

## Public Private Partnerships in urban regeneration projects: organizational form or managerial capacity?

The impact of arm's length, discretionary powers, tightness and network management efforts on URC outcomes

Michiel Kort, Erik Hans Klijn

### ***Published as:***

**Kort, M. E.H. Klijn (2011), Public Private partnerships in Urban renewal: organizational form or managerial capacity, Public Administration Review (PAR) vol 71 (no4): 618-626**

*Abstract:* Urban Regeneration Companies (URCs) are public private entities that have begun to appear in several European nations and are set up specifically to manage and implement Urban Regeneration projects. One of the core ideas behind the establishment of these partnerships is that in order to effectively tackle the challenging process of restructuring, these organizations should function at arm's length from the political institutions that oversee them. However, the literature on governance suggests that organizational form may be less of a factor than management capability.

Using survey data obtained from individuals who are heavily involved in Dutch Urban Regeneration Partnerships, this paper shows that the organizational features of URCs (functioning at arm's length from the government, the tightness of the organizational form) are not important to their performance, while the use of multiple management strategies is relevant to their performance.

**Keywords:** public private partnerships, effects, arms length, network management

## 1. Introduction

All over the world, more attention is now being paid to cooperation between public and private parties. The field of urban regeneration is an interesting area of study because of its recent experience with such public private partnerships. Various forms of urban regeneration partnerships have been reported in the literature (for example, see Pierre 1997, Geddes 2008). New organizations have been created in many countries by public and private actors who are working together to stimulate, guide and implement processes of urban regeneration. These organizations are relatively independent and perform their implementation activities at 'arms length' from the political arena. Such companies are often referred to as Urban Regeneration Companies (URCs) and can be found in many countries like the UK and The Netherlands.

In the UK, for example, their formation was the result of a commission report (Urban Task Force, 1999) on the problems encountered in urban areas. The report stated that: *"The pace of regeneration could be increased if responsibility for delivering area programs was placed in the hands of 'arms length' organizations, owned by local partnerships. Urban Regeneration Companies could not only oversee work to completion, but also raise private finance and undertake direct development where necessary* (Urban Task Force, 1999). This idea of creating a specific form of public private partnership that is aimed mainly at solving problems in urban areas has also been suggested in The Netherlands (see VROM, 2002), where it fits into a general discussion on public private partnerships.

This article looks at the impact of organizational form and managerial efforts on the performance of these organizations. To this end, a survey was conducted among URCs in the Netherlands. Section 2 first discusses the idea of public private partnerships and the character of these URCs. Section 3 elaborates on some hypotheses on the relationship between form, functioning at arm's length and managerial strategies and performance. Section 4 explains the research design and Section 5 discusses the results of the research. The paper ends with some reflections on the topic.

## 2. Public Private Partnerships and Urban Regeneration Companies

Public private partnerships (PPP) can be described as a *"more or less sustainable cooperation between public and private actors in which joint products and/or services are developed and in which risks, costs and profits are shared"* (Klijn and Teisman, 2003). Policy makers and researchers assume that more intensive cooperation between public and private parties adds value by producing better and more efficient policy outcomes (Savas, 2000; Ghobadian et al (2004); Hodge and Greve, 2005). Private parties are involved earlier in the decision making process and are said to contribute more intensively than is the case in more traditional client-supplier or principal-agent relationships. In that situations private actors can only react on a in advance formulated proposal after which tendering is organized, while in the case of PPP, whatever form is chosen, private actors are in some way consulted during the formulation of the proposal.

### *Urban Regeneration Companies as PPPs*

Urban Regeneration Companies (URCs) – or Wijkontwikkelingsmaatschappij (WOM) in Dutch – have been seen as a promising form of public private partnerships with which to organize the realization of the urban regeneration challenge. A URC can be defined as an

organization functioning at arm's length from the government that is owned by local partnerships to lead and co-ordinate redevelopment and new investments in declining urban areas (see, for example, ODPM, 2004 and VROM 2002). The partners in a URC create an intensified partnership through which they all share some of the risks that are involved in the venture and manage the partnership jointly.

URCs in different countries show similarities but also show differences in terms of the organizational form of the partnership. In the UK, URCs are established by the relevant local authority and the regional development agency, homes and community agencies, along with the private sector. In the Netherlands, important partners include the local authority, housing associations and private parties such as developers and financiers. Housing associations were established to rebuild and maintain the large number of new houses built after World War II. These organizations began as semi-public organizations; they have now been privatized, but their responsibility to provide social housing remains.

