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# THE EVOLUTION OF CONTROL MECHANISMS

## IN AN INTERNATIONAL PUBLIC PRIVATE PARTNERSHIP PROJECT:

# A EUROPEAN AIRPORT

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### ✉ ABSTRACT

Whether for bi-lateral or multi-lateral joint ventures or for public and private partnerships (PPP), control helps parties form strategic alliances and work together on a unique project while protecting their own identity and goals. Even though most researchers consider formal control such as contracts, governance mechanisms, budgets, schedules, and other project management tools, few encompass informal or social control. This study takes into account both types of control and aims to describe the evolution of formal and social control mechanisms in an international PPP project. An in depth case study of a concession project in a European airport was performed and includes all partners in this Euro-Canadian consortium. Results suggest that from frequent and repetitive interaction between partners emerges a social control that progressively takes more importance in the management of the project. This is not to say that formal control mechanisms first put forward are forgotten but rather that they are the foundation of all inter-organizational collaboration.

### INTRODUCTION

In reaction to the constraints undergone by public organizations, many increasingly rely on public and private partnership projects for the delivery of public services and the development of public infrastructure. These new strategies are better suited to helping public organizations face the complexity of the socio-economic context, the development of new information technology and labor shortages. Governments now associate themselves with the private sector in order to face these challenges and enhance their performance. In fact, over the past few decades, following modern project management trends and management by results strategy, PPPs are now more common on both national and international levels. These so-called “inter-species or hybrid marriages” (Astley and Fombrun, 1983) have also been popular in developing or emerging countries as an international aid strategy (Ramonjavelo et al., 2006; Chen and Li, 2008).

In this type of context, they raise many economic, social and political issues (Chen and Li, 2008) since in these “inter-social worlds” (Strauss, 1991), each partner tries to defend its objectives and interests through the implementation of formal control mechanisms (Ouchi, 1979; Woolthuis et al., 2005). Nevertheless, since contracts are incomplete by nature and since inter-organizational environments are often hostile, particularly in an international context, social control mechanisms may compensate for the deficit of contract clauses and for formal control mechanisms - especially in large projects.

It therefore becomes attractive for all parties to make use of social control mechanisms in addition to coordination and governance measures based on formal control mechanisms to ensure the success of their collaborative strategy. Yet very few researchers have explored the simultaneous evolution of formal and informal control mechanisms in projects conducted between partners of different countries with differing missions, objectives, values and institutional logic. These mechanisms underlie what Hafsi (2009) calls “management of management” which focuses on relations between partners in the PPP project rather than on the project itself. Even though closely related to stakeholders’ management, the difference lies in the focus which does not encompass tools to

enhance relationships but rather on the evolution of the relationships whether tools are used or not.

This research centers on the development of interaction between parties (*actors and organizations*) and it therefore adopts the perspective of the negotiated order (Strauss, 1991). Using an in-depth case study of an international PPP project, it aims to analyze the collaborative dynamics underlying the project implementation. The next section of this paper defines the main concepts of the research: the PPP project strategy and formal and social control. Following this is a presentation of the conceptual model that emerged from the review of the literature. The fourth section describes the research methodology and the international PPP project selected. The data collected on site is analyzed in order to develop a better understanding of the dynamic of formal and social control in the course of relations between partners to a PPP project. A discussion comes next and is followed by the conclusion which formulates recommendations for public and private sector project managers.

## 1. Formal and informal control in PPP projects

In this section, we present the main concepts on which this research is based. PPPs are first defined and the two axes of analysis (*formal and informal control*) are then presented.

### 1.1 Public private partnership (PPP) projects

PPPs have been regarded as an important re-engineering mechanism for public organizations and as a recommended strategy form a modern project management perspective and it has therefore been defined by both public institutions and by researchers. The federal Crown Corporation, PPP Canada (2013) define them as “a longterm performance-based approach to procuring public infrastructure where the private sector assumes a major share of the risks in terms of financing and construction and ensuring effective performance of the infrastructure, from design and planning, to long-term maintenance.” Public and private partnerships aim to resolve issues linked to the design, planning, building and

management of large complex infrastructure projects. Infrastructure Quebec (2013), an organism centered on supervising PPPs for the provincial government, notes that the PPP strategy “implies a public organism associated with one or many private firms that do not necessarily finance the project but that take charge of the design, building and management of a piece of public infrastructure such as a highway or a hospital.”

