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Putting the pieces together: hybrid forms of governance in public-private partnerships.

7.1. INTRODUCTION

The public and private professionals engaged in Princess Beatrix sluice project work according to ten 'golden rules' that they called the Pact of Vreeswijk. These process rules are not dictated to them by any contract; rather they were designed at the start of the project to embody the project partners' commitment to a good collaboration, to reflect what this project would mean to them: a shared undertaking. Both public and private partners participated, carrying their own risks, responsibilities, and tasks, but still there was a mutual goal and the intention to help each other achieve this goal as best they could. If I asked these professionals what the ten rules are exactly, I wonder if they would be able to list all ten of them. For many, these rules became so common that they lived by these rules without giving them too much thought. More than mere process rules, the Pact of Vreeswijk became a way of working; a way of working in which it was common to inform each other early regarding potential issues, even if the contractual risk was clearly assigned to only one of the actors; a way of working in which face-to-face communication was preferred over sending emails or letters, and in which partners made an effort to understand each other.

The formal contract between both project partners did not require this intense collaboration in the Princess Beatrix sluice project, but it played a significant role nonetheless. Despite the horizontal and intensive ways of working in which public and private actors addressed issues together, risks and responsibilities were still clearly assigned to only one actor. The private partner made allowance for costs to mitigate risks assigned to it. There were debates between the public client and the private contractor regarding the interpretation of contract demands. Project partners did not always see eye to eye. Notwithstanding the formal, contractual agreements that were made, project partners would always try to understand each other's line of reasoning, even if that did not necessarily mean that they would come to agree on issues. After all, even in the best relationships, partners do not always agree on everything.

The balance that the project partners found in this case between contractual agreements and more relational ways of working is illustrative of the empirical findings in this dissertation. It suggests that, although guided by strict contracts, public-private partnerships (PPPs) are more than a mere form of contracting out. Established bodies of literature on themes like incomplete contracting, relational contracting, and trust have already pointed in this direction (e.g. Brown et al., 2016; Bertelli & Smith, 2009; Klein-Woolthuis et al., 2005). The governance of PPPs takes place not only via strict contracts, but also via social relationships between project partners and the interactions between the professionals that make up the project teams on both sides (see Granovetter, 1985; Weihe, 2009). This dissertation set out to study the balance between contractual and relational governance in PPPs. Its unique contribution is

twofold. First, it identifies specific combinations of contractual and relational governance mechanisms in high-performing PPPs. Second, it addresses the role of relational quality in the relationship between governance and performance. Therefore, the main research question in this dissertation was: *How do contractual and relational governance affect the performance of public–private partnerships, and what is the role of relational quality therein?*

This chapter provides the main conclusions of this dissertation. It is structured as follows: section 7.1 first provides an answer to the four sub-questions. By connecting the results of the empirical chapters, it then responds to the main research question. Next, in section 7.2 the limitations of this study are presented. Section 7.3 considers the conclusions of this dissertation in light of broader theoretical developments. The relevance of this dissertation for existing fields of study is elucidated. The societal relevance of this dissertation is presented in section 7.4. Finally, section 7.5 offers an agenda for future research based on this dissertation’s outcomes, limitations, and relevance.

7.2. ANSWERING THE RESEARCH QUESTION

This section presents the answers to the four sub-questions posed in Chapter 1 and formulates an answer to the main research question. Before doing so, it provides a brief synopsis of the empirical chapters presented earlier in this dissertation.

This thesis started by investigating what public and private professionals working in PPPs consider the ideal way to govern PPPs. The Q-method study in *Chapter 2* presents four different profiles. Each profile holds a specific viewpoint regarding the governance of PPPs. These viewpoints vary in the degree of managerial freedom for the private contractor and have different positions on the scale between control and collaboration as the core governance mechanism. These viewpoints seem to be influenced by the professionals’ experience, the country in which the professionals work, and the public–private distinction. Next, to dive a little deeper into our knowledge of relational quality in contract-based PPPs, *Chapter 3* offers an overview of research focusing on relational quality in PPPs. It shows that research on this topic within the PPP research area is both limited and subject of conceptual vagueness. With the help of related strands of literature, including those of collaborative governance and relational marketing, Chapter 3 proposes a first conceptual model to study the quality of relationships within PPPs, highlighting five core characteristics of social relationships: trust, communication, commitment, respect, and openness. *Chapter 4* builds on the previous chapter, as it tries to test part of the proposed model, studying how high-quality social relationships can be built within PPPs. Using fuzzy

set QCA, it shows that experience, a fair risk allocation, and network management activities are, in various constellations, present in projects that managed to build high-quality social relationships. These social relationships in PPPs are characterized by frequent communication, high levels of trust, and openness. *Chapter 5* continues studying the relevance of relational characteristics by asking what makes PPPs work. It tests the effect of both relational governance and relational quality on PPP performance. A multilevel analysis of survey data from 144 respondents involved in Dutch PPP projects shows that both trust and network management are important for PPP performance. Trust also enhances cooperation, which in turn is positively associated with performance. *Chapter 6* finally returns to the original purpose of this dissertation: to study the balance between contractual and relational governance and its effect on PPP performance. A QCA study of 25 PPP projects in the Netherlands and Flanders shows that there is often a mix of relational and contractual elements in successful PPPs. Contractual and relational aspects complement each other. Although there is no clear-cut road to outstanding performance, projects that are able to realize one of the combinations presented in this chapter are taking a step in the right direction towards high-performance. The four sub-questions can be answered on the basis of these findings.