A URC can take one of many possible organizational forms. In the UK, the form follows a nationally developed set of guiding principles, and proposals for a URC have to be endorsed by the central government. Some examples of these guidelines are that URCs should have a senior level Board and a dedicated executive team. The Board cannot have a public sector majority and must be chaired by an independent representative, preferably from the private sector. Resources have to be targeted by each of the partners and URCs should have an agreed upon life span of 10-15 years to ensure delivery. There are no such national guidelines in The Netherlands, so in practice, there is more variety in the organizational form, from tightly organized consortia to more loosely coupled organizations in which the partners are represented. However, in all cases, the partners share their control over the use of resources and the decisions that have to be made.

The URC was expected to create added value and fuel urban regeneration because it bundles the expertise, knowledge and interests of multiple players, and shares the risks and responsibilities among them (VROM 2002). The added value that was foreseen from the implementation of URCs also included the quicker realization of regeneration objectives, more innovative ideas and improved output at lower costs. It was thought that the URC would be more successful at ensuring the desired outcomes (VROM 2002, Urban Taskforce 1999) because it would function like a decisive business organization. After going through the initial decision-making process within local representational bodies (a prerequisite in all democratic systems), the URC could focus on implementation and operate at some distance from the local government.

#### *Ideas for URCs come from new public management and governance*

These ideas about the organization of partnerships bring to mind ideas coming from the field of New Public Management. Under New Public Management, it is thought that governments should focus on the formulation of public policy and leave the implementation of these policies to other bodies, namely private or non-profit organizations (Osborne and Gaebler, 1992), or to separate autonomous organizational units (Pollitt, 2004). Public actors should exert their control over the implementation of

their policy decisions by these actors mainly by paying close attention to performance indicators or through the use of market mechanisms (Hood 1991).

These ideas are frequently cited in debates on public private partnerships but translate differently with different forms of PPP (Savas, 2000; Nao, 2002; Hodge and Greve, 2005). The UK Private Finance Initiative (PFI) that has dominated the PPP discussion for a long time and whose emphasis is on innovative forms of contracting is one example of where these ideas of the new public management can be found (see box).

#### THIS IN BOX

PFI partnerships are clearly a form of PPP concession, where the design, building, financing and commercial operation of an infrastructure project (such as a road, or a building such as a school) are integrated into a contract. The added value lies in the lower cost of coordination between the various components (often expressed as ‘efficiency’ or ‘value for money’ gains). For example, the PFI tendering system used in the UK for road construction bundles design, build, finance and operation are contracted out to private consortia for a period of 30 years. The consortium may use more sustainable (expensive) building materials to save on future maintenance costs. In addition, the payment system rewards the ‘availability’ of roads (NAO, 2002) rather than second-guessing the cost of constructing them. The opportunity for long-term involvement in a project both provides the potential to devise new solutions to problems and protects a risk aversion to untested approaches. The partnership in this form is limited to the beginning, where a high level of interaction between public and private partners can be found. After that, the public partner takes on the role of a monitor while the private consortium takes on the role of implementer and operator of the designed solution.

#### END BOX

In a PFI, the partnership, i.e. the joint cooperation, is limited to the beginning of the process, after which the public partner withdraws and takes on the role of a monitor. In the URCs it can be seen that, compared to PFI ideas, more emphasis is placed on the characteristic of functioning at arm’s length from the government and there is more joint cooperation during the process. In this sense, they bear more resemblance to the US urban partnerships of the 1970s and 1980s (see Weihe, 2008). This literature emphasizes the key role played by private businesses as initiators of urban partnerships [such as the New York Partnership initiated in the late 1970s (see Macchiarola 1986)] and how they cooperate with local governments to regenerate urban areas. Partnerships in this literature have more equal relationships (see Pierre, 1998) than PFI partnerships, where the public partner dominates the goal formulation and the various phases.

As indicated earlier, ideas in the PPP literature may resemble arguments in the vast literature on governance. These arguments are often based on the assumption that co-production between public and private actors results in the greater exchange of information. This exchange is thought to fuel the creation of better, more innovative products and policies that are aimed at addressing complex societal problems. These governance theory-related assumptions are also often related to the idea that horizontal

coordination (cooperation based on equal relations between parties and not on hierarchical relations) leads to a combination of knowledge, information and skills, but that these should also be managed (Kickert et al., 1997; Sorensen and Torfing, 2007).

#### *Conclusion: URCs as Public Private Partnerships*

A URC is thus clearly a public private partnership because the essential characteristics of PPPs (see Hodge and Greve, 2005; Klijn and Teisman, 2003) are present:

- both public and private partners bring in their expertise and resources
- there is an explicit organizational form to organize the cooperation process
- public and private parties share some risks

However, it is also a specific form of public private partnership in the sense that it draws on two main influential perspectives on governance (New Public Management and Governance), and in the sense that it focuses more on cooperation than on contracts. By returning to the main assumptions of the New Public Management and governance literature, some hypotheses can be formulated about the factors that influence the performance of URCs.