Sustaining the idea that these partnerships gather entities from the public, private and associative sectors, Waddock (1991) calls them “social partnerships” rather than PPPs. He therefore defines them as a voluntary collaborative effort between actors belonging to several economic sectors that aim at resolving complex and undividable problems (Aldrich, 1977) or issues that emphasize their mutual interests regarding the public agenda. This definition targets the social imprint of PPPs and the interdependence of parties in opposition to a majority of researchers who limit their understanding to the sharing of risks, resources and benefits (Dawes and Préfontaine, 2003; Ramonjavelo et al., 2006; Préfontaine et al., 2009). To summarize, these inter-sector “marriages” respond to economic and social needs and they take different forms, from subcontracting to concessions.

Nijkamp et al. (2002) insist on de-diverging objectives carried out by the partners. In their eyes, PPPs appear as cooperative institutional forms between actors from public and private sectors who, on the basis of their endogenous goals, work together to reach a common objective and share their resources, competencies and strengths. Furthermore, the sharing of risks represents one of the pillars of this collaborative strategy; both partners accept the risks of investing on a predefined distribution of costs and benefits (Ramonjavelo et al., 2006) even though according to Flyvbjerg (2013), estimates are too-often fallacious. In day-to-day life, this strategy is not based on a fixed structural model of collaboration but on a “customized” organization created on structural, cultural and cognitive arrangements (Hafsi, 2009) in order to complete a specific project (Nijkamp et al., 2002).

Lastly, Bovaird (2004) adds a new dimension to PPPs, stipulating that beyond the formal clauses of the contract lays the mutual commitment of the parties. In his view, partnerships depend on the intensity of the partner’s commitment and on their informal relationships. Contracts are incomplete and risky (Williamson, 1993) and they cannot cover every event that might occur. Researchers increasingly consider that the success of

PPP and the essence of collaboration necessitate both formal and informal understanding between partners.

### 1.2 Definition and types of control

Organizational control, as noted by Ouchi (1979), has been largely defined in the literature and interpreted differently by researchers. In a broad sense, it is viewed as a multi-dimensional variable which includes different tools and instruments to mitigate relational risks (Woolthuis et al., 2005). In a narrower sense, control is associated with an ensemble of means such as financial penalties used to dissuade or coerce opportunistic behavior (Shapiro et al., 1992). In this sense, exerting control equates exclusively to a power relationship.

According to Geringer and Hebert (1989), control stands for processes on which a party relies to influence, to varying degrees, actions and the results of another party. These processes include exercising authority or coercion, implementing regulations and the use of bureaucratic, cultural and informal mechanisms. These authors define three types of control that can be adopted by alliance partners. Firstly, there are contextual mechanisms that include informal means used to develop a climate favorable to satisfying partners’ objectives. These mechanisms manifest themselves through the emergence of a team spirit or a culture of partnership between actors involved in a common project. Secondly, Geringer and Hebert (1989) identify formal control measures explicit in contracts, governance mechanisms and an ensemble of bureaucratic rules. These measures rely on the interpretation of explicit information such as laws, financial data and budgets (Inkpen and Curral, 2004). Lastly, the authors cite control processes. These are based on a party’s capacity to influence decision-making in the collaboration, for instance planning the “modus operandi” of the alliance activities.

Taking a step further than Leifer and Mills (1991), Das and Teng (1998) found that control is important because it renders the actions of partners predictable through the establishment of either formal or informal standards. According to these authors, formal control includes all mechanisms based on power, dissuasion and even coercion relative to opportunistic behavior (Woolthuis et al., 2005). This type of control corresponds to the formal and bureaucratic mechanisms described by Geringer and Hebert (1989). Nevertheless, it is widely recognized that standards and subjacent formal rules cannot be applied efficient-

ly in an organizational partnership context which is complex, hostile and unforeseeable in the long term and characterized by ambiguous processes and relatively incommensurable objectives.

From this perspective, and based on the organizational reality they observed, Horwitz (1990) and also Das and Teng (1998) identified a second type of control with a social imprint. It emerges from the values and norms shared by the parties. Informally written, it values a form of control for the underlying convergence of visions, culture and requirements relative to standards of reciprocity. This social control corresponds on what Ouchi (1979) identifies as clan control founded on organizational socialization mechanisms. Rules and laws, sources of formal control, are only references permitting partners to react to normative violations, whereas informal norms issued from a common sense of morality determine the limits between good and bad choices and the possibility of relying on formal institutions in the case of litigation. Social control is more or less “invisible and intangible”, and it emerges from socialization, the learning processes, from spontaneous interaction between partners and the personal relationships that link managers (Inkpen and Curral, 2004). The logic of social control lies on the social norms that govern interpersonal relations (Horwitz, 1990).

