Institutional Logics and Hybrid Organizing in Public-Private Partnerships

Gottlieb, Stefan Christoffer; Frederiksen, Nicolaj; Koch, Christian; Thuesen, Christian

Published in:
Proceeding of the 34th Annual Arcom Conference

Publication date:
2018

Document Version
Publisher's PDF, also known as Version of record

Link back to DTU Orbit

Citation (APA):
INSTITUTIONAL LOGICS AND HYBRID ORGANIZING IN PUBLIC-PRIVATE PARTNERSHIPS

Stefan Christoffer Gottlieb1, Nicolaj Frederiksen2, Christian Koch3 and Christian Thuesen4

1 & 2 Department of Building Technology and Management, Danish Building Research Institute, Aalborg University, A. C. Meyers Vænge 15, DK-2450 Copenhagen SV, Denmark
2 Division of Construction Management, Department of Architecture and Civil Engineering, Chalmers University of Technology, Sven Hultins Gata 6, 412 96 Gothenburg, Sweden
3 Department of Management Engineering, Technical University of Denmark, Produktionstorvet, Building 424, 2800 Kgs. Lyngby, Denmark

Cross-sectoral collaboration has been touted as a solution to a range of problems in various sectors. In the construction context, public-private partnerships have recently given promises of increased productivity and innovative solutions through business models combining logics and governance structures from both the public and private sectors. Little is, however, known about how partnerships are established to combine different logics in response to competing institutional demands. Drawing on a study of a municipality’s efforts to create cost efficient services, we analyse the formation of two partnerships as emerging hybrid organizations in the intersection between four institutional logics. We show how different logics are mobilized in the process of shaping the partnerships in response to the institutional pluralism and complexity they face. On this background, we discuss how the contours of two different forms of hybrid organization emerged, even though the partnerships initially operated and responded similarly to the institutional demands. We conclude that partnerships can be seen as 'trading zones' that follow different trajectories in coping with institutional demands, and hence the development of hybrid organizational forms.

Keywords: hybrid organizations, institutional logics, PPP, trading zones, complexity

INTRODUCTION

Partnerships are perceived as potential solutions to solve problems emerging in contemporary societies (Andrews and Entwistle, 2010). In particular, there is growing demand and pressure for the public sector to become more innovative, and policies aiming at achieving this are high on the agenda. Strategies for enhancing public innovation have been developed, ranging from New Public Management, emphasizing market competition, to so-called collaborative governance, which “emphasizes multiactor engagement across organizations in the private, public, and nonprofit sectors” (Hartley et al., 2013: 821). Collaborative governance approaches are diverse and vary from governance networks to public-private partnerships that "exploit resource complementarities between public authorities and private firms" (Hartley et al., 2013: 826). Common among these are, however, that they are arrangements that

include stakeholders from various sectors, and that they in contrast to traditional forms of governance combine a variety of organizing models and governance mechanisms in a reflexive effort (Minkoff, 2002) to achieve the fulfilment of a societal need. On paper, a public-private partnership represents a hybrid organization with mutual understandings and institutional logics (Jay, 2013). The consequence hereof is that the traditional areas of responsibilities between the public and the private party shift. Moreover, an internal restructuring of organizational structures and governance processes of the respective parties also takes place, as they are exposed to conflicting demands from different institutional environments (Pache and Santos, 2013). Despite their importance, our knowledge is limited on how partnerships are established in response to such competing demands. On this basis, our aim is twofold. First, we have an empirical interest in understanding how partnerships are established as hybrid organizations as a means for a municipality to create cost efficient services. Drawing on institutional theory, we focus on which problems occur between the different organizations involved, and investigate how different institutional logics are combined and what logic is dominant in the problem solving process. Second, we contribute to the literature on hybridity by addressing the question of how stable hybrid forms of social organization are, and whether they entail a blending of logics or a segregation of logics. In doing so, we draw on the STS understanding of ‘trading zones’ (Collins et al., 2007) as a metaphor for a place where problems of coordination are resolved.

THEORETICAL FRAMEWORK

In the paper, we combine several theoretical perspectives in order to establish an understanding of partnerships that is open towards the empirical findings.