7.2.1. Governance as a hybrid

The first sub-question addresses the different perceptions of professionals working in PPPs regarding the governance of these partnerships. The empirical findings in *Chapter 2* show that four different profiles can be distinguished: clusters of professionals working in PPPs that share similar viewpoints regarding the preferred governance of these partnerships. These viewpoints presented in the profiles differ in terms of the managerial freedom for private partners and of their preference for either control or collaboration as the dominant form of governance (see *Figure 7.1*). The first profile allows for much managerial freedom for the private partner. The guiding principle in this profile is that the risks are transferred to the private partner, and with them also the responsibilities. There is therefore very little emphasis on public involvement or collaboration. The private partner is limited only by the output specifications set at the beginning of the project. Governance takes the form of sanctions if performance falls short. The second profile is the opposite of the first profile. Professionals associated with this profile place strong emphasis on collaboration and supporting each other. Governance is designed to enhance relationships by encouraging openness and building trust. Strict control is less important. The third profile focuses on performance and clarity when it comes to governance. Clear agreements and output criteria are needed. The public partner monitors the project, and the private partner is held accountable. Each partner has its own tasks. Collaboration is possible as long

as the boundaries, in terms of roles and responsibilities, do not start to blur or shift. The fourth and final profile acknowledges the dominant role of the private partner. This results in much managerial freedom for the private partner. The public partner plays a facilitating role. The preferred governance mechanisms in this perspective are focused predominantly on monitoring and enabling the private partner to do its job.

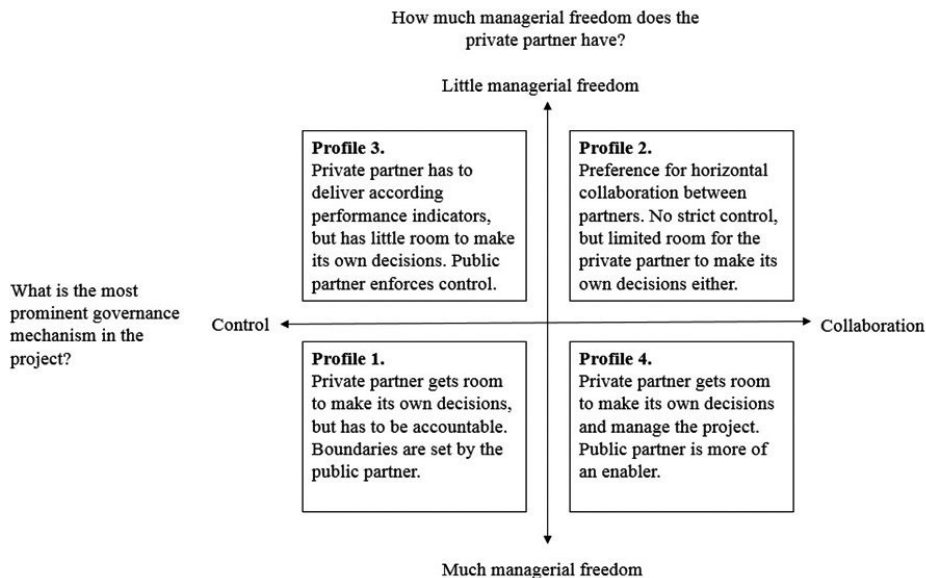


Figure 7.1 The four profiles of professionals working in public-private partnerships.

The four different, sometimes even conflicting, profiles regarding the ideal governance of PPPs can be partially traced back to the dominant theoretical governance paradigms in the public administration literature. The focus of governance on performance, control, and monitoring in the first and third profile is in line with the ideas underlying New Public Management (NPM). The focus on supporting each other and collaboration between public and private actors resembles some features of the New Public Governance (NPG) paradigm. Furthermore, the idea of freedom for the private partner corresponds with the idea of self-governance underlying the private governance paradigm. Note that Traditional Public Administration (TPA) is not reflected in the preferences of public and private professionals. Comparison of the preferences of public and private professionals with the theoretical paradigms reveals that professionals' viewpoints do not correspond exactly to the theoretical paradigms. Instead, professionals adopt hybrid forms of governance, combining contractual and relational governance mechanisms.

Each of the four profiles is adopted by a mix of professionals with different cultural, organizational, and personal backgrounds. Nevertheless, the empirical findings in Chapter 2 show that some profiles are more dominant in one country than in another. In contrast to many of their international colleagues, Dutch PPP professionals tend to be more inclined to focus on the collaborative effort involved in PPPs and espouse relational governance mechanisms that favour openness and mutual support. Canadian professionals are more likely to use governance mechanisms that focus directly on performance, such as output criteria, monitoring, and clear agreements regarding roles and responsibilities. Finally, the Danish professionals prefer to give room to the private partner. So, culture might play a role in the choice of governance and the way in which relational and contractual governance mechanisms are combined. Clearly, culture seems to matter when it comes to governance, but so does professionals' experience and their position in the project. Regarding the latter, there are some differences between the perceptions of public and private partners. Private professionals lean more towards governance based on cooperation or managerial freedom. They attach relatively little importance to contractual governance mechanisms. Regarding experience, compared to professionals with limited experience in PPPs, highly experienced professionals tend to be keener on managerial freedom for the private partner. This applies to both public and private professionals.

So, in answer to the question: *What are the different perceptions of professionals working in public-private partnerships regarding the governance of PPPs?*, this dissertation shows that the viewpoints held by professionals working in PPP regarding their ideal way of governing PPPs are of a hybrid character. They combine elements from most theoretical paradigms. The four profiles vary in the degree of managerial freedom for the private partner and the degree of cooperation. The culture of the country in which a professional works and the professionals' experience seem to influence the professionals' preferences in terms of PPP governance. The implications thereof are twofold. On the one hand, it is more difficult to compare professionals' governance preferences. On the other hand, an opportunity is provided to learn from the experiences and viewpoints of professionals in different countries.