Geringer and Hebert (1989) acknowledge the fact that these contextual mechanisms (*including culture*) promote partner implication in the PPP project. Compared to formal control, social control is more uncertain and ambiguous (Inkpen and Curral, 2004). For this reason, researchers put the emphasis on formal control and analyze the impact of institutional formal instances while ignoring the “everlasting power of social control in modern life” (Horwitz, 1990, p. 5). Though many scholars consider this variant of control to be an anomaly or an unimportant phenomenon in the organizational world (Horwitz, 1990), it may well represent the foundation of control as exercised in partnerships. Indeed, one of the major issues relative to managing hybrid relationships such as international PPP projects is the divergence of values and of the organizational strategies of partners (Vangen and Huxman, 2003) and their ways of “seeing the world”.

Do stakeholders’ relationships in a PPP project compare to a battle to win, or should they rather be viewed as “sensible ecosystems” that can accommodate themselves to work more efficiently (Clegg et al., 2008)? In our view, gaining power is not the answer, it is necessary to create a joint framework between partners in order to imple-

ment a common denominator that will guarantee the success of their interactions. We should focus instead on the creation of relationships and maintaining them during the course of the project (Bourne and Walker, 2006).

## 2. Conceptual framework and modeling the evolution of formal and social control

Starting with our research question and adding the fact that PPP projects are a kind of “mixed marriages” or “inter-species” collaborations (Astley et Fombrun, 1983) between partners with different perspectives, it is essential to analyze the evolution of interaction between partners during the course of the project. This examination should help to better observe the evolution of the dynamics that underlie collaboration between actors from the public and private sectors and more specifically, the mechanisms of formal and social control.

Adding up to national divergences, disparities between public and private social worlds (Strauss, 1991) may cause friction regarding the objective of the international PPP project. In fact, sharing control or power of the strategic management and the operational goals of the project represents the main characteristics of strategic alliances such as international PPPs. Therefore, the particularities of these mixed marriages, the disparity of their characteristics, institutional environments and national and organizational cultures can alter the project’s success. In a parallel direction, it is the synergy that rises from these organizational, institutional and cultural disparities that constitute the essence of these inter-sector strategies (Préfontaine et al., 2009).

Since collaboration is a social relationship that emerges and evolves with actors and their interactions, the perspective of negotiated order renders itself appropriate for the study of intra or inter-organizational collaborative relationships in an international PPP project. This perspective holds a particular interest for negotiation dynamics between actors and recognizes the complexity of the organizational world on a micro level and their respective impact on the creation and transformation of negotiated order in the business world (Nathan et Mitroff, 1991; Strauss, 1991). Since social problems usually appear on the micro level, this theory suggests that actors’



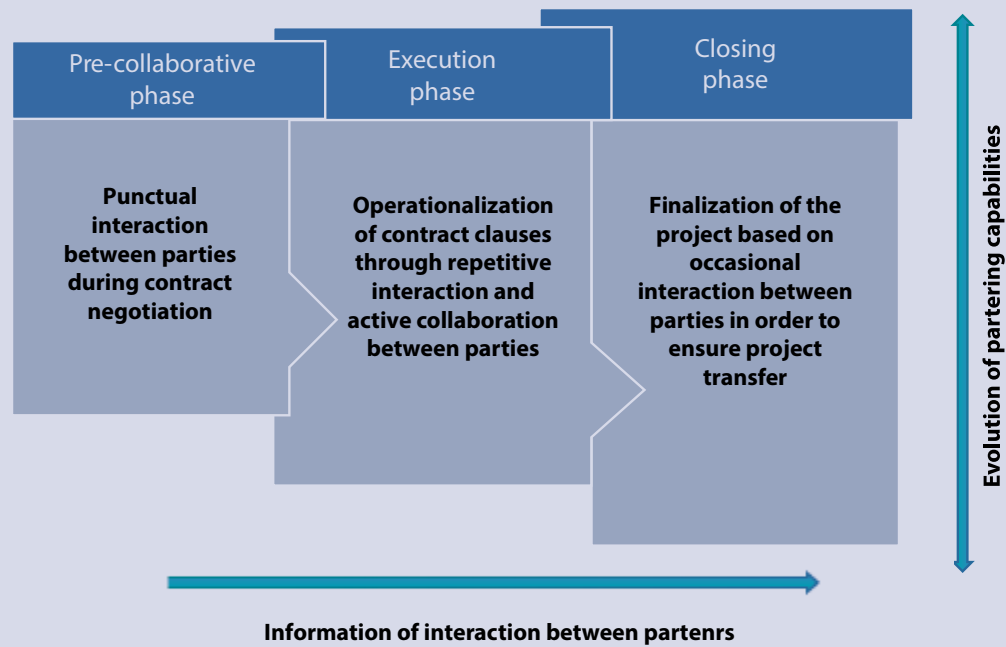


FIGURE 1. Evolution of interaction between international PPP partners

behavior is based on interpersonal interactions that vary in function of formal, social and clan mechanisms (Ouchi, 1979). The negotiated order perspective therefore represents the lens through which the evolution of formal and social control is explored and the conceptual model is constructed. This model, presented in figure 1, shows the interaction between partners in an international PPP and the evolution of types of control over the course of the project.

