

Making Public Private Partnerships Work

Public Private Partnerships (PPP) are very much in vogue as a way of financing the improvement of public services in many countries throughout the world. The UK have been at the forefront of this initiative and PPPs and their precursor Private Finance Initiatives (PFI) are a key part of the UK Government's strategy for transforming the public sector. The aim is to bring private sector expertise and discipline into the management of the delivery of public services alongside private financing. This is big business – over the last 6 years some £28Bn of capital investment for public projects has come through this route in the UK and one source estimates that some £100Bn will be spent on current PPP projects over their projected lifespan. At Socia we've studied PPP's using our experience of partnership across a range of sectors and have identified a key indicator of the future success of a PPP and its ability to deliver value for money.

How can PPP deliver VFM?

Assessing the value delivered by PPP contracts is a controversial subject. Originally most of the value for money studies carried out into PPPs concentrated on the financing aspects – the form of contract and so on, and the results can appear contradictory. A recent report from the National Audit Office¹, which looked at PPP/PFI construction projects, said that 'less than a quarter of the 37 projects looked at came in over budget compared to almost three quarters of those built and financed in the conventional way'. And delays were also down – 'only 24% finished late under PFI as against 70% late before PFI'. However another recent audit commission report² which looked at PFI projects in education was more critical and said that the first PFI schools were 'not better designed, and were not achieving efficiency savings in terms of cost and quality of services' than conventionally funded schools.

We believe the time has now come to broaden the debate – to accept that PPP contracts will play a major part in delivering service to the public in the UK and to focus on how we can make them work more effectively. Here the evidence is a lot more consistent. Time and again research shows that what makes a difference to the successful delivery of a PPP contract is the quality of the partnership and the attention paid to supporting partnering behaviour – particularly at the start of a contract.

Partnering is key – but doesn't come naturally

Where very different organisations are required to partner to be successful, there is considerable opportunity for lack of trust, confusion, conflict and delay. Partnerships can quickly run into the sand at an operational level and become tied up in contractual complexity and prescriptive rules of engagement.

An underlying cultural reason for this is the way people on both sides of the partnership see the personal risks in the venture. The perceived risks to career or reputation for a public servant 'breaking the rules' usually far outweigh the benefit they may get from delivering a better result. Contrast this to the private sector where someone with an innovative idea that could cut cost or increase revenue is more likely to look at the potential reward and balance this with the risk of failure. This difference in the perception and management of risk means that each group will pay attention to different aspects of improving a PPP process.

Seven steps to PPP success

In order to analyse this and other cultural barriers to public private partnering we've used a seven-step indicator (The Partnership Index) that we developed from our experience of successful partnering across a range of industries. The indicator poses a series of questions, which highlight the characteristics of successful partnership. These are:

1. **Alignment of objectives** – does each party really understand the objectives of the other and do they believe they can achieve their own objectives without bringing them in to conflict with their partners?

2. **Effectiveness of communications** – are meetings and communications focused on the right issues and is the information believable – or is all just about telling good news and then backstabbing behind the scenes?
3. **Clarity of decision-making** – is the process of decision-making across the partnership clear to all – and are the right people involved at the right time?
4. **Clarity of accountabilities** – do people understand who is accountable for what, or is there much duplication of effort across the partnership?
5. **Right skills in the right place** – are all partners getting people with the right skills in the right place to manage the partnership, or are skill gaps being ignored?
6. **Partnering behaviour of leaders** – do people believe that their leaders are acting for the good of the whole partnership or do they see them pushing their own agendas?
7. **Responsive ways of working** – are all parties willing to adapt their ways of working to resolve interface issues and meet the needs of others – or do they say just do it my way?

Aligning objectives – the primary factor

Of the seven partnership index indicators, our experience is that the primary factor in making public private partnerships work is the process of *Alignment of Objectives*. The first hurdle in the process is to get senior managers on both sides to talk openly about their objectives and get beyond the simplistic ‘private sector managers just want to increase profits for their company’, versus ‘public sector managers just want to keep politicians happy’. The process of alignment needs to lead to a richer understand of the range of objectives each partner is trying to balance, and an acceptance that these are legitimate and that it’s OK for different sides to have different objectives. The keys to a successful process of alignment are:

- Communication - keeping on talking about what each side is trying to achieve in the future and not getting bogged down in the day-to-day transactional conversations, nor relying on the contract as the way to ‘hold people to their commitments’
- Finding a higher common purpose - Getting people to focus on delivery to the public is the most effective way to bring all sides of a PPP together and to help them find a common purpose. If all concerned can keep in view how the decisions they take together today will impact the public in the short and long term, then they can find ways of helping each other achieve their individual objectives.

Get these right and we believe that you can align the public and private sector objectives in a PPP and deliver value for money to the exchequer and fine and lasting public services to us all. Socia is committed to working with people on all sides of the PPP debate to build understanding of what makes for effective partnering across the Public - Private divide. For more information go to our website at www.socia.co.uk

About the Authors

David Archer is a management consultant with 12 years of experience consulting to the public and the private sector after a career in IT and academic research.

Alex Cameron has spent the last 16 years in organisation development, specialising in executive development and change management consultancy. Before entering this field, Alex spent 6 years in management training, systems analysis and teaching.

To contact the Authors:

David Archer | Director
Suite 7, 2 Place Farm,

Wheathampstead, Herts AL4 8SB
office +44 (0)870 787 6202
mobile +44 (0)777 425 7596
email david.archer@socia.co.uk

Alex Cameron | Director
63 Amberley Road,

London, N13 4BH
office +44 (0)870 787 6202
mobile +44 (0)797 332 9156
email alex.cameron@socia.co.uk

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