DEVELOPING SUSTAINABLE RELATIONSHIPS THROUGH PUBLIC PRIVATE PEOPLE PARTNERSHIP (4P) PROJECTS

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ABSTRACT

Public Private Partnership (PPP) are sometimes used to procure public infrastructure, if deemed useful in mobilising private finance and expertise for generating innovations and enhanced 'value'. However, when delivering desired 'value' to specific end-users, we should not neglect 'overall value' for the sustainable development of the parent community/society. To address such holistic issues in suitable broader-based projects, wider-ranging 'Public Private People Partnership' (4P) arrangements are proposed to invite and integrate contributions from societal stakeholders through relevant bodies, e.g. social enterprises, NGOs, academia and professional institutions.

Selecting and integrating such stakeholders in a properly structured 4P procurement and operational framework can help formulate more widely acceptable and sustainable designs and mobilise more resources for procurement, construction, maintenance and operation of built assets. This will also help to address grass roots aspirations and concerns earlier, rather than try to resolve conflicts later. However, a major barrier to involving more stakeholders in already complex projects arises in managing their inputs, and relationships, while optimising outputs.

Based on literature review and structured interviews, this paper presents pros and cons of using 4P in selected scenarios such as post-disaster reconstruction. Initial findings confirm that a 4P approach requires superior relationship management. This paper also draws on another study that highlighted the often neglected importance of relationship management in 'traditional' PPP projects. Combining these findings, a case is made for improving relationship management by mobilising the additional P ('people') to appropriate extents in selected PPP projects, so as to identify, prioritise and harmonise diverse stakeholder objectives and target optimal 'overall value' with sustainable relationships aimed at common goals.

Keywords: *Public Private People Partnership, Relationship Management, Stakeholders, Sustainable.*

1. BACKGROUND AND INTRODUCTION

Public Private Partnership (PPP) projects have increasingly covered a wide range of public projects including economic infrastructure such as transportation, telecommunication, power and energy; and social infrastructure such as hospitals, schools, prisons and sewerage. The most significant difference between traditional procurement and a PPP approach is that PPP purchases services, rather than assets only (Grimsey and Lewis, 2004). Successful PPP projects should deliver the required public services and outcomes to the levels specified by the government and should also achieve better value for money compared to traditional approaches.

Since the essential missions of public projects are fulfilling the needs of targeted end-users, as well as the broader community and the people in general, it has been widely acknowledged that representatives of the 'people' should be integrated into the whole procurement process from planning, construction to operation, in order to fully achieve the ultimate goals of public projects – improving living standards in a sustainable manner that would also facilitate continuous improvement.

In order to address this issue, a 4th P in Public Private People Partnership (4P) projects has been introduced in this research. The 4th P is 'people' which would formalise, if not legitimise the participation of important stakeholders in PPP projects. People could be represented for example, by Non-Governmental

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Organisations (NGOs), the community, academia, media and so on, the appropriate choice being made according to project nature and needs. The authors hypothesise that multiple synergies could be generated across but only after the missing link – the 4th P - is formally incorporated in the partnership and their contributions injected into the planning, development and operations.

Drawing on the research that highlights the often neglected importance of relationship management (RM) in 'traditional' PPP projects, this paper first presents pros and cons of 4P in more obvious special scenarios such as post-disaster reconstruction where various 'people' necessarily get involved over time, but currently in an ad hoc informal manner. Initial findings from literature review and structured interviews confirm that a 4P approach in such special scenarios also requires superior RM. Based on these findings, a case is made for improving RM by mobilising the additional P ('people') to appropriate extents in other types of PPP projects as well.

2. RESEARCH METHODS

Our initial research on 4P focused on the application in one particular scenario, which is post-disaster reconstruction. Post-disaster infrastructure reconstruction projects require engagement, participation and contributions from multiple stakeholders, such as NGOs, local communities, professional organisations and media. In fact, these parties do get involved in recovery activities, but always in ad hoc and hence inefficient modes. Therefore, reconstruction projects provide particularly high potential for benefiting from the 4P proposition of integrating 'people'- these key stakeholders into the development and operation of the reconstructed facilities and services. Following an initial literature review, this proposition was tested and confirmed through semi-structured interviews and two parallel questionnaire surveys. Questions asked in the interviews and questionnaires were mainly derived from the literature review that integrated relevant threads from previous research on post-disaster reconstruction, the role of 'people' in disaster management (DM) and the nature of PPP. Interviewees were practitioners and scholars with either PPP experience or DM/post-disaster reconstruction experience from the construction industry, renowned NGOs, public sectors and university academia in Mainland China and Hong Kong SAR. The findings presented in this paper are consolidated mainly from 12 first round interviews. The profile of the 12 interviewees is shown in Table 1.