As suggested by Pinto and Slevin (1989), it is mainly during the execution phase that partners intensify their interactions in order to translate their collaborative agreement into operational terms. At the beginning of their partnership, during the pre-collaborative phase of the project, parties principally rely on laws and written rules as the foundation of formal control. During this phase, the public partner, taking hold of the laws and regulations relative to public markets, invites tenders according to the criteria prescribed by law and interested private firms or consortia decide to participate or not.

In the particular context of projects involving partners from different countries, the importance of laws, regulations and formal control mechanisms are most important. No party would engage in a large scale partnership project if the legal and institutional systems of the host country do not preserve its interests and guarantee its rights. A private firm engaging in an international PPP faces such a situation: the public instance

with which it does business also holds the legislative power that could be used in a discriminatory way to impede on the project. Once the private partner is selected, parties enter the negotiation phase that ends with the contract signature – a formal control mechanism that links the parties in the PPP. The contract represents the basic interests of both parties which will be preserved over the course of their collaboration (Woolthuis et al., 2005).

During the execution phase, parties get to intensify their interactions. They slowly develop a frame of reference to pursue their common objectives as well as their own corporate goals (Ramon-javelo et al., 2006), especially in an international context. This frame of reference becomes the essence of social or clan control (Ouchi, 1979) based on the sharing of norms and values (Horwitz, 1990). Since contracts are by nature incomplete and because inter-organizational environments are complex and often hostile, parties in a PPP cannot predict all the changes that might occur over their project (Skander & Préfontaine, 2010). This is a way that social control, as well as formal control, can support the re-orientation of actions to be taken. It is through this line of thinking that Doz and Hamel (1998) underlined the importance of social dynamics in strategic alliances: “After the deal is signed and the corporate chieftains have given their uplifting speeches, the success depends on people who do the work.” (p. 139).

One of the issues faced in PPPs is reaching the equilibrium between formal and structural aspects and the evolution of social interactions underlying such projects. This challenge is even greater in international PPPs where diversity of missions, objectives and the characteristics of parties are heightened by the diversity of their institutional logic and of their national cultures. In an ideal partnering context, partners to an international PPP primarily rely on formal control mechanisms to initiate their interactions and negotiate the terms of the contract during the pre-collaborative phase. They act according to the laws governing public and private partnerships and public tendering. These formal laws and regulations form the frame of reference of their future collaboration. Additionally, over the course of the project and through their continuous and repetitive interaction, partners may develop a shared set of values and norms. During the execution phase, relations between partners intensify (Pinto and Slevin, 1989) and they develop a “modus operandi” based on social or informal control mechanisms. In the long term, these can become a substitute for formal control and it can facilitate interaction. It is therefore during the execution phase that partners learn to collaborate effectively and they slowly develop a common frame of reference and a group culture or a new “PPP world” (Strauss, 1991) with converging values fostering the use of social control (Ouchi, 1979). Nevertheless, formal mechanisms such as laws, regulations and the PPP contract remain the general framework of partners’ collaboration, especially in an international context.

### 3. Research strategy and case study presentation

The strategy adopted on empirical grounds is qualitative and based on an in-depth case study. As suggested by Yin (2003), this type of research is recommended when a researcher intends to answer “who, how and why questions” related to social phenomena. Furthermore, since this is exploratory research that intends to understand a social phenomenon that is difficult to quantify and that is not well-explored in previous research, the subject should be studied in its natural framework (Yin, 2005) which, in this context, is an in-depth exploration of an international PPP. The case selected complies with this study’s criteria, an international PPP in its execution phase. The selection process also took into account the degree of cooperation offered by both public and private parties and their willingness to provide information about their partnership. In order to conduct in-depth analyses, several data collecting tools such as documentary research (*minutes of the meetings, internal correspondence, contracts, press clippings, annual reports and conferences given by key actors*) were used. In all, thirteen semi-structured interviews of approximately 70 minutes were held with key actors using a pre-tested interview guide. This diversification of primary and secondary information sources leads to different points of view and facilitates data triangulation. Two researchers separately coded the verbatim and written information and developed a common interpretation of the certain

Summer 2001	Launching of the tender and submissions reception
September 2001	Aircraft hijacking and destruction of two skyscrapers in the USA
November 2001	Selection of two bidders and negotiation start-up
December 2001	The MXM consortium is asked to submit its final offer
July 2002	Concession contract signature, sale of 40% of shares to MXM
December 2002	Government sells 20% of its share to the public
November 2005	Government sells an additional 10% of its share to the public and the last 10% to C-1 (independently of MXM)

TABLE 1. Events encountered during the EMA strategic alliance

codes. Analyses were performed using qualitative analysis software (*Nvivo*).

