or exceed the District’s record of bettering ‘Wisconsin Pollution Discharge Elimination System permit standards by 50 percent or more” (Kass: 4). In addition, it tied a system of performance payments and reductions to UWS’s plant effluent record, and made the company liable for any failure to meet any obligation under the contract. The partnership was able to avoid significant consumer skepticism or labor discontent primarily because of MMSD’s decision to take several precautionary steps early on in the discussion. They included the decision to retain key services important to its customers (such as industrial waste pretreatment, engineering and laboratory functions, and field sampling and monitoring) for its own operation, and the pre-conditions that any potential partner will recognize all four existing bargaining units, and ‘work with the District’s current work force in a fair and equitable manner, recognizing their skills and record of service to the District’ (Kass:5). Within the first year of the partnership, operational efficiency of the wastewater treatment plants improved enough to make the operation eligible, for the first time since 1993, for the Association of Metropolitan Sewerage Agencies’ Gold Award. The United Water Services was able to reduce workplace accidents and employee grievances by 160% and 33% respectively. Also, the MMSD Commission was able to reduce user charges by an average of more than 16.5% and property tax rate by 36% (Kass).

Despite the number of partners involved, a PPP with single mission and many ‘purposes’ (such as funding, coordination etc) can still be simple and less mature if it is non-entrepreneurial, and involved only in limited joint decision-making. However, to the extent that the individual partner’s decisions are interdependent, and contribute collectively to the achievement of the partnership’s mission, it is considered a PPP. Such partnerships where the role of each partner is clearly defined, may require only limited consultation among partners in day-to-day activities, but a high level of coordination. An example is the partnership formed by Cossatot Technical College in Sevier County in Arkansas, three city governments in Sevier county, the county government, and Weyerhaeuser Company to solve the refuse disposal problem in Sevier county (Adams). Each member of this partnership agreed to perform a specific activity (the Weyerhaeuser Company provided the building and the land at a convenient location, the county provided the compactor, utilities and insurance, the cities agreed to collect paper products and cans separately from wet refuse, and the college agreed to operate the compactor, and send off paper to recycling companies) with the overall responsibility for coordination and management residing with the college. Although the operation itself is simple, it takes considerable coordination among the college, the cities and the county to achieve the partnership’s mission.

Another example of PPP with closer day-to-day coordination and high level of interdependence, but not management, is the partnership between the Joint Power Authority (JPA) created by city managers and fire chiefs in San Mateo County in California and the American Medical Response West (AMR), an experienced ambulance service company in California. The partnership was aimed to improve the management and quality of emergency medical services in the county by shortening the response time, and improving the level, consistency and coordination of medical services among different towns. Although San Mateo county began examining the pros and cons of a PPP as a means to improve its emergency medical services in 1996, the PPP began its operation only in December 1998. The partnership agreement requires JPA and AMR to operate on the basis of a performance-based contract, and under the

general supervision of the county's Office of Emergency Medical Services (EMS). According to the agreement, the fire departments which provide first-response paramedics will reach the scene of emergency within seven minutes of dispatch, and the AMR medic will reach the scene with the ambulance within a specific time limit, depending on the location of emergency. Failure to reach on time by either is subject to penalty. In addition to providing medical supplies, equipment, training and clinical oversight for all paramedics, AMR will share its revenue with public fire agencies (amounting to \$3.6 million in 1999), compensating them for the provision of first-response services. In the first two years of the partnership, the number of licensed and certified paramedics in San Mateo County increased from 60 to more than 220, and on-time response of fire departments and the AMR rose from 60-70 % range to 98%, and 96% respectively (Norment: 19).

The creation of all three PPPs involved detailed prior investigation and study, public and open discussion of terms and conditions, political consensus, stakeholder agreement, formal organisational structure, (clear delineation of supervisory authority and service responsibility among partners) and detailed business plan (who does what, when and how). Clearly, they differed in relative importance and intensity of these aspects, and in the level of interdependence and joint decision-making. However, through mechanisms such as mutual training, pooling of resources, and continuous communication and dialogue, these partnerships were able to exceed an individual partner's comparative advantage, and become more effective as joint entities. The effectiveness of these partnerships depended not only on complementary nature of their skills, but also on successful coordination of their activities. Since governance issues like statutes, mandates, and administrative and regulatory rules influenced a public partner's activities at several levels, their coordination across the partnership in the appropriate logical sequence required detailed dialogue, planning, and even compromises. Attention to these details at the very outset of the partnerships was a major reason for their success.

c.)