Table 1: Profiles of Interviewees

Working area	Profile
Disaster management	3 (1 senior manager from an NGO + 2 'Hong Kong Humanity Award' winners)
Post-disaster reconstruction	6 (3 civil engineers + 2 academics +1 officer from Hong Kong Development Bureau with relevant experience)
PPP	3 (1 senior manager from Hong Kong Airport Authority + 2 academics)

Two types of questionnaires were distributed separately among (1) PPP professionals and (2) DM professionals, since there are few experts with deep knowledge and experience in both fields. PPP based questionnaires were sent to members of NCPPP (National Council for Public-Private Partnerships) in USA, Partnerships Bulletin, NZCID (New Zealand Council for Infrastructure Development), Partnerships Victoria (Australia) and other such PPP organisations through emails. 41 responses were received. DM based questionnaires were sent to DM government agencies and NGOs around the world and 40 responses were received on this other questionnaire.

This paper also draws on relevant findings from a recently finished PhD study that focused on RM in PPP infrastructure projects (Zou, 2012). Space does not allow description of the structured methodology, but the main research methods included a critical literature review, structured interviews, two rounds of questionnaire surveys and a case study, followed by a validation exercise.

3. LITERATURE REVIEW AND INITIAL FINDINGS

3.1. PUBLIC PRIVATE PEOPLE PARTNERSHIP (4P) PROJECTS AND DISASTER MANAGEMENT

Construction projects, especially public infrastructure projects would have socio-economic, environmental and other impacts on the broad society and communities during their life cycle. Therefore, other stakeholders' interests should also be considered and protected. Furthermore, these stakeholders could, given appropriate opportunities, also contribute and benefit the project or the broader society through their participation. Viewing this from a value perspective, beyond the traditional concept of 'value' that merely focuses on a clients' perspective of cost/quality/time and profitability, a broader perspective of 'overall value' encompassing wider issues such as environmental and social impacts is being increasingly emphasised. To identify and target appropriate 'overall value', numerous scholars suggest that it is imperative to involve key stakeholders in the process of both decision making and project delivery, especially in large, complex and high-value projects (Thabrew *et al.*, 2009; Achterkamp and Vos, 2008; Boddy, 2002). In the specific context of disaster mitigation, aiming at achieving better performance and services from rebuilt facilities and enhancing 'overall value' over the long term, a 4P approach to integrate 'people' upfront in 'ex-ante frameworks' was proposed by Kumaraswamy (2008).

In the proposed 4P approach tailored for ex-ante disaster mitigation and post-disaster reconstruction projects, 'people' refers to NGOs, local communities, professional groups, academia and media. NGOs provide professional assistance and services in both short-term rescue/response and long-term recovery/reconstruction. It is accepted world widely that local communities should be proactively involved in planning and decision making processes of reconstruction and throughout the DM cycle. Professional organisations, especially those engaged in civil engineering practices, contribute numerous modalities such as establishing technical groups to assess building damages and sending expert consultants to assist in reconstruction. Based on this, the following question was asked in both interviews with construction industry professionals and in the PPP-based questionnaire: 'In this research project, people (communities, NGOs, professional organisations and media etc.) are proposed to be integrated into a PPP to form an expanded holistic 4P approach for better DM. Do you think it is necessary to build such 4P structures and mechanisms beforehand?' The responses summary is in Table 2.

Table 2: Necessity of Building 4P Mechanisms

	Necessary	**Not necessary**
Interviewees	100%	0%
Respondents from PPP-based questionnaire	77.2%	22.8%

The above summary suggests that most of the interviewees/respondents believe it is necessary to build ex-ante frameworks with 4P mechanisms for post-disaster reconstruction. The reason that the perceptions of 'necessary' from interviewees is higher than from the questionnaire could be that the researcher could explain the background and possibilities in more detail to interviewees than is possible in the questionnaire introduction. Therefore, the interviewees would have probably understood the proposed 4P mechanisms better.