### **3. Urban regeneration partnerships as PPPs: some assumptions about effectiveness**

Thus we see that the basic assumptions in PPP actually come from two major perspectives that however seems to emphasis different important features of PPP. In this section we explore these two strands of ideas further and formulate hypothesis that can be tested against our empirical material. The NPM concept offers several interesting starting points from which to assess the performance of organizations (Pollitt et al., 2004). In general, bodies set up to be at arm's length from local governments should be run in a business-like manner, with clear goals and performance objectives. This method of running agencies (or public private partnerships) and delivering public services should increase efficiency, encourage professional management, move services closer to citizens, reduce political meddling and enable politicians to concentrate on their policy issues. It is thought that this would increase the level of professionalism of the organization, as well as maintain loyalty towards clients and the organizational goals over and above loyalty to local politicians. (Hood, 1991; Osborne and Gaebler, 1992; Pollitt et al. 2004, Van Thiel 2001).

There are different conceptualizations of the notion of functioning at 'arms length'. This article takes inspiration from the work of Pollitt et al, who studied agencies in various countries (Pollitt, et al., 2004). The position of the agencies he studied, which are autonomous from a parent organization (mostly a ministry), are not quite the same as the position of public private partnerships like the URCs, who are created by more than one actor together. In their research on agencies, Pollitt et al (2004) have distinguished between two dimensions of functioning at arms length: disaggregation and autonomization.

Disaggregation can be defined as the degree of structural separation of an organization from its parent organization. Thus, it refers to the sense in which the organization has its own organizational structure. This research study focuses on the relationship between the URC as a partnership and the city council and elected officeholders. Since the arms length discussion in PPPs focuses mainly on the separation between these political representatives and elected officeholders and the PPP organization, the study looks at the ways in which these political entities control the partnership (like a parent organization such as a ministry would control an agency).

However, disaggregation does not necessarily mean that an organization is entirely free to make its own choices. Autonomization can be defined as the degree to which the organization has discretionary powers to make independent decisions on various matters, including the use of its financial resources, its organizational structure and project-related plans. This study focuses particularly on the ways in which the organization can make its own decisions independently from the various (founding) organizations that constitute the URC.

In most of the new public management literature on functioning at arm's length, the implicit or explicit assumption is that such organizations function better because they can focus on implementation, they can work faster (and in a more managerial manner) because they are not drawn into daily political conflicts, and they can gain efficiency. Based on this, URCs can be expected to be more effective if their disaggregation from local government is stronger and if they have more autonomy to act on their own such that they do not require permission from the actors who constitute the URC to move ahead. This leads to the first two of our four hypotheses:

- Hypothesis 1: An Urban Regeneration Company in which disaggregation is more strongly organized will achieve better outcomes.
- Hypothesis 2: An Urban Regeneration Company that has more discretionary powers will achieve better outcomes.

### *The organization of URCs*

The structures of the URCs range widely from tightly organized consortiums to more informal arrangements like project groups that lack formal judicial status. Discussions on the choice of the organizational form feature prominently in the partnership literature, and even more prominently in government texts on PPPs (Nao, 2002; Klijn 2009).

However, what is lacking in this literature is definitive statements about which organizational form is the best for partnerships. The PFI literature suggests that tight contracts that bind the public and private players closely work best, while the literature that is more focused on URCs suggests that tight partnerships established to operate at arm's length from the government are the superior form (VROM 2002).

In observing the most prominent theoretical perspectives used in the PPP literature, namely the resource dependency perspective and the neo-institutional theory, it would be logical to assume that the overall expectation is that more tightly organized forms will generate better results (Neghandi, 1975). The resource dependency perspective suggests that the more dependent partners are on each other, the larger the need for organizing the interactions between them (see Mulford and Rogers, 1982; Donaldson, 1995).

Partnerships are initiated because partners hope to harness each other's resources. This

creates stronger resource dependency and partnerships in general can be said to be characterized by this high level of dependency. The same can be said of those taking a neo-institutional economic perspective. Partners invest in the relationship and incur specific transaction costs for this relationship which cannot be used for any other relationships (Williamson, 1996). This raises the level of dependency, which in turn leads to a tight organizational structure in which partners attempt to minimize the ability of the other partner to walk away with a larger share of the profits.

On the basis of these theoretical assumptions as well as the findings of various governmental documents about PPPs and URCs, a more tightly organized form of partnership would be expected to lead to better outcomes. This results in a third hypothesis:

- Hypothesis 3: A more tightly organized form of a URC leads to better outcomes.