Another more mature type of PPP with entrepreneurial orientation is getting increasingly popular with large technological industries. In these partnerships, public and private firms join together not only to produce a product, but also to compete in the market place against other firms and partnerships. Although such PPPs do not function in a politically charged environment, their relatively large size may make them susceptible to political interference. For example, encouraged by a large trade union with political clout, a senator or congressman from the public partner's home district may try to influence the structure and process of a partnership. The partnership between Air Force repair depots and private companies is a successful example. The Air Force's in-house depots repair and produce spare parts for weapons of all kinds, including fighter planes. Although the number of Air Force depots has declined from five to three in the base closure process, the Air Force depots account for about two-thirds of the Defense Department's annual spending of \$10.4 billion on depots. Unlike other military services, which either absorbed the work of shuttered depots into the remaining ones or outsourced the work to private firms, the Air Force, with prodding from the Clinton White House, took a slightly different path. It crafted a 'privatisation in place' plan that required private contractors to take over the work using the shuttered depots and workers displaced by the closure of logistics centers in Sacramento and San Antonio. Although this requirement was criticized as being politically inspired, largely because of the 50-50 rule (the law requiring 50% of the depot work to be done in federal depots), the end-result was keener competition for depot work not only among private contractors, but also among public-private partnerships. For example, a government-industry team made up of the Ogden Air Logistics Center at Hill Air Force Base in Utah and a Boeing unit operating at Kelly Air Logistics Center in Sacramento,

California won \$1.7 billion in aircraft, hydraulic and avionics repair work over eight years, and another team consisting of the Okalahoma Air Logistics Center at Tinker Air Force Base and Lockheed Martin, also based at Kelly, won \$10.1 billion in engine repair work over 15 years (Cahlink: 31-32). Among several of these partnerships, the one between Warner Robins (Air Force Logistics Center in Georgia) and defense contractor Northrop Grumman to maintain the Air Force's Joint Surveillance and Target Attack Radar System (JSTARS) aircraft is often cited as a model for the partnerships the service will seek in the future' (Cahlink:32). This is because of its long period (22 years), size (potentially worth \$7 billion), and the partners' interdependence. (Northrop Grumman will provide engineering and other services needed to ensure that the core work is done efficiently by the depot, and it will also pay the depot for the latter's work on certain core upkeep and repair tasks on JSTARS) and mutual benefits from the success of the project. ("Northrop Grumman will receive a higher fee if it exceeds performance requirements, while the depot will receive contractor support and could win additional work if it proves it can do a better job than commercial vendors..."Cahlink: 32).v

As Robins-Grumman partnership suggests, a successful entrepreneurial partnership represents a highly productive organisational environment in which effective joint decision-making and creative leadership flourish through successful integration of the partners' missions and management cultures. Therefore, it may be viewed as a stage closer to higher maturity level in the evolution of a new management paradigm in public-private partnership.

Conclusion

These brief case studies suggest that all successful public-private partnerships share some common characteristics. They include public and unequivocal support of political leaders and opinion-makers (especially for broadly defined partnerships involving commercial interests), a thorough and detailed study of benefits and costs of the proposed partnership, total transparency of the terms and conditions, education of the public about the partnership where public support is important, concrete and meaningful trust-building measures to address stakeholders' concerns, clear and specific performance standards for all participants, a system of penalties and incentives to guide the partners' behavior, and win-win opportunities tied to both overall performance of the partnership and partners' interdependence. Probably the most common reason for the failure of a PPP, especially where its goal is broadly defined or controversial, and stakeholders include political leaders and interest groups, is the failure to appreciate that the managerial environment of such a partnership represents a symbiotic relationship between management and governance. Because governance involves achieving direction, control and coordination of autonomous organizations on behalf of common interests of the partners (Lynn Jr *et al*: 235), the interplay of governance issues between for-profit and public entities can be highly complex, and even mutually inconsistent. Not only that such issues include endogenous factors as statutes, policy mandates, administrative rules, organisational environment etc, but that they are also inherently political, involving bargaining and compromise between partners and related public sector agencies. In short, they are affected by "informal exercise of judgment by the numerous actors involved in policy and program implementation" (Lynn Jr *et al*: 236). In the context of such a complex and possibly shifting organizational environment, success of a PPP depends not only on the partners' managerial skills to control, operate, report, and budget, but also on their leadership skills to deal effectively with ever-changing governance issues. Often, difficulties of PPP arise from inadequate attention to the latter. It is in the fusion of

governance with entrepreneurial management that the public-private partnership in the United States is growing in maturity, and edging towards a new public management paradigm.

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ⁱ Competitive and private market approach to the delivery of public goods and services is the essence of 'new public management' reform initiatives, and have made significant inroads in public sector management in several Western countries like U. K, New Zealand, Austria, and Canada and are increasingly adopted in several countries in Asia and Latin America. It is not surprising that public management scholars have begun to call it a 'global revolution in public management' Kettle (1997).

ⁱⁱ While European public management reforms were implemented by both extremes of democratic political spectrum - - the neo-conservative government in U.K. and the neo-socialist government in New Zealand -- both were based on a market-based approach to increase management efficiency. Although American reforms were initiated to create a government that "works better and costs less", most of the early cost reductions were achieved by a smaller public sector that is primarily the result of a conservative political ideology and the end of the Cold War.

ⁱⁱⁱ *Wall Street Journal*, July 24, 1992.

^{iv} *The Day* (Connecticut), November 21, 2001. The proposal was withdrawn because of bitter opposition from public school teachers' union, and the Mayor of Philadelphia.

^v A statement from George Falldine, director of plans and programs at Warner Robins puts it succinctly: "This partnership gives us the advantages of a competitive environment without disadvantages, because now it is in interest of Northrop Grumman and the depot to work together" (Cahlink:32).