

<http://hdl.handle.net/1765/131577>

Erasmus MC

Universitair Medisch Centrum Rotterdam



The governance of public–private partnerships: contracts, good relationships and performance.

1.1. INTRODUCTION

In autumn 2016, construction works on the Princess Beatrix lock started. This monumental lock, dating back to 1938, is one of the largest inland navigation locks in the Netherlands. Situated on the Lek canal, this lock is part of the most important and only direct waterway connection between the ports of Rotterdam and Amsterdam. Because of the increasing number of large ships passing through this lock, it had to be expanded and renovated to prevent it from becoming a bottleneck for shipping traffic. Widening the Lek canal and adding a new and longer third chamber to the lock should future-proof the Princess Beatrix lock (Heijmans, 2019; Rijkswaterstaat, 2019). In order to realize these changes, the Dutch executive agency of the Ministry of Infrastructure and Water Management, Rijkswaterstaat, collaborated with private construction firms in a public–private partnership (PPP).

The Princess Beatrix lock project is a clear example of a PPP, but it is by no means the only one. Nowadays, PPPs are common practice for many public organizations. Governments and public organizations use this form of collaboration to realize public goods and services (see Klijn & Teisman, 2003; Hodge et al., 2010). The use of PPPs requires governments and public organizations to rethink their role in this respect. Rather than these entities being the sole deciding actor, the use of PPPs raises questions regarding their role in the governance of these partnerships. How can public organizations best collaborate with private partners in the realization of public services and goods? In an attempt to safeguard public interests and balance often competing values, public organizations need to think about how and which governance mechanisms to adopt (Koppenjan et al., 2008). What form of governance does justice to these partnerships? And how can partnerships be steered in such a way as to lead to successful performance? Many governments and public organizations struggle to find answers to these questions. They search for the right way to govern PPPs. For public organizations, interesting dilemmas are created between control and autonomy, between certainty and flexibility, and between risk and potential rewards. How much control should the public client exert and how much room should be given to the private contractor? How much flexibility should be built into the project to allow for new developments, innovations, and stakeholder input, without running the risk of losing sight of on-time and on-budget delivery? Perhaps the largest governance dilemma in this respect is that between control and collaboration.

The original idea of PPP is highly contractual. PPPs are often considered a form of contracting out, in which strict contract management is the dominant governance mechanism (see Savas, 2000). This also applies to most Dutch PPPs, including the Princess Beatrix lock project. Albeit that contracts are common practice in PPPs (see Hodge & Greve, 2009; Hodge et al., 2010), other ways of governing are not excluded (e.g. Ysa,

2007). In PPPs, relational governance mechanisms are also called upon. Rather than focusing on enforcement of the contract, project partners try to work together as equal partners, and the governance of the project takes place on the basis of open communication, sharing knowledge, and emphasizing the shared interests of both partners (Huxham & Vangen, 2005; Klijn et al., 2007; Smyth & Edkins, 2007; Velotti et al., 2012). In practice, this often results in hybrid forms of governance, in which elements from different models can be combined (Weihe, 2009; Koppenjan, 2012; Hansson, 2013). This is where the quest starts to find the right mix of governance instruments to direct and guide these partnerships. This is challenging, as insight is sparse about which governance mechanisms are actually preferred and how these combinations of mechanisms affect partnership performance. This puzzle is at the heart of the research presented in this dissertation. The central issue in this dissertation thus revolves around the governance of PPPs and the way in which these various governance mechanisms can be combined to realize successful PPPs. Although it is known that various mechanisms can be combined, it is not yet clear what specific combinations of governance mechanisms work in PPPs. Unravelling the specific combinations of various governance forms is one of the unique contributions that this dissertation aims to make to the PPP literature. In doing so, this dissertation also addresses the common assumption that good relationships between project partners matter in this respect. The quality of the relationship between project partners is said to impact the performance of the partnership, as good relationships improve collaboration and leave room for flexibility and joint problem solving (Arinō et al., 2001, 2005; Van Slyke, 2009). However, empirical studies testing the role of relational quality in PPPs are limited. So, to study the effect of governance on PPP performance, the role of relational quality therein is addressed in this dissertation.

The remainder of this introductory chapter first addresses the main theoretical concepts in this dissertation. The next four sections elaborate on, respectively, PPPs, their governance, their performance, and the relational quality concept. These sections show what knowledge scholars have already gleaned in previous academic studies in relation to these main concepts. When one considers previous contributions to the research on PPPs, the lacunas that still remain become evident. This chapter then turns to the focus of this dissertation, presenting the central research question, the design of this study, and the contribution that this dissertation aims to make to both academic research on PPPs and to society. It concludes with an outline of the rest of this dissertation.

1.2. THE ROLE OF PUBLIC–PRIVATE PARTNERSHIPS IN INFRASTRUCTURE GOVERNANCE

The development, realization, and maintenance of infrastructure facilities, like the Princess Beatrix lock, is an important government task. The generally accepted belief is that good public infrastructure enhances the accessibility of urban areas, promotes safety and mobility, and stimulates economic growth (Aschauer, 1990). With ever-increasing transport flows, far-reaching technological developments, and growing concerns about the ecological consequences of the world's increased mobility, the delivery of public infrastructure has become not only an important but also a complex government task. It is therefore not surprising that infrastructure is one of the policy fields in which a shift from government to governance is clearly visible. Governments and public agencies often collaborate with other actors to deliver high-quality roads, railways, and waterways (OECD, 2015; Christensen & Greve, 2018). The process surrounding the realization of public infrastructure is often referred to as infrastructure governance. The infrastructure governance concept can be explained as *“the processes, tools, and norms of interaction, decision-making, and monitoring used by governmental organizations and their counterparts with respect to making infrastructure services available to the public and the public sector”* (OECD, 2015: 2). Governments interact in various ways with other stakeholders to realize the delivery of public infrastructure (e.g. Christensen & Greve, 2018).

1.2.1. Defining public–private partnerships

One of these ways in which governments interact with other stakeholders is by engaging in PPPs. The academic debate on infrastructure governance has been dominated by the idea of PPPs for several decades (Hodge et al., 2010; Christensen & Greve, 2018). PPP is a broad term and much has already been said about its meaning and use (see for example Linder, 1999; Hodge & Greve, 2007, 2013). Whereas some scholars define a PPP as *“a long-term contractual arrangement [...]”* (see Garvin & Bosso, 2008: 163), others opt for a broader definition. Klijn and Teisman (2003: 137), for example, define a PPP as a *“cooperation between public and private actors with a durable character in which actors develop mutual products and/or services and in which risks, costs and profits are shared.”* This definition refers to a variety of forms of partnership between public and private actors, ranging from loosely shaped alliances to strict contract-based agreements. Hodge and Greve (2013) suggest that the debate on PPPs covers essentially five different meanings. In its narrowest sense, a PPP is a single project, used for example to build a road. In a slightly broader sense, PPP is an organizational form or a mechanism with a specific institutional and financial architecture designed for public service delivery. If its meaning is broadened even further, it can be considered a policy preference, i.e.

the preferred way of working in a policy domain. Taking the notion of PPP one step further, Hodge and Greve describe PPP as a governance tool in the toolbox of modern governments. The use of contracts, for example, is a governance tool. Finally, PPP can be considered a phenomenon within the context of a broader national history and set of cultural assumptions (Hodge & Greve, 2013: 4-5). Hodge and Greve (2017^a) explain how the use of PPP is embedded in a country's historical tradition and can be used in a symbolic way to express change. In this dissertation, we focus predominantly on PPPs as individual projects. These PPPs are often designed to realize transport infrastructure, but they can also be employed to realize social infrastructure (such as housing, schools, hospitals, or prisons), urban renewal, or other public products or services (e.g. Koppenjan, 2005; Reeves, 2008; Abdul-Aziz & Kassim, 2011; Whiteside, 2011; Roumboutsos, 2015).