#### *URCs and managerial strategy*

As stated earlier, an assumption is made in the PPP literature that partnerships enhance the flow of knowledge, and that the use of each partner's capacities results in better, more innovative outcomes. However, there are also authors in the PPP literature who place more emphasis on the managerial efforts that are made in the partnerships (Klijn and Teisman, 2003; Hodge and Greve, 2005). This is commonly found in older works on strategic alliances published in the Business Administration literature (see Niederkofler, 1991, Borys & Jemison, 1989 for examples). The literature on governance stresses that partnerships are complex and involve many actors (often outside the direct partnership). Decision-making processes have to be actively managed, and these management-related activities are frequently referred to as network management activities (O'Toole, 1988; Meier and O'Toole, 2007; Mandell, 2001; Koppenjan and Klijn, 2004). Similarly, the literature on network management displays a great deal of consensus on the fact that complex processes typical of PPPs are unlikely to generate good outcomes without such an extensive system of network management (see Meier and O'Toole, 2007; Mandell, 2001; Koppenjan and Klijn, 2004).

The number of network management activities that have been put forward in the literature to guide interaction processes is impressive (see Gage/Mandell, 1990; O'Toole, 1988, Agranoff/McGuire, 2001). It is clear, however, that if the network manager is to achieve acceptable outcomes, he has to implement a range of activities to control and facilitate the processes (see Kickert et al, 1997; Agranoff and McGuire, 2001). He has to activate actors and resources (see Scharpf, 1978, Gage and Mandell 1990), co-ordinate goal achieving mechanisms (which include influencing the perceptions and goals of other actors), foster or create organizational arrangements to facilitate and enable interactions between actors (Agranoff and McGuire, 2003) and co-ordinate the stream of actions and interactions between the various actors (Kickert et al, 1997). Earlier research done by Meier and O Toole (2007), for instance, found positive correlations between active network management and the outcomes. In addition, one of the authors of this article found a correlation between the number of strategies employed and the positive evaluations of respondents in environmental projects (Klijn et al, 2010). In general, in examining the governance literature on networks and partnerships, it can be assumed that

better results are achieved when more network management is employed. This leads to our last hypothesis:

- Hypothesis 4: A greater number of network management activities employed will lead to better outcomes for a URC.

#### *Conclusion: organizational form or managerial strategies*

It is clear from the discussion above that there are a number of assumptions in the literature on NPM and governance that are related to the achievement of desirable outcomes, and that the two perspectives differ on what the most important factor in PPP is in achieving good outcomes. Several of these assumptions have been explored and four hypotheses have been formulated in order to verify their accuracy. The main question is whether the organizational form of the PPP (the characteristic of functioning at arm's length and the degree of organization, stressed in the NPM literature) or the managerial strategies employed (stressed in the governance literature) contributes more to partnership outcomes, and it is hoped that our analyses will shed light on this matter. The next section outlines the methods used to address these questions.

### **3. Methodology**

Data from an internet survey conducted between November 2006 and January 2007 was used to test the four hypotheses. The respondents were individuals involved in the Urban Regeneration-related partnerships that were present in The Netherlands at the time. Not surprisingly, it was difficult to determine the exact number of URCs in the Netherlands as a complete listing of all urban regeneration partnerships or Urban Regeneration Companies from which to poll participants was not available. Extensive efforts were made and various sources were used to acquire a complete list of URCs in The Netherlands. Information was sought from the Dutch Ministry of Housing (their policy on priority areas for urban regeneration and regulations on tax relief), from knowledge organizations on urban regeneration and from individual municipalities in the Netherlands who were known to be undertaking urban regeneration projects. Once the list of projects had been constructed, the focus was shifted to surveying individuals involved in regeneration projects with established public private partnerships. Not all projects that were identified were aimed primarily at physical regeneration or involved partnerships, and these were excluded from the final list. This effort left us with 70 projects, which made up a fairly complete sample of urban regeneration partnerships in The Netherlands that matched the characteristics of a URC. The managers of all the participating parties involved in each project were approached to fill out the survey. Of the 210 individuals approached, 68 responded positively (approximately one third). The variables relevant to the hypotheses are discussed below.

#### *Outcomes*

The outcomes were measured using the perceived outcomes of stakeholders as a proxy for the project's overall outcomes. Since outcomes in governance processes such as the processes under study here are strongly dependent on the process, items that are connected to both the content and the process were used to measure the overall outcomes (see also Klijn et al, 2010 for a similar approach). The outcomes that come under the content category focus on the final result and quality of the proposals that were decided



upon and implemented. Outcomes that fall under the process category focus on the quality of the decision-making processes that occurred during the development stage and on whether the work of planning and execution progressed smoothly. Both are evaluations of respondents on the results at the moment the survey was taken. Thus, they are perceived outcomes, or may be conceptualized as outputs.