We refer to the case as Project EMA (*fictive name*). This international PPP project involves a public organization from a European country on one side and a Euro-Canadian consortium named MXM for the purpose of this study. Three organizations form the consortium: C-1, a European contractor and airport operator with a final holding of 57.1% of the MXM consortium shares; C-2 a Canadian engineering and construction enterprise with a final holding of 38.75% of the MXM consortium shares; and C-3 a subsidiary of a group of local enterprises specializing in the management of movable and immovable assets with a final holding of 4.15% of the MXM consortium shares. Together, they responded to the tender issued by the public organization G-1, a governmental organization and owner of the airport pursuing a strategy of shedding certain governmental goods and services. G-1 was in search of a strategic partner from the private sector with access to financing means, managerial expertise and human resources necessary to enhance the performance of its airport installations (*APE*) while maintaining a certain control over the future of the project.

With this alliance, the government aimed to enhance its macro-economic indicators (*GDP, growth ratios, deficit, etc.*) by increasing the volume of passengers (*mostly tourists*), commercial interchanges and, by extension, its modernity on the international scene. To accomplish this, the government decided to sell 40% of the shares of its airport to a private dealer. During the last ten years, several events have occurred (*see table 1*) that influenced the development of this partnership and consequently, the inter-partner relationship.

Today, partners in this PPP consider this project a true success story since the annual numbers of passengers and cargo is constantly increasing. As for the government, it considers the project to be the flagship of its concession and privatization of public infrastructure policy. It has since initiated this type of strategy with private firms in the telecommunication and postal sectors.

## 4. Partnership relations in the EMA alliance

In view of the on-site data, it appears that the modernizing EMA infrastructure had been a re-

flexion topic for government since the year 2000; mainly because it's the only aerial entry into the country. Because tourism represents a large part of the GDP, airport infrastructure management is seen as a major priority. The rehabilitation and development strategy of this piece of infrastructure was reached following many rounds of negotiation between the Ministry of Transportation and the National Bureau of privatization: a concession would be sought. In fact, even though the government (*G-1*) had initiated several public and private collaborations in the telecom and postal sectors, the decision to rely on the private sector for the airport infrastructure raised much controversy. The significance of the risks inherent to such a partnership was high and it necessitated political and social support. This was considered a delicate and highly strategic matter. The public party lawyer commented on the situation in these words:

“[...] I think the first thing was the political decision of the government. We have to appreciate that as a small country, it has one airport. And for the government, to lose control of its own point of entry and exit by air was a very sensitive and had a very important political and social dimension.”

At the same time, the importance of the tourism sector for the national economy and the strategic character of EMA as a unique entry point to the country helped public decision makers to choose the concession of a PPP strategy. Their goal was not only to find financing means but also “real business partners” capable of developing, rehabilitating and managing the airport infrastructure on both national and international levels. Like any other PPP, the objective of this project was to profit from the divergence of institutional logic between public and private worlds (*Préfontaine et al., 2009*). G-1 bets on the collaborative advantage (*Vangen and Huxman, 2003*) emerging from the complementarity of parties engaged in a partnership. As proof, the public entity based itself on the formal control mechanisms included in its laws, regulations and instances of public governance to finalize specifications and decide on the processes every private partner should respect in order to deal with a tender. Aside from the key-actors in the Ministry of Transportation and of the Bureau of privatization, the public partner also called on a law office and consulting firms to tie up all processes related to the tendering and selection of the best bidders. These formal control processes and mechanisms should guarantee public interest in such an essential project.

### 4.1 The pre-collaboration phase

The tender was launched over the summer of 2001 and on November 20 of the same year (*following a study of the files submitted by all the bidders*) the government commission in charge of selecting the private partner made its decision. It retained two contenders: a European consortium as their first choice and MXM in second position. Negotiations started with each group separately. Even though the offer by the European contender was preferred over that of MXM, negotiations fell through following the events of 9-11. The incident made the evolution air traffic and the necessary funds to secure airport activities unpredictable. The first consortium scaled down its offer and in doing so, affected its credibility in the eyes of the government. MXM's managers were therefore invited to submit their final offer on December 15, 2001.