In addition, the importance of 'people' was further emphasised by interviewees with reconstruction experience after the 2008 Sichuan Earthquake in China. They said for example, that:

'The role of people in Sichuan reconstruction is very prominent. Since the disaster affected area is a minority gathering region, it is essential to understand and protect local culture and customs in reconstruction.'

'Different from usual construction projects, reconstruction projects have a stronger social nature and much broader impacts. The objective is not only recovering but also improving the life quality of affected victims. There are hundreds of projects waiting to proceed after a destructive disaster, it is critical to make the right decision of which projects to go first and how to do so. The decision making process needs the participation of various related organisations and groups.'

Despite the imperatives for, and benefits from involving 'people', the obstacles and barriers to achieve successful partnerships between these various parties cannot be under-estimated. According to the international questionnaire survey findings, the effectiveness of the various ad hoc partnerships between multiple parties in post-disaster reconstruction is already very unsatisfactory. There is a woeful lack of relevant policies, regulations and standard contracts or agreements to clarify, safeguard and implement the partnerships between the many involved parties. The mutual trust, collaborative team culture, effective communication and transparency especially needed in partnerships are not easy to build and achieve. In addition, conflicting interests will arise from inconsistent objectives of multiple parties. The responses to the following question are presented in Table 3: 'Please rate the current practice/status of the following identified factors to achieve successful partnerships between public, and private sectors and people (communities, NGOs, professional organisations and media)'.

Table 3: The Current Practice of Partnerships in Post-Disaster Reconstruction

	Very inadequate	**Inadequate**	**Adequate**	**Good**
A. Establishing relevant policies and regulations	6.7%	53.3%	26.7%	13.3%
B. Formulating formal contacts and agreements	6.7%	66.7%	13.3%	13.3%
C. Transparency	21.4%	57.1%	14.3%	7.1%
D. Checks and balance	13.3%	60.0%	20.0%	6.7%
E. Effective communication	6.7%	53.3%	33.3%	6.7%
F. Mutual trust	13.3%	46.7%	33.3%	6.7%
G. Commitment from senior managers	0.0%	66.7%	26.7%	6.7%
H. Collaborative team culture	6.7%	46.7%	33.3%	13.3%
I. Long-term sustainable development perspective	13.3%	66.7%	13.3%	6.7%
J. Consistent objectives	13.3%	40.0%	33.3%	13.3%

The above results show that the current status of most ingredients of successful partnerships are seen as 'unsatisfactory', e.g., the combined rating of 'Very inadequate' and 'Inadequate' for all identified factors range from over 50% to 80%. Therefore, superior relationship management (RM) is required for building successful partnerships in such 4P projects. Although the above initial findings are extracted from the questionnaire survey on post-disaster reconstruction projects, it is proposed that the importance of better RM in any 4P project can be extrapolated or at least hypothesised from the above discussion, given the multiple partners and potentially conflicting diverse interests involved.

3.2. RELATIONSHIP MANAGEMENT AND PPP

The inadequacy of traditional project management to deal with conflicting agendas as well as uncertainties, had driven industry focus towards relational contracting, partnering, joint risk management and other collaborative arrangements, which target efficiencies through team working, softer skills and mobilising good relationships (Rahman and Kumaraswamy, 2002; Walker and Hampson, 2003).

This suggests a relationship approach, based on relationship building and management, as an emerging construction management paradigm (Pryke, 2004). Whilst broader than relational contracting and relationship management (RM), the relationship approach can also include mobilising social capital and better relationships for developing synergies, core competencies and added value. It shows how to create and sustain effective inter-team and intra-team relationships between the client and the project team. Extending this further, stakeholder RM is also important (Cleland, 1986; Jergeas *et al.*, 2000). Efficient management of the relationships between the project management team and other project stakeholders is

an important key to project success, given potential risks and extra costs that often arise later e.g. from excluding end-users, neighbours and relevant interest/pressure groups (Zheng *et al.*, 2008).