Hybrid Organizations

Borys and Jemison (1989: 235) define hybrids as "organizational arrangements that use resources and/or governance structures from more than one existing organization". Doherty et al., (2014: 418) argue that hybrid organizational forms are “structures and practices that allow the coexistence of values and artefacts from two or more categories”. A hybrid organization does not have a canonized size, but can take different forms, mixing market and social logics from different areas of society (Jay, 2013). A hybrid organization can thus be seen as a company, firm, association, etc. that combines institutional logics in various ways (Battilana and Dorado, 2010).

Regardless of form, hybrid organizations can be seen as responses to an increasing societal complexity in which organizations are exposed to multiple institutional logics “that prescribe what constitutes legitimate behaviour and provide taken-for-granted conceptions of what goals are appropriate and what means are legitimate to achieve these goals” (Pache and Santos, 2013: 973). The upsurge of hybrid organizations can be linked to the plurality of institutional influences that contemporary organizations face (cf. Thornton et al., 2012; Vermeulen et al., 2016). Hybrid organizations are able to pursue objectives that are not possible for an individual firm (Haigh and Hoffmann, 2012). Hybridity can thus be seen as both organizational responses to competing institutional demands and a result of the cross sectoral collaboration where state, market and/or social actors combine resources and blend logics from each their field to complete a task. In both cases, hybridity is a response to external pressure or purposeful strategic agency oriented towards finding responses to handle potentially incompatible or even paradoxical concerns (Ocasio and Radoynovska, 2016).
Institutional Pluralism and Complexity

Institutional pluralism arises from the presence of divergent interest groups each with the power to ensure that their interests remain legitimate (Jarzabkowski, 2009). In pluralistic fields, divergent interests co-exist and give rise to organizational challenges and variations in strategic choices as they provide “viable alternatives that account for practice variation in firms within the same industry” (Jarzabkowski, 2009: 285). Ocasio and Radoynovska (2016) discuss organizational heterogeneity and strategic choices and make a distinction between institutional pluralism and institutional complexity. Pluralism describes a situation when an organization faces multiple, not necessarily incompatible, prescriptions because it operates in multiple institutional spheres. Conversely, institutional complexity refers to the experience of incompatible prescription from multiple logics that might co-exist within the same sphere. The distinction is crucial, as organizations under conditions of institutional pluralism “make commitments to particular combinations of logics based on relatively stable (logic) hierarchies at the field level” (Ibid. 2016: 290). Consequently, institutional contradictions remain dormant due to the organizations’ ability to differentiate among the competing demands. On the other hand, under conditions of institutional complexity, typically associated with periods of institutional innovation and conflicts where established structures are challenged, organizations tend to adopt a particular interpretation of the contradictions of logics to which they otherwise made a commitment. Organizations thus exist in a field where they can interpret the tensions of multiple logics as being either incompatible or paradoxical. In the first situation, the strategic response of the organizations is suggested to be based on a choice to differentiate, choosing one logic over another, whereas organizations facing perceived paradoxical demands have the capacity to integrate or blend competing logics into their business model (Ocasio and Radoynovska, 2016; Vermeulen et al., 2016).