Although public–private collaboration has been around in one form or another for centuries, PPPs as they are currently used date back to the early 1990s. Most PPPs nowadays are inspired by the Private Finance Initiative (PFI) originating in the United Kingdom (Wettenhal, 2008). A PFI is a form of private involvement in public service delivery and infrastructure projects in which private firms are contracted to realize and manage public projects. Private investments are used to deliver public sector infrastructure according to output specifications defined by the public actor (Ball et al., 2000; Broadbent et al., 2003). Many countries have adopted these ideas, resulting in a variety of PPPs grouped under the term, long-term infrastructure contracts (LTICS) (Hodge & Greve, 2013). These partnerships share a number of key characteristics:

1. First and foremost, LTICs are, as the name suggests, long-term projects. This is a key aspect of PPPs. Because of the partnership's long duration, the focus lies on the entire lifecycle of public infrastructure, meaning that, usually, the partnership not only covers the design and construction of infrastructures, but also extends well into the maintenance and operation phase of the project. Thus, partnerships can easily last for 30 years. The integration of the various aspects of the process is an attempt to minimize lifecycle costs (Savas, 2000; Hodge & Greve, 2013).
2. To structure the involvement of private partners, PPPs – and in particular LTICs – are usually guided by elaborate contracts. These contracts can be used to align the interests of the private contractor with those of the public client (Hodge & Greve, 2013; Van Ham & Koppenjan, 2002). Moreover, they are designed to provide clarity regarding each actor's roles, risks, and responsibilities. Often, the contracts also include output specifications designed by the public partner as well as agreements on monitoring and sanctions (Lam & Javed, 2015).
3. A third important characteristic is the allocation of risks. This is often explicitly mentioned as one of the key aspects of PPPs. The underlying principle is that risks are allocated to the partner who is best able to mitigate these risks and carry the

potential consequences. Risks can be shared between public and private actors or are transferred from the public partner to the private partner. Private partners, for example, carry risks in the design, the realization, and the operational phase of the project to ensure their commitment throughout the project. The relevance of this topic is reflected in the vast amount of research on the allocation and management of risk (see amongst others Ke et al., 2009; Bing et al., 2005^a; Ng & Loosemore, 2007).

The integration of different phases of the process and the sharing of risks entail a significant involvement of private partners in PPPs. These private partners can become involved in the design, construction, and maintenance of the project. In some cases, they even become responsible for the finance and the operation phase of an asset. Management and payment to the private contractor are based on the provision of previously agreed upon services rather than on product delivery, meaning that private contractors earn their investment back over the years. When the private partner's involvement includes the operation of a road, the private partner can earn back its investments by charging user fees, like the toll on toll roads. In some countries, such as the Netherlands, availability payments are used. In the provision of a new road, private contractors are involved in the maintenance of the road after its construction, but not necessarily in its operation. They earn back their invested money via availability payments, paid by the public client for the accessibility of the road. If the road is closed for maintenance, payments are lower, providing an incentive for the private partner to have taken the maintenance into account during the construction of the road (Lenferink et al., 2013).

As a commonly used form of PPP, LTICs can come in all shapes and sizes. The different forms are often based on the degree of involvement and responsibilities of the private partners. Several forms of PPP refer in their name to the stages of the project carried out by the private partner. Compare, for example, a design-build (DB) type of PPP, in which a private constructor is responsible for both the design and the realization of the infrastructure, with a design-build-finance-maintain-operate (DBFMO) type of PPP. In the latter, the private partner is responsible not only for the design and construction of the infrastructure, but also for the finance, maintenance, and operation for a long period of time after the building of the infrastructure (Hodge et al., 2010).

Alliances are a somewhat different form of PPP. To differentiate them from contractual PPPs like LTICs, the Commission of the European Communities refers to them

as institutional PPPs¹ (CEC, 2004). In contrast to contractual PPPs, these institutional PPPs have a different organizational structure. Rather than a detailed contract being the only interface between public and private organizations, a new organization is established by the joint efforts of all parties in the alliance, in which they share authority and collaborate towards the realization of a specific public good or service (Andrews et al., 2015). Therefore, institutional PPPs have a different risk allocation in which risks are shared rather than transferred between project partners. Moreover, partners operate in a horizontal relationship and consider performance obligations to be collective (Clifton & Duffield, 2006).

Central in this dissertation, however, are not institutional PPPs, but DBFM(O) projects. This type of PPP is an LTIC integrating the design, build, finance, maintain, and – occasionally – operate phases of the project (see also Van Ham & Koppenjan, 2002). DBFM(O) is a frequently used form of PPP and is used by many governments to realize public service delivery. The presence of this type of PPP in several countries is one of the main reasons for selecting this form as the main type of PPP in this dissertation.

1.2.2. Public–private partnerships: A global phenomenon with national differences

Nowadays, PPPs are very much an international phenomenon. Besides well-known early adopters like the UK and Australia, PPPs are used worldwide, both in Western European countries (e.g. Ireland, the Netherlands, Belgium, and Spain) and in Asia (e.g. China, Vietnam), America (Canada), Africa (Ghana), and the Middle East (Jordan) (see amongst others the work of Adams et al., 2006; Hammerschmid & Ysa, 2010; Mistarihi et al., 2013; Mota & Moreira, 2015; Biygautane et al., 2016; Arezki & Belhaj, 2019). Despite PPPs being an international phenomenon, international comparative research into PPPs has been scarce (for some exceptions see Greve & Hodge, 2007; Petersen, 2011; Verhoest et al., 2015). The few studies that do exist show that the development of PPPs varies significantly across countries (e.g. Petersen, 2011; Verhoest et al., 2015). National governments respond differently to PPPs, and macro-institutional factors, such as a country's culture, its economic situation, and its administrative history, affect whether and how PPPs are employed (Verhoest et al., 2015). In a study comparing 20 countries, Verhoest et al. (2015) show that governmental support for PPPs differs per country.

In the Netherlands, there is strong governmental support for the use of PPPs. Particularly at state level, decisions on the construction of public infrastructure have

1 The terminology regarding this topic is not consistent. Various terms are used, like alliance, institutional PPP, or public–private joint venture. The terminology also differs among countries (Andrews et al., 2015).

favoured the use of PPPs. In 1998, the Dutch cabinet rehabilitated PPPs after an initial first wave of PPPs stopped consequent to the high cost of these projects. A knowledge centre was set up to gather knowledge and expertise on the topic. The use of PPP really accelerated in the mid-2000s. A standardized contract was developed, and PPP became the standard way of contracting out for Rijkswaterstaat, the executive agency of the Ministry of Infrastructure and Water Management. Rijkswaterstaat has now put over 20 highways and locks out to tender in the form of a PPP. From 2004 onwards, the central government real estate agency, nowadays called the Rijksvastgoedbedrijf, started putting offices, courthouses, and prisons out to tender using PPPs (Rijksoverheid.nl, n.d.). Political support for the use of PPP boosted their developments in the Netherlands on the national level, and local governments were encouraged to use them too. As a consequence of the strong governmental support for PPPs in the past two decades, more than 30 public infrastructure projects have been realized using PPP, the majority of them since 2008. DBFM and DBFMO are the dominant forms of PPPs used by the Dutch national government (Koppenjan & de Jong, 2018).