All parties involved in the consortium must have been confident in the legal and regulatory system of the country which is the foundation of the formal control framing this alliance; otherwise, no partner would have agreed to join the project. For MXM, it is the legal system of the host country that guarantees their rights in case of a crisis or of a problem with their public partner. This question is particularly of importance when alliances implicate partners from different countries which are used to different legal frameworks (*Ramonjavelo et al., 2006; Skander & Préfontaine, 2010*). MXM's partners looked into the host's legal system and considered the inherent risks before engaging in the tendering process. Beyond traditional international alliances between private firms, doing business with a foreign government suggests that private partners have full confidence in the legal and institutional framework of the host country since they basically define the formal control mechanisms framing their project. This is an essential condition to signing a strategic alliance contract. One of the consortium's managers explains it this way:

“Legal analysis is part of all analyses made by any investor who goes in a different country and does business with a government. He must feel comfortable with the rule of law. Rule of law must exist in the country. It is necessary to be able to pursue government and be treated with equity. If people judge that the rule of law does not exist in a specific country, there are very few foreign investments, it is that simple.”

### 4.2 Negotiations between parties and signature of the EMA contract

Like in all alliances, each party is animated by its own objectives related to its mission. In the case of this project, the public party was aiming for socio-politico-economic long-term objectives. C-1 pursued both economic and political goals in the mid- and long-term while C-2 and C-3 focused on the short- and mid-term. The synergy coming from their shared objectives and the interdependence of their resources gave birth to the partnership and was the foundation of their collaborative advantage (*Vangen and Huxman, 2003; Skander & Préfontaine, 2010*). As an MXM manager said: “The most important thing is that together, we can reach our goals. We are all complementary.” After nine months of negotiations, the contract was signed on July 12, 2002. At that time, the parties discussed and developed the formal markers of their collaboration, thus guaranteeing the rights and obligations of all partners belonging to different social worlds (*Strauss, 1991*). In this case, both their institutional logic and national organizational cultures differed and in some cases, it diverged. For this reason, negotiating cycles are important since the contract acts as a formal control mechanism governing their relations (*Christ et al., 2008*) and that specifies the modalities of their future collaboration, decision making and governance. The terms of the contract were based on compromise (*of missions, objective, values, priorities, means, etc.*) between partners defending the priorities of their public or private social world. Tang and Shen (*2013*) in a study conducted in China, found that at the briefing stage of a PPP project, with its “open and effective communications” and “openness and trust” are among the most important factors to analyzing stakeholders' needs efficiently and effectively.

For example, in order to guarantee the performance of the consortium, the public party opted for a partial remuneration of the dealer according to EBIDATA1 (*part of the payment depending on performance*). This formal control mechanism allows the public partner to supervise quality and profitability of the airport services while establishing pricing rules that protect consumers against abusive inflation of price. The government also put in place a “golden share” to control and prevent any actions by the concession partners that could impede the national interest such as closing the airport.

In the same way, the consortium partners were able to negotiate a contract clause for their



protection with their public partner. If the public partner ever decided to enact discriminatory legislation, by imposing supplementary taxes or fees for instance, that affect the management and governance of EMA, it would be out ruled by this clause. The private partners are thereby also protected against risks of abuses from the government.

In the case of a PPP in particular, the principal is always a public organism. This is why the relationship is never equalized and the balance of power is uneven since in these hybrid marriages, as would not be the case in traditional alliances between private enterprises, the public partner can significantly influence the legislative system. The legal consultant working for MXM stated:

“We must always pay attention when doing business with a government because it is never an equal to equal relationship. A government always has the power and the means that a private partner doesn't have.”

It appears therefore that the contract acts as a formal control mechanism in the EMA concession and will remain the master piece of their collaboration and the operationalization of the negotiations conducted between the public and private parties. The clauses hereby defined are the result of the convergence of the requirements of their social worlds (Strauss, 1991). It holds the relative terms of either their obligations or their rights. They are the parameters of their actions. As suggested by the public respondent: “I think that the contract or legal documentation is just the legal basis of what sets the foundation stone.” As for PPP projects, Cruz and Marques (2013) demonstrated that a “flexible contract” allows partners to adapt their understanding to changing conditions that increase the value of the project.