Institutional Work in Trading Zones

Due to the dynamic interaction between institutional logics and organizational responses, it is necessary to part with purely structural explanations in the study of the shaping of hybrid organization. We therefore align with Powell and Colyvas (2008) and Smets et al., (2015) who argue that more attention should be paid to the practices individuals use to construct the relationality between logics. Institutional work provides one such opportunity. Lawrence and Suddaby (2006: 215) propose a focus on institutional work as “the purposive action of individuals and organizations aimed at creating, maintaining and disrupting institutions.” Thus, in contrast to literature focusing on institutional change at the field-level, institutional work explores the micro level processes. The central concern is to redeposit agency into institutional and organizational analysis (cf. Rasmussen et al., 2017). In particular, we follow a Giddens inspired understanding of the relation between structure and agency, where social structure is both the medium and the outcome of social action. In this perspective, the actions, interactions and negotiations between actors are the core level of analysis (Jarzabkowski, 2009), as it is through interaction that institutionalized practices are crafted, reproduced or modified, even as unintended consequences. Institutional work is well-suited for analysing how hybrid organizations are shaped in response to experiences of institutional complexity (Greenwood et al., 2011), and how responses potentially lead to the establishment of new institutions. This is relevant for understanding how organizations respond to complexity by developing ordered prescriptions that constitute legitimate behaviour, or by altering field structures to accommodate competing institutional demands. Such prescriptions can however
entail different measures in terms of how efforts to create, maintain or disrupt institution are accomplished. We therefore draw on the concept of 'trading zone' that denotes "any kind of interdisciplinary partnership in which two or more perspectives are combined and a new, shared language develops" (Collins et al., 2007: 657). Trading zones are dynamic entities that exist in different states over time depending on whether collaboration is cooperative or coerced and whether the ‘end-state’ is a heterogeneous or homogenous culture. The concept helps us to understand different states of collaboration, modes of handling incommensurability between partners and logics, and the way that the "twin dimensions of homogeneity-heterogeneity and collaboration-coercion" (Collins et al., 2007: 663) change as trading zones develop be it in a more integrated manner, in a coexisting disjunct manner or other forms. In particular, it contributes to the literature on hybrid organizations and institutional work by stressing the dynamic and processual nature of these concepts.

RESEARCH DESIGN AND METHODS

The paper draws on the findings from an ongoing five-year research project (2016-2021) on the effect of public-private partnerships for productivity improvements in the Municipality of 'Hafnia'. The focus is to theorize the impact of the partnership model in order to understand its role as a particular project delivery method. In the study, we focus on two partnerships, 'Fiducia' and 'Eruditio' and the client organization 'Aedificare' that is responsible for handling the majority of building projects for the Municipality in the coming years. The larger of the two partnerships, Fiducia, consists of six architecture, engineering and construction (AEC) companies led by a large contractor. They conduct new-built and renovation projects for a single municipal administration worth a €310 mill. The second, smaller, partnership, Eruditio, consists of five AEC companies led by a medium-sized contractor. Their work mostly involves renovation projects for the remaining six administrations in the Municipality worth a €80 mill. The primary data for the paper consists of twenty-one interviews that conducted during the spring and fall of 2017 with representatives from the client and the two partnerships. The interviews focussed on explicating institutional logics and organizational responses in trying to understand the practices leading to the establishment and initial shaping of the partnerships. In addition, we draw on observations from two strategy workshops held by both partnerships, and formal project documents comprising tender specifications, bids, internal memos, etc. detailing the formal, especially legal and economic, setup of the partnerships.

We have structured the following analysis according to three phases or 'temporal brackets' (Langley et al., 2013) in the life of the partnerships. Temporal bracketing, or decomposition, emanates from process research and involves the identification of comparative units of analysis within a stream of longitudinal data. The three phases presented in the findings are accordingly not well-defined or formalized phases in the partnerships. Rather they are constructed as "progressions of events and activities separated by identifiable discontinuities in the temporal flow" (Langley et al., 2013: 7). Central moments where established orders were questioned mark the transition from one phase to the other. This enables us to replicate theoretical ideas in successive periods and analyse specific mechanisms that recur over time.

FINDINGS

Here we present the findings focussing on the interaction and blending of logics due to the partnerships' responses to moments of institutional complexity.
Phase 1: Complexity and Conformity in the Framing of the Partnerships

Early 2016, the Municipality received a commissioned report revealing that the price of new buildings were up to 60% higher in Hafnia compared to other municipalities. The report disrupted the existing regulatory logic in the industry and Hafnia where individual tenders for individual projects otherwise were seen as a way to ensure a competitive market, and ensure the prompt delivery of a project at a fixed price and under well-established conditions of risks and distribution of responsibilities. In response to the report and Hafnia’s requirements for more cost-efficient buildings, Aedificare announced two public-private partnership tenders in June 2016, involving construction projects for a €400 million. The ambition, according to Aedificare’s Head of Construction, was to reduce uncertainties, costs associated with control and enforcement of contractual obligations and create an island of stability in an otherwise fragmented, and short-term focused industry.