The research in this dissertation is focused predominantly on PPPs in the Netherlands, because of recent developments regarding the governance of PPPs in the country. Contractual governance used to be the dominant mode of governance. The standardized contract that is still often used is exemplary of this tradition. However, Dutch ministries and their agencies have lately displayed a rising interest in relational governance and the importance of high-quality relationships in PPPs. This rising interest might be explained by a few PPP projects characterized by serious conflicts and poor performance (Koppenjan & de Jong, 2018). Recent debates on infrastructure governance in the Netherlands have focused on the potential advantages of relational governance in addition to the traditional contract-based governance tools. Similar trends can be seen elsewhere, including the United Kingdom (HMTreasury, 2012). Illustrative of this trend in the Netherlands is the development of the *Marktvisie* (market vision). This document is designed to outline the way in which public and private partners in the Netherlands tend to collaborate in the development, realization, and maintenance of public infrastructure. The *Marktvisie* was developed jointly by Rijkswaterstaat, other public agencies, and their private contractors. Together, public clients and private contractors address the importance of good relationships when working together on the realization of public infrastructure. The *Marktvisie* presents an increased focus on horizontal relationships, characterized by openness, respect, and empathy for each other, and suggests the use of relational governance mechanisms that might stimulate the building of such relationships (Rijkswaterstaat, 2016; marktvisie.nu, n.d.). The *Marktvisie* and its emphasis on relational governance to enhance the quality of relationships between project partners and their performance has not been developed to replace the use of contracts. In fact, most PPPs in

the Netherlands still rely heavily on contracts, taking the form of DBFM(O) projects. Rijkswaterstaat works with standardized, elaborate contracts that consist of a variety of contractual governance tools. Nevertheless, the slowly shifting focus from one governance mechanism to another makes it the ideal setting to study the main topic of this dissertation: the governance of PPPs and the way in which various governance mechanisms can be combined to realize successful PPPs.

1.3. THE GOVERNANCE OF CONTRACTUAL PUBLIC–PRIVATE PARTNERSHIPS

Regarding the governance of public–private encounters, the public administration discipline provides various theoretical viewpoints on this topic. These viewpoints are often clustered into paradigms that are generally accepted and often adopted by public administration scholars: traditional public administration, new public management (NPM), new public governance (NPG), and most recently self-organization. Although this is not a definitive clustering or a complete overview of all ideas regarding governance, these paradigms can be used as a starting point for any study on the governance of public–private encounters, including PPPs. In relation to PPPs, NPM and NPG are particularly useful, as PPPs display elements of both paradigms. This section first addresses the core features of both paradigms and demonstrates how the idea of PPP fits within both the NPM and the NPG paradigm. Then, it turns to the consequences of adopting these different paradigms for the governance of PPPs, presenting a continuum ranging from contractual governance on one end to relational governance on the other.

1.3.1. Public–private partnerships: A New Public Management example?

NPM has led to many reforms in the public sector, on the basis that modern business practices should be implemented in the public sector (Dunleavy et al., 2006). The introduction of competition to allocate resources, privatization, and contracting out to reduce the size of public administration, and the focus on performance rather than process, indicate the introduction of a new set of values. Values like economy, efficiency, and effectiveness become paramount in this paradigm. The intend of NPM-based reforms often was to improve the productivity and performance of the public sector (see Hood, 1991; Pollitt & Bouckaert, 2017). Hence, NPM has a strong focus on performance. Important in NPM is also the separation between the design and the implementation of policies. Policies are made by governments, but rather than doing everything themselves, governments and public agencies outsource tasks related to the implementation of the policy to private organizations (Hood, 1991). ‘Steering, not

rowing' is an illustrative quote in this respect (see Osborne & Geabler, 1992). PPPs fit very well in this context, as they are a clear example of contracting out and transferring tasks from the government to private organizations. In PPPs, the public actor defines goals, but the task to realize these goals is given to the private contractor. The latter carries both risk and responsibility (Savas, 2000). This relationship can be explained by the principal-agent theory (see Jensen & Meckling, 1976) in which the relationship between the public client and the private contractor is strictly governed to prevent the agent acting in its own best interests rather than in the best interests of the principal. In PPPs, steering by the government takes the form of output and performance indicators incorporated in elaborate contracts (Lawther & Martin, 2014). Clearly, PPPs are an epitome of the core idea in NPM, which suggests that governments should steer but not execute all tasks themselves. In PPPs, the private partner is selected through a tendering procedure based on competition, a core NPM characteristic. The tendering procedure is designed to stimulate competition among potential providers in order to realize the best value for money (Colman, 2000; Grimsey & Lewis, 2004^a; Hueskes, 2019). Finally, PPPs and the NPM paradigm share a strong focus on performance. In PPPs, public partners determine performance criteria for their private counterpart. Both the monitoring system and payments are based on these performance criteria.

All in all, PPPs fit very well with NPM, as it explicitly includes several key features of this paradigm, such as contracting out, competition, and the use of incentives to ensure performance. It is therefore not surprising that studies on PPP are often inspired by NPM or closely related theories such as transaction cost theory and principal-agent theory (Wang et al., 2018).

1.3.2. Public-private partnerships: following the New Public Governance trend?

More recently, New Public Governance (NPG) has received plenty of attention in public administration. Just like NPM, NPG emphasizes that governments and public organizations need other actors to contribute in order to realize public services and goods. However, in contrast to NPM, this paradigm puts particular emphasis on the role of interdependencies between actors (see Osborne, 2010). Given that governments and public organizations are not capable of resolving complex policy issues on their own, collaboration in networks of various public and private actors becomes crucial to realize the delivery of public services and goods (see the literature on collaborative governance: e.g. Ansell & Gash, 2008; Emerson et al., 2012, and the literature on network governance: e.g. Provan & Kenis, 2008; Klijn & Koppenjan, 2016). So, NPG postulates the idea of a plural state, in which multiple actors contribute to the delivery of public services. The interdependencies between these actors implicate that the public actor needs to take into account the goals and interests of its partners. As no single actor is

able to make all decisions, actors need to collaborate. In theory, the relationship then transforms from a principal–agent relationship into a more horizontal relationship in which both partners realize that they need each other for the successful realization of the project (Dickinson, 2016).

The interdependencies between actors in the realization of public infrastructure can lead to the use of both contractual and institutional PPPs. Although contractual PPPs hardly seem to fit the ideas behind NPG, a closer look shows how several elements of the design of PPP pair nicely with this governance paradigm. First, the relationship between public and private actors in PPPs offers interdependent actors the opportunity to avail each other’s resources. Second, PPPs adhere to the ideas on collaboration and networks that signify NPG. PPPs can be considered a network of public and private actors with a *joint* focus on realizing public infrastructure. In this case, PPPs are a form of enduring inter-organizational relationships, characterized by network-like interactions and a shared goal. Thus, PPPs may fit in the NPG paradigm. Reaching the goals set in a PPP requires a type of governance that does justice to the more horizontal and interdependent relationships between actors (Weihe, 2009). Hence, NPG lays emphasis on relational governance mechanisms such as relational contracting (Bovaird, 2006; Teicher et al., 2006; Osborne, 2010). Consequently, scholars increasingly espouse the NPG paradigm and closely related perspectives such as the network perspective to study PPPs (Wang et al., 2018).

1.3.3. The contract–relationship continuum

PPP can thus be positioned within both the NPM and the NPG literature. Each, however, has its own consequences for the governance of these partnerships. On the one hand, PPPs can be governed using the principle of control, which aligns mostly with NPM. This often translates into the use of performance indicators and contracts. On the other hand, building on the ideas of NPG, PPPs can be governed with a focus on horizontal relationships, thus using more relational governance mechanisms. Hence, there is a distinction between contractual and relational governance. This can be a useful tool in our thinking on the governance of PPPs. Just like most distinctions, it is not a dichotomy, but rather a continuum in which PPPs can be governed using more or less strict contracts and more or less relational governance mechanisms. Here, I discuss the theoretical underpinnings of both ends of the spectrum and indicate what these mean for the governance of PPPs.