Table 1 lists the survey items that were used to measure the perceived outcomes of the project. Many of the items used are based on earlier research conducted by the authors and were inspired by the wide range of literature on networks and governance processes (see Klijn et al, 2008, 2010). Respondents were asked if they agreed with the propositions about outcomes (1= complete disagree to 5= completely agree). As can be seen from the individual items, the satisfaction of the managers was seen as a key outcome indicator.

Table 1: Items used to measure process and content- related outcomes.

Content	Process
The proposals are innovative.	The process is managed the right way.
My organization had enough (content) input in the proposals.	Management has adequately managed conflicts between involved parties.
Spatial functions are related in the right way.	The project had made enough progress.
The proposals really tackle the problems in the area.	Parties had enough contacts during the project.
The proposals are realistic and financially feasible.	There has been enough interaction with parties with different opinions.
The proposals are future proof and sustainable.	The results are supported by the parties involved.

The variable outcome was calculated by averaging out each respondent's ratings of all the individual statements. The Cronbach  $\alpha$  for the collated items was found to be 0.855, which statistically allows for the use of "outcomes" as one variable.

#### *Functioning at Arm's Length as a variable*

As mentioned earlier, the "arm's length character" of URCs can be divided into disaggregation and discretionary powers. The variable of disaggregation is made up of a number of statements regarding the role of both the city council and elected officials (alderman) and the ways in which they could control the URC. The statements are listed in Table 2. High scores on items 1, 4, 5 and 8 suggest more disaggregation, while high scores on items 2, 3, 6 and 7 suggest less disaggregation. In the analysis, the latter items are recoded in such a way that high scores suggest more disaggregation, so that all the items could be summed up. Table 2: Items measuring organizational form: disaggregation.

Disaggregation
1. A clear framework was set up by <i>the city council</i> that determined the ranges of freedom for the URC.
2. The control over the project by <i>the city council</i> was tight.
3. <i>The city council</i> wants to be informed frequently on the progress of the project.
4. <i>The city council</i> wants to be informed only as the project steps outside the defined framework.
5. A clear framework was set up by <i>the city directorate</i> that determined the ranges of freedom for the URC.
6. The control over the project by <i>the city directorate</i> was tight.
7. <i>The city directorate</i> wants to be informed frequently on the progress of the project.
8. <i>The city directorate</i> wants to be informed only as the project steps outside the defined framework.

To measure discretionary powers, respondents were asked to what extent their partnership had the power to make autonomous decisions in a number of areas. The question and the items are listed in Table 3. Higher scores on the five-point scale suggest more discretionary powers.

Table 3: Items measuring organizational form: discretionary powers.

"To what extent does the joint organization have the power to make decisions on their own about::
Doing research (for example financial feasibility studies)
The definition of the physical programme
The definition of the social and/or economical programme
The acquisition of land and property
Interaction with and organising input of stakeholders
The closing of contracts with (private) parties for realization
The realization of the project

#### *Organizational tightness*

Tightness was measured by asking respondents the degree to which a set of predefined activities that can be considered standard activities to be performed in regeneration projects were actually executed in partnership. The items are listed in Table 4. Higher scores suggest more tightness.

Table 4: Items measuring organizational form: tightness.

To what degree the following activities are undertaken or performed together in the URC
The sharing of knowledge between cooperating actors
The sharing of costs for research or an architect
The sharing of investments (for example buying land and properties)
The sharing of financial risks
The cooperation in formulating visions and plans
The cooperation in doing research
Joint selection of parties for the realization phase
The cooperation in governmental consultations
The cooperation in stakeholder consultations

The Cronbach  $\alpha$  scores were 0.748 (disaggregation), 0.883 (discretionary powers) and 0.863 (tightness), indicating that it was acceptable for the statements/items used to measure the variables to be used in aggregate.

Table 5 summarizes the average scores and standard deviations of the scores for each variable of the organizational form.

Table 5: Average scores and standard deviations of the variables of organizational form.

	Functioning at arm's length	Discretionary powers	Tightness
Average	3,31	3,43	3,61
Stand dev	0,56	1	0,9

### *Management strategies*

Hypothesis 4 refers to the network management mentioned in Section 3. The degree to which network management is employed was measured using 16 items, which assessed several activities mentioned in the literature (for an overview, see for example, Agranoff and McGuire 2001, O Toole, 1988, Klijn et al, 2010) and are based on earlier research (Klijn, et. al, 2008). These include the involvement of actors (arranging), the development of ideas and solutions regarding content (exploring content), communication, steering and solving conflicts (connecting), and binding actors through various process rules. The items are listed in Table 5. Respondents were asked if they agreed with the statement about the management activity. This means that a higher score on the scale of 1 to 5 suggests a higher degree to which the specific managerial strategy is employed.

Table 5: Management activities.