### 4.3 The execution phase

Once the terms of the contract are negotiated and contract has been signed, the dynamic changes from competitive during negotiations to collaborative afterwards. The negotiated order approach explains this fact in this way: the project's success depends on the evolution of the relationship between partners in the project. Therefore, at the very beginning of the execution phase, actors determine their ways of doing things, their functioning as reflected upon by one of MXM's manager: “So after the contract has been signed, it became smoother, more normal because you go from basically a competition to management, the process changes”.

Information collected onsite shows that managers from the G-1 public partner and those from the concession members (C 1, 2 and 3) start establishing their modes of functioning during the first weeks of the execution phase of EMA. Since this operationalization phase is marked by an intensification of interaction between managers (Pinto et Slevin, 1986), while collaborating on the airport concession, partners get to better understand their partners' motivations and ways of working. A respondent from MXM underlines the importance of this dynamic to counteract the risks underlying a project that would rely exclusively on formal control mechanisms: “You must meet a person, look at her in the eyes and discuss real issues and see how she reacts. The contract is one thing but it can't anticipate everything, it is less than perfect.”

Obviously, members of EMA stakeholder parties must display their open-mindedness in order to understand their respective cultural differences. The public party lawyer expresses it this way: “The issues are understanding different cultures and being able to adapt to them.” This state of mind fosters a relationship based on respect and understanding. From parties to a project, they become real partners by collaborating to define the guidelines that will help them reach their common objectives. This new dynamic based on the convergence of norms, values and visions gives rise to the first elements of informal or social control mechanisms. Formal control mechanisms are then put aside in favor of the new collaborative framework, as a public manager told us:

“I think that once the documentation has been signed and the deal closed, everybody forgets about documentation and gets to business. Then it is a personalized relationship. It develops and goes well beyond the documentation which is just a formality. Your job is to manage your business. And in a way, you consider most appropriate solutions but you never go back to read the documentation, not really.”

In the long term, from this new dynamic consolidated by the regular actors' interactions emerges social control, based on the sharing of norms (Horwitz, 1990). Sharing of objectives, values and visions is based on clan (Ouchi, 1979) or social (Das and Teng, 1998) control. As noted by one of EMA lawyers:

“If there are personality conflicts, they must be addressed rapidly; we might have to change the staff in place. But as soon as they all know each other and work together, we don't speak of parties, we speak of partners.”

At that moment, actors are able to put aside their disagreements in order to profit from the synergy of their diverse perspectives (Ramonjavelo and al., 2006).

This collaborative spirit emerges from the sharing of values and visions between actors engaged in the alliance's social world (Strauss, 1991) as iterated by an EMA respondent: “Yes, we got to understand each other and to develop common values sufficient to become functional and effective.” It is clear that developing a team spirit and partnering capabilities became the basis of the relationships in EMA

Nevertheless, the partnership incurred certain difficulties during the execution phase. For instance, in 2005, the government decided to sell another 20% of its shares. Though C-2 and C-3 weren't interested, C-1 expressed interest in buying them. After a few rounds of negotiations, C-1 finally acquired 10% more shares of the airport infrastructure, independently from the other members of the consortium. Through this acquisition, E-1 gained another seat on the board of directors, which favored its decisional power in the governance of EMA. This could have a negative impact on partners' collaboration though the data collected shows that this move did not impede on the balance of power in the consortium or in the PPP.

In fact, all participants to this research project confirmed their belief that formal control mechanisms must not become the motor of relationships between partners but that their interactions, communications and team spirit remain at the heart of their partnership. By their admission, if every time a conflict occurs they need to rely on formal control mechanisms, this would shake the

general climate and the success of the partnership would be put at risk. This belief is consistent with findings of Ramonjavelo et al., (2006), of Christ et al. (2008) and even of Préfontaine et al. (2009). A lawyer from C-1 expressed this fact: “It is always a lawyer's nightmare when client goes back to read a contract. For us, once you close the deal, you should put that contract in a drawer and never look at it again.” This clearly shows that at this stage, the PPP relies on social control for functioning and has put aside formal control mechanisms. These formal control mechanisms are nevertheless the foundation of the collaborative framework of the parties. At the beginning, these formal mechanisms help to circumscribe the basic rules and to construct the project's general framework. But after a while, during the course of the project, relationships evolve through social control mechanisms (*sharing of visions, values and norms*).

## 5. Convergence of social worlds and emergence of social control

It appears that the EMA project met with great success. To this day, the public and private actors underline their satisfaction regarding not only the attainment of their operational objectives but also the development of their partnering relationships with their counterparts in this project.