Contracts as the dominant governance mechanism

Examination of PPP approaches in various countries reveals that PPP governance seems focused predominantly on contractual governance mechanisms (see for example Reeves, 2008). Particularly in contractual PPPs, as the name already suggests,

the use of elaborate contracts, performance indicators, monitoring, and sanctions are day-to-day practice. The use of these forms of incentivization is strongly inspired by economic theories, such as transaction cost theory and principal-agent theory and builds upon concepts like rationality and opportunistic behaviour (Akintoye et al., 2008; Brown et al., 2016). These theories might explain the tendency to use contractual governance mechanisms. Both transaction cost theory and principal-agent theory suggest that actors behave rationally and will use situations to their own advantage if the opportunity arises. An actor will weigh the advantages and the disadvantages of a certain situation and thereby choose whatever results in the greatest benefits for himself (Jensen & Meckling, 1976; Williamson, 1996). To prevent this kind of opportunistic behaviour, contracts can be used. These contracts stimulate the agent to align with the goals set by the principal. They include all the rules needed to execute the exchange (Brown et al., 2016). For PPPs, this means that the contract includes agreements on the responsibilities of both partners and the division of risks. It states exactly what the contractor should deliver and what requirements are placed on the work of the contractor. Those requirements consist, for example, of technical specifications with which a tunnel or road should comply; for example, regarding lighting, crash barriers, and emergency lanes. The contract also encompasses arrangements about how the contractor's performance will be monitored. These might consist of agreements on performance measurement systems and of the public client conducting regular inspections. In addition, the contract contains formal process agreements regarding force majeure and unexpected exceptional circumstances, making changes to the contract, or premature termination of the contract (see for example Rijkswaterstaat, 2018; Worldbank, 2018). To assist in the arrangement and enforcement of agreements, these contracts usually also include the opportunity to apply sanctions when performance falls short. This way, actors are provided with steering options to make sure that their partners perform and abide by the contract (Savas, 2000). These mechanisms reduce the opportunity for either partner to display opportunistic behaviour. Given the large risks and (financial) interests in PPPs, the use of such contracts has become the go-to governance tool (Parker & Hartley, 2003).

The limits of contractual governance

Despite the importance of contractual governance and the focus on control in governing PPPs, contractual governance has its limitations. The main disadvantage is that such contracts are inherently incomplete (Brown et al., 2016). A contract is not able to cover all potential circumstances and foresee future developments (Davis, 2007). In the first place, this is due to the complexity of the exchange in PPPs. The complexity of a PPP project is hard to capture in a contract. The technical complexity, the involvement of multiple stakeholders with different interests, and the interdependencies between

partners might all provide challenges with which the contract is not equipped to deal. A hypothetical example will clearly demonstrate this issue. Imagine that the national government decides to build a new railway line between two medium-sized cities, crossing two rivers by bridge and including a tunnel underneath a densely populated area. The PPP is designed as a DBFM project, in which the private partner designs, builds, finances, and maintains the railway. An elaborate contract including all output specifications and performance criteria is used to govern the partnership between the public client and the private contractor. The project is technically complex, because bridges and a tunnel have to be built in residential areas. Simultaneously, the complexity of this project stems from the fact that there are several stakeholders involved who have different interests. The unforeseen emergence of a protest group, complaining that the railway will pass through a nature reserve, new regulations regarding nitrogen emissions at building projects, the discovery of soil pollution, the sudden involvement of a neighbouring municipality that also wants to be included as a stop on the new railway line, and protests from the bus operator who fears stiff competition might all be unforeseen events and complications not covered in the contract. This raises questions as to who is responsible for dealing with these issues and who must carry the corresponding costs and delays.

Now, the complexities of the PPP in the example above refer only to the construction phase. However, PPPs are long-term partnerships that can last up to 30 years. The long-term nature of PPPs makes it even more difficult to consider all future developments and potential issues in the contract. Going back to the example of the railway project, what happens if in the 30 years during the operationalization phase technological developments change the way we travel? What happens if the number of train passengers on the new railway line increases significantly and more maintenance is needed? Which of the partners will be responsible for the costs replacing the safety mechanism with a new one as a result of European legislation? The example clearly shows the incomplete character of contracts. Therefore, potential issues or unexpected side effects offer the possibility of discussions about risks, roles, and responsibilities. Contractual governance using incomplete contracts also allows project partners to act in their own self-interest on issues for which the contract does not provide any clear guidelines. In other words, it offers potential for opportunistic behaviour (Bertelli & Smith, 2009; Brown et al., 2016). Contractual governance thus has limitations in its application to long-term, complex forms of collaboration, such as PPPs. Therefore, an alternative way of governing PPPs must be sought.

Relational governance as the dominant form of governance

Relational governance mechanisms present an alternative to contracts. Relational governance is a form of governance based on the idea that inter-organizational

exchanges, like PPPs, are exchanges embedded in social relationships (Granovetter, 1985). Many of these exchanges are characterized by interdependencies. Because of the interdependencies between actors in the realization of public infrastructure, project partners are stuck to each other and to the project. This creates the need to achieve goals through collaboration and make joint arrangements. Governance emerges from the values and processes in these relationships (see for example Macneil, 1978, 1980; Poppo & Zenger, 2002). Frequently used mechanisms include, for example, information sharing, open communication, and joint problem solving (see for example Macneil, 1980; Poppo & Zenger, 2002). These mechanisms safeguard against opportunistic behaviour and stimulate partners to fulfil their part of the agreement (Ring & van de Ven, 1992; Zheng et al., 2008). Thus, relational governance is recognized and emphasized by several theories, including social exchange theory, resource dependency, and network governance theory (e.g. MacNeil, 1980; Zaheer & Venkatraman, 1995; Lee & Cavusgil, 2006; Edelenbos & Klijn, 2009; Schoenherr et al., 2015). The network management strategies presented in the latter theory also fit very well with the description of relational governance, because they focus on the process and try to align partners with different goals, without enforcing strong control. Consider, for example, the connecting strategies presented in network governance theory. These include, amongst others, creating interaction, appointing process managers, removing obstacles to cooperation, coalition building, and so on (e.g. Klijn et al., 2010). All these examples are strategies developed on the basis of processes that emerge in the relationship between actors in a collaboration.

In relational governance, there is no escaping the notion of trust, which is one of the most frequently cited concepts. As a core concept in relational governance, trust is often seen as an alternative to contracts. Just like contracts, trust can mitigate opportunistic behaviour. Trust will lead partners to share information and resources, help each other, and invest in the project (Ring & Van der Ven, 1992; McEvily & Zaheer, 2006). Following this line of thought, in this dissertation, trust is considered an important concept underlying the use of relational governance mechanisms in public–private encounters. Section 1.4 elaborates further on the role of trust, as an important aspect of relational quality, in relation to PPP governance.

Relational governance can be useful in a PPP, because it offers a way to deal with uncertainty and complexity in PPPs (see Lousberg, 2012; Bult & van Engen, 2015). Relational governance stimulates cooperation and consequently joint problem solving and the search for win-win solutions. Actors jointly determine what needs to be done when they encounter an unexpected event. Relational governance also stimulates the focus on best-for-project solutions, in which the goals of the cooperation rather than the individual goals of the project partners are central. Relational governance might help overcome the adaptive limits of contracts, as project partners might adopt a

more flexible attitude, rather than being confined to contracts (Lee & Cavusgil, 2006). Thus, project partners might be safeguarded against risks that are not easily protected by a contract (Poppo & Zenger, 2002).