Eighteen teams applied to be prequalified, and eventually Fiducia and Eruditio were selected. In their efforts to meet the contract award criteria, which had a strong focus on qualitative organizational issues, both teams drew strongly on a community logic employing notions of culture, trust, collaboration and empowerment, in their outline of the operationalization of the partnerships. We would argue that this was not a coincidence. The community logic is thus endowed with much legitimacy in the local industry due to major reform initiatives the past 20-25 years, where the lead actors in the two partnerships had been engaged. Our argument is, that the community logic made it possible for both partnerships to address, and suggest a solution to the institutional complexity they were facing that was recognizable for Aedificare, and moreover presented itself as a promising (and highly legitimate) way of integrating competing concerns that otherwise characterize public-private construction projects.

Phase 2: Culture Work and Emerging Incompatibility between Logics

Following the award of the contracts, work commenced in the two partnerships, both in relation to the Municipality’s projects, and the efforts to build the partnership organizations. Although it was the intention that the each partnership should operate as a collective entity, void of subcultures and clashes between competing company interests, regulatory conditions surrounding the tendering and contract award process influenced the partnerships’ responses. Thus, in the tender, Aedificare had stipulated the use of the general conditions for turnkey contracts making the contractor the legal subject in the framework agreement. This constituted the contractor as the legally responsible party in each of the partnerships, and gave them the formal leading role. This was a role that was supported by a market logic as well, as the success of the partnerships depended on the parties’ ability to arrange the production according to the needs of the contractor. The formal setup of the partnerships, however, attempted to mitigate the potential negative consequences of this privileged position of the contractors. The establishment of steering groups comprising several parties should assure this, but so should also the common offices established by both partnerships.

Thus, during the spring of 2017, Fiducia's management invested substantial resources in building up a shared culture in the partnership to mitigate potential conflicts due to differences between the involved companies. Installing the community logic on all levels of the organization was crucial in creating the shared culture necessary to avoid conflicts caused by different company cultures and business structures. Fiducia accordingly established common office facilities at a ‘neutral’ site where an estimated 40-45 employees from the six companies and the client organization would work on a
daily basis. The motivation for establishing the common office at a neutral location was rooted in the efforts to signal internally that employees work for and in the partnership, thus cutting all ties to the individual organizations. The ambition was accordingly to build the partnership around a shared culture that should maintain the strong community logic by breaking down potential company conflicts internally in the partnership. Eruditio also used the spring of 2017 to strengthen the collaboration by bridging individual cultures and business structures by agreeing on common work procedures and practices. Drawing on the community logic, Eruditio also chose to establish a common office. The community logic was, however, challenged by the market logic. Due to the relatively small size of Eruditio’s project portfolio, offices were established at one the involved companies’ existing premises, and because of the limited portfolio employees could not be dedicated full-time to partnership projects, but also had to work on projects tendered and completed for other clients than Hafnia. Eruditio thus decided on a solution, where the common office would house twenty employees from the partnership, working one to three days a week depending on the required workload. This use of the project office conflicted with the community logic where the common project office was a way to ensure the successful partnership.

This phase also saw the emergence of incompatibilities between the community logic and the administrative logic of managing procedures and ensuring accountability. While the administrative logic had been dormant in the first phase, it was mobilised as work on specific project began in the partnerships. A discordancy thus emerged between the municipality’s politically conditioned decision processes, and the partnerships’ operational setups that were geared towards continuous production. In particular, the administrative logic implied a gateway process for Aedificare, where decisions on e.g. financing and construction permits were taken progressively in accordance with the municipality's appropriation system. Moreover, Aedificare attempted to enforce a maximum profit margin for both partnerships, arguing that the partnerships exceeded the centrally established profit margin. Fiducia, on their terms, argued that their profit margin indeed matched the requirements, and that the reason for any discrepancies was that instead of calculating the profit margin item-for-item and project-for-project, they calculated it on portfolio level. In essence, this meant that Fiducia's accounting figures did not comply with standard reporting procedures in the municipality. These mundane symbolic and material practices effectively disrupted the community logic by disassociating an accounting practice developed for the purposes of the partnership within the context of the administrative logic.

