

# Public Private Networks

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## INTRODUCTION AND BACKGROUND

The provision of services and the production of wares and services nowadays often require the cooperation of partners from different sectors. These cooperations can comprise public and private organizations, companies, universities, NGOs, and other groupings as well as individuals. The cooperative collaboration is esteemed as a core element of democratic social systems within a free market economy (Kirsch, 1996; Pongsiri, 2001).

As one relevant method of organizing such collaborations, public private networks (PPN) extend the concept of public private partnerships (PPP) by adding the idea of networking and its core elements. From a scientific point of view as well as from the business perspective there is a shortcoming in the systematic processing of ideas, motivations, and forms as well as implications for internal and external participants of PPPs/PPNs.

In the following, partnerships between partners from public and private business environments will be discussed. (Pongsiri, 2001) In particular, PPPs and PPNs in the field of academic education will be portrayed, since the cooperation in knowledge intensive areas is seen as an important issue. (Inkpen, 1996; Seufert, von Krogh, & Back, 1999) In the following the concepts of PPPs and PPNs will be explained. This will be done by an extensive literature review. The aim is to provide the required definitions and to discuss the incorporated views of others.

## PUBLIC PRIVATE PARTNERSHIPS

The cooperation of public institutions with private business organizations, (Eichhorn, 1995) driven by a

shortage of public resources and the increasing commercialization of functions formerly performed by public authorities gains in importance. (Budaeus, 2006; Kirsch, 1996; Thom & Ritz, 2003) PPPs are interpreted as an element of a comprehensive modernization process, which involves science, economy, and society in equal measure (Budaeus & Gruening, 1996a; Vogel & Stratmann, 2000).

In 2005, for instance, the district of East Riding in Yorkshire, UK, formed a PPP with Arvato, a subsidiary company of the German Bertelsmann Group. This 25 million Euro cooperation aims at transferring integral activities of formerly public processes to Arvato for an initial period of eight years. From an organizational point of view more than 500 employees switched to Arvato and improved service levels were defined to measure the success of the partnership (Verbeet, 2006).

Often PPPs are defined as “arrangements between government and private sector entities for the purpose of providing public infrastructure, community facilities and related services. Such partnerships are characterized by the sharing of investment, risk, responsibility and reward between the partners” (<http://www.mcaws.gov.bc.ca>). In this context, Budaeus and Eichhorn (1997) talk about a fundamental change in the public institutions’ understanding of functions and roles.

U.S. president Carter is ascribed to have created the term in 1978. (Barkenov, Boyle, & Rich, 1989). The spectrum spans from areas like water management, approaches of the construction industry, and applications of information technology, for example education projects for economically underdeveloped regions (Emery, 2003), or e-government projects. (Grabow, Reidenbach, Rottmann, & Seidel-Schulze, 2005) Kirsch comments this diversity with the remark that PPP as a buzzword is used in an inflationary way (Budaeus, 2005; Kirsch, 1996).



Thus, it can be deduced that there is no generally accepted definition of PPP. (Budaeus & Gruening, 1996b) In this chapter we follow the definition of Vogel and Stratmann. They see PPP as an institutionalized form of cooperation with public and private actors with both parties bringing in their own resources to achieve complementary goals (Vogel & Stratmann, 2000).

PPPs can usually be distinguished according to aspects of complementary goals and goal conflicts as well as informal and formal cooperation. Approaches to narrow down PPPs to cooperations, which exceed purely formal privatizations or the contracting out and outsourcing of public services, lead in this direction. (Hoepfner & Gerstlberger, 2003)

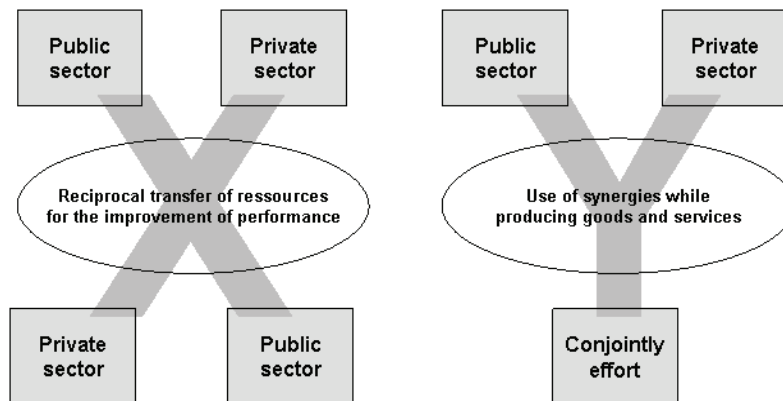
Budaeus describes two significant forms of PPPs. He marks them off from the contracting out via classic contracts and denotes them as contract PPPs and organization PPPs (Budaeus, 2006; Reichard, 2006; Sack, 2006). Criteria for the classification are duration, subject, and organization. Contract PPPs are open-ended, a well-defined project, and ex ante regulated by contracts.

Concerning the design of cooperations in partnership the characteristics of synergy and performance optimization potentials to be expected are interesting. Because of these potentials Huber classifies PPPs as x- and y-models (Huber, 2003; Porter & Fuller, 1989). X-types are focused on the reciprocal transfer of resources to improve the performance between partners of the public and partners of the private sector, whereas Y-types target the use of synergies while producing goods and

services and lead to conjoint efforts. Accordingly, PPPs offer strong potentials for partners from the public and from the corporate world to fill gaps existing in several fields of action. The following figure 1 visualizes these fundamental connections.

Using synergies in the performance process in y-models reminds of approaches of “co-destiny,” which are often referred to when describing virtual organizations (Scholz, 1997). In this regard, the respective aims of private enterprise and state can be considered individually. While private enterprises are more profit-oriented, the state also has social objectives, for example common welfare (Eichhorn, 1995). Kirsch explains that the economic objectives can be identified more clearly, are easier to operationalize and to articulate, while the social, welfare-oriented objectives of the state are seen as more complex and disputable (Kirsch, 1996). When establishing PPPs, the distribution potential of possible synergy effects (Szyperski & Winand, 1980) or the improvement of performance and their effects on the partnership between the public and the private sector should be taken into account. On one hand, input minimization can be aimed at, for example cost reduction, can be realized, which serves to reduce public spending. On the other hand, output maximization can be aimed at, which can result in increasing efficiency or a higher performance level. In addition, certain PPPs can make a specific output possible or guarantee it in the long-term in the first place (Budaeus & Eichhorn, 1997).

Figure 1. Acquisition of synergy in the x- and y-models of PPPs (Huber, 2003, p. 110)



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