During the pre-collaborative phase, parties relied on formal mechanism such as regulations,

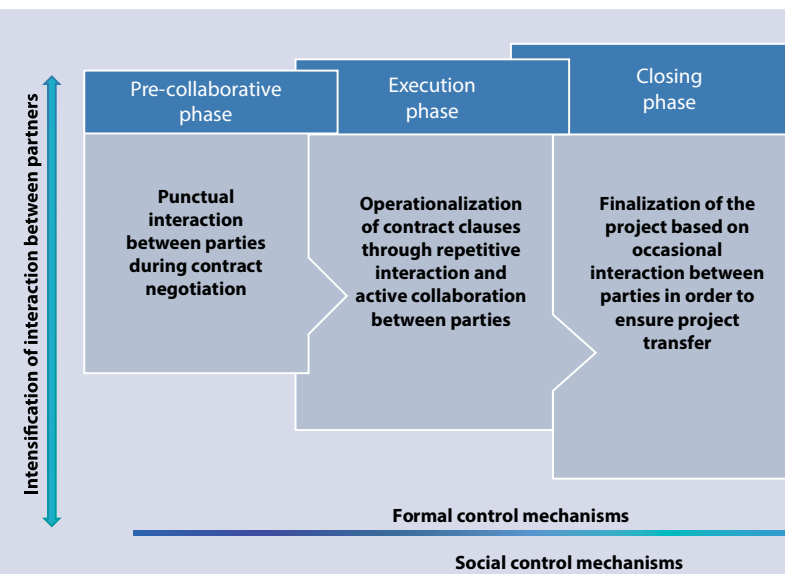


FIGURE 2 . Convergence of the social worlds of parties in an international PPP

laws and rules of public tendering to envision this PPP strategy. In an international PPP where parties come from divergent social worlds and often quite different juridical systems, formal control mechanisms are of the utmost importance.

Nevertheless, during the course of the projects' execution, actors intensify their interactions in order to complete the project. Through their collaboration, parties to this concession also shared their norms and values and progressively become "true partners" and a new social world, the international PPP world arises.

The PPP, whether national or international, takes place at the intersection of the social world between public partners and private partners. In this sense, negotiated order takes shape when partners jointly determine the terms of their collaboration, or, in other words, of their functioning mode. The latter depends on the relative characteristics of the social worlds of each party, of their national and organizational cultures and of their institutional logic.

Consequently, in a PPP, members of both public and private worlds interact to negotiate the formal aspects of their future collaboration through contract and governance mechanisms and also through informal aspects such as norms and the consideration of directive values. However, even though they interact in a conscious and calculated process to negotiate the formal aspects of their collaboration, at the same time, they implicitly define, in a more or less conscious way, the informal aspects (see **Figure 2**).

The results of this in-depth case study show that formal as well as social control mechanisms are paired during the course of the international PPP being studied and that the equilibrium between the two leads to a satisfying relationship between partners and consequently, it is more likely to be tied to the success of the whole project. This goes beyond the concept of project success in terms of achieving its objectives and implies the development of a true partnering capability: actors considered belonging to different and sometimes opposite worlds become partners. These results match the findings of Bonnal and Braesch (2013) who concluded their search for a lean project management approach by suggesting a model for a more collaborative project management framework for large-scale projects.

## 6. Conclusion

This research clearly illustrates the mechanism behind the emergence and evolution of formal and informal control mechanisms in an international PPP. In the beginning, parties establish the basic rules for their collaboration via a formal contract, a unique social world gradually emerges from the interaction between managers, a social world based on the convergence of missions and objectives, of organizational cultures and of common norms and values. Social control facilitates the relationship between partners and allows them to work together in a spirit of open collaboration. These results also support the importance of stakeholder management that is not exclusively limited to the application of tools but that also encompass relationship management in a dialogue-based approach (Chinyio and Akintoye, 2008).

The news frequently provides multiple counter-examples of projects that have failed and of conflicting relations between partners. Comparing PPPs that were successful to others that encountered this type of setback might enable us to discern the pitfalls that put the success of a partnership or a project (or even both) in jeopardy. Studies on the development of formal and social mechanisms in the particular case of international PPPs involving partners from divergent cultures would also be interesting to study – PPPs with a public organism from an emergent country and a private firm from a developed country for instance. While considering the balance of power between partners, it would be particularly opportune to analyze the evolution of the partnering dynamic in this type of context – especially because these types of partnerships generally fall into international strategies of development assistance for organizations such as the World Bank or the African Development Bank.

On a more pragmatic level, this research illustrates the importance of control mechanisms, whether formal or informal for the success of PPP projects. Project managers who are called to collaborate in international PPPs must make an effort to understand the collaborative dynamics of all partners in a PPP: sharing common norms and values with their partners in an international PPP fosters the implementation of social control that principally builds on communication, transparency and open-mindedness.



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