Phase 3: Reorientation and Divergence in Organizational Responses

While some of the organizational responses were envisioned to insulate employees from complexity arising from competing institutional logics, other organizational features made the partnerships more sensitive to competing demands. Due to the size and nature of the framework agreements, both partnerships received a lot of media coverage - positive as well as negative - as different stakeholders engaged in the debate advancing other particular logics in their criticism. In particular, a regulatory logic was mobilized by a number of smaller contractors arguing that the framework agreement skewed the competitive market and had instigated a duopolistic situation, where the partnerships exploited their dominant position. This was arguably harmful to the smaller enterprises, which under normal regulated market conditions would get their share of the market for building and refurbishment in the municipality. In an attempt to address some of these concerns, Fiducia in particular chose to engage in corporate branding activities, advertising their partnership on various media platforms.
At meetings and seminars representatives from the industry were invited to hear about the partnership, and Fiducia representatives branded the partnership and disseminated the experiences. Fiducia thereby attempted to address the industry's critical voices.

Concurrently, Aedificare reoriented its efforts, and began to maintain the community logic in relation to the administrative logic by accepting different processes and reporting methods in the partnerships as long as these could be translated into their standard reporting paradigms. This hybridization or blending of logics within the client organizations was particularly important for Aedificare's Head of Construction, as employees were required to work both in accordance with administrative practices and procedures, and in the spirit of the partnership ideal. This flexibility was seen to be necessary on an operational level, as constantly changing political objectives meant that what was a rational decision on one project might be considered irrational on the next. Aedificare's employees therefore had to be able to work in accordance with the administrative logic and the community logic to meet the needs of both worlds.

In order to facilitate this flexibility, Aedificare developed guidelines anchoring experiences at organizational level rather than a purely individual level. The two partnerships, however, had different motives for engaging in this initiative and delivering data according to the new standard paradigms. Accordingly, Fiducia's project portfolio consisted exclusively of projects funded by a single administrative department in the municipality. Due to its large size, this administrative department had a professional setup, and was in a position to provide the partnership with the necessary data and resources to conduct benchmarks to monitor progress and ensure that work was on track and within specifications. On the other hand, six independent administrative departments, each with their own systems and procedures, and each with only limited resources, funded Eruditio's portfolio leading to an unresolved need in the partnership. Consequently, in response to the tension between Aedificare's requirements and the administrations' inability to provide the necessary data, Eruditio drew on the regulatory logic by developing existing accounting tools and methods to reduce operational risk, and ensure a higher degree of contractual compliance.

**DISCUSSION**

In this section, we combine insights from the analysis in order to address the question: How do activities in the partnerships interact with institutional structures at the field level, and how does the hybrid organizational responses develop? In the analysis, we have identified four distinct institutional logics that condition the institutional pluralism under which the partnerships operate: The market logic, regulatory logic, community logic, and administrative logic. The market logic is to ensure profit and the best possible delivery of client demands without the limitations often caused by the regulatory logic, which in turn is concerned with matters related to contractual compliance, risk allocation, and distribution of responsibilities. The administrative logic is to ensure transparent governance principles and manage accountability and procedures, including ensuring that budget allocation and project progress conform to the political requirements. Finally, the community logic is to ensure the commitment of individuals to the partnerships by means of culture, identity and values. On this basis, we now illustrate how the different logics were mobilized in the process of shaping the partnerships in response to institutional pluralism and complexity.

In the first phase of the partnership, the organizations engaged in practices that can be characterized mainly as institutional creation of the community logic. An explanatory factor for this is related to the characteristics of the industry, where the mythologizing
Lawrence and Suddaby, 2006) of collaboration and trust historically has been a central element in the industry's development rhetoric and agenda. We argue that the community logic presented itself as a highly legitimate solution to coping with the institutional pluralism of the partnership ideal, as it neither 'spoke in the language' (Derrida, 1985) of the administrative logic nor the market logic. Instead, it provided a third way that simultaneously spoke in the language of the private and the public part and appealed to both. All organizations engaged in this type of work, which was carried by a variety of practices that also implicitly disrupted the regulatory logic. This e.g. entailed selecting team partners based on prior working relations instead of lowest price, and developing a governance framework that focused on value creation in the entire supply-chain, instead of sub-optimization of individual work contracts.