Based on the above, construction industries are currently in transition from innovations in procurement and project management approaches, in particular, moving towards collaborative contracting and technologies with partnering relationships between project actors, based on relational contracting principles and procurement initiatives e.g. in framework agreements, alliances and 'relationally integrated value networks' (Pryke, 2004; Cheung and Rowlinson, 2011; Anvuur *et al.*, 2011).

Traditional PPP goes through several quite distinct stages, therefore the relationships move from building 'internal' bidding team (SPV) relationships to bidding/development team (SPV)/procurer relationships, and finally to delivery team/customer/end-user relationships, whilst still maintaining the SPV/procurer agency relationship. The principal relationships in a PPP change in relative intensity and importance during these various stages – before the financial closure, the development/design and construction phase and the operational phases. However, good RM is clearly needed at all stages for any successful PPP. This was studied and established in a recently completed PhD thesis (Zou, 2012).
The findings presented in Table 4 were extracted from one part of one of the questionnaire surveys in this PhD study. Based on 42 responses from a cross-section of experienced participants from public and private sectors in a range of PPP project types, the summary indicates that: RM is more important in PPP because of the longer term contracts; successful RM will help to improve the performance of the present PPP; RM can help maintain and improve relationships between PPP parties; and future PPP business can also be increased by effective RM. Of particular interest to the present integrated study/paper is the dominant view that RM should include 'internal and external relationships'.
Extending the above findings on PPP in general, to the 4P scenarios developed and described in sub-section 3.1, the additional dimension and complexity of shareholders involved in 4P projects calls for even better RM. From the social network perspective, the whole 4P network includes many criss-crossing direct and indirect relationships between all stakeholders of the project, from government departments, private companies, consulting companies, contractors, banks and insurance companies to the multiple representatives of the 4th P.

Table 4: Characteristics of RM in PPP

	Strongly agree	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**
RM is very important for PPP because it involves long term contracts	61.5%	28.2%	7.7%	0.0%	2.6%
Successful RM will be helpful in improving the performance of the present PPP	54.1%	43.2%	2.7%	0.0%	0.0%
RM is to maintain the relationship between PPP parties	35.3%	44.1%	14.7%	5.9%	0.0%
RM is to improve the relationship between PPP parties	45.7%	40.0%	11.4%	2.9%	0.0%
RM should include internal and external relationships	42.9%	34.3%	14.3%	8.6%	0.0%
Effective RM will increase chances of future PPP contracts	51.4%	34.3%	11.4%	2.9%	0.0%

4. IMPROVING RELATIONSHIP MANAGEMENT BY MOBILISING THE 'PEOPLE'

Having identified the above challenges and needs for better RM in 4P scenarios, suitably injecting the 4th P can on the other hand, provides opportunities for improving RM, since 'people' can provide the 'missing link' that cements the partnership.

A 4P approach can mobilise important stakeholders via a well-structured strategy, so they could play significant roles and make positive and synergistic contributions to certain types of PPP projects. This could yield positive impacts in reconciling the relationships between public and private parties, particularly with the current focus on sustainability in project delivery. On the other hand, this could also trigger 'negatives', such as more complex negotiations, decision making processes and personal/ relational

disputes. The practical issues in injecting the 4th P into PPP are therefore: (a) how to select and engage them, and manage expectations; while minimising potential disputes in general; and (b) particularly, how to structure the formal partnership and develop the relationships across the 4P.

Clearly, the integration of multiple stakeholders into the already relatively complex PPP projects raises questions on which stakeholders should be involved, when and to what extent, how to involve them and the balance between the 'inputs' of efforts and costs to involve them and the 'outputs' in improved performance levels. 4P is certainly not a panacea for all procurement scenarios; not even for those (the sub-set) that merit considerations for PPP. Comprehensive research should be done to test and justify the use of 4P for certain types of projects that are suited for PPP to start with.

Public projects normally include both 'hardware' construction like for power supply, water supply, school buildings, hospitals and roads, as well as related 'software' building like for education or medical services. It is recommended that where more 'software' is needed in a public project, then more inputs and 'buying in' is required from 'people'. In general terms, social infrastructure requires more inputs from 'people' than purely physical infrastructure. These inputs became indispensable especially when social infrastructure extends to the provision of certain types of social services.