The limitations of relational governance

The use of relational governance is often presented as the panacea that cures all problems with which contractual governance seems unable to deal. It is a remedy against opportunistic behaviour, addresses the incompleteness of the contract, provides flexibility, and allows for win-win solutions. However, the use of relational governance mechanisms comes with its own challenges (see for example Cao & Lumineau, 2005; Huxham & Vangen, 2005). Relational governance mechanisms, like open communication and joint problem solving, are often very time and resource consuming to develop and maintain (Das & Teng, 1998; Dyer & Singh, 1998). Paying attention to the collaborative process and creating a shared understanding both require the investment of time and resources by all partners involved. Moreover, it is not always easy for all partners to agree on a common aim or a solution to a problem. The variety of organizational agendas, power differences, and the complexity of the underlying issue make reaching agreement difficult (Huxham & Vangen, 2005). Poppo et al. (2008) suggest that relational governance mechanisms do not ensure fully collaborative behaviour. The use of relational governance mechanisms requires actors to let go and trust their project partner, but this might be hard for some organizations to do. Spending too much time on the relational governance mechanisms can take time away from core tasks, and time-consuming struggles to reach agreement may lead to slow progress and a lack of achievements. Huxham and Vangen (2005) describe this as collaborative inertia. Too much attention on the process may result in a partnership that is all talk and no action.

1.3.4. Meeting in the middle

The contract–relationship continuum thus provides two different ways to govern PPPs: one – contractual governance – based on the ideas of rationality and opportunistic behaviour, resulting in the use of contracts and performance indicators; the other – relational governance – based on trust and interdependencies, resulting in the use of open communication and joint problem solving. Albeit based on very different principles, both forms of governance are designed to align interests between project partners and enhance the performance of public–private encounters. Each form has its own pros and cons. Presenting contractual governance and relational governance as two ends of the spectrum should not lead to the idea that these forms of governance are substitutes. In fact, several scholars have shown that contractual and relational governance may complement each other in inter-organizational relationships (see for

example Poppo & Zenger, 2002). Rather than being on one side of the spectrum, PPPs are more likely to be found somewhere in between, making use of both forms of governance.

The question then arises as to how contractual and relational governance might complement each other. As explained in the previous section relational governance might help compensate inherent incompleteness and lack of adaptive ability of contractual governance (MacNeil, 1978; Lee & Cavusgil, 2006; Zheng et al., 2008). Moreover, relational governance may promote improvements in the contract. Lessons learned in earlier phases of the relationship, stimulated by the use of relational governance mechanisms such as information sharing and open communication, can lead to revisions to the contract (Poppo & Zenger, 2002). Conversely, contracts might also complement the use of relational governance, for example in the first, vulnerable phases of a project (Poppo & Zenger, 2002). Zheng et al. (2008) state that contractual governance provides a stabilizing effect in the early stage of the partnership when relational mechanisms are still fragile. As the relationship between project partners still needs to develop, open communication and joint problem solving might be a challenge, because trust and an understanding of each other's goals and interests need to develop over time. The contract holds the expectation of long-term cooperation and therefore stimulates the use of relational governance mechanisms (Zheng et al., 2008). These findings suggest that the balance between various governance mechanisms might differ based on the situation, the project phase, and the partnership's complexity and dynamics. However, research has also shown that it can be difficult to combine the two forms of governance in practice (e.g. Reeves, 2008). With contractual governance still being the dominant mode of governance, these governance mechanisms definitely do not always meet in the middle.

This raises questions about the balance between both forms of governance. When do we use which mechanisms? How does the interplay of contractual and relational governance in PPPs work out in different situations? And what mix is needed to make PPPs a success? Mixing both contractual and relational governance can be a double stimulus: for cooperation and against opportunistic behaviour. Consequently, the combination of both forms of governance is claimed to lead to better results than the use of either one of these mechanisms alone (Klein-Woolthuis et al., 2005; Dewulf & Garvin, 2020). However, knowledge about which combinations of contractual and relational governance work is limited. Several studies have already indicated that governance has a significant effect on PPP performance (see for example Lee & Cavusgil, 2006; Klijn et al., 2010; Van Gestel et al., 2012; Kort et al., 2016). Ergo, the following section addresses PPP performance, which is the dependent variable in this dissertation.

1.4. PUBLIC-PRIVATE PARTNERSHIP PERFORMANCE

This section addresses the performance of PPPs. First, it elaborates on the promise of on-time and on-budget delivery that comes with contractual PPPs. The question is whether PPP is able to deliver on its promise in practice. The second part of this section discusses some methodological issues in measuring PPP performance in academic research.

Despite being frequently used, PPPs are not always a success story. When PPPs were first introduced, they came with great expectations. Because of their long-term focus and the integration of different project phases, they were supposed to minimize lifecycle costs, be more efficient, and lead to better performance. The involvement of private partners throughout the entire project and the use of private finance were supposed to reduce pressure on public sector budgets and lead to better value for money, more innovation, stable incomes for private partners, and better on-time and on-budget delivery (Hodge & Greve, 2013, 2017^b). Despite these promises, earlier studies show mixed results regarding PPP performance (Hodge & Greve, 2009, 2017^b; Hodge et al., 2018; Vining & Boardman, 2008). Some studies show an increase in the on-time and on-budget realization of public infrastructure (NAO, 2002; MacDonald, 2002; Pollitt, 2002). Furthermore, the integration of different project phases seems to lead to optimizations and lower lifecycle costs (Grimsey & Lewis, 2004^a; Eadie et al., 2013). There are, however, also plenty examples of PPP projects that do not perform as well as expected. Using a PPP does not always rule out cost and time overruns (Ghobadian et al., 2004; Shaoul, 2005; Boardman et al., 2005; Verweij et al., 2017). Some disappointing performances can be traced back to the tender phase, where competition forces private partners to put in highly competitive prices and take more risks than they are able to carry. High tender costs and long dialogues in the tender phase also affect the project's efficiency (see Blanc-Brude et al., 2006; Reeves et al., 2015). Furthermore, research shows that PPP does not live up to its promise of realizing more innovative projects. Contrary to expectations, the transfer of risks from the public to the private partner results in risk-avoiding behaviour by the private partner in which it is unwilling to accept the risks associated with innovation (Hueskes, 2019). In the Netherlands, construction firms state that the risks in large and complex DBFM projects are simply too great (Consultancy.nl; 2019), resulting in lowered enthusiasm to participate in such megaprojects. So, despite the many potential benefits of PPPs, it is not always easy to make them work in practice.

The mixed results for the practice of PPPs already indicates that, regarding PPP performance, multiple dimensions should be taken into account. PPPs need to be on time and on budget, but also deliver high-quality public infrastructure. Simultaneously, they are expected to deliver in terms of innovation. The existence of multiple

relevant dimensions of performance leads to trade-off dilemmas. On-budget delivery might lead to slightly lower quality, whereas innovation in the design and construction might lead to less predictability in the following maintenance period. This makes it difficult to measure success. After all, which of these dimensions matters (most)? Are partners willing to pay more to take stakeholders' demands into account? Or accept time delays in exchange for better quality? This advocates for using multiple dimensions in measuring performance to create a nuanced view of PPP performance. Another interesting question regarding the evaluation of PPP performance is for whom the partnership should be a success (Hodge & Greve, 2017^b). The public client would like to have high-quality for a low price, whereas the private contractor needs to make a profit. Transferring risks might make it possible for the public client to stay within budget, while the private contractor has to take heavy losses to realize the project. With multiple actors and interests, there is no unambiguous measure of success in PPPs. Therefore, we follow Verweij (2015) in not using only quantitative measures of performance. Instead, the actors' satisfaction is taken into account, as that is a better way in which to address the complex nature of PPP projects (Verweij et al., 2013; Verweij, 2015). All in all, in measuring the performance of PPPs, one should take into account (a) that this is a multi-dimensional concept with a trade-off between the different dimensions and (b) that success is in the eye of the beholder. Different actors with different interests might have different perceptions on the performance of PPPs; this makes it important to include not only objective measurements, but also actors' satisfaction, in measuring the success of PPPs (see Verweij, 2015).