7.2.2. Building good relationships in public-private partnerships: network management, risk, and experience

The second sub-question focuses on relational quality, asking: *What is relational quality and which determinants have an influence on relational quality in public-private partnerships?* In this dissertation, the assumption that the quality of the relationship between actors affects PPP performance is tested. Previous research into relational quality in PPPs has been limited, and the concept still suffers from conceptual vagueness. PPP research can, in this respect, learn from existing literature on related topics, such as social

capital, relationship marketing, and collaborative governance. Based on a systematic literature review, Chapter 3 therefore provides a first conceptualization of relational quality in PPPs.

It concludes that relational quality is about the state of relationships, which can be defined as long-term, interpersonal, social ties between actors. This relationship is determined by more than mere trust, although trust is an important characteristic of relational quality. Chapter 3 distinguishes several relational aspects that are all features of high-quality social relationships between project partners. Openness, communication, respect, and commitment are other relevant characteristics of high-quality relationships; this might prompt us to broaden our studies beyond measuring trust. The five abovementioned elements of relational quality do not work in isolation. Rather, there are reciprocal and complex relationships between the elements, in the sense that, for example, trust might affect openness and vice versa. Moreover, relational quality is a dynamic concept, as the state of the relationship may change over time. This presents challenges in the measurement of relational quality.

The literature review identifies various determinants that might impact the quality of the relationship. These determinants can be categorized as individual determinants and determinants on project and organizational level. On an individual level, earlier research discusses the importance of experience and personnel turnover, whereas at project and organizational level determinants such as leadership and management, and shared standards, shared values, and shared goals, are said to influence relational quality. Some of these determinants are tested in Chapter 4. The empirical findings of this chapter show that network management, risk allocation, and experience matter when it comes to high-quality relationships. These three determinants have a combined influence in various constellations:

1. The first combination of conditions mixes network management with experience.
2. The second combination of conditions found in high-quality relationships in PPPs is that of a fair risk allocation and experience.
3. Finally, the combination of network management and risk allocation is present in PPP projects with high relational quality.

A few conclusions can be drawn from these three configurations. First, it is clear that well begun is half done. Both experience and risk allocation highlight the importance of a good starting point of the relationship. Both confidence and a fair risk allocation might give partners a certain sense of confidence in their relationship. Experience can lead to trust, an important element of relational quality. Experienced project partners know what to expect during the project and are able to keep their calm at critical junctures. Second, network management is an important condition for relational

quality; this shows that relationships need to be carefully nurtured during the project. This study also shows that governance affects relational quality. After all, the use of network management strategies, especially those geared towards connecting actors, can be considered a form of relational governance. Simultaneously, the allocation of risks is embedded in the contracts guiding PPPs and is thus regarded as an example of contractual governance. This indicates that relational governance has a positive effect on relational quality in PPPs. The same applies for contractual governance, provided that the risks are not completely transferred to the private partner. Instead, both partners carry some of the risks according to the principle that risks are assigned to the partner who is best able to mitigate these risks. Finally, the third path shows that contractual governance – in the form of risk allocation – and relational governance – in the form of network management – do not work in isolation but may complement each other in realizing high relational quality in PPPs.

So, relational quality describes the state of interpersonal, social relationships between actors and can be characterized by trust, openness, communication, commitment, and respect. There are several determinants of relational quality, including experience, network management strategies, and the allocation of risks. Our empirical findings emphasize that governance, both relational and contractual, matter for relational quality.

7.2.3. Do good relationships really matter?

The previous sub-question addressed the concept of relational quality and the way in which high-quality relationships can be built. This sub-question – *How does relational quality affect the performance of public–private partnerships?* – establishes the connection between relational quality and PPP performance. From the empirical evidence presented in this dissertation, a first conclusion is that relational quality might affect PPP performance (see Chapter 3, 5 and 6 of this dissertation). Earlier studies already show the potentially positive effect of relational quality on performance (Kumaraswamy et al., 2007; Jones & Noble, 2008; Roehrich & Lewis, 2014). They stress the positive effect on efficiency and effectiveness, transaction costs, and a better collaborative process. This dissertation confirms the positive effect of relational quality on both cooperation and perceived project performance (see Chapter 5). Thus, it focuses on a broader measurement of performance than just financial performance. It includes elements such as the integral nature of the solution, its effectiveness, its financial performance, and the involved project partners' support for the solution.

Besides a significant positive relationship between relational quality and collaboration and between relational quality and perceived performance, Chapter 5 also presents indications of the mediating role of relational quality in the relationship between governance and performance. Network management, as an element of relational

governance, is not directly correlated with collaboration. However, there is a clear, positive correlation between governance and relational quality (measured by the element of trust). As stated earlier, given the significant correlation between relational quality and cooperation shown in Chapter 5, this could indicate that relational quality acts as a mediating variable between relational governance and performance. This seems likely, as network management strategies have been shown to increase trust, which is known to contribute to cooperation (e.g. Klijn et al., 2010; Zaheer et al., 1998; Pennink, 2017).

All in all, the main conclusion with respect to how relational quality affects PPP performance is that relational quality does indeed seem to affect the performance of PPP projects. Using trust, an important characteristic of relational quality, this dissertation shows a significant and positive effect on both collaboration and on performance, measured in terms of effectiveness, durability, support, and cost-benefit balance. These findings emphasize the importance of studying relational quality in PPPs.