The relevant public parties are involved through organized forms of consultation.
The relevant private parties are involved through organized forms of consultation.
The relevant social parties are involved through organized forms of consultation.
In the different phases of the project, connections with new parties are sought.
The decision making process is enriched by the involvement of different opinions.
In this project, sufficient attention is paid to the mutual exchange of information.
In the information gathering process, the development and determination of mutual standing points are emphasized.
The project emphasizes the (external) generation of new ideas and innovative solutions.
Sufficient attention is paid to communication between the various parties involved in the project.
In this project, emphasis is placed on making choices together so that the direction of the project is recognized by the parties involved.
In this project, sufficient attention is paid to the basis and development of actor and personal relationships.
In times of conflict during the project, emphasis is placed on bringing together conflicting interests.
Parties are bound to each other by making arrangements and keeping each other to those arrangements.
Parties must sometimes incur losses because of their commitment to the project.
Agreements are flexible in order to be able to deviate if required.
Exit strategies are available if required to protect the interests of actors.

To test the influence of network management, a variable was constructed that measures the number of management activities that were employed, as follows. First, the 16 items that measured the management activities were dichotomized. Next, the number of activities that were actually used in the project were summed up. The results ranged from 2 to 16, with a mean of 9.98 activities (standard deviation 3.51).

### *Control variables*

Besides these variables, three control variables were used in the regression analysis. These include the background of the respondent, the size of the project (measured by the total investment in monetary terms) and the phase of the project (vision development, plan development, realization and completion/supervision).

#### 4. Impact of the organizational form and network management

According to the first three hypotheses, the characteristic of functioning at arm's length, the discretionary powers and the tightness of the organization should be related to the outcomes. The fourth hypothesis, however, suggests that the number of network management strategies has a positive influence on outcomes. To test the hypotheses, a regression analysis was performed, with perceived outcomes as the dependent variable and the three organizational variables (tightness, functioning at arm's length and discretionary power) as well as the number of strategies as independent variables. Three control variables were used (the background of the respondent, the size of the project and the phase of the project). The results of this regression analysis are shown in Tables 6 and 7. It can be seen that the model explains 22% of the variance.

Table 6: Model summary of regression analysis (perceived outcomes as dependent variable).

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.606 <sup>a</sup>	0.367	0.219	0.39375

a. Predictors: Constant, Number of strategies, Tightness, Discretionary Powers, Arm's length, Organization of respondent, Budget, State of Affairs.

Table 7: Coefficients. <sup>a</sup>

Model 1	Unstandardized coefficients		Standardized coefficients		
	B	Std. Error	Beta	t	Sig
(Constant)	2,403	,519		4,629	,000
Number of strategies	,073	,022	,532	3,325	,002
Tightness	,072	,119	,133	,605	,549
Discretionary powers	-,013	,125	-,026	-,103	,919
Arm's length	,103	,134	,134	,771	,447
Organization of respondent	,014	,033	,071	,415	,681
Budget	-,041	,065	-,108	-,630	,534
State of Affairs	,087	,080	,172	1,089	,285

a. Dependent variable: perceived outcomes.

As shown in Table 7, hypotheses 1, 2 and 3 should be rejected. There is no significant relationship between the three organizational variables and perceived outcomes. Given the excessive amount of attention being paid to the organizational form of URCs and PPPs in general, this is certainly a surprising finding. This is discussed further in the conclusion. Quite a different picture develops when looking at the impact of network managerial strategies. These were highly significant in the regression analysis, and thus confirms hypothesis 4.

## 5. Conclusion

The obvious conclusion of the above analysis is that organizational features of urban regeneration companies, such as the characteristic of functioning at arm's length from the government, having discretionary power and the tightness of the organization, do not have a significant impact on outcomes. On the other hand, network management strategies do have a significant influence on outcomes. This is a remarkable conclusion, as much attention is being paid in discussions on public private partnerships in general, and on URCs in particular, to the importance of specific organizational features. The arm's length characteristic and the tightness of the organizational form have, in particular, often been mentioned in both policy documents and policy evaluations as well as in scientific publications as important features of PPPs. However, this is in keeping with prior empirical research on agencies that has shown no significant evidence of performance improvements when partnership organizations are kept at arm's length from the government agencies overseeing them (see, for example, van Thiel 2001). Our results are also in keeping with the results of other studies that have been conducted on PPP projects in general (Steijn et al. 2008) and with the limited, empirical research on the impact of network management strategies on outcomes (See Meir and O Toole, 2007). However, this raises at least two questions: why is there so much attention paid to the form in PPP discussions and what does this mean for those discussions and the different 'families' of PPPs. To start with the last question, although this research study was conducted in only one country, it is clear that more care must be taken in presenting certain organizational solutions (PFI contracts, URCs at arm's length) for a problem (cooperation between public and private actors to solve policy problems or deliver public goods). The form of cooperation taken is only of limited importance to the outcomes achieved and cannot replace the necessity for good management and therefore of doing the hard work. This is especially the case if the job at hand is complex as simple contracts and organizational forms can never replace the managerial activity that is required to match the complexity. This probably greatly reduces the value of the tight PFI-like contracts in the UK to tasks that are very specific and relatively simple.