1.5. RELATIONAL QUALITY: MEDIATING THE RELATION BETWEEN GOVERNANCE AND PERFORMANCE?

In the relationship between governance and performance, a third concept plays an important role. This third concept is the quality of the relationships between project partners. The exchange between public and private actors in a PPP is embedded in social relationships. Previous research shows that the control function of contracts may reduce the quality of these social relationships between partners and decrease the likelihood of continuing collaboration (Malhotra & Luminau, 2011). Contractual management focuses predominantly on the outputs that need to be realized and not so much on the social relationships between project partners. In contrast, relational governance focuses on the quality of the relationship between project partners by stimulating communication and joint action.

Social relationships between partners in public-private encounters have been receiving increasingly more scholarly attention (see for example Bartels & Turnbull,

2020). Yet, the quality of the relationships between actors in an exchange, or relational quality as it is called in this dissertation, can be a somewhat nebulous concept. Therefore, a brief introduction to delineate this concept seems in place. Relational quality refers to the state of the relationship between project partners. Relational quality is not an act or an activity; rather, it refers to the condition something is in – in this case the social relationships between partners in a PPP – and indicates how good or bad it is. For example, social relationships can be characterized by different levels of trust and respect. Relational quality refers to the degree to which these characteristics are present. It does not refer to the actions leading to, or resulting from, the state of the relationship. Compare this to governance, which refers to acts, such as applying sanctions, monitoring a partner's performance (in the case of contractual governance), or joint problem solving or making process agreements (in the case of relational governance).

There are surprisingly few studies on relational quality in PPPs. The only exception is trust, which has been frequently studied (e.g. Zaheer et al., 1998; Klijn et al., 2016^a). However, most of these earlier studies have two limitations. First, some of them use trust as a proxy for relational governance and consider trust itself to be a governance activity, rather than a principle guiding the activity (see for example Zaheer & Venkatraman, 1995; Caniels et al., 2012). Second, trust is often the only indicator of relational quality, whereas relationships consist of more than mere trust. Social relationships between partners are determined by several relational qualities. Besides trust, which is the belief that partners will act honestly and not take advantage of each other, even if the opportunity arises (Cummings & Bromily, 1996; Edelenbos & Klijn, 2007), respect is another important quality of social relationships. Respect can be understood as recognition of someone because of his/her abilities or achievements, but it also means that partners are considerate of each other's opinions and wishes. Partners need to respect each other, but also each other's opinions, interests, and efforts (Ansell & Gash, 2008; Alam et al., 2014). Furthermore, openness is an important quality of relationships. This refers to a lack of secrecy and suggests that partners are transparent and provide each other access, for example to their ideas, opinions, or information regarding the project (Pomerantz & Peek, 2016). Openness improves communication, allows for the sharing of knowledge, and allows partners to learn from each other and their mistakes (Kumaraswamy et al., 2015). Finally, relationships are characterized by a certain degree of reciprocity (Thomson et al., 2007). After all, it is not without reason that the expression, give and take, is embedded in our thinking when it comes to social relationships. A relationship in which one actor only gives and never receives, while the other only takes and never gives, is not long-lived.

Although related, relational quality is thus not the same as relational governance. Nevertheless, just like governance mechanisms, it is said to affect performance in

public–private encounters (Zaheer et al., 1998; Klijn et al., 2016^a) and the use of governance strategies might impact the quality of social relationships between project partners. After all, relational governance stimulates interaction and the development of long relationships (Dong et al., 2017), whereas contracts might provide a solid and stable base to start the development of social relations despite the uncertainties and dynamics surrounding PPPs. Zheng et al. (2008) hint towards the possibility that relational quality might be able to partially explain the relationship between governance and performance. In their research, they find that the quality of the relationship determines whether project partners experience the contract as a sign of trust or distrust. This suggests that the quality of the relationship might influence the success governance mechanisms used (see Figure 1.1).

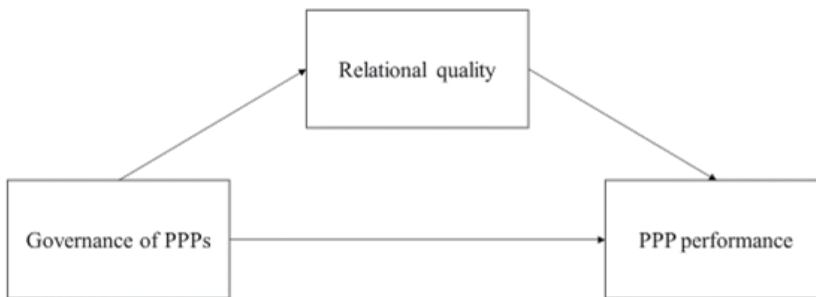


Figure 1.1 Conceptual model

After all, it is not only the use of governance mechanisms, but also the response of project partners to these mechanisms, that ultimately determines the success of the governance efforts. One could imagine that relational governance mechanisms will have less effect if distrust in the relationship means that partners are not willing to fully commit to the implementation of such mechanisms. Strict enforcement of the contract in an already low-quality relationship might lead to further deterioration of the relationship, resulting in rigid attitudes in any discussions about interpretations of contract requirements. Conversely, high-quality relationships between project partners may lead to acceptance of, and commitment to, the governance strategy deployed, making it more likely that the governance mechanisms will achieve their intended effect. This study therefore includes relational quality as a mediating variable in the relationship between governance and performance. This brings us to the central research question of this dissertation.

1.6. FOCUS OF THIS DISSERTATION

This dissertation revolves around the governance of PPPs as the central theme. Within this broad theme, the focus lies predominantly on the balance between various governance mechanisms. It aims to study how different forms of governance are combined in PPPs and how the mix of governance mechanisms affects PPP performance. To do so, the role of relational quality is included as a mediating variable that might be able to explain the relationship between governance and performance (see Figure 1.2). Therefore, the central research question to be answered in this dissertation is:

How do contractual and relational governance affect the performance of public-private partnerships, and what is the role of relational quality therein?

The main research question is supported by four sub-questions. Each of the sub-questions addresses a core concept or one of the supposed relationships between the concepts. To answer the main research question, it is first important to gain more insight into the governance of PPPs. The first sub-question therefore focuses on practitioners' perspectives on PPP governance, asking (1) *What are the different perceptions of professionals working in public-private partnerships regarding the governance of PPPs?* From their experience, these professionals are able to indicate the main considerations regarding the use of various governance mechanisms and which different, hybrid forms of governance might be possible in PPPs. Chapter 2 therefore starts by systematically analysing the perceptions of professionals working in PPPs regarding the ideal (hybrid) form of governance.