7.2.4. Balancing contractual and relational governance: Three different paths

Regardless of the importance of relational quality and the potential benefits of relational governance mechanisms such as trust, neither the public client nor the private contractor will engage in a PPP without a legal form of certainty. The sheer size, risks, and budgets involved in the infrastructure projects studied in this dissertation are too large to commit to such a project without the use of a contract. This fourth sub-question therefore concerns the balance between contractual and relational governance in PPPs: *How do contractual and relational governance relate to each other in successful public-private partnerships?*

The fact that hybrid forms of governance are preferred by professionals working in PPPs suggests that it is not necessary to choose either contractual governance or relational governance. The empirical findings in Chapter 6 confirm that, rather than being substitutes, contractual and relational governance complement each other in various ways. These findings make it clear that, although successful PPP projects often display a mix of governance forms, in some projects, some aspects of governance seem to replace others. Not all contractual and relational governance mechanisms need to be present. This dissertation presents three specific combinations of governance mechanisms that can be found in high-performing PPPs:

1. The first path is a combination of trust and risk allocation. Risk allocation is an important element of contractual governance, and trust is used to represent re-

lational governance. Hence, this path displays a combination of contractual and relational governance mechanisms.

2. The second path is that of risk allocation, strict application of sanctions, and conflict management. Again, with the first two mechanisms referring to contractual governance and the latter being an example of relational governance, this path shows a combination of contractual and relational governance.
3. The third path is that of trust, conflict management, and the absence of strict application of sanctions. This path points towards the importance of relational governance, as it does not include any specific contractual governance mechanisms. It does not, however, point towards the total absence of contracts.

A few conclusions can be drawn from these three combinations of conditions, or paths. The first conclusion is that contractual and relational governance function as complements. The findings presented in this study in Chapter 6, and in particular the first two paths presented above, provide clear evidence towards this idea. The second conclusion is that clear agreements are very important for enhancing PPP performance. They reduce uncertainty and provide guidelines when the going gets tough. Whether they are established using contractual or relational governance mechanisms might be of less importance, as both the agreements laid down in a contract – such as agreements on the risk allocation – and those established via relational control mechanisms – such as conflict management – can be found in projects with high levels of performance. The third conclusion is that the strict application of sanctions as a governance mechanism is equivocal. Paired with a fair risk allocation and conflict management, the application of sanctions is part of a configuration displayed by well-performing PPP projects. In contrast, in the third path, which consists of relational governance mechanisms, it is only the absence of the strict application of sanctions that contributes to good performance. In this path, the strict application of sanctions seems to clash with the use of relational governance mechanisms. So, the effect of the strict application of sanctions on performance is not clear-cut. This suggests that the use of a specific governance mechanism should match with the other mechanisms used in the governance of PPPs. A last conclusion is again drawn from the third combination of conditions, as this path consists solely of relational governance mechanisms. Although the explanatory value of this path is small, it seems to suggest that good performance can be achieved using only relational governance mechanisms. This highlights the important role of relational governance in PPP performance.

All in all, in answer to this question it is clear that relational and contractual governance mechanisms perform predominantly as complements, resulting in a hybrid form of governance. Contractual governance mechanisms enforce previously made agreements regarding roles, risks, and responsibilities, providing clarity to the project

partners. Relational governance mechanisms are designed to increase partners' willingness to take into account the unique circumstances of the project, empathy for their project partner, and mutual consideration of each other's needs and interests. The exact balance between contractual and relational governance mechanisms is subject to change. Some professionals consider contractual governance the dominant governance mechanism, allowing only for relational governance as long as it does not detract from the agreements in the contract (see Chapter 2 of this dissertation). Others prioritize relational governance mechanisms. The combination of relational governance mechanisms presented in Chapter 6 suggests that the effect of relational governance should not be underestimated. Clearly, although contractual and relational governance are, in most cases, complementary forms of governance, the balance between them can be subject to change due to the dynamics within a PPP. The relevance of studying the dynamics within PPPs is addressed in greater depth later in this chapter.

7.2.5. Putting the pieces together: The right mix between contractual and relational governance in public-private partnerships

From the answers to the sub-questions discussed previously, it is now possible to formulate an answer to the central research question. The central question in this study was: *How do contractual and relational governance affect the performance of public-private partnerships, and what is the role of relational quality therein?* The main conclusion of this dissertation is that contractual and relational governance function as complements in high-performing PPPs. In some cases, relational governance mechanisms even seem to be the dominant governance mechanism. None of the high-performing PPP projects in our study uses only contractual governance mechanisms, and there are some that build predominantly on relational governance (as shown in Chapter 6). This emphasizes the importance of relational governance for PPPs. This is confirmed in Chapter 5, which provides evidence of the positive relationship between relational governance and PPP performance, in terms not only of performance measured as efficiency, but also of the balance between costs and benefits, the integral nature of the solution, and the satisfaction of all partners involved in the project. Moreover, relational governance is positively correlated with relational quality. As relational quality – measured using the important characteristic of trust – influences performance in the form of a good collaborative process, this leads to the conclusion that: relational governance has (a) a direct, positive effect on PPP performance and (b) an indirect, positive effect on collaboration. The quality of the relationships in PPPs therefore mediates the relation between relational quality and performance. Relational quality has a significant, positive effect not only on collaboration, but also on perceived performance. Overall, there is a significant relationship between relational quality

and PPP performance. Governance plays an important role in building relational quality. Both network management and a fair risk allocation are present in high-quality relationships. This means that both relational governance – in the form of network management – and contractual governance – characterized by a focus on risk allocation – matter for building good relationships. For the latter, this only applies if not all risks are transferred to the private partner. As long as the risk allocation is considered fair, contractual agreements can also lead to more openness, more trust, and more respect.