The answer to the first question is probably related to that of the second. Communicating that partnerships will do the job and signalling that we only have to insert the right organizational forms communicates the message better to a broader public than the message that most of these problems are complex and have to be managed carefully. Thus, partnerships as 'brand' and certainly in a concrete organizational form with a 'storyline' have a rhetorical function to play. A statement from the Sandwell Burrough of Birmingham on 'their URC' highlights why partnership is useful as a brand: *"The Sandwell URC will be a highly focused, tasks driven, independent vehicle for driving the large scale, physical economic transformation of the central core of the Arc of opportunity... The company will be run in a business like way and will be unfettered by its affiliation to two public sector agencies... Fundamental to achieve the Company's aim will be to engage and work in a coordinated manner with other agencies and partnerships with an interest in the physical development of this area"*. However, it is important to note that rhetorical instruments have to be evaluated critically, and this article has attempted to contribute to this.

## References

- Agranoff, R., M. McGuire, (2001), Big questions in public network management research, *Journal of Public administration research and Theory*, vol 11 (3): 295-326
- Borys, B. and D. Jemison (1989), Hybrid arrangements as strategic alliances: theoretical issues in organizational combinations, *Academy of Management review* vol 14, (2): 234-249
- Donaldson, L (1995), *Contingency theory*, Dartmouth Publishing Company, Aldershot
- Gage, R.W., M.P. Mandell (eds.), (1990), *Strategies for managing intergovernmental policies and networks*, New York/London: Preager
- Geddes, M. (2008), Inter-organizational relations in local and regional development partnerships, in: Cropper, S., M. Ebers, C. Huxham, P.S. Ring (eds.), *The Oxford handbook of inter-organizational relations*, Oxford: Oxford University press: 203-230
- Ghobadian, A., D. Gallear, N. O'Regan, H. Viney (eds.) (2004), *Public Private Partnerships; policy and experience*, Houndmills, Basingstroke: Palgrave.
- Hodge, G. and C. Greve (2005), *The Challenge of public private partnerships*, Cheltenham: Edward Elgar
- Hood, C., (1991), A public management for all seasons, *Public administration* Vol. 69 Spring 1991 (3-19)
- Kickert, W.J.M., E.H. Klijn and J.F.M. Koppenjan (eds.) (1997) *Managing complex networks; strategies for the public sector*, London: Sage.
- Klijn, E.H., (2009), Public Private Partnerships in The Netherlands: policy, projects and lessons, *Economic Affairs*, march 2009: 26-32
- Klijn, E.H., G.R. Teisman (2003), Institutional and strategic barriers to Public-Private partnership: an analysis of Dutch cases, *Public money and Management*, 23 (3): 137-146
- Klijn, E.H., J. Edelenbos, M. Kort, M.J.W. van Twist (2008), Facing Management Dilemmas; an Analysis of managerial choices in 18 complex environmental Public Private Partnership projects, *International review of Administrative science (IRAS)*, Vol. 74 (2): pp 251-278
- Klijn, E.H., B. Steijn, J. Edelenbos (2010), The impact of network management strategies on outcomes in governance networks, in (forthcoming) *public Administration* 2010
- Koppenjan, J.F.M., E.H. Klijn, (2004), *Managing uncertainties in networks; a network perspective on problem solving and decision making*, London: Routledge
- Macchiarella F.J., 1986, managing Partnerships: a CEO perspective, in P. Davis (ed.) *Public Private Partnerships: Improving Urban Life*, Academy of Political Science 36 (2): 122-126
- Mandell, M.P. (ed.) (2001) *Getting results through collaboration; networks and network structures for public policy and management*, Westport: Quorum Books
- Meier, K. L.J. O'Toole (2007), *Modelling Public Management: empirical analysis of the management-performance nexus*
- Ministerie van VROM (2002), Letter of the Dutch Minister of Housing, Spatial Planning and the Environment to the Dutch Parliament, regarding the progress of urban regeneration and the selection of fifty priority urban areas, 2002.