The second phase was characterized by two major events. First, the establishment and materialization of the more symbolic contents of the tenders, Second, the emerging incompatibilities between institutional logics that had to be handled. Here, Fiducia actively continued to create and maintain the community logic by building a common office for all employees irrespective of organizational affiliation. They also engaged in activities, infusing the normative foundations of the community logic into the daily routines (Lawrence and Suddaby, 2006) of the partnership, forming cross-functional project teams and encouraging interdisciplinary teamwork. In Eruditio, the community logic-based idea of a common office as a means of establishing a unitary partnership organization was disrupted by the market logic. In an effort to mitigate the negative consequences hereof, Eruditio engaged in institutional maintaining of the community logic in relation to the regulatory logic. Thus, instead of using frequent and reciprocal, physically mediated, interaction between the different companies and professions to ensure correspondence, they legitimized their approach by means of a ‘musketeer oath’ based on the regulatory logics where each part agreed to take full responsibility for their own work, and any interfaces this might entail to other trades.

In the third phase, Fiducia and Aedificare primarily engaged in maintaining the community logic in relation to the regulatory and administrative logic. Fiducia thus engaged in creation work of the community logic by advocating the partnership and their results to the public in a direct response to the potential threatening work of critical stakeholders in the industry. Furthermore, Fiducia continued to create and maintain the community logic in order to blend or integrate practices belonging to different logics into the partnership organization, Thus, in responses to the ‘moment of crisis’ in the second phase, Fiducia continued to maintain the community logic. In contrast, Eruditio responded to the institutional complexity by hedging and improving risk assessment methodologies to counteract the negative financial consequences of the partnership model, which was characterized by uneven financing cycles and resource distribution, and a lack of structured data for benchmarking their operations.

In summary, we would argue that although the two partnerships initially responded similarly in the first phase, mobilizing the community logic, the contours of two different forms of hybrid organization emerged in the second and third phase of the project. This happened as the partnership organizations negotiated the different demands in relation to each other, and engaged in different forms of institutional work. Most notably, in relation to the concept of trading zones, we argue that the partnerships from the outset were envisioned as highly collaborative and homogenous entities functioning as ‘inter-language’ trading zones (Collins et al., 2007) where the development of an in-between vocabulary, held in place by common offices, work practices and incentive systems, was to ensure collaboration. We, however also see
that complexity arising from conflicting logics in the daily lives of the partnerships shaped different courses. In particular, conflicts between the administrative and the community logics accentuated the heterogeneity of cultures and logics involved. While Aedificare initially attempted to coerce own administrative routines as templates in both partnerships, thus giving primacy to one logic instead of opting for a strategy of blending, the two partnerships evolved differently. Fiducia thus managed to maintain a cooperative collaboration, evolving into a 'fractionated' trading zone (Collins, 2007) where different logics remained segregated but mediated by common guidelines functioning as a boundary object between the partnership and Aedificare. Eruditio, on the other hand, evolved into a 'subversive' trading zone by accepting the demands of the client organization and changing their practices accordingly.

CONCLUSIONS

This paper has reviewed the literature on hybridity to develop an understanding of partnerships, focusing on the role of institutional logics. Based on a study of two partnerships established under uniform conditions, we analysed the interplay of institutional logics in the process of shaping of hybrid forms of organizing. We showed how different logics were mobilized in the process of developing responses for handling potentially incompatible institutional demands. On this basis, we argued that two different forms of hybrid organization emerged upon the partnerships’ initial same response to the institutional demands. We therefore conclude that the partnerships can be seen as 'trading zones' that follow different trajectories in coping with institutional demands. It is, however, a question whether logics will blend and/or merge or whether the partnerships will emerge into a continued trading zone, where logics continue to be heterogeneous. It is also a question whether the partnerships will initiate a change of the field structure of the construction industry towards new, stabilized hybrid organization forms capable of delivering the promises articulated in the partnerships. This is for future parts of our longitudinal study to answer.

REFERENCES