A second concept that needs more clarification to answer the main research question is relational quality. Therefore, the second sub-question addresses this concept, with the aim of enhancing our understanding about the meaning of relational quality in PPPs by concentrating on the key aspects of the concept and testing its main determinants. Both practitioners and scholars seem to attach great value to good relationships between partners in any collaboration, and this sub-question helps to understand what good relationships actually mean and how they can be built: (2) *What is relational quality and which determinants have an influence on relational quality in public-private partnerships?* Both Chapter 3 and Chapter 4 aim to answer the second sub-question. Chapter 3 provides an overview of what is known about relational quality in PPPs and offers a first conceptualization of it. Chapter 4 tests the influence of several determinants on relational quality in PPPs. It also includes some governance mechanisms to test the relationship between governance and relational quality.

Next, it is important to understand the relationship between these two concepts – governance and relational quality – and performance, as the dependent variable

of this study. Consequently, the next two sub-questions address, respectively, the role of relational quality and the effect of governance on PPP performance. The third sub-question tests the commonly cited assumption that high-quality relationships improve partnership performance. Aside from being relevant in themselves, do good relationships really matter for PPP performance? The question therefore is (3) *How does relational quality affect the performance of public–private partnerships?* The last sub-question addresses the effect of governance on performance. As PPPs are usually governed by elaborate contracts, this sub-question explicitly raises questions regarding the balance between relational and contractual governance in successful PPPs. What does the mix between both modes of governance look like exactly? This sub-question aims to identify which combinations of contractual and relational governance mechanisms are present in high-performing PPPs: asking (4) *How do contractual and relational governance relate to each other in successful public–private partnerships?* These two sub-questions are answered in Chapter 5 and 6 of this dissertation. To answer the third sub-question, Chapter 5 tests the effect of relational governance and relational quality on the performance of PPPs. Chapter 6 focuses predominantly on the balance between contractual and relational governance mechanisms. This chapter merges all pivotal concepts in this dissertation – relational quality, governance, and performance – into one study. In doing so, it not only provides an answer to the final sub-question, but also has a crucial role in answering the central research question of this dissertation.

Figure 1.2 shows the core concepts and the supposed relationships between these concepts. The circles representing the sub-questions, and the stars representing the chapters in this dissertation, indicate how the empirical studies in this dissertation aim to contribute to different parts of the model and answer the related research questions.

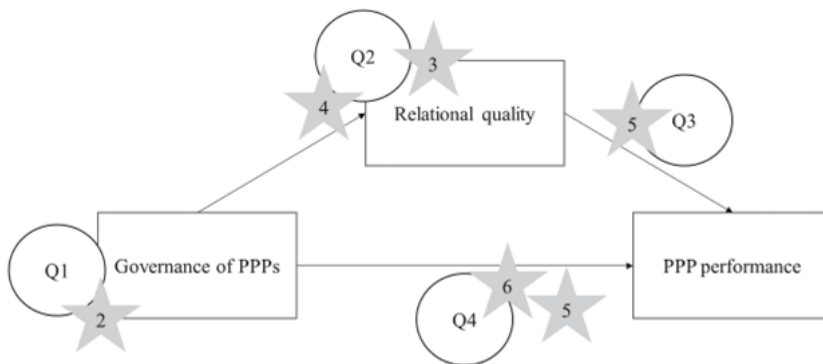


Figure 1.2 Visual representation of the core model, sub-questions, and empirical chapters in this dissertation

1.7. METHODOLOGY AND RESEARCH CONTEXT

To answer the main research question and the four sub-questions, this dissertation consists of five empirical chapters. The studies in each of these chapters espouse a broad range of research methods, both qualitative and quantitative. Therefore, this dissertation has a multi-method design. Some of these methods, such as QCA and Q-methodology, have been scarcely used in PPP research and thus present a methodological contribution to the field. This section addresses the underlying arguments for using a multi-method design and elaborates on the use of the studies and the data collected for Chapter 2 to 6. In this section, I pay little attention to the specifications of the various research methods as those can be found in the respective empirical chapters.

1.7.1. Multi-method design

In this dissertation, I adopt a variety of research methods. In each chapter, one method is central, except for Chapter 2. There, the use of Q-methodology has been combined with a regression analysis. Chapter 3 is based on a systematic literature review; for Chapter 4 and 6 I have worked with fuzzy set Qualitative Comparative Analysis (fsQCA); and Chapter 5 is based on a quantitative, multi-level analysis (MLA).

The choice of a multi-method design in this dissertation was a conscious decision. There are two main arguments for adopting this design. First, the decision regarding the methodology was based on the desire to make a methodological contribution to PPP as a research area. Most studies on PPPs are based predominantly on small N (case) studies. Although these studies provide great in-depth knowledge, they are hard to generalize. Therefore, I felt strongly that PPP as a field of study could benefit from methods other than case studies, of which there are already so many commendable examples. A multi-method design allows for recognizing larger patterns on the one hand, while also interpreting them on the other hand. Moreover, using methods that are not standard in PPP researchers' repertoire allows for the creation of new knowledge. For example, insights into the ideas regarding PPP governance on a micro level – that of individual professionals in PPPs – are scarce. However, this knowledge is important, as the actions of the professionals working in a project are guided by their ideas on governance. Assuming that they give shape to the governance of PPPs in daily practice, their perceptions regarding governance affect the actual use of governance. Moreover, a mismatch between their ideas on governance could influence the rela-

tionship between project partners and their collaboration. Q-methodology allows for systematically testing the ideas regarding governance on a micro level, providing new knowledge on this topic. In particular, Q-methodology and QCA² are not yet common practice in research on PPPs.

Second, the sub-questions in this dissertation required a variety of methods. The aim to further develop the concept of relational quality within PPPs required a method that allowed for further conceptualization, whereas testing some common assumptions on the relationship between relational quality and performance required a systematic test on a larger scale. The suggestion that various forms of governance may complement each other required a method that allowed for conjunctural causation, i.e. that the effect of something does not work in isolation but unfolds only in combination with other conditions (Schneider & Wagemann, 2012: 78). With conjunctural causation being one of the underlying principles of QCA, this method is very well suited to studying the balance between contractual and relational governance mechanisms.

1.7.2. Data underlying the empirical studies

For the empirical Chapters 2 to 6, a large dataset was collected. To perform the Q-method study in Chapter 2, 119 Q-sorts were conducted by public and private professionals in three different countries: Canada, Denmark, and the Netherlands. In these Q-sorts, respondents were asked to sort statements regarding PPP governance, to indicate which of these statements they found most important. The literature review in Chapter 3 entailed a quick scan of thousands of scientific, peer-reviewed articles. Only 63 of them discussed relational aspects in PPPs and ultimately met the criteria. These studies were analysed to study the existing knowledge of relational quality in PPPs and solve the fuzziness surrounding the concept. Chapter 4 and 6 built upon the same material. Both QCAs contain qualitative and quantitative material, collected in collaboration with researchers from the University of Antwerp. This dataset consists of 74 interviews and 72 surveys among public and private professionals in PPP projects in the Netherlands and Flanders. This data collection focused on the construction phase, as this is a phase of intense collaboration and frequent communication. The relationship between project partners, which starts in the tendering phase, develops into a more mature relationship during the realization of the project. That makes it a suitable phase to study relationality in these kinds of partnerships. Moreover, at the time of the research for this dissertation, there was only a little experience with these projects in the maintenance phase. Chapter 5 uses survey material from 2014 to test

2 QCA is not yet common practice, but interest in this research method is growing. There are nowadays some good examples of QCA in PPP studies (see for example Verweij, 2015; Soecipto & Verhoest, 2018).

the relationships between relational governance mechanisms and PPP performance. This material consists of 144 surveys completed by professionals working in Dutch PPP projects.