All in all, relational and contractual governance have a joint effect on PPP performance and function as complements. Relational governance is at least as important as contractual governance. The quality of the relationship mediates this relationship. It has a positive effect on performance but is in turn affected by the governance of PPPs.

7.3. LIMITATIONS

This section addresses the main limitations of this dissertation, focusing on limitations that apply to the dissertation as a whole. The limitations of the various sub-studies are discussed in their respective chapters.

The first limitation concerns the dynamics of PPP projects. After all, PPPs are dynamic partnerships. They change over time. Events that take place in the project may lead to an alternating increase and decrease in the quality of the relationship. At times, collaboration runs smoothly, but large financial and technical setbacks may cause tensions. As every relationship has its ups and downs, it is unlikely that the quality of the relationship between project partners in a long-lasting PPP will remain stable throughout the entire project (Pennink, 2017). This dissertation uses a number of research methods that either take a snapshot of the relationship at a certain point in time or ask respondents to give their overall impression of the relationship in the construction phase of the project. Other phases, such as the following maintenance phase, in which partners collaborate for years to come, are not included, nor are the relationships between public and private partners in PPPs tracked over time.

The second limitation is a consequence of the methodological decisions made in this dissertation. The choice of methods like QCA and Q-methodology might indicate a lack of causal inference. However, these methods are relatively new to PPP research and provide interesting and new insights into the balance of different forms of governance in PPPs. Nevertheless, they do not offer statistically significant results, and the generalizability of the findings is not always optimal. Also, the methods used are not designed to make an overall assessment of the framework in one go. After the first three empirical chapters dug into governance and relational quality, Chapters

5 and 6 addressed the relationship with performance. Each chapter examines part of the proposed model. In consequence, albeit several relationships from the model have been studied in this dissertation, the scope of this dissertation limits the range of knowledge regarding the causal relationship between hybrid forms of governance and relational quality. Instead, this dissertation presents different perspectives on the governance of PPPs, reveals various hybrid forms of governance in which contractual and relational mechanisms are combined, and gives an indication of the importance of relational quality in PPPs.

Finally, a third limitation of this dissertation is its focus on how contractual and relational governance can be combined in PPPs. New insights are offered into the balance between the two forms of governance, presenting specific combinations of contractual and relational governance mechanisms, but the way or when questions cannot be explained. Why these combinations work so well in high-performing PPPs is unclear, as well as when, in which situation, which combination is used. The different paths presented by the QCA in Chapter 6 do raise questions regarding the role of time and context. Which combination is used at what time? The long-term, dynamic, and complex character of PPPs raises the question of whether the balance between various governance forms changes over time. The research methods used in this dissertation do not sufficiently take into account the context in which governance mechanisms are used to determine when and why specific combinations of governance might have the intended effect.

7.4. THEORETICAL RELEVANCE

In this section, I address some of the implications of the empirical findings in this dissertation for PPP theory. I first discuss the relevance of combining an institutional economic perspective on PPPs with a relational perspective. Then, I turn to the theoretical implications of relational governance in PPPs on four different levels.

7.4.1. Combining an economic rationale with a governance rationale

There is no such thing as a PPP theory. Rather, PPP has to be considered from different angles. Two dominant takes on PPP adopt either an economic angle or a governance angle. From an economic perspective, building upon theories such as transaction cost theory and principal-agent theory, PPPs need to be governed in order to prevent opportunistic behaviour. From this perspective, PPP governance, is based on control. The use of output specifications, monitoring, and the possibility to impose sanctions are the preferred mechanisms to steer actors' behaviour in the desired direction. In contrast, governance theories focus predominantly on the complexity of PPPs, addressing

the interdependencies between actors and the potential to collaborate to realize win-win solutions. Governance here focuses on connecting actors, aligning interests, and creating shared norms and values; this suggests the use of relational governance mechanisms. This dissertation proves that there is added value in combining both perspectives. Combining insights from both perspectives helps to gain insight into hybrid forms of governance. Moreover, it can unravel and explain the mixes of contractual and relational governance used in PPPs. To understand the rationale behind the various hybrid forms of governance, it is not sufficient to choose either an economic or a governance perspective. Combining both perspectives provides the opportunity to join the recent trend regarding relationality in public administration. Bartels and Turnbull (2020) argue for an increased focus on relationships and relational processes. Not only are these relationships important in governing networks and collaborations, these relationships and the relational processes also have value in themselves (e.g. Bartels & Turnbull, 2020; Vandenbussche, 2020). A relational approach, which considers social reality as a process that is relationally constructed, analysed, and understood (Bartels & Turnbull, 2020: 15), may help to enhance our understanding regarding the functioning of PPPs and the way in which these partnerships are governed.

7.4.2. Cross-cutting research on public-private partnerships

A second contribution of this dissertation lies in demonstrating the importance of relational governance. The theoretical implications can be found on various levels. Although this dissertation has focused predominantly on relational governance on project level and its effect on project performance, the use of relational governance in PPPs has consequences on levels other than just the project level. The following levels are involved: (a) the level of individual (public) professionals and the teams they function in, (b) the project level, (c) the organizational level, and (d) the institutional level (focused on national policies, culture, and so on). Here, I briefly address the consequence of relational governance on each level, before making the argument that the theoretical implication of studying relational governance lies in research that connects these levels, rather than studying only its consequences within each level.

To build upon the principles of relational governance, even in difficult or unexpected situations, these principles must be embedded in PPPs on various levels. First, relational governance calls upon individual professionals to commit to this way of working. Professionals from both sides need the right skillset to do so, but it is also paramount that they share the conviction that a relational way of governing is useful for PPP and sometimes might even work better than a unilateral focus on strict contractual forms of governance. The findings presented in Chapter 2 of this dissertation have shown that this is not always the case. Relational governance is not embedded in the preferences of all practitioners working in PPPs. In fact, there are major differ-

ences between professionals' views regarding the governance of PPPs. These professionals have some discretion to shape PPP governance in everyday life. This makes the behaviour of individual professionals an interesting research avenue (see for example Weißmüller, 2020, for a behavioural focus on PPPs). In order to understand what happens if professionals do not share the same governance perceptions, research into PPPs should pay more attention to the way in which professionals perceive and shape the governance of PPPs. This calls for the study of PPPs on an even more micro level. Hodge & Greve (2013) suggested five different levels on which to study PPP, of which PPP as projects was the narrowest. However, this research suggests that a new level is required, that of PPPs as collaborative processes between individual professionals. Studying inter-team collaboration might elucidate the collaborative processes that take place within PPPs on a micro level.

Second, on a project level, the governance of PPPs could benefit from strategies that are arranged in such a way as to leave room for – or even stimulate – the use of relational governance mechanisms. Network management strategies are particularly useful in this respect. The study in Chapter 5 shows a positive effect of network management on PPP performance. Network management strategies are geared towards connection actors, aligning interests, and exploring content (Klijn et al., 2010). This includes process management strategies (e.g. Edelenbos & Klijn, 2009) such as conflict management. These strategies stimulate continuous interaction and an open dialogue regarding project partners' motivations, needs, and wants. This continuous interaction is crucial in developing joint actions – such as joint problem solving – which is central to relational governance (Claro et al., 2003). Given the importance of process management, theory building on process agreements should be much more embedded in PPP research. So, this dissertation confirms the importance of theories like network governance and collaborative governance for studying PPPs, even for contract-based PPPs such as long-term infrastructure contracts, but it also calls for more attention in PPP research on theory on the building of process agreements.

Simultaneously, there are theoretical implications that poses new challenges to such theories. PPP projects take place within an existing environment of organizations. It is important to realize that project team members, who work in PPPs on a daily basis, are also members of their respective organizations. Decisions made and actions taken in PPPs by project teams (which can be considered the inner circle) need to be approved and supported by their own organization (the outer circle). It is likely that the outer circle may influence the behaviour of project teams (the inner circle) and thus the performance of the PPP. Professionals explain that they have to ensure there is a strong support base within their organization. The result of negotiations between project teams needs to be accepted by their respective organizations. For the public client for example, it is important that the decisions made in relation to the project

fit into the organizations' policy. Therefore, for relational governance to be applied consistently in PPPs, it needs to be embedded in the organizations and not merely the project teams. This implies that, in PPP research, scholars should not focus merely on the partnership as a stand-alone entity. Rather, PPP theories should address the connections between actors in the project and actors outside the project. The focus should not lie merely on what happens within the project, but also on what happens between the professionals working in the project and their respective organizations. This calls for theory building that focuses on explaining the interactions between the different levels.

Finally, PPPs are often institutionalized and part of national procurement policies. Hodge & Greve (2013) addressed this as one of the broadest levels of PPP. This implies that it is a political choice whether a country opts to use PPPs. It is also a political choice to frame the use of PPPs as a form of contracting out – using elaborate contracts to govern the partnership – or as a form of horizontal collaboration – promoting a more collaborative attitude, which might imply the use of relational governance mechanisms. Although PPPs are often considered an international phenomenon, the findings in this dissertation imply that research in PPPs should be more sensitive to the institutional context of these projects. The governance of PPPs is also determined by institutional frameworks. How much attention and support do national governments give to PPP? What does national policy say about PPP? What are the main political drivers of PPP? Is there a shared culture among contractors that stimulates the use of PPPs? When it comes to the governance of PPPs, and in particular the balance between various governance mechanisms, the policy and culture of a country might affect its governance. Earlier studies have already provided some indications towards this (e.g. Verhoest et al., 2015). This implies that theory on PPPs needs to acknowledge the effect of national differences and gain more insight into how these differences affect the governance and performance of PPPs. Theoretical frameworks regarding the functioning of PPPs cannot be applied blindly to every PPP, regardless of institutional context. Research into PPP needs to pay more attention to the generalizability of its empirical findings and address the differences in PPP across countries in new comparative research.

The findings in this dissertation suggest that the mix of governance mechanisms has consequences beyond the level of PPP projects. Rather, it has consequences on individual, project, and organizational level. Some of the implications addressed here are translated into suggestions for further research in section 7.6. However, this section also suggests that attitude and behaviour on individual, project, and organizational level are intertwined. This calls for a theory that is able to (1) cross the boundaries between these different levels and (2) explain how these different levels interact.

7.5. SOCIETAL RELEVANCE

Based on the dissertation, the following insights might be relevant for public and private organizations collaborating in PPPs.

7.5.1. Individual level

This dissertation provides insight into the mix and match of relational and contractual governance. It addresses the hybrid character of the governance preferences that exist among PPP professionals. On an individual level, it is important that professionals understand that contractual and relational mechanisms complement each other. Moreover, it is vital that they understand each other's governance perceptions to prevent this becoming a subject of conflict during the project. Furthermore, professionals need the skills to apply and combine both governance forms. Whereas most of them are familiar with contractual governance, the use of relational governance requires different skills, such as flexibility, conflict management, and the ability to build open relationships (e.g. Dickinson & Sullivan, 2014).

Combining contractual and relational governance mechanisms can create dilemmas for managers. On the one hand, managers need to be able to use various governance mechanisms, combine them, and select the right balance for a particular situation. At the same time, they need to provide clarity to the involved partners regarding the governance of the project. Project partners' expectations of project partners regarding the governance of the project need to be aligned, so they know what to expect. There seems to be a thin line between flexibility and predictability in this respect. Managers thus should have the skill to facilitate a dialogue about the use of governance mechanisms and to combine various governance mechanisms. Q-methodology, which has proved its use as an instrument to ascertain professionals' perceptions and preferences, could also be a useful tool for practitioners in this respect. Information derived from a Q-study may provide a starting point for a dialogue on governance and the balance between contractual and relational governance in PPPs.

7.5.2. Project level

Given the long duration of the project, the use of governance mechanisms needs to be embedded in the project. With contracts being a core feature of contract-based PPPs, contractual mechanisms are usually rather well institutionalized. However, this might not be the case for relational governance. As this dissertation stresses the importance of using relational governance mechanisms, this is a point for attention. One suggestion regarding the implementation of relational governance mechanisms would be to design process agreements, such as the Pact van Vreeswijk, designed by project partners in the Princess Beatrix sluice project. At the start of the partnership,

partners should agree not only upon technical requirements and formal roles and responsibilities, but also, prior to their collaboration, on process agreements and discuss questions like: How does one treat the each other if the other makes a mistake? What should be done if an unanticipated issue is encountered? What process should be followed in the event of disagreement about roles, responsibilities, or the interpretation of specific contractual requirements? These process agreements do not necessarily need to take the place of a contract. Instead, both can co-exist alongside each other. To determine how the balance between contractual and relational governance should look in a contract, serious games and simulations can be useful as intervention methods. They help project partners to think about governance in complex situations and stimulate project partners to develop some awareness of each other's position and interests.

To embed the use of relational governance mechanisms in a project, these mechanisms need to be safeguarded throughout the process. Over time, project partners will develop a collective memory. This shared pool of knowledge and information not only contains technical specifications, but also addresses the way of working within a project, the way in which professionals interact, collaborate, and solve problems. This collective memory needs to be secured, to ensure that the built-up trust and gained learning experiences are not completely lost in event of personnel turnover. Mechanisms such as role protocols, transfer points, and project follow-ups can be useful instruments to safeguard collective memory in a project.

7.5.3. Organizational level

Managing expectations regarding the governance of a project does not apply only to the project teams involved in the project; it stretches to their respective organizations as well. How do organizations respond to the use of a mix of contractual and relational governance mechanisms in PPP projects? Does it fit in their organizational culture? Is there support for the use of relational governance mechanisms? This requires a dialogue on a level that surpasses that of individual projects. It calls for an organization-wide debate on how a public organization wishes to collaborate with private partners, and what that means for the organization itself. The Dutch *Markvisie*, a document in which various public and private organizations expressed their intention to look beyond the contract in managing large infrastructural projects, is a first step towards such a dialogue. However, the intentions expressed in the *Markvisie* should echo through in each of these organizations. After all, mixing governance mechanisms into a hybrid form requires autonomy and support for project managers, so that they can choose the balance between contract and relationship that works best for their project at that juncture. Organizational support for using hybrid forms of governance should stretch across departments.

7.5.4. Institutional level

The call for more relational governance in the governance of long-term infrastructure projects might be hindered by a strong focus on contractual governance at national level. The political issues of the day do not necessarily stimulate the use of relational governance. The political climate and attention on megaprojects that face long delays in their realization and exceed their budgets make governments incline towards a more controlling approach. A clear example of the preference for contractual governance is the 2013 report of the Dutch Court of Audit, in which it was argued that the contract should ensure performance over time. It identified a few problems, including the fact that public organizations did not always monitor the performance of private partners optimally and the fact that sanctions were not always strictly applied. Strict contract management was clearly the dominant discourse. However, the results of this dissertation highlight the usefulness of relational governance and attention on the relationships between project partners. Changing the national discourse is not so easy. Nevertheless, PPP evaluations should not only consider hard performance indicators such as on-time and on-budget delivery. Rather, they should adopt a broader measure of performance and allow more space to learn from experiences with different forms of PPP governance. In particular given, the long duration of PPPs, relational governance can be a useful tool, because it helps to build and maintain good relationships between project partners and reduces the chance of dysfunctional conflicts (Lousberg, 2012).

7.6. AGENDA FOR FUTURE RESEARCH

To conclude this dissertation, I would like to make some suggestions for further research into this topic. The conclusions presented in this chapter suggest several research avenues that might help to further deepen and broaden our understanding of the governance of PPPs and its effect on relational quality. These new research avenues address this topic on various levels. Hence, I propose the following suggestions.

1. *Maintaining high-quality relationships in public–private partnerships*

This dissertation has confirmed the importance of relational quality in PPPs. Further research, using a variety of research methods, is, however, necessary to create a more solid base of evidence and to answer some of the questions that remain: How can good relationships be maintained in public–private partnerships? Earlier studies have already shown that relational quality is dynamic. The level of trust, for example, changes over time, creating a trust cycle (see for example Pennink, 2017). To further understand how relationships can be built and maintained, Pennink addresses the

key factors that contribute to the building-up and the breakdown of trust, including willingness to share information and resources, reputation and qualifications, and shared norms and values (Pennink, 2017). Despite these earlier studies and the contribution made by this dissertation, the question remains as to how relational quality is affected by stress or success in a project. It might be easy to be transparent and to trust one's project partner if the project runs smoothly and there is enough money to realize the project. If both partners are on a strict budget and have to be careful not to exceed their budget, it might be harder to admit mistakes and support a partner who is facing challenging issues. Occasionally, PPPs are under pressure, for example when severe accidents happen on the construction site. How do such events affect the relationship between project partners? So, what happens to the quality of the relationship between project partners when the project is under pressure? A connection with the recent literature on relational public administration (see Bartels & Turnbull, 2020; Vandenbussche, 2020) might provide new insights into relational quality and how social relationships function in public–private encounters under pressure.