- Mulford, C.L. and D.L. Rogers (1982) *Definitions and models*, in: Rogers, D.L. and D.A. Whetten (eds.) (1982) *Inter-organizational Coordination: Theory, Research, and Implementation*, Ames: Iowa State University Press: 9-31.
- NAO (2002) Managing the relationship to secure a successful partnership in PFI projects. London: NAO
- Negandhi, A.R. (ed.) (1975) *Interorganization Theory*, Kansas City: Kansas University Press.
- Niederkofler, M. (1991), The evolution of strategic alliance: opportunities for managerial influence, *Journal of Business Venturing* no6 1991
- ODPM (May 2004) Urban Regeneration Companies – Guidance and Qualification Criteria.
- Osborne, D., and Gaebler, T. (1992) *Re-inventing Government: How the Entrepreneurial Spirit is Transforming the public sector*, Reading, Massachusetts: Addison-Wesley
- O'Toole, L.J. (1988) Strategies for Intergovernmental Management: Implementing Programs in Interorganizational Networks, in: *Journal of Public Administration*, 11 (4): 417-441.
- Pierre, J (editor), (1997), *partnerships in urban governance, European and American experience*, Basingstoke: Macmillan Press Ltd.
- Pollitt, C., C. Talbot, J. Caulfield and A. Smullen, (2004), *Agencies, how governments do things through autonomous organizations*, Basingstoke: Palgrave Macmillan.
- Savas, E.S. (2000) *Privatization and Public-Private Partnerships*. New York: Seven Bridges Press
- Scharpf, F.W. (1978) Interorganizational Policy Studies: Issues, Concepts and Perspectives, in: Hanf, K.I. and F.W. Scharpf (eds.) *Interorganizational Policy Making: Limits to Coordination and Central Control*, London: Sage 345-370
- Sorensen, E., J. Torfing (eds.), (2007), *Theories of democratic network governance*, Cheltenham: Edward Elgar
- Steijn, B, E.H. Klijn and J. Edelenbos (2008), *Public Private Partnerships: added value by organizational form or management?* Paper for the Partnership conference, School of Social and Political Sciences, John Medley Building, University of Melbourne, Australia, Thursday 26 February 2009
- Thiel, S. van (2001), *Quango's: trends, causes and consequences*, Aldershot Ashgate publishing LTD
- Urban Task Force (1999) ,*Towards an urban renaissance*, led by Lord Rogers.
- Weihe, G., 2008, Ordering disorder- on the perplexities of the partnership literature, *The Australian journal of Public Administration*, vol 67 (4): 430-442
- Williamson, O.E (1996) *The Mechanisms of Governance*. London: Oxford University Press

### Appendix 1: Correlations among variables in the analysis

		Number of Strategies	Arm's length	Tightness	Discretionary powers	Organization of respondent	Budget	Phase of project
Number of Strategies	Pearson Correlation	1,000	,132	,274*	,242	-,055	,076	,114
	Sig. (2-tailed)		,352	,039	,075	,681	,640	,389
	N	59,000	52	57	55	59	40	59
Arm's length	Pearson Correlation	,132	1,000	,136	,275	,039	,268	-,143
	Sig. (2-tailed)	,352		,337	,051	,784	,104	,310
	N	52	52,000	52	51	52	38	52
Tightness	Pearson Correlation	,274*	,136	1,000	,644**	,246	,236	,118
	Sig. (2-tailed)	,039	,337		,000	,054	,133	,359
	N	57	52	62,000	55	62	42	62
Discretionary powers	Pearson Correlation	,242	,275	,644**	1,000	,201	,035	,113
	Sig. (2-tailed)	,075	,051	,000		,141	,830	,409
	N	55	51	55	55,000	55	39	55
Organization of respondent	Pearson Correlation	-,055	,039	,246	,201	1,000	,232	,083
	Sig. (2-tailed)	,681	,784	,054	,141		,130	,504
	N	59	52	62	55	68,000	44	68
Budget	Pearson Correlation	,076	,268	,236	,035	,232	1,000	,097
	Sig. (2-tailed)	,640	,104	,133	,830	,130		,531
	N	40	38	42	39	44	44,000	44
State of Affairs	Pearson Correlation	,114	-,143	,118	,113	,083	,097	1,000



Sig. (2-tailed)	,389	,310	,359	,409	,504	,531	
N	59	52	62	55	68	44	68,000

\*. Correlation is significant at the 0.05 level (2-tailed). \*\*. Correlation is significant at the 0.01 level (2-tailed).

**Biography and contact information:**

Ir. M.B. Kort is senior researcher at Erasmus University Rotterdam, Department of Public Administration (e-mail: [kort@fsw.eur.nl](mailto:kort@fsw.eur.nl))

Prof dr. E.H. Klijn is professor at Erasmus University Rotterdam, Department of Public Administration (e-mail: [klijn@fsw.eur.nl](mailto:klijn@fsw.eur.nl))

Address: Erasmus University Rotterdam,  
P.O. Box 1738, 3000 DR Rotterdam, The Netherlands