In addition to the material used in the specific chapters, several exploratory conversations were held with professionals about the main topic of this dissertation. Moreover, between 2016 and 2019, the Princess Beatrix sluice project in the Netherlands has been subject of longitudinal case study research. For three years, I observed its monthly contract management meetings, had many conversations with professionals working on the project, and held 12 interviews about the use of governance mechanisms during the negotiations regarding contract changes. Although this material and the analysis thereof came too late to include it in this dissertation as a separate empirical chapter, some of my experiences at the project are incorporated in the introduction and the conclusion to illustrate this dissertation's main findings.

1.8. THE CONTRIBUTION OF THIS DISSERTATION

This section elaborates on the relevance of this dissertation, showing its contribution to both academia and society.

1.8.1. For academia

The contribution of this dissertation to the existing body of academic knowledge lies in three domains. First, it responds to a call to pay more attention to relational aspects in research on PPPs (Weihe, 2009; Verweij, 2018). Previous research on PPPs focuses predominantly on economic assumptions underlying PPPs and closely related topics such as risk, contracts, and performance management (Cui et al., 2018; Wang et al., 2018). This dissertation adopts a different perspective. It contributes to the PPP literature by focusing on the quality of interpersonal relationships between partners in the partnership. In doing so, it offers new knowledge regarding relational quality in PPPs and its effect on the relation between governance and performance. A thorough study of the role of relational quality has not yet been sufficiently conducted. After all, this topic is not often studied in the field of PPP research. It does, however, fit in a recent and growing trend of public administration research that focuses on relationality (see Bartels & Turnbull, 2020). In this dissertation, I aim to explore this relatively new concept by conceptualizing it further and exploring how high-quality relationships can be achieved in PPP projects.

Second, this dissertation contributes to the literature on combining various governance mechanisms. It builds upon the ideas of, amongst others, Poppo & Zenger (2002) who show that contractual and relational governance mechanisms are not substitutes

but complements. This dissertation does not merely confirm their argument but takes it one step further. It shows what the balance between both mechanisms should look like according to public and private professionals (Chapter 2) and how contractual and relational governance mechanisms can be combined in successful PPP projects (Chapter 6). In this dissertation, the perspectives of both public and private actors are taken into account. This is an addition to the existing literature, as most research on PPPs in public administration adopts a predominantly public perspective (see Hueskes et al., 2019). By combining different perspectives on governance, this dissertation aims to provide new insights on governing PPPs, the role of relational quality therein, and its consequences for PPP performance.

Finally, this dissertation aims to make a methodological contribution. Although studies into relational quality in PPPs are scarce, the limited studies available suggest that relational aspects, such as trust, do matter in PPPs (e.g. Edelenbos & Klijn, 2007). Evidence for this often comes from single case studies with low generalizability (see for example Edelenbos & Klijn, 2007; Barretta et al., 2008; Alam et al., 2014). This dissertation aims to systematically test these assumptions, while introducing methods rarely used in this area, including QCA and Q-methodology. With the use of these methods, this dissertation aims to make a methodological contribution to the development of more systematic, larger-N-based research on PPPs.

1.8.2. For society

Besides making a scientific contribution to the body of academic knowledge, this dissertation also provides valuable insights for society. More and more often, public and private professionals meet each other in the public domain to develop public policy, public services, and public goods. Despite their interdependence in this pursuit because they need each other's resources and knowledge, those encounters do not always result in successful collaborations. Each partner has its own goals, interests, and ways of working, and it is often hard to align them. This makes the governance of such partnerships all the more important. Given the many differences between public and private actors, it is unlikely that their ideas regarding the governance of these partnerships are the same. This study aims to provide insight into the different perspectives that exist among public and private professionals on the governance of PPPs (see Chapter 2), which might provide a suitable starting point in the discussions between project partners on this topic.

Second, in emphasizing the importance of relational quality for project performance, this dissertation shows practitioners the relevance of relational and informal aspects of a partnership. It aims to study what determinants contribute to relational quality, hence providing insights that professionals can use to build high-quality relationships with their counterparts in PPPs.

Finally, by extending the governance repertoire beyond the simple idea of collaboration or the use of contracts, this dissertation provides insights for public organizations regarding the balance of various governance mechanisms. As PPP projects are often still dominated by contracts, this dissertation aims to enhance the understanding of the balance between contractual and relational governance mechanisms. More precisely, it aims to identify several concrete combinations that work in successful PPPs. This could inspire public organizations to redesign the governance of their partnerships in order to make them more successful.

1.9. OUTLINE OF THIS DISSERTATION

The outline of this dissertation is as follows. This first, introductory chapter presents the central theme of this dissertation: the governance of PPPs, its effect on PPP performance, and the role of relational quality therein. Chapter 2 to 6 are all empirical chapters and present the studies performed to answer the main research question and the accompanying sub-questions.

Chapter 2 studies the perceptions of public and private professionals regarding PPP governance. This chapter has been published as an article in *Public Administration*. Chapter 3 and Chapter 4 both dive into the concept of relational quality (sub-question 2) and are both single-authored papers. Both papers have been submitted to an international academic journal. The first of these two chapters aims to unravel the concept of relational quality. Chapter 4 provides a first test of the conceptualization presented in Chapter 3, while studying the combinations of conditions present in high-quality relationships. Chapters 5 and 6 focus on the relationship between governance and performance but use very different methods to do so. Both chapters have been published as articles in peer-reviewed, international academic journals, respectively, *Public Management Review (PMR)* and *Journal of Public Administration Research and Theory (JPART)*. Chapter 5 conducts a multi-level analysis to test the effect of both relational governance and relational quality on performance. Chapter 6 employs QCA to identify different mixes of governance mechanisms that result in high PPP performance. Finally, Chapter 7 presents four core conclusions and the answer to the main research question of this dissertation. It also discusses the implications of this research, both for academia and for society. Furthermore, Chapter 7 also looks ahead by presenting several avenues for further research on the governance of PPPs.

INTERMEZZO 1.

The existing body of literature on public–private partnerships (PPPs) pays ample attention to the governance and management of these partnerships (e.g. Caniëls et al., 2012; Grimsey & Lewis, 2004^b; Kort et al., 2016). In this body of research, we can identify two ways of looking at the governance of public–private partnerships, as has been described in Chapter 1 of this dissertation. On the one hand, there is a focus on contracts as the dominant governance mechanism. The contract is the starting point of several forms of PPPs, such as the long-term infrastructure contract (LTIC) (Hodge & Greve, 2013). Nevertheless, more recent studies also suggest the use of relational governance mechanisms, such as trust, horizontal collaboration, and informal communication (for example: Parker & Hartley, 2003; Lee & Cavusgil, 2006; Weihe, 2009). The existence of these two different theoretical ideas regarding the governance of PPPs raises the question how professionals working in these partnerships perceive the governance of the projects they are working in. What are their perceptions and preferences regarding the governance of PPPs? Are they more focused on contractual governance mechanisms to govern the project? Or do they value relational governance mechanisms and strive towards a more horizontal collaboration? These questions formed the starting point for the study in Chapter 2. In this study, Q-methodology is used to study the perceptions of professionals working in PPP projects, hitherto using a rarely used method in PPP research. Although Q-methodology has not been used often in this research area, it is particularly suitable to study the perceptions of individual professionals. Since PPP is adopted, promoted, and implemented differently in different countries, I wanted to adopt a comparative perspective, including professionals from multiple countries. Although most research on PPPs in the field of public administration is focused on the public side of the partnership (Hueskes et al., 2019), this study includes professionals from both public and private organizations working in PPPs. As studies on different topics have shown that public and private organizations differ in many respects (Jacobs, 1992; Bozeman & Bretschneider, 1994; Boyne, 2002), it would be relevant to study the perceptions of professionals from both sides actors to identify common ground and differences in their governance preferences.