In this 4P approach, in terms of core contributions, the government can provide an overall enabling environment; the private sector can contribute financial resources and commercial expertise and efficiencies; and NGOs can help formulate, implement and propagate the social development agenda more realistically and efficiently at the grass roots level; professional bodies can mobilise relevant special expertise; the media can raise public awareness and help harness opinions and social capital. All these can help to inject better value into project design, mobilise and optimise more resources for procurement, construction and operation and maintenance; as well as reinforce commitments and sustain relationships to meet agreed objectives more efficiently. Significantly, this transforms a less effective two-party partnership (PPP) into a more representative integrated three-party partnership (4P). The following case example suggests where earlier mobilisation of the 4th P could arguably have helped reduce the initial disruptions to the planning and launching of this mega project.

5. CASE EXAMPLE OF WHERE 4P COULD HAVE BEEN BETTER THAN PPP

The West Kowloon Cultural District Project is one initiative in a strategic thrust to make Hong Kong 'Asia's World City', in this case through world-class cultural infrastructure (Lee and Haque, 2006). However, this megaproject suffered from a number of false starts from soon after its initial announcement in 1998 (An *et al.*, 2011). An international design competition was organised in 2001, and a massive single over-arching 'Canopy' design scheme won the competition. However, the process was aborted after intense public criticism of potentially exorbitant costs, as well as allegedly perceived needs for either a single property developer to handle this, or even if split up, what were widely seen to be potentially excessive benefits for property developers. After more stop-start interruptions, the government established a high-powered West Kowloon Cultural District Authority (WKCDA) in 2006, to take over responsibility for developing the project. Two public consultations were held in 2009 and 2010 (An *et al.*, 2011). In late 2010, a new design competition was held and three reputed companies submitted conceptual design proposals. The WKCDA also held a series of exhibitions to solicit public opinions. The overall concept has finally been finalised and the project is now awaiting the approval from the Town Planning Board (West Kowloon Cultural District Authority, 2012).

According to a joint report by APCO Asia *et al.* (2005), this project was then criticised for its limited public consultation, misinterpretation of public sentiment and lack of transparency. It was alleged that the project planning process lacked broad public consultation, with inadequate involvement of stakeholders and the general public. It was said that the consultation process did not allow for in-depth discussions and favoured the developers by letting them answer the questions they chose. It seemed that key stakeholders were not identified, resulting in mistrust and misperceptions. Furthermore, it was alleged that the Government mistook media reports to represent the public voice.

In hindsight, a 4P approach could have been useful, by which the government could have gauged and

mobilised support for an appropriately structured project. This could have improved the project's 'overall value' and minimised the initial conflicts among different stakeholders. Moreover, it would have avoided the abortive stop-start interruptions that marred the initial phase of this project.

The project development process needs to include key stakeholders from the public sector, urban planners, constituents, arts groups, the general public as well as media. Public buy-in would minimise some resistance and suggest ways the community could monitor and be involved in the project (Parker and Hartley, 2003). Besides, given the characteristics and objectives of the project, the 4th P should have also included the arts community upfront, to assess their needs and to enable the future facilities to meet their aspirations from the outset.

6. CONCLUSIONS

Apart from the basic benefits inherent in upfront integration of relevant stakeholders, the proposed 4P approach could help improve RM by providing the fundamental links for harmonising the different objectives of public and private sectors in a PPP, resolving their differences faster, developing and reinforcing stronger commitments and cementing the partnership. In short, 4P can create a healthy environment for developing and continuously improving sustainable relationships. Like any long-term relationship, it is best to keep these congenial, transparent and balanced, resolving small problems before they could turn into big ones. However, when formally 'injecting people' into PPP processes, an optimal balance should be targeted between 'inputs from the 4th P' and 'real and intangible costs of including more people'. If not, the planned net benefits from expected synergies and overall long-term whole-life value may well 'back-fire' in a 4P arrangement. Further research is needed to develop, detail and test the above initial findings. The present propositions are based on the integration of relevant results from two studies as above, and also set the stage for a specific and more focused study. It is also expected from parallel research, that improved RM could in turn increase productivity and lead to better industry practices in general.

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