2. *Shifting the governance balance in dynamic public–private partnerships*

This dissertation presents three specific combinations of contractual and relational governance. In response to these findings, the question arises as to when each of these hybrid governance forms occurs in PPPs. In what circumstance do PPPs need a specific hybrid form of governance? Are there, for example, different combinations of governance mechanisms being used in different phases of a project? What happens to the balance between governance mechanisms when a PPP moves from one phase to another? The transition from the construction to the maintenance phase comes with challenges related to personnel turnover and new tasks for both project partners. What does this mean for the governance of the partnership? It is crucial to learn more about the way in which contractual and relational governance mechanisms interact in various circumstances and how the balance might shift over time. What trade-offs are made between contractual and relational governance mechanisms in various phases in the project or when the project is under great pressure? The use of longitudinal data and process tracing methods (such as event sequence analysis, see Spekkink, 2015) to capture the dynamics of PPPs and the changes in the balance between contractual and relational balance might be a good starting point to address this issue in further research. Furthermore, to further unravel the balance between contractual and relational governance in different situations, experiments and serious games might be an intriguing option to study professionals' use of governance mechanisms (see for example Benitez Avila, 2019).

3. *Coping strategies for combining contractual and relational governance*

Choosing to combine governance mechanisms into hybrid governance forms raises questions about the decision-making process that precedes these choices. Given the vast number of different contractual and relational governance mechanisms, not all these mechanisms can be used simultaneously. Therefore, trade-offs have to be made. How do public organizations and public managers decide about the mix of governance mechanisms? What strategies do they use to balance contractual and relational governance mechanisms? The literature on coping behaviour might be of use in this respect. Thacher and Rein (2004) and Stewart (2006) have identified several coping strategies that can be used to explain what happens in a value conflict. Although the use of various governance mechanisms is not similar to a value conflict, it does represent a trade-off, and the different strategies might help to explain how public organizations and managers behave when deciding about the use of one or more governance mechanisms. Do they use different governance mechanisms sequentially over time (cycling), favour some forms of governance over others (bias), or assess the use of governance mechanisms case-by-case (casuistry)? Further research could dive into the trade-offs made when deciding about a specific combination of governance mechanisms.

4. *Boundary spanners in public-private partnerships*

Although this dissertation focuses on PPPs as projects, the institutional context in which these projects take place might be crucial for the development, use, and mix of governance in them. Hence, an important suggestion for further research would be to study the effect of a public organization on the governance and the functioning of PPP projects. Institutionalized behaviour and organizational culture influence the behaviour of public professionals representing the organization in PPPs and most likely also affect their choices regarding the governance of partnerships in which they work. Professionals willing to use other forms of governance might experience a lack of support from their own organization. The rationale behind the use of a specific mix of contractual and relational governance in PPPs might be better understood if further research takes into account the modus operandi and culture of public organizations and addresses the interplay at organizational and project level. In addition, a connection with the literature on boundary spanners (e.g. Noble & Jones, 2006; Van Meerkerk & Edelenbos, 2018) could reveal more about professionals who try to bridge the gap between their own organization, the project team, their project partners, and the challenges that they face in PPPs. Boundary spanners might help to bridge professionals' different perceptions as well as the different, and sometimes contradictory, perceptions on governance that exist within the inner circle (project teams) and the outer circle (their respective organizations).

5. *International comparative research*

Further research should address the differences in PPP governance that might arise in different cultures. The empirical findings in Chapter 2 show that governance perceptions diverge between professionals from different countries. Dutch professionals are more inclined to use relational governance mechanisms in contract-based PPPs, whereas Canadian professionals tend to favour contractual governance. This suggests that a country's culture and its approach to PPP play a role in determining the balance between contractual and relational governance. More research is required to better understand what role these institutional factors (macro level) play in determining the actual governance of PPP projects (meso level).

6. *Enhancing methodological richness in research on public–private partnerships*

Earlier studies have shown that PPP research is dominated by either small N case studies or survey research (e.g. Roehrich et al., 2014; Osei-Kyei & Chan, 2015). These findings are confirmed by the review presented in Chapter 3, which shows that case studies are the most common method in PPP research. Although case studies can be useful, and sometimes even necessary to answer some research questions (see for example my suggestion for longitudinal case study research to capture the dynamics of PPPs), this dissertation has proved that PPP research might benefit from a broader array of methods. Different methods may accommodate research questions on different levels. Q-methodology or discrete choice experiments are designed to unravel individual preferences, and their use might help to understand professionals' governance preferences of professionals' behaviour in (re)negotiations or decision-making processes. QCA might help to transfer from small N case studies to larger N studies to enhance the generalizability of important research findings. Moreover, it allows the combined effect of conditions to be studied. To study strategy and behaviour within PPPs, experiments and serious games might be useful instruments to understand behaviour in PPPs (see the recent trend in Behavioural Public Administration, which also makes ample use of experiments: James et al., 2017). These are just a few suggestions, demonstrating how more methodological variation might unlock new knowledge about PPPs. So, this final suggestion for further research is a plea to enhance the methodological richness of PPP research to further our knowledge on the governance of